

**9.0 ACCOUNTANTS' REPORT**

(Prepared for inclusion in this Prospectus)

林特許會計公司  
政府特許公共會計師

**JOHN LIM & ASSOCIATES**

(A.F. No: 0393)



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**10 FEB 2004**

The Board of Directors  
UDS Capital Berhad  
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Kawasan Perindustrian Bukit Bakri  
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Dear Sirs

**UDS CAPITAL BERHAD  
ACCOUNTANTS' REPORT**  
(Prepared for inclusion in the Prospectus)

**1. Introduction**

This report has been prepared by John Lim & Associates, an approved company auditors, for inclusion in the Prospectus of UDS Capital Berhad (hereinafter referred to as "UDS") to be dated 20 February 2004 in connection with the Public Issue of 15,200,000 new ordinary shares of RM0.50 each in UDS Capital Berhad at an issue price of RM0.88 per share and the listing of and quotation for the entire enlarged issued and paid up share capital of 80,000,000 ordinary shares of RM0.50 each in UDS Capital Berhad on the Second Board of the Malaysia Securities Exchange Berhad ("MSEB").

**9.0 ACCOUNTANTS' REPORT (Cont'd)****2. GENERAL INFORMATION****(a) History**

AE Victronic Group Sdn. Bhd. was incorporated as a limited company in Malaysia on 28 December 1999 and has not commenced commercial operations to date. The Company was subsequently converted to a public limited company on 21 March 2000. On 30 October 2002, the Company changed its name to UDSIN Group Berhad and assumed its present name of UDS Capital Berhad since 20 November 2002.

The authorised share capital of the Company at the date of this report is RM100,000,000 comprising 100,000,000 ordinary shares of RM0.50 each, whilst the issued and paid-up share capital is RM32,400,000 divided into 64,800,000 ordinary shares of RM0.50 each.

Movements in issued and paid-up share capital since incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
28 Dec 1999	2	1.00	Subscribers' shares - cash	2
29 June 2002	49,998	1.00	Cash	50,000
30 Nov 2003	21,722,187	1.00	Acquisition of 100% equity interest in UDT	21,772,187
30 Nov 2003	5,329,820	1.00	Acquisition of 100% equity interested in SWS	27,102,007
22 Dec 2003	5,297,993	1.00	Rights issue on the basis of approximately 19.55 for 100 of RM0.50 each	32,400,000
9 Jan 2004	64,800,000	0.50	Share split	32,400,000

The principal activity of the Company is that of investment holding.

There were no employee in UDS as at 31 August 2003.

**(b) Restructuring and Flotation Scheme**

The restructuring and flotation exercises leading to the listing of and quotation for the entire issued and paid-up share capital of UDS on the Second Board of the MASEB comprise the following:

**(i) Acquisition by UDS**

- (a) Acquisition of the entire issued and paid-up share capital of UDT from the existing shareholders based on UDT's audited consolidated NTA as at 31 August 2002 for a total purchase consideration of RM23,134,129. The purchase consideration was wholly satisfied by an allotment and issue of 21,722,187 new ordinary shares of RM1.00 each in UDS at an issue price of approximately RM1.07 per share; and
- (b) Acquisition of the entire issued and paid-up share capital of SWS from the existing shareholders based on SWS's audited consolidated NTA as at 31 August 2002 for a total purchase consideration of RM5,676,258. The purchase consideration was wholly satisfied by an allotment and issue of 5,329,820 new ordinary shares of RM1.00 each in UDS at an issue price of approximately RM1.07 per share.

**9.0 ACCOUNTANTS' REPORT (Cont'd)****2. GENERAL INFORMATION - cont'd****(b) Restructuring and Flotation Scheme - continued**

Subsequent to the acquisition of UDT, UDS acquired 99.42% equity interest in UDI and 100.00% equity interest in UDP (2 of the existing subsidiary companies of UDT) from UDT for a total cash consideration of RM8,864,718 as follows:-

	<b>UDT'S Equity Interest %</b>	<b>Purchase Consideration * RM</b>
UDI	99.42	6,432,163
UDP and its subsidiary companies	100.00	2,432,555
		<u>8,864,718</u> =====

\* *The purchase consideration of UDI and UDP was arrived at based on the audited NTA value as at 31 August 2002.*

The abovementioned cash acquisitions were in line with UDS internal reorganization to rationalize its corporate structure.

**(ii) Rights issue**

The rights issue of 5,297,993 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share on the basis of approximately 19.55 new ordinary shares for every 100 existing ordinary shares held in UDS based on the issued and paid-up share capital of 27,102,007 ordinary shares.

Certain shareholders will renounce proportionately a total of 3,266,407 rights shares of RM1.00 each in UDS to the existing Bumiputera shareholders, namely Orchid City Sdn. Bhd., Impresif Irama Sdn. Bhd. and Irama Jiwa Sdn. Bhd., in order to meet the 25.0% Bumiputera equity interest for the Public Listing.

**(iii) Share split**

After the acquisitions and rights issue UDS sub-divided the par value of its ordinary shares from a par of RM1.00 per ordinary share to RM0.50 per ordinary share.

**(iv) Public issue**

Public issue of 15,200,000 new ordinary shares of RM0.50 each, representing 19% of the enlarged issued and paid-up share capital of 80,000,000 ordinary shares, at an issue price of RM0.88 per share and to be allocated in the following manner:-

**(a) Malaysian Public**

6,000,000 Public Issue Shares of RM0.50 each to be made available for application by Malaysian public;

**(b) Private Placement**

2,000,000 Public Issue Shares of RM0.50 each to be reserved for private placement to identified investors;

**(c) Eligible directors, employees and persons who have contributed to the success of the UDS Group**

4,000,000 Public Issue Shares of RM0.50 each to be reserved for eligible directors, employees and persons who have contributed to the success of the UDS Group;

**9.0 ACCOUNTANTS' REPORT (Cont'd)****2. GENERAL INFORMATION - cont'd****(d) Approved Bumiputera inventors**

3,200,000 Public Issue Shares of RM0.50 each reserved for Bumiputera investors to be approved by the MITI.

**(v) Public listing**

The listing of and quotation for its entire issued and paid-up share capital comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of the MASEB.

The above scheme was approved by the following:

- (i) Securities Commission ("SC") on 30 September 2003, 8 January 2004;
- (ii) MITI on 23 July 2003, 2 October 2003; and
- (iii) Foreign Investment Committee on 28 April 2003

**3. SUBSIDIARY COMPANIES**

The information on the subsidiary companies, all of which are private limited companies incorporated in Malaysia, is set out below:-

**(a) Syarikat UD Trading Sdn. Bhd. ("UDT")**

UDT was incorporated as a private limited company on 20 May 1982 and commenced commercial operations on 1 June 1982 after assuming its core operations of Syarikat Yew Lee Trading.

The authorised share capital of UDT at the date of incorporation was RM250,000 comprising 250,000 ordinary shares of RM1.00 each. On 1 February 1993, UDT increased its authorised share capital from RM250,000 to RM500,000 by the creation of 250,000 ordinary shares of RM1.00 each and further increased its authorised share capital to RM1,000,000 by the creation of 500,000 ordinary shares of RM1.00 each in 1998. On 29 May 2002, the authorised share capital was increased to RM5.0million by the creation of an additional 4.0 million ordinary shares of RM1.00 each.

The movements in issued and paid-up share capital since its incorporation are as follows:-

Date of allotment	No. of shares	Par Value RM	Consideration	Total issued and paid-up share capital
				RM
20 May 1982	4	1.00	Subscribers' shares - cash	4
19 April 1983	70,000	1.00	Issue pursuant to the acquisition of partnership Syarikat Yew Lee Trading	70,004
31 Dec 1984	49,996	1.00	Cash	120,000
14 May 1988	80,000	1.00	Cash	200,000
19 April 1993	50,000	1.00	Cash	250,000
01 Dec 1993	150,000	1.00	Cash	400,000
13 April 1998	600,000	1.00	Bonus issue	1,000,000
30 May 2002	300,000	1.00	Cash	1,300,000

The Company is principally engaged in the business of furniture, plywood, small hardware, parts and equipment dealing. There have been no significant changes in the principal activities during the past five years.

**9.0 ACCOUNTANTS' REPORT (Cont'd)****3. SUBSIDIARY COMPANIES - cont'd****(b) Sin Wee Seng Industries Sdn. Bhd. ("SWS")**

SWS was incorporated as a private limited company in Malaysia on 8 June 1995 and commenced commercial operations on 1 July 1996 after assuming its core operations of Sin Wee Seng.

The authorised share capital of SWS at the date of incorporation was RM250,000 comprising 250,000 ordinary shares of RM1.00 each and at the date of this report is RM1,000,000.

The movements in issued and paid-up share capital since its incorporation are as follows:-

Date of allotment	No. of shares	Par value RM	Consideration	Total issued and paid-up share capital
				RM
8 June 1995	2	1.00	Subscribers' shares - cash	2
10 June 1996	37,198	1.00	Cash	37,200
10 June 1996	37,800	1.00	Issue pursuant to the acquisition of Sin Wee Seng, sole proprietorship	75,000
15 Aug 1997	175,000	1.00	Bonus issue 7:3	250,000
31 July 2001	250,000	1.00	Bonus issue 1:1	500,000
29 June 2002	250,000	1.00	Cash	750,000

The principal activities of the Company are the manufacture of seatee and sofa.

There have been no significant changes in the principal activities during the past five years.

**(c) U.D. Industries Sdn. Bhd. ("UDI")**

Uheng Sdn. Bhd. was incorporated as a private limited company in Malaysia on 16 January 1990 and commenced commercial operations on 1 February 1990. On 28 January 1994, the Company changed its name to Uheng Industries Sdn. Bhd. and subsequently changed name to U.D. Industries Sdn. Bhd. on 27 January 2000 and assumed the name of U.D. Industries Sdn. Bhd. since then.

The authorised share capital of the Company at the date of this report is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, whilst the issued and paid-up share capital is RM2,735,000 divided into 2,735,000 ordinary shares of RM1.00 each.

**9.0 ACCOUNTANTS' REPORT (Cont'd)****3. SUBSIDIARY COMPANIES - cont'd****(c) U.D. Industries Sdn. Bhd. ("UDI") - cont'd**

Movements in issued and paid-up share capital since incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
16 Jan 1990	3	1.00	Subscribers' shares - cash	3
15 April 1995	274,997	1.00	Cash	275,000
15 April 1995	575,000	1.00	Satisfaction of debts	850,000
2 May 1995	885,000	1.00	Cash (at premium of 25¢ per share)	1,735,000
27 July 1996	1,000,000	1.00	Cash	2,735,000

The principal activities are the manufacture of packing staples and nails.

There have been no significant changes in the principal activities during the past five years.

**(d) Dimensi Alam Sdn. Bhd. ("DA")**

DA was incorporated as a private limited company in Malaysia on 16 September 1998 and commenced commercial operations thereafter.

The authorised share capital of DA at the date of incorporation was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and remained the same up to the date of this report.

The movements in issued and paid-up share capital since its incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
16 Sept 1998	2	1.00	Subscribers' shares - cash	2
13 Nov 1998	9,998	1.00	Cash	10,000
30 June 2002	90,000	1.00	Cash	100,000

The principal activity of the Company is the business of property investment.

There has been no significant change in the principal activity during the period from 16 September 1998 to 31 August 2003.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**3. SUBSIDIARY COMPANIES - cont'd****(e) U.D. Panelform Sdn. Bhd. ("UDP")**

Landwise Industries Sdn. Bhd. was incorporated as a private limited company in Malaysia on 23 May 1984. On 30 December 1994, the Company changed its name to Panelform Sdn. Bhd. and the Company was subsequently changed name to U.D. Panelform Sdn. Bhd. on 21 July 2000 and assumed the name of U.D. Panelform Sdn. Bhd. since then.

The authorised share capital of the Company at the date of this report is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, whilst the issued and paid-up share capital is RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each.

Movements in issued and paid-up share capital since incorporated are as follows:-

Date of allotment	No. of shares	Par Value RM	Consideration	Total issued and paid-up share capital RM
25 May 1984	2	1.00	Subscribers' shares - cash	2
25 May 1987	39,998	1.00	Cash	40,000
30 June 1995	260,000	1.00	Cash	300,000
11 Aug 2001	700,000	1.00	Cash	1,000,000

The Company commenced operations in the manufacture of office and kitchen furniture and related products on 1 June 1995.

There have been no significant changes in the principal activities during the past five years except for the addition of lamination operations in year of 2001.

**9.0 ACCOUNTANTS' REPORT (Cont'd)****3. SUBSIDIARY COMPANIES - cont'd****(f) Evergreen Trend Sdn. Bhd. ("EGT")**

EGT was incorporated as a private limited company in Malaysia on 14 September 1999 and commenced operations on 13 July 2001 after acquisition of long leasehold land.

The authorised share capital of EGT at the date of incorporation was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and remained the same up to the date of this report.

The movements in issued and paid-up share capital since its incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
14 Sept 1999	2	1.00	Cash	2
5 July 2001	99,998	1.00	Cash	100,000

The principal activity of the Company is the business of property investment.

There has been no significant change in the principal activity from 13 July 2001 to 31 August 2003.

**(g) U.D. Wood Products Sdn. Bhd. ("UDW")**

Syarikat U. D. Plantation Sdn. Bhd. was incorporated as a private limited company in Malaysia on 17 September 1996 and has commenced commercial operations on 1 November 2001. On 8 February 2000, the Company changed its name to U.D. Wood Products Sdn. Bhd. and assumed the name of U.D. Wood Products Sdn. Bhd. since then.

The authorised share capital of the Company at the date of this report is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, whilst the issued and paid-up share capital is RM320,004 divided into 320,004 ordinary shares of RM1.00 each.

Movements in issued and paid-up share capital since incorporated are as follows:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
17 Sept 1996	4	1.00	Cash	4
12 Nov 2001	320,000	1.00	In exchange of machinery	320,004

The principal activity of the Company is the manufacture of wooden furniture and sub-contract for furniture companies.

There has been no significant change in the principal activity from 1 November 2001 to 31 August 2003.



**9.0 ACCOUNTANTS' REPORT (Cont'd)****3. SUBSIDIARY COMPANIES - cont'd****(h) Oriena Industry Sdn. Bhd. ("ORI")**

ORI was incorporated as a private limited company in Malaysia on 3 June 1993 and commenced operations in property investment on 8 November 1993.

The authorised share capital of ORI at the date of incorporation was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and remained the same up to the date of this report.

The movements in issued and paid-up share capital since its incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
3 June 1993	2	1.00	Subscribers' shares	2
			- Cash	
22 Feb 1994	99,998	1.00	Cash	100,000

There has been no significant change in the principal activity during the last past five years.

**(i) Starlight Industry Sdn. Bhd. ("SI")**

SI was incorporated as a private limited company in Malaysia on 22 June 1993 and commenced commercial operations on 1 February 1999 after completion and put into use its factory.

The authorised share capital of SI at the date of this report was RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

The movements in issued and paid-up share capital since its incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par Value RM</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
22 June 1993	2	1.00	Subscribers' shares	2
			- Cash	
22 Feb 1994	99,998	1.00	Cash	100,000
24 Mar 1997	400,000	1.00	Bonus issue	500,000

The principal activity of the Company is the property investment.

There has been no significant change in the principal activity from 1 February 1999 to 31 August 2003.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**4. FINANCIAL STATEMENTS AND AUDITORS**

**4.1** The financial statements included in this Report, which are the responsibility of the directors of the UDS Group, have been prepared on the basis consistent with the accounting policies normally adopted by the UDS Group and comply with applicable approved accounting standards issued or adopted by the Malaysian Accounting Standards Board ("MASB") except for the adoption of MASB 25 (as disclosed in paragraph 7(l)) which is applied retrospectively.

**4.2 AUDITORS**

We have acted as the statutory auditors of UDT, UDI, UDP, UDW and EGT for the relevant financial period except for the following:

- (a) UDP for the financial year ended on 31 July 1999; and
- (b) The financial statements for the relevant financial period of SWS, SI, ORI, UDS and DA were audited by other firms of auditors.

**4.3 AUDITORS' REPORTS**

The financial statements of the above companies for all the relevant financial periods/years covered in this report were reported without any qualification and did not include any emphasis of matter.

**4.4 RELEVANT FINANCIAL PERIOD**

The relevant financial period for the purpose of this report is as follows:-

<b>Company</b>	<b>Relevant Financial Period</b>
UDS	28 December 1999 (Date of incorporation) to 31 December 2000, year ended 31 December 2001, 8 months ended 31 August 2002 and year ended 31 August 2003
UDT	Years ended 31 May 1999 to 2001, 15 months ended 31 August 2002 and year ended 31 August 2003
UDI	Year ended 31 March 1999, 14 months ended 31 May 2000, year ended 31 May 2001 and 15 months ended 31 August 2002 and year ended 31 August 2003
UDP	Year ended 31 July 1999, 10 months ended 31 May 2000, year ended 31 May 2001, 15 months ended 31 August 2002 and year ended 31 August 2003
EGT	14 September 1999 (Date of incorporation) to 21 January 2001, year ended 31 January 2002, 7 months ended 31 August 2002 and year ended 31 August 2003
UDW	year ended 31 January 1999, 16 months ended 31 May 2000, year ended 31 May 2001, 15 months ended 31 August 2002 and year ended 31 August 2003
SWS	Years ended 30 June 1999 to 2001, 14 months ended 31 August 2002 and year ended 31 August 2003
DA	6 months ended 31 March 1999, years ended 31 March 2000 and 31 March 2002, 5 months ended 31 August 2002 and year ended 31 August 2003
ORI & SI	Years ended 30 June 1999 to 2002, the two months ended 31 August 2002 and year ended 31 August 2003

**9.0 ACCOUNTANTS' REPORT (Cont'd)****5. DIVIDENDS**

Details of dividends declared or paid by the Proforma Group for the past five (5) financial years ended 31 August 2003, are as follows:

UDT: Financial year ended	Issued and paid-up share capital on which dividend is paid RM	Gross dividend rate %	Tax rate %	Net dividend RM
31 August 2002	1,000,000	159	Tax exempt	1,590,000

**6. BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

UDS was dormant from the date of incorporation on 28 December 1999 until it became an investment holding company pursuant to the restructuring scheme on 30 November 2003. As such, the proforma consolidated financial statements as set out in this report have been prepared for illustrative purposes only had the group been in existence since 1 September 1998. The proforma consolidated financial statements of UDS Group are based on the audited financial statements of UDT, SWS and subsidiaries on the assumption that UDS has been incorporated and the acquisition of UDT and SWS have been completed on 1 September 1998.

The financial statements of UDT and SWS and its subsidiaries have also been presented individually as set out in this report.

**7. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by the Proforma Group and the Company in the preparation of the audited financial statements are as follows:-

**a) Accounting basis**

The financial statements are prepared under the historical cost convention modified by the revaluation of certain freehold land and building of subsidiary companies which were revalued by the directors in 1997 based on an independent professional valuation and in conformity with applicable approved accounting standards in Malaysia.

**b) Basis of consolidation**

Subsidiary companies are those enterprises in which the Company has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiary companies are consolidated from the date on which control is transferred to the Proforma Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of consolidation.

Under the acquisition method, the differences between the purchase consideration over the sum of the fair value of the identifiable net assets of the subsidiary companies at the date of acquisition is included in the consolidated financial statements as goodwill on consolidation. The results of subsidiary companies acquired or disposed of during the financial year are included in the Proforma Group financial statements from the effective date of acquisition or up to the effective date of disposal.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**

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**7. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****b) Basis of consolidation - cont'd**

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated on consolidation unless the cost cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Proforma Group's share of its net assets together with any unamortised balance of goodwill were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

**c) Investment properties**

Investment properties consist of investment in freehold land and condominium, long leasehold condominium and land that are not substantially occupied for use or in the operations of the Proforma Group and are held for long term purposes for their investment potential and rental revenue. Investment properties are stated at cost which the directors considered as the fair value and are not depreciated. Revaluations are to be performed by an independent valuer at least and every five years. Additions subsequent to the date of the last valuation are stated at cost.

Increase in the carrying amount of the asset are credited to revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve, all other decreases are charged to income statement.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement, any amount in revaluation reserve relating to that investment property is transferred to retained earnings.

**d) Investments**

Investment in subsidiary companies and unquoted shares are shown at cost less impairment losses.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is charged or credited to income statements.

Investment in quoted shares is carried at lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement. On disposal of marketable securities, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**7. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****e) Goodwill or negative goodwill**

Goodwill or negative goodwill represents the differences between the purchase consideration for an acquisition over the sum of the fair value of the identifiable net assets at the date of acquisition. It includes goodwill on consolidation and purchased goodwill.

Goodwill is stated at cost less accumulated amortisation and impairment losses.

Goodwill or negative goodwill is amortised/credited systematically over the period of time during which the benefits are expected to arise. However, the period of allocation does not exceed ten (10) years.

The carrying amount of goodwill is reviewed annually and is written down immediately where it is considered necessary.

Negative goodwill is presented in the same balance sheet classification as goodwill.

**f) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Gain or loss arising from the disposal of an item of property, plant and equipment is determined by the difference between the net disposal proceeds and its carrying amount and is credited or charged to income statements.

**g) Depreciation**

Freehold land and building under construction are not amortised.

All the other property, plant and equipment are depreciated on the straight line method calculated to write off the assets over their estimated useful lives.

The annual rates in use are as follows:-

Air-conditioners	10%
Computers	20%
Electrical installation	10% - 20%
Freehold building, factory, shop, store, warehouses and workshop	2%
Furniture and fittings	5% - 10%
Long leasehold land	Over leasehold period of 96 and 97 years
Motor vehicles	20%
Office equipment	10%
Plant, machinery and equipment	10% - 20%
Renovation	20%
Signboard	10%

Certain freehold land and building of the Proforma Group have not been revalued since they were first revalued in 1997. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of IAS 16 (Revised) : Property, Plant and Equipment, these assets continue to be stated at their 1997 valuation less accumulated depreciation.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**

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**7. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****h) Inventories**

Inventories are valued at the lower of cost (determined principally on first-in first-out method) and net realisable value.

Cost of finished goods and work-in-progress represents raw materials, direct labour and the appropriate production overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less cost of completion and selling expenses. In arriving at net realisable value, due allowances are made for all obsolete and slow-moving items.

**i) Receivables**

Trade and other receivables are stated at cost less allowances for doubtful debts.

Known bad debts are written off while provision for doubtful debts is made for debts considered to be doubtful of collection.

**j) Liabilities**

Borrowings and trade and other payables are stated at cost.

**k) Hire purchase**

Assets held under hire purchase agreements are capitalised in the balance sheet and are depreciated in accordance with the policy set out in (g) above. Outstanding obligations due under the hire purchase agreements after deducting finance expenses are included as liabilities in the financial statements. The finance expenses are charged to the income statement to give a constant periodic rate of interest in the remaining hire purchase liabilities.

**l) Income tax**

Tax expense is the aggregate amount of current and deferred tax included in the determination of net profit or loss. The tax rates enacted or substantively enacted by the balance sheet date are used to determine the current tax.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, or unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Prior to the adoption of MASB 25 Income Taxes, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in note 9.11 to the financial statements.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**7. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****m) Currency translations**

Foreign currency transactions are converted into Malaysian Ringgit at the rates of exchange approximating those ruling at the transaction dates and where settlement had not taken place at balance sheet date, at the approximate rates ruling at that date. Exchange gains and losses are recognised in the income statements.

The exchange rates ruling at the balance sheet date used at the respective financial years/periods end are:

	1999	2000	2001	2002	2003
1 US Dollar	3.81	3.81	3.80	3.80	3.80
1 New Taiwan Dollar	0.11	0.11	0.11	0.11	0.11
1 Singapore Dollar	-	-	2.10	2.17	2.10
1 Euro Dollar	-	-	-	-	4.14
1 Australian Dollar	-	-	-	2.10	-

**n) Provisions**

Provisions are recognised when the Proforma Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

**o) Interest-bearing borrowings**

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

**p) Revenue recognition**

- i) Revenue from sale of goods is recognised in the income statement upon delivery of goods.
- ii) Revenue from services rendered is recognised upon performance of services.
- iii) Dividend income is recognised when the right to receive payment is established.
- iv) Rental and interest income are recognised in the income statement on accrual basis.

**q) Dividends**

Dividend payments are accounted for in shareholders equity as an appropriation of retained profit in the year in which the shareholder's right to receive payment is established.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**

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**7. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****r) Financial instruments**

The accounting policies for financial instruments recognised on the balance sheets which include cash and bank balances, trade and other receivables and payables, borrowings and investments are disclosed in their respective accounting policies.

The Proforma Group is not party to any financial instruments other than those recognised in the balance sheets.

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. These instruments are offset when the Proforma Group has legally enforceable rights to offset and intent to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The carrying amounts of financial instruments with a maturity of less than one year are assumed to approximate their fair values. For long term borrowings, fair values have been determined by discounting the relevant cash flows using current interest rates as at the balance sheet date.

**s) Employee leave entitlement**

No accrual of unutilised annual leave is provided in the financial statements as it is the Proforma Group's policy to disallow it to be carried forward.

**t) Impairment of assets**

At each balance sheet date, the Proforma Group review the carrying amounts of its assets, other than inventories and receivables, to determine whether there is any indication of impairment. If such indication of impairment exists, the recoverable amount of the assets is determined and the carrying amount of the assets is written down immediately to its recoverable amount. Impairment loss is charged to income statements. Any reversal of an impairment loss will be immediately recognised as income.

The recoverable amount of each asset or cash generating unit is estimated based on the greater of its net selling price and its value in use, which is measured by reference to discounted future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For impairment on a revalued asset, the impairment loss is charged against the revaluation reserve to the extent of the surplus credited from the previous revaluation of the same asset.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

**u) Deferred expenditure**

Deferred expenditure, which relates to the expenditure incurred for the listing of shares of the Company on the Second Board of the Malaysia Securities Exchange Berhad, is stated at cost and will be set off against share premium upon the listing of the shares of the Company.

**v) Cash flow statement**

The cash flow statement is prepared by using the indirect method.

Cash and cash equivalents for the purpose of the cash flow statements include cash in hand, demand deposits and short term, highly liquid investment readily convertible to known amounts of cash and subject to insignificant risk of changes in value, against which the bank overdraft balances, if any, are deducted.



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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8. SUMMARISED FINANCIAL STATEMENTS****8.1.1 Proforma UDS - Proforma Consolidated Income Statements**

The summarised proforma consolidated income statements of UDS for the past 5 financial years ended 31 August 2003, which have been prepared based on the audited financial statements of UDS, UDT, SWS, DA, UDI, UDP, EGT, UDW, ORI and SI for the relevant financial years/periods are provided for illustrative purposes, on the assumption that UDS had been in existence throughout the financial years and periods under review, and after making such adjustments considered necessary to reflect them on a consistent basis.

	Financial years ended 31 August				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Group					
Revenue	57,788	64,724	65,679	66,868	74,154
Cost of sales	(47,084)	(52,363)	(51,490)	(50,285)	(53,972)
Gross profit	10,704	12,361	14,189	16,583	20,182
Other operating income	65	216	304	2,406	335
Operating expenses	(4,731)	(6,060)	(6,288)	(8,259)	(9,881)
Profit before depreciation, interest and taxation	6,038	6,517	8,205	10,730	10,636
Depreciation	(335)	(640)	(662)	(651)	(666)
Interest expense	(575)	(891)	(1,060)	(1,180)	(2,000)
Share of profit in associate	135	-	-	-	-
Profit before taxation and exceptional items	5,263	4,986	6,483	8,899	7,970
Exceptional items	749	1,231	-	-	-
Profit before taxation and minority interest	6,012	6,217	6,483	8,899	7,970
Taxation	(510)	(1,429)	(1,411)	(2,076)	(1,842)
Profit after taxation	5,502	4,788	5,072	6,823	6,128
Minority interests	-	(2)	(3)	(86)	(37)
Net profit for the year	5,502	4,786	5,069	6,737	6,091
Issued and paid-up share capital assumed in issue ( '000 shares)	54,204	54,204	54,204	54,204	54,204
Gross earnings per share (Sen)	11.09	11.47	11.96	16.42	14.70
Net earnings per share (Sen)	10.15	8.83	9.35	12.43	11.24

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.1.1 Proforma UDS - cont'd****Notes:**

- a) The proforma consolidated results for the five financial years ended 31 August 2003 are prepared on the basis that the Proforma Group had been effective throughout the periods under review and have been prepared on a time apportionment basis as UDT and SWS had different financial year end prior to the financial year ended 31 August 2002. The proforma consolidated results for these years have been prepared on a time apportionment basis to 31 August 2002, based on the audited financial statements for all its subsidiary companies. The proforma consolidated results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the individual subsidiary companies.

In preparing the proforma consolidated results for the financial year ended 31 August 2003, adjustment was made on reversal of deferred tax asset arising from recognition of unutilised reinvestment allowance by a subsidiary company. This adjustment was made to the financial statements to comply with Para 27 of the MASB 11 so as to use a uniform accounting policy. The effect of the adjustment is to reduce the after tax profit by RM290,000.

- b) The gross earnings per share has been calculated based on the profit before taxation and the number of ordinary shares of UDS assumed in issue of 54,204,014 ordinary shares of RM0.50 each.
- c) The net earnings per share has been calculated based on the profit after taxation and minority interest and the number of ordinary shares of UDS assumed in issue of 54,204,014 ordinary shares of RM0.50 each.
- d) There were no extraordinary or exceptional items in all the financial years under review other than the exceptional items in the following financial years/periods:

		RM'000
31 August 1999	Waiver of sum due to trade payables	702
	Waiver of sum due to former related company	3
	Waiver of sum due to former holding company	44
		749
		=====
31 August 2000	Waiver of sum due to former related companies	1,231
		=====

- e) Revenue

Revenue for the financial period ended 31 August 1999 increased by 9.76% to RM57.79 million mainly due to the export sales of SWS which grew significantly by approximately 49.98% or RM4.16 million.

The increase in Proforma Group's consolidated revenue for the financial year 2000 was mainly due to strong marketing team and the introduction of "KD" products.

The revenue increase in 2003 was mainly due to capture of additional market share of laminated products and aggressive promotion of overseas market.

- f) Profit before taxation

Profit before taxation for the financial period ended 31 August 1999 increased by 42.97% to RM6.01 million due to the increase in revenue and the increase in the profit margin as a result of improved production efficiency.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.1.1 Proforma UDS - cont'd**

## f) Profit before taxation - cont'd

Profit before taxation for the financial period ended 31 August 2002 increased by 37.27% to RM8.899 million mainly due to gain on disposal of landed property, plant and equipment, which amounted to approximately RM1.55 million.

Profit before taxation for the financial period ended 31 August 2003 decreased by 10.44% to RM7.970 million mainly due to higher finance cost and increase of bad debts written off.

## g) Taxation

The effective tax rates of the Proforma Group for the financial years under review were lower than the statutory income tax rates mainly due to:

- a) exceptional item as mentioned in paragraph (d) above was non trade nature and therefore non-taxable.
- b) the provision of taxation in waiver year was in respect of deferred taxation
- c) claim of export allowance and utilisation reinvestment allowance granted under Schedule 7A of the Income Tax Act, 1967.
- d) reversal of deferred taxation by UDI and gain on disposal of a property by UDT which was subject to 5% of Real Property Gains Tax.

## h) Profit After Tax (PAT)

The higher PAT in 1999 was attributed to tax waiver under Income Tax (Amendment) Act, 1999.

The PAT increase in 2002 was mainly due to gain of RM1.55 million on disposal of a property which was subject to Real Property Gains Tax at a much lower rate of 5%.

The increase in PAT for 2003 was mainly due to increase in revenue.

## i) Change of Accounting Policies

As an uniform basis of the Group, the accounting policies had been changed in year 2000 in respect of:

- i) depreciation for UDT from reducing balance method to the straight line method. This change had an impact on the financial statements for 2000 by an increase of depreciation charge by RM173,220.
- ii) stock valuation for UDP from weighted average method to first-in first-out method. The change in the method did not have a material impact on the financial statements.

## j) All significant inter company transactions have been eliminated on consolidation and the consolidation results reflect external transactions only.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.1.2 Proforma Consolidated Balance Sheets**

All the purchase consideration for the acquisition as stated in Section 2(b) of this report is calculated on adjusted audited NTA based on the audited financial statements of the subsidiary companies as at 31 August 2002, it is therefore impracticable to present proforma balance sheets of UDS Group throughout the financial years/periods under review. Accordingly, the individual balance sheets of the subsidiaries have been presented. The proforma balance sheet UDS Group has only been presented in respect of 31 August 2003 based on the latest audited statement of assets and liabilities of UDS Group as at 31 August 2003 as shown in Section 9 of this Report.

In addition, the balance sheets were not significantly affected by transactions and balances between the corporations to which they relate, except to the extent stated in the report.

**8.1.3 Consolidated Statements of Changes In Equity**

The consolidated statements of changes in equity of UDS Group were not prepared as the UDS Group has not been established as at 31 August 2003. Hence, it was impracticable for this report to deal with the consolidated statements of changes in equity of UDS and its subsidiary companies as a whole. Accordingly, it was preferable that this report deals with the statement of changes in equity of each subsidiary company individually for the financial years/periods from 1999 to 2003 and the statements of changes in equity were not significantly affected by transactions and balances between the corporations to which they relate, except to the extent stated in the report.

**8.2.1 BALANCE SHEETS OF UDS**

	13 months ended 31 December 2000 RM'000	Financial year ended 31 December 2001 RM'000	8 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
<b><u>Current Assets</u></b>				
Other receivables	-	-	-	650
Cash in hand	-	-	1	1
	-	-	1	651
<b><u>Current Liabilities</u></b>				
Other payables	7	9	1	652
Due to directors	40	40	-	-
	47	49	1	652
Net current liabilities	(47)	(49)	-	(1)
Financed by:				
Share capital	*	*	50	50
Accumulated loss	(47)	(49)	(50)	(51)
Shareholders' fund	(47)	(49)	-	(1)
Net tangible assets per ordinary share (RM)	(23,500)	(24,500)	-	(0.02)

\* Nominal : RM2.00

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.2.2 INCOME STATEMENTS OF UDS**

	13 months ended 31 December 2000 RM'000	Financial year ended 31 December 2001 RM'000	8 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
Revenue	-	-	-	-
Operating expenses	(47)	(2)	(1)	(1)
Loss before depreciation, interest and taxation	(47)	(2)	(1)	(1)
Depreciation	-	-	-	-
Interest expenses	-	-	-	-
Loss before taxation	(47)	(2)	(1)	(1)
Taxation	-	-	-	-
Net loss for the year/period	(47)	(2)	(1)	(1)
Weighted average number of ordinary shares in issue ('000)	*	*	13	50
Gross/Net loss per share (RM)	21,692.31	1,000.00	0.12**	0.02

\* Nominal : RM2.00

\*\* Annualised

Note:-

- 1) The gross/net loss per share have been calculated based on the pre-tax/after-tax loss divided by the weighted average number of ordinary shares in issue of the respective years/periods.
- 2) UDS remained dormant since its incorporation on 28 December 1999
- 3) There were no extraordinary or exceptional items during the year/periods under review

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.2.3 STATEMENT OF CHANGES IN EQUITY OF UDS**

	Issued and fully paid ordinary shares of RM1 each		
	Share Capital RM'000	Accumulated Loss RM'000	Total RM'000
At date of incorporation	*	-	-
Loss for the period	-	(47)	(47)
As at 31 December 2000	*	(47)	(47)
Loss for the year	-	(2)	(2)
As at 31 December 2001	*	(49)	(49)
Increase of share capital	50	-	50
Loss for the period	-	(1)	(1)
As at 31 August 2002	50	(50)	-
Loss for the year	-	(1)	(1)
As at 31 August 2003	50	(51)	(1)

**Note:**

There was no statement of changes in equity prior to financial year 31 December 2000.

\* Nominal : RM2.00

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.3.1 BALANCE SHEETS OF UDT**

	← Financial years ended →			15 months	Financial
	1999	31 May 2000	2001	ended 31 August 2002	year ended 31 August 2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	5,489	5,469	6,927	5,386	8,821
Investment properties	-	-	-	1,287	1,517
Unquoted investments	10	5	5	-	1,220
Quoted investments	55	417	586	586	777
Subsidiary companies	150	4,088	5,440	5,659	5,659
Associated company	876	817	1,088	-	-
Deferred expenditure	-	-	-	-	552
<b><u>Current Assets</u></b>					
Inventories	2,583	2,713	5,778	9,209	9,792
Trade receivables	12,673	11,434	9,773	16,455	16,858
Other receivables	3,932	4,084	4,540	4,602	3,760
Due from director	15	650	317	-	-
Due by subsidiary companies	-	-	311	4,665	3,813
Fixed deposit	498	-	-	-	-
Tax recoverable	-	-	-	-	377
Cash and bank balances	726	865	388	1,081	875
	<u>20,427</u>	<u>19,746</u>	<u>21,107</u>	<u>36,012</u>	<u>35,475</u>
<b><u>Current Liabilities</u></b>					
Trade payables	11,552	11,464	8,594	10,543	6,841
Other payables	155	372	375	426	311
Due to directors	56	56	56	-	5
Due to subsidiary company	-	-	-	2,600	5,407
Taxation	571	1,231	613	313	-
Hire purchase payables	121	74	42	100	18
Bank borrowings	2,121	1,637	7,090	13,368	16,794
	<u>14,576</u>	<u>14,834</u>	<u>16,770</u>	<u>27,350</u>	<u>29,376</u>
Net Current Assets	5,851	4,912	4,337	8,662	6,099
<b><u>Non-current liabilities</u></b>					
Term loans	(880)	(1,412)	(1,614)	(1,023)	(1,645)
Hire purchase payables	(24)	(42)	-	(26)	-
Deferred taxation	(134)	(131)	(117)	(106)	(110)
	<u>11,393</u>	<u>14,123</u>	<u>16,652</u>	<u>20,425</u>	<u>22,890</u>
Financed by:					
Share capital	1,000	1,000	1,000	1,300	1,300
Retained profit	10,393	13,123	15,652	19,125	21,590
Shareholders' fund	<u>11,393</u>	<u>14,123</u>	<u>16,652</u>	<u>20,425</u>	<u>22,890</u>
Net tangible assets per ordinary share (RM)	11.39	14.12	16.65	15.71	17.18

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.3.2 INCOME STATEMENTS OF UDT**

	← Financial years ended →			15 months	Financial
	1999 RM'000	31 May 2000 RM'000	2001 RM'000	ended 31 August 2002 RM'000	year ended 31 August 2003 RM'000
Revenue	42,725	47,363	47,787	61,426	52,677
Cost of goods sold	(36,046)	(39,749)	(39,701)	(49,640)	(42,977)
Gross profit	<u>6,679</u>	<u>7,614</u>	<u>8,086</u>	<u>11,786</u>	<u>9,700</u>
Other income	26	94	166	1,779	194
	<u>6,705</u>	<u>7,708</u>	<u>8,252</u>	<u>13,565</u>	<u>9,894</u>
Operating expenses	<u>(2,274)</u>	<u>(2,967)</u>	<u>(3,320)</u>	<u>(5,324)</u>	<u>(4,940)</u>
Profit before depreciation, interest and taxation	4,431	4,741	4,932	8,241	4,954
Depreciation	(341)	(521)	(566)	(634)	(448)
Interest expenses	(254)	(259)	(344)	(740)	(895)
Share of profit/(loss) of associated company	134	(3)	-	-	-
Profit before taxation	3,970	3,958	4,022	6,867	3,611
Taxation	(60)	(1,228)	(1,281)	(1,804)	(1,146)
Current	-	(1,231)	(1,295)	(1,739)	(1,127)
Under provision in prior year	(9)	-	-	(1)	(4)
Share of associate tax	(46)	-	-	-	-
Real property gains tax	-	-	-	(75)	(12)
Deferred tax	(5)	3	14	11	(3)
Net profit for the year/period	<u>3,910</u>	<u>2,730</u>	<u>2,741</u>	<u>5,063</u>	<u>2,465</u>
Weighted average number of ordinary shares in issue ('000)	1,000	1,000	1,000	1,060	1,300
Gross earnings per share (RM)	3.97	3.96	4.02	5.18*	2.78
Net earnings per share (RM)	3.91	2.73	2.74	3.82*	1.90

\* Annualised



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**9.0 ACCOUNTANTS' REPORT (Cont'd)**

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**8.3.2 INCOME STATEMENTS OF UDT - cont'd**

Notes:-

- 1) The gross earnings per share has been calculated based on the pre-tax profit divided by the weighted average number of ordinary shares in issue of the respective years/period.

The net earnings per share has been calculated based on the after tax profit divided by the weighted average number of ordinary shares in issue of the respective years/period.

- 2) Year 2000 was a year entered the new millennium with cautious optimism. The increase in revenue was mainly due to its major customers were reassured by the sustained orders for panel products.

The increase in revenue for 2003 as compared with that of 2002 by extrapolation was mainly due to increase of sales in UDW's and UDP's products.

- 3) The pre-tax profit increased by 3% for period ended 31 August 2002 was mainly due to gain on disposal of property, plant and equipment amounted to RM1.59 million.

The pre-tax profit for 2003 decreased by 1.2% as compared with that of 2002 was attributed to the increase of bad debts written off and of finance cost by approximately RM462,000 and RM155,000 respectively.

- 4) Higher finance cost for year 2002 and 2003 was due to increase of usage of bankers acceptances.

- 5) The taxation charge in 1999 was in respect of deferred taxation. There was no taxation charge on business income due to waiver of tax under Section 8 of the Income Tax (Amendment) Act 1999.

The adjusted effective tax rate for 2002 was lower than the statutory tax rate due to gain on disposal of property chargeable at 5% Real Property Gains Tax. The higher effective tax rate of

The higher effective tax rate of 2003 was due to certain expenses being not deductible for tax purposes.

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.3.2 INCOME STATEMENTS OF UDT - cont'd**

Notes:-

**6) Deferred expenditure**

This represents part of listing expenses incurred which is to be written off in the share premium account of the UDS.

**7) Except as disclosed above, there were no extraordinary or exceptional items during the financial years/period under review.****8) Significant transactions with related corporations:-**

	← Financial years ended →			15 months	Financial
	31 May			ended	year ended
	1999	2000	2001	31 August	31 August
	RM'000	RM'000	RM'000	2002	2003
				RM'000	RM'000
Sales	53	69	2,858	4,955	7,530
Purchase of finished goods	3,452	4,457	8,783	14,723	16,061
Rental paid	-	-	-	210	301

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.3.3 STATEMENT OF CHANGES IN EQUITY OF UDT**

	Issued and fully paid ordinary shares of RM1 each	Distributable	
	Share Capital RM'000	Retained Profit RM'000	Total RM'000
As at 01 June 1998	1,000	6,483	7,483
Net profit for the year	-	3,910	3,910
As at 31 May 1999	1,000	10,393	11,393
Net profit for the year	-	2,730	2,730
As at 31 May 2000	1,000	13,123	14,123
Net profit for the year	-	2,741	2,741
Prior year adjustment	-	(212)	(212)
As at 31 May 2001	1,000	15,652	16,652
Increase of share capital	300	-	300
Net profit for the period	-	5,063	5,063
Dividends	-	(1,590)	(1,590)
As at 31 August 2002	1,300	19,125	20,425
Net profit for the year	-	2,465	2,465
As 31 August 2003	1,300	21,590	22,890

Note:

Prior year adjustment arose as a result of adoption of MASB 12 which disallows the use of equity method of accounting in the parent's separate financial statements.

**9.0 ACCOUNTANTS' REPORT (Cont'd)****8.4.1 BALANCE SHEETS OF SWS**

	← Financial years →			14 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
	ended 30 June 1999 RM'000	2000 RM'000	2001 RM'000		
Property, plant and equipment	1,009	1,855	2,854	3,535	6,857
Subsidiary companies	*	*	*	869	869
<b><u>Current Assets</u></b>					
Inventories	745	1,870	3,305	4,263	6,590
Trade receivables	2,541	1,628	1,388	925	1,077
Other receivables	268	921	1,428	952	1,289
Due from subsidiary company	192	-	-	909	1,223
Due from directors	55	-	-	-	197
Fixed deposits with licensed bank	26	91	226	181	181
Cash and bank balances	26	245	104	92	154
	<u>3,853</u>	<u>4,755</u>	<u>6,451</u>	<u>7,322</u>	<u>10,711</u>
<b><u>Current Liabilities</u></b>					
Trade payables	2,796	2,338	2,718	2,135	2,302
Other payables	340	363	877	987	2,367
Hire purchase payables	34	107	175	198	186
Bank borrowings	360	1,212	1,598	2,612	6,681
Taxation	1	139	149	320	-
	<u>3,531</u>	<u>4,159</u>	<u>5,517</u>	<u>6,252</u>	<u>11,536</u>
Net current assets/(liabilities)	322	596	934	1,070	(825)
<b><u>Non-current liabilities</u></b>					
Hire purchase payable	(79)	(270)	(464)	(427)	(303)
Deferred taxation	-	(51)	(72)	(154)	(444) **
	<u>1,252</u>	<u>2,130</u>	<u>3,252</u>	<u>4,893</u>	<u>6,154</u>
Financed by:					
Share capital	250	250	250	750	750
Retained profit	993	1,871	2,993	4,134	5,395
Revaluation reserve	9	9	9	9	9
Shareholders' funds	<u>1,252</u>	<u>2,130</u>	<u>3,252</u>	<u>4,893</u>	<u>6,154</u>
Net tangible assets per ordinary share (RM)	5	9	13	7	8

\* Nominal : RM1.00

\*\* After adjustment on not recognising the unutilised reinvestment allowance as deferred tax asset

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**9.0 ACCOUNTANTS' REPORT (Cont'd)**


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**8.4.2 INCOME STATEMENTS OF SWS**

	← Financial years → ended 30 June			14 months ended 31 August 2002	Financial year ended 31 August 2003
	1999 RM'000	2000 RM'000	2001 RM'000	RM'000	RM'000
Revenue	11,071	16,470	19,808	24,362	23,556
Cost of goods sold	(8,619)	(12,824)	(15,325)	(18,140)	(17,287)
Gross profit	<u>2,452</u>	<u>3,646</u>	<u>4,483</u>	<u>6,222</u>	<u>6,269</u>
Other income	21	96	105	171	128
	<u>2,473</u>	<u>3,742</u>	<u>4,588</u>	<u>6,393</u>	<u>6,397</u>
Operating expenses	<u>(1,441)</u>	<u>(2,474)</u>	<u>(3,048)</u>	<u>(4,203)</u>	<u>(4,328)</u>
Profit before depreciation, interest and taxation	1,032	1,268	1,540	2,190	2,069
Depreciation	(63)	(14)	(18)	(69)	(60)
Interest expenses	(72)	(174)	(194)	(234)	(376)
Profit before taxation	<u>897</u>	<u>1,080</u>	<u>1,328</u>	<u>1,887</u>	<u>1,633</u>
Taxation	1	(202)	(206)	(496)	(372) **
Current	-	(151)	(205)	(365)	(372)
(Under)/over provision in prior year	1	(18)	20	(49)	-
Deferred tax	-	(33)	(21)	(82)	-
Net profit for the year/period	<u>898</u>	<u>878</u>	<u>1,122</u>	<u>1,391</u>	<u>1,261</u>
Weighted average number of ordinary shares in issue ('000)	250	250	250	518	750
Gross earnings per share (RM)	3.59	4.32	5.31	3.12*	2.18
Net earnings per share (RM)	3.59	3.51	4.49	2.30*	1.68

\* Annualised

\*\* After adjustment on not recognising the unutilised reinvestment allowance as deferred tax asset