
9.0 ACCOUNTANTS' REPORT (Cont'd)

8.4.2 INCOME STATEMENTS OF SWS - 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) The revenue for 1999 increase mainly due to strong marketing team for export and that for 2000 increase was due to the introduction of "KD" products.

The increase in revenue of 2003 as compared with that of 2002 by extrapolation was mainly due to increase of six (6) new customers.

- 3) The increase in pre-tax profit for 2001 and 2002 was mainly due to the increase of turnover as a result of increase in export sales.

- 4) There was no current taxation charge provided on the business income in 1999 as it was a waiver year. The adjusted effective tax rate was in respect of deferred taxation.

The effective tax rates for the years/period ended 30 June 2000 to 31 August 2002 were lower than the statutory rate mainly due to claims for allowance on increased export turnover and double deduction on promotion and advertisement expenses.

Lower effective tax rate for year 2003 was mainly due to claim for reinvestment allowance arising from erection of new block of factory.

- 5) There were no extraordinary or exceptional items during the financial years / period under review.

- 6) Significant transaction with related coporations

	←	Financial years →			14 months	Financial
		ended 30 June			ended	year ended
	1999	2000	2001	2002	31 August	31 August
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental paid	210	262	240	280	240	240

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.4.3 STATEMENT OF CHANGES IN EQUITY OF SWS

	Issued and fully paid ordinary shares of RM1 each	Non- Distributable	Distributable	Total
	Share Capital RM'000	Revaluation Reserve RM'000	Retained Profit RM'000	RM'000
As at 01 July 1998	250	9	95	354
Net profit for the year	-	-	898	898
As at 30 June 1999	250	9	993	1,252
Net profit for the year	-	-	878	878
As at 30 June 2000	250	9	1,871	2,130
Net profit for the year	-	-	1,122	1,122
As at 30 June 2001	250	9	2,993	3,252
Issue of share for cash	250	-	-	250
Bonus issue	250	-	(250)	-
Net profit for the period	-	-	1,391	1,391
As at 31 August 2002	750	9	4,134	4,893
Net profit for the year	-	-	1,261	1,261
As at 31 August 2003	750	9	5,395	6,154

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.5.1 BALANCE SHEETS OF DA

	6 months ended 31 March 1999 RM'000	Financial years ended 31 March 2000 2001 RM'000 RM'000		17 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
PROPERTY	-	-	-	-	2,080
<u>Current Assets</u>					
Other receivables	499	1,457	2,096	4,172	4,257
Cash and bank balances	151	8	3	2	8
	<u>650</u>	<u>1,465</u>	<u>2,099</u>	<u>4,174</u>	<u>4,265</u>
<u>Current Liabilities</u>					
Other payables	1	244	780	1,637	1,798
Due to shareholders	642	1,221	1,321	558	1,152
Due to holding company	-	-	-	1,901	2,680
Term loan - current portion	-	-	-	-	348
	<u>643</u>	<u>1,465</u>	<u>2,101</u>	<u>4,096</u>	<u>5,978</u>
Net current assets/ (liabilities)	<u>7</u>	<u>-</u>	<u>(2)</u>	<u>78</u>	<u>(1,713)</u>
<u>Long Term Liabilities</u>					
Term loan	-	-	-	-	(359)
	<u>7</u>	<u>-</u>	<u>(2)</u>	<u>78</u>	<u>8</u>
Financed by:					
Share capital	10	10	10	100	100
Accumulated loss	(3)	(10)	(12)	(22)	(92)
Shareholders' funds	<u>7</u>	<u>-</u>	<u>(2)</u>	<u>78</u>	<u>8</u>
Net tangible assets per ordinary share (RM)	0.70	0.00	(0.20)	0.78	0.08

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.5.2 INCOME STATEMENTS OF DA

	6 months ended 31 March 1999 RM'000	Financial years ended 31 March 2000 2001 RM'000 RM'000		17 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
Revenue	-	-	-	-	-
Operating expenses	(3)	(7)	(2)	(10)	(16)
Loss before depreciation, interest and taxation	(3)	(7)	(2)	(10)	(16)
Depreciation	-	-	-	-	-
Interest expenses	-	-	-	-	(54)
Loss before taxation	(3)	(7)	(2)	(10)	(70)
Taxation	-	-	-	-	-
Loss after taxation	(3)	(7)	(2)	(10)	(70)
Weighted average number of ordinary shares in issue ('000)	5	10	10	21	100
Gross/Net loss per share (RM)	(0.60)	(0.70)	(0.20)	(0.34)*	(0.70)

* 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) The interest expenses incurred for 2003 was arisen from term loan facility obtained to part finance the acquisition of a vacant industrial land.
- 3) There were no extraordinary or exceptional items during the years / periods under review.

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.5.3 STATEMENT OF CHANGES IN EQUITY OF DA

	Issued and fully paid ordinary shares of RM1 each		
	Share Capital RM'000	Accumulated Loss RM'000	Total RM'000
At date of incorporation	*	-	*
Issue of shares for cash	10	-	10
Net loss for the period	-	(3)	(3)
As at 31 March 1999	10	(3)	7
Net loss for the year	-	(7)	(7)
As at 31 March 2000	10	(10)	-
Net loss for the year	-	(2)	(2)
As at 31 March 2001	10	(12)	(2)
Issue of shares for cash	90	-	90
Net loss for the period	-	(10)	(10)
As at 31 August 2002	100	(22)	78
Net loss for the year	-	(70)	(70)
As at 31 August 2003	100	(92)	8

* Nominal : RM2.00

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.6.1 BALANCE SHEETS OF UDI

	Financial year ended 31 March 1999 RM'000	14 months ended 31 May 2000 RM'000	Financial year ended 31 May 2001 RM'000	15 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
Property, plant and equipment	4,360	5,354	5,263	5,111	5,676
<u>Current Assets</u>					
Inventories	341	888	435	408	1,121
Trade receivables	1,895	1,830	2,363	3,252	1,578
Other receivables	131	55	197	41	143
Due from holding and related company	-	373	1,058	2,755	4,387
Fixed deposits with licensed bank	78	45	47	48	50
Cash and bank balances	277	300	-	67	5
	<u>2,722</u>	<u>3,491</u>	<u>4,100</u>	<u>6,571</u>	<u>7,284</u>
<u>Current Liabilities</u>					
Trade payables	376	492	585	567	682
Other payables	109	544	153	103	85
Due to directors	-	14	13	14	13
Hire purchase payables	-	95	95	-	423
Taxation	54	2	-	74	9
Bank borrowings	1,261	1,245	1,850	3,825	4,102
	<u>1,800</u>	<u>2,392</u>	<u>2,696</u>	<u>4,583</u>	<u>5,314</u>
Net current assets	922	1,099	1,404	1,988	1,970
<u>Non-current liabilities</u>					
Term loans	(848)	(1,392)	(1,188)	(629)	(144)
Hire purchase payables	-	(110)	(16)	-	(272)
Deferred taxation	(269)	(283)	-	(341)	(389)
	<u>4,165</u>	<u>4,668</u>	<u>5,463</u>	<u>6,129</u>	<u>6,841</u>
Financed by:					
Share capital	2,735	2,735	2,735	2,735	2,735
Retained profit	1,168	1,671	2,466	3,132	3,885
General reserve	41	41	41	41	-
Share premium	221	221	221	221	221
Shareholders' funds	<u>4,165</u>	<u>4,668</u>	<u>5,463</u>	<u>6,129</u>	<u>6,841</u>
Net tangible assets per ordinary share (RM)	1.52	1.71	2.00	2.24	2.50

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.6.2 INCOME STATEMENTS OF UDI

	Financial year ended 31 March 1999 RM'000	14 months ended 31 May 2000 RM'000	Financial year ended 31 May 2001 RM'000	15 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
Revenue	3,763	4,729	4,495	5,662	4,723
Cost of goods sold	(2,960)	(3,729)	(3,629)	(4,377)	(3,634)
Gross profit	803	1,000	866	1,285	1,089
Other income	17	20	21	388	348
	820	1,020	887	1,673	1,437
Operating expenses	(153)	(234)	(182)	(157)	(242)
Profit before depreciation, interest and taxation	667	786	705	1,516	1,195
Depreciation	(21)	(21)	(15)	(26)	(88)
Interest expenses	(78)	(239)	(178)	(278)	(212)
Profit before taxation	568	526	512	1,212	895
Taxation	(192)	(23)	283	(205)	(183)
Current	-	(1)	-	(205)	(137)
(Under)/Over provision in prior year	(1)	(8)	-	-	3
Deferred tax	(191)	(14)	283	-	(49)
Net profit for the year/period	376	503	795	1,007	712
Weighted average number of ordinary shares in issue ('000)	2,735	2,735	2,735	2,735	2,735
Gross earnings per share (RM)	0	0.16*	0	0.35*	0
Net earnings per share (RM)	0	0.16*	0	0.29*	0

* Annualised

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.6.2 INCOME STATEMENTS OF UDI

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 / periods.

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 / periods.

- 2) Gross profit margin was increased from 12% in 1998 to 21% in year 1999 due to the economy of scale and also due to manufacturing more high value products of industrial used nails after the acquisition of heavy-duty high speed wire nail machine.
- 3) The negative effective tax rate for 2001 was mainly due to reversal of deferred taxation on timing differences previously provided.

The effective tax rate for 2000 and 2003 was lower than the statutory tax rate mainly due to claim of reinvestment allowance.

- 4) There were no extraordinary or exceptional items during the financial years/periods under review.
- 5) Significant transactions with related corporations

	Financial year ended 31 March 1999 RM'000	14 months ended 31 May 2000 RM'000	Financial year ended 31 May 2001 RM'000	15 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
Sales of finished goods	3,763	4,692	4,495	5,662	4,664
Rental received	-	-	-	360	225

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.6.3 STATEMENT OF CHANGES IN EQUITY OF UDI

	Issued and fully paid ordinary shares of RM1 each Share Capital RM'000	Non- Distributable Share Premium RM'000	Distributable		Total RM'000
			General Reserve RM'000	Retained Profit RM'000	
As at 01 April 1998	2,735	221	41	792	3,789
Net profit for the year	-	-	-	376	376
As at 31 March 1999	2,735	221	41	1,168	4,165
Net profit for the period	-	-	-	503	503
As at 31 May 2000	2,735	221	41	1,671	4,668
Net profit for the year	-	-	-	795	795
As at 31 May 2001	2,735	221	41	2,466	5,463
Net profit for the period	-	-	-	1,007	1,007
As at 31 August 2002 (As previously stated)	2,735	221	41	3,473	6,470
Prior year adjustment	-	-	-	(341)	(341)
As at 31 August 2002 (As restated)	2,735	221	41	3,132	6,129
Reclassification	-	-	(41)	41	-
Net profit for the year	-	-	-	712	712
As at 31 August 2003	2,735	221	-	3,885	6,841

Note:

Prior year adjustment arose as a result from the adoption of MASB 25 that is retrospectively applied.

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.7.1 BALANCE SHEETS OF UDP

	Financial year ended 31 July 1999 RM'000	10 months ended 31 May 2,000 RM'000	Financial year ended 31 May 2,001 RM'000	15 months ended 31 August 2,002 RM'000	Financial year ended 31 August 2,003 RM'000
Property, plant and equipment	207	350	307	2,906	5,545
Subsidiary companies	-	-	-	324	324
<u>Current Assets</u>					
Inventories	286	243	653	1,588	4,636
Trade receivables	134	88	92	1,601	2,750
Other receivables	11	14	1,384	2,676	368
Due from holding company	-	-	-	-	1,200
Due from subsidiary company	-	-	-	174	2,379
Fixed deposit with licensed bank	22	22	23	-	-
Tax recoverable	-	-	-	81	83
Cash and bank balances	25	106	146	161	119
	<u>478</u>	<u>473</u>	<u>2,298</u>	<u>6,281</u>	<u>11,535</u>
<u>Current Liabilities</u>					
Trade payables	88	99	691	406	500
Other payables	1,135	233	165	376	308
Due to holding company	-	14	1,232	1,736	-
Due to subsidiary and related companies	-	-	33	248	193
Hire purchase payables	-	-	-	926	803
Borrowings	-	-	-	2,352	8,995
	<u>1,223</u>	<u>346</u>	<u>2,121</u>	<u>6,044</u>	<u>10,799</u>
Net current assets/(liabilities)	(745)	127	177	237	736
<u>Non-current liabilities</u>					
Term loans	-	-	-	(749)	(2,337)
Hire purchase payables	-	-	-	(299)	(170)
	<u>(538)</u>	<u>477</u>	<u>484</u>	<u>2,419</u>	<u>4,098</u>
Financed by:					
Share capital	300	300	300	1,000	1,000
Retained profit	(838)	177	184	1,419	3,098
Shareholders' funds	<u>(538)</u>	<u>477</u>	<u>484</u>	<u>2,419</u>	<u>4,098</u>
Net tangible assets per ordinary share (RM)	(1.79)	1.59	1.61	2.42	4.10

9.0 ACCOUNTANTS' REPORT (Cont'd)**8.7.2 INCOME STATEMENTS OF UDP**

	Financial year ended 31 July 1999 RM'000	10 months ended 31 May 2,000 RM'000	Financial year ended 31 May 2,001 RM'000	15 months ended 31 August 2,002 RM'000	Financial year ended 31 August 2,003 RM'000
Revenue	1,250	839	4,813	10,110	16,530
Cost of goods sold	(1,316)	(912)	(4,675)	(8,897)	(14,109)
Gross profit	(66)	(73)	138	1,213	2,421
Other income	2	9	14	509	345
	(64)	(64)	152	1,722	2,766
Operating expenses	(190)	(148)	(138)	(373)	(589)
Exceptional items	749	1,231	-	-	-
Profit before depreciation, interest and taxation	495	1,019	14	1,349	2,177
Depreciation	(3)	(4)	(4)	(25)	(60)
Interest expenses	-	-	(3)	(85)	(366)
Profit before taxation	492	1,015	7	1,239	1,751
Taxation	-	-	-	(4)	(72)
Current	-	-	-	(2)	(2)
Real property gains tax	-	-	-	(2)	(70)
Net profit for the year/period	492	1,015	7	1,235	1,679
Weighted average number of ordinary shares in issue ('000)	300	300	300	883	1,000
Gross earnings per share (RM)	1.64	4.06*	0.02	1.12*	1.75
Net earnings per share (RM)	1.64	4.06*	0.02	1.12*	1.68

* Annualised

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/periods.

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/periods.

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.7.2 INCOME STATEMENTS OF UDP - cont'd

Notes:-

- 2) The revenue for 2001 increased dramatically due to the moving of the factory from Tanjung Agas Industrial Area to Bukit Bakri Industrial Area which was bigger than the previous area and the strong demand for the laminated board also pushing the revenue to the high point.

The revenue for 2002 by pro rata increased by 68% amounting to RM3,275,000 was due to addition of one unit of double sided hot roll laminating machine in September 2001. The Company also introduced a new "Buffet and Hutch" produced by its subsidiary U. D. Wood Products Sdn Bhd during the financial period.

The significant increase in revenue for 2003 as compared with that of 2002 by extrapolation was mainly due to promotion of UDT Group's products into overseas market and significant increase in sales of laminated board.

- 3) The negative gross profit for 1999 and 2000 was mainly due to the production still far below the full capacity and the high factory cost such as depreciation and rental of factory.

Gross profit margin increased from 3% in 2001 to 12% in 2002 was due to:-

- (i) the introduction of new products "Buffet and Hutch" and dining sets.
(ii) high efficiency attained in lamination operations as a result of investing in one unit of double hot roll laminating machine with a cost of RM1.48 million.

- 4) The Company incurred operating loss but still attained pre-tax profit was mainly due to the following exceptional items incurred in the year/period under review:-

	1999 RM'000	2000 RM'000
Waiver by the following for amount owing by the Company to:		
- a trade payable	702	-
- former holding company	3	-
- former related companies	44	1,231
	<u>749</u>	<u>1,231</u>

- 5) There was no tax charge during the financial years/periods under review mainly due to realisation of unabsorbed tax losses and unutilised capital allowances.

The tax charge for 2002 and 2003 was in respect of interest income and gain on disposal of land.

- 6) The exceptional items were mainly due to the waiver of debts by other payables. Except this, there were no extraordinary or exceptional items during the financial years/periods under review.
- 7) Significant transactions with related corporations:-

	Financial year ended 31 July 1999 RM'000	10 months ended 31 May 2,000 RM'000	Financial year ended 31 May 2,001 RM'000	15 months ended 31 August 2,002 RM'000	Financial year ended 31 August 2,003 RM'000
Purchases of raw material	55	821	2,847	4,831	6,744
Purchases of finished goods	-	-	-	1,014	4,061
Sales of finished goods	145	809	4,289	9,164	11,368
Disposal of property	-	-	-	-	1,884
Rental received	-	-	-	-	196
Rental paid	-	-	-	150	144

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.7.3 STATEMENT OF CHANGES IN EQUITY OF UDP

	Issued and fully paid ordinary shares of RM1 each	<u>Distributable</u> Retained Profit/ (Accumulated Loss)	Total
	Share Capital RM'000	RM'000	RM'000
As at 01 August 1998	300	(1,330)	(1,030)
Net profit for the year	-	492	492
As at 31 July 1999	300	(838)	(538)
Net profit for the period	-	1,015	1,015
As at 31 May 2000	300	177	477
Net profit for the year	-	7	7
As at 31 May 2001	300	184	484
Issue of shares for cash	700	-	700
Net profit for the period	-	1,235	1,235
As at 31 August 2002	1,000	1,419	2,419
Net profit for the year	-	1,679	1,679
As at 31 August 2003	1,000	3,098	4,098

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.8.1 BALANCE SHEETS OF EGT

	17 months ended 31 January 2001 RM'000	Financial year ended 31 January 2002 RM'000	7 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
Property	-	782	773	764
<u>Current Asset</u>				
Due from immediate holding company	-	100	-	20
	<u>-</u>	<u>100</u>	<u>-</u>	<u>20</u>
<u>Current Liabilities</u>				
Other payables	1	7	2	3
Due to director	3	4	51	51
Taxation	-	-	-	4
	<u>4</u>	<u>11</u>	<u>53</u>	<u>58</u>
Net current assets/(liabilities)	(4)	89	(53)	(38)
Due to ultimate holding company	-	(786)	(645)	(645)
	<u>(4)</u>	<u>85</u>	<u>75</u>	<u>81</u>
Financed by:				
Share capital	*	100	100	100
Accumulated loss	(4)	(15)	(25)	(19)
Shareholders' funds	<u>(4)</u>	<u>85</u>	<u>75</u>	<u>81</u>
Net tangible assets per ordinary share (RM)	(2,000)	1	1	1

* Nominal : RM2

9.0 ACCOUNTANTS' REPORT (Cont'd)**8.8.2 INCOME STATEMENTS OF EGT**

	17 months ended 31 January 2001 RM'000	Financial year ended 31 January 2002 RM'000	7 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
Revenue	-	-	-	22
Operating expenses	(4)	(3)	(2)	(4)
Profit/(loss) before depreciation, interest and taxation	(4)	(3)	(2)	18
Depreciation	-	(8)	(8)	(8)
Interest	-	-	-	-
Profit/(loss) before taxation	(4)	(11)	(10)	10
Taxation	-	-	-	(4)
Net profit/(loss) for the year/period	(4)	(11)	(10)	6
Weighted average number of ordinary shares in issue ('000)	*	58	100	100
Gross earnings/(loss) per share (RM)	(1,411.76)**	(0.19)	(0.17)**	0.10
Net earnings/(loss) per share (RM)	(1,411.76)**	(0.19)	(0.17)**	0.06

* Nominal : RM2.00

** Annualised

Notes:

- 1) The gross/net earnings/(loss) per share have been calculated based on the pre-tax/after tax profit/(loss) divided by the weighted average number of ordinary shares in issue of the respective years/periods.
- 2) The Company remained dormant since its incorporation on 14 September 1999 and commenced operations in letting out its property in 2003.
- 3) There were no extraordinary or exceptional items during the financial years/periods under review.
- 4) Significant transactions with related corporations:-

	17 months ended 31 January 2001 RM'000	Financial year ended 31 January 2002 RM'000	7 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
Rental received	-	-	-	22

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.8.3 STATEMENT OF CHANGES IN EQUITY OF EGT

	Issued and fully paid ordinary shares of RM1 each		
	Share Capital RM'000	Accumulated Loss RM'000	Total RM'000
At date of incorporation	*	-	*
Net loss for the period	-	(4)	(4)
As at 31 January 2001	*	(4)	(4)
Issue of shares for cash	100	-	100
Net loss for the year	-	(11)	(11)
As at 31 January 2002	100	(15)	85
Net loss for the period	-	(10)	(10)
As at 31 August 2002	100	(25)	75
Net profit for the year	-	6	6
As at 31 August 2003	100	(19)	81

* Nominal - RM2

Note:

There was no statement of changes in equity prior to 2001.

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.9.1 BALANCE SHEETS OF UDW

	Financial year ended 31 Jan 1999 RM'000	16 months ended 31 May 2,000 RM'000	Financial year ended 31 May 2001 RM'000	15 months ended 31 August 2002 RM'000	Financial year ended 31 August 2003 RM'000
Property, plant and equipment	-	-	-	384	2,454
Expenditure carried forward	6	8	-	-	-
<u>Current Assets</u>					
Inventories	-	-	-	744	1,754
Trade receivables	-	-	-	17	198
Other receivables	-	-	-	51	106
Cash and bank balances	-	-	-	134	-
	-	-	-	946	2,058
<u>Current Liabilities</u>					
Trade payables	-	-	-	457	748
Other payables	2	1	-	57	121
Due to related company	-	-	-	7	7
Due to holding company	-	3	5	408	2,867
Due to director	4	4	4	4	4
Bank overdraft	-	-	-	-	85
	6	8	9	933	3,832
Net current assets/(liabilities)	(6)	(8)	(9)	13	(1,774)
Deferred taxation	-	-	-	(21)	(78)
	-	-	(9)	376	602
Financed by:					
Share capital	*	*	*	320	320
Retained profit/ (Accumulated loss)	-	-	(9)	56	282
Shareholders' funds	-	-	(9)	376	602
Net tangible assets per ordinary share (RM)	-	-	(2,250.00)	1.18	1.88

* Nominal : RM4

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.9.2 INCOME STATEMENTS OF UDW

	Financial year ended 31 Jan 1999 RM;000	16 months ended 31 May 2000 RM;000	Financial year ended 31 May 2001 RM;000	15 months ended 31 August 2002 RM;000	Financial year ended 31 August 2003 RM;000
Revenue	-	-	-	1,086	4,399
Cost of goods sold	-	-	-	(893)	(3,789)
Gross profit	-	-	-	193	610
Other income	-	-	-	21	6
	-	-	-	214	616
Operating expenses	-	-	(9)	(120)	(270)
Profit/(loss) before depreciation, interest and taxation	-	-	(9)	94	346
Depreciation	-	-	-	-	(2)
Interest expenses	-	-	-	(7)	(62)
Profit/(loss) before taxation	-	-	(9)	87	282
Taxation	-	-	-	(22)	(56)
Deferred tax	-	-	-	(22)	(56)
Net profit/(loss) for the year/period	-	-	(9)	65	226
Weighted average number of ordinary shares in issue ('000)	*	*	*	202	320
Gross earnings/(loss) earnings per share (RM)	-	-	(2,250.00)	0.34**	0.88
Net earnings/(loss) earnings per share (RM)	-	-	(2,250.00)	0.26**	0.71

* Nominal : RM4.00

** Annualised

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.9.2 INCOME STATEMENTS OF UDW

Notes:-

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

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

- 2) The Company commenced commercial operations for the 10 months from 1 November 2001 to 31 August 2002 and managed to achieve a revenue of RM1,086,000 for local market in the first year of operations.

The significant increase in revenue for 2003 was mainly due to full swing of operations and Group's aggressive promotion of overseas market.

- 3) The lower taxation for 2003 was due to claim of reinvestment allowance and industrial building allowance.
- 4) There were no extraordinary or exceptional items during the financial years/periods under review.

- 5) Significant transaction with related corporations:-

	Financial year ended 31 Jan 1999 RM;000	16 months ended 31 May 2000 RM;000	Financial year ended 31 May 2001 RM;000	15 months ended 31 August 2002 RM;000	Financial year ended 31 August 2003 RM;000
Sales of finished goods	-	-	-	1,014	4,090
Purchase of raw material	-	-	-	744	120
Acquisition of property	-	-	-	-	1,884

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.9.3 STATEMENT OF CHANGES IN EQUITY OF UDW

	issued and fully paid ordinary shares of RM1 each	Retained Profit/ (Accumulated Loss)	Total
	Share Capital RM'000	RM'000	RM'000
As at 01 February 1998	*	-	-
Net loss for the year	-	-	-
As at 31 January 1999	*	-	-
Net loss for the period	-	-	-
As at 31 May 2000	*	-	-
Net loss for the year	-	(9)	(9)
As at 31 May 2001	*	(9)	(9)
Issue of shares in exchange of machinery	320	-	320
Net profit for the period	-	65	65
As at 31 August 2002	320	56	376
Net profit for the year	-	226	226
As at 31 August 2003	320	282	602

* Nominal : RM4

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.10.1 BALANCE SHEETS OF ORI

	Financial years ended 30 June			14 months ended	Financial year ended
	1999 RM'000	2000 RM'000	2001 RM'000	31 August 2002 RM'000	31 August 2003 RM'000
PROPERTY	566	569	569	569	609
<u>Current Asset</u>					
Cash at bank	-	-	1	-	-
<u>Current Liabilities</u>					
Other payables	1	2	3	4	1
Net current liabilities	(1)	(2)	(2)	(4)	(1)
<u>Non-current liabilities</u>					
Due to former holding and related company	(477)	(235)	-	-	-
Due to other payables	-	(246)	(485)	-	-
Due to holding company	-	-	-	(248)	(307)
Due to a director	-	-	-	(239)	(239)
	<u>88</u>	<u>86</u>	<u>82</u>	<u>78</u>	<u>62</u>
Financed by:					
Share capital	100	100	100	100	100
Accumulated loss	(12)	(14)	(18)	(22)	(38)
Shareholders' funds	<u>88</u>	<u>86</u>	<u>82</u>	<u>78</u>	<u>62</u>
Net tangible assets per ordinary share (RM)	0.88	0.86	0.82	0.78	0.62

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.10.2 INCOME STATEMENTS OF ORI

	←	Financial years ended 30 June		→	14 months ended 31 August	Financial year ended 31 August
	1999	2000	2001		2002	2003
	RM'000	RM'000	RM'000		2,002	RM'000
Turnover	-	-	-		-	-
Operating expenses	(1)	(2)	(4)		(4)	(16)
Loss before depreciation, interest and taxation	(1)	(2)	(4)		(4)	(16)
Depreciation	-	-	-		-	-
Interest expenses	-	-	-		-	-
Loss before taxation	(1)	(2)	(4)		(4)	(16)
Taxation	-	-	-		-	-
Net loss for the year/period	(1)	(2)	(4)		(4)	(16)
Weighted average number of ordinary shares in issue ('000)	100	100	100		100	100
Gross/Net loss per share (RM)	(0.01)	(0.02)	(0.04)		(0.03)*	(0.16)

* Annualised

Notes:-

- 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/period.
- 2) There were no extraordinary or exceptional items during the financial years / period under review.

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.10.3 STATEMENT OF CHANGES IN EQUITY OF ORI

	Issued and fully paid ordinary shares of RM1 each		
	Share Capital RM'000	Accumulated Loss RM'000	Total RM'000
As at 01 July 1998	100	(11)	89
Net loss for the year	-	(1)	(1)
As at 30 June 1999	100	(12)	88
Net loss for the year	-	(2)	(2)
As at 30 June 2000	100	(14)	86
Net loss for the year	-	(4)	(4)
As at 30 June 2001	100	(18)	82
Net loss for the period	-	(4)	(4)
As at 31 August 2002	100	(22)	78
Net loss for the year	-	(16)	(16)
As at 31 August 2003	100	(38)	62

9.0 ACCOUNTANTS' REPORT (Cont'd)**8.11.1 BALANCE SHEETS OF SI**

	Financial years ended 30 June			14 months ended	Financial year ended
	1999 RM'000	2000 RM'000	2001 RM'000	31 August 2002 RM'000	31 August 2003 RM'000
Property, plant and equipment	2,851	2,818	2,782	2,781	2,744
<u>Current Assets</u>					
Other receivables	242	242	250	7	7
<u>Current Liabilities</u>					
Other payables	2	1	3	3	3
Taxation	-	3	4	13	12
Term loan	250	280	304	347	328
Bank overdraft	603	596	602	591	582
	855	880	913	954	925
Net current liabilities	(613)	(638)	(663)	(947)	(918)
<u>Non-current liabilities</u>					
Term loan	(1,365)	(1,113)	(808)	(332)	-
Due to holding/related companies	(191)	(339)	(543)	(661)	(916)
Deferred taxation	-	(40)	(49)	(82)	(78)
	682	688	719	759	832
Financed by:					
Share capital	500	500	500	500	500
Revaluation reserve	100	100	100	75 *	75
Retained profits	82	88	119	184	257
Shareholders' funds	682	688	719	759	832
Net tangible assets per ordinary share (RM)	1.36	1.38	1.44	1.52	1.66

* This is adjusted as a result of the adoption of MASB 25

9.0 ACCOUNTANTS' REPORT (Cont'd)**8.11.2 INCOME STATEMENTS OF SI**

	Financial years ended 30 June			14 months ended	Financial year ended
	← 1999 RM'000	2000 RM'000	→ 2001 RM'000	31 August 2002 RM'000	31 August 2003 RM'000
Revenue	210	262	240	280	240
Direct cost	(15)	(43)	(52)	(63)	(58)
Gross profit	195	219	188	217	184
Other income	16	32	32	43	-
	211	251	220	260	184
Operating expenses	(3)	(4)	(7)	(9)	(4)
Profit before depreciation, interest and taxation	208	247	213	251	180
Depreciation	-	-	-	-	-
Interest expenses	(112)	(198)	(171)	(159)	(98)
Profit before taxation	96	49	42	92	82
Taxation	-	(43)	(11)	(27)	(9)
Current	-	(3)	(2)	(20)	(13)
Overprovision in previous year	-	-	-	1	-
Deferred tax	-	(40)	(9)	(8)	4
Net profit for the year/period	96	6	31	65	73
Weighted average number of ordinary shares in issue ('000)	500	500	500	500	500
Gross (loss)/earnings per share (RM)	0.19	0.10	0.08	0.16*	0.16
Net (loss)/earnings per share (RM)	0.19	0.01	0.06	0.11*	0.15

* Annualised

Notes:-

- 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 has the weighted average number of ordinary shares in issue of the respective years / period.
- The exceptionally higher effective tax rate for 2000 was mainly due to high provision for deferred taxation.
The effective tax rate for 2003 was lower than the statutory tax rate due to claim of industrial building allowance.
- There were no extraordinary or exceptional items during the financial years / period under review.

9.0 ACCOUNTANTS' REPORT (Cont'd)

8.11.3 STATEMENT OF CHANGES IN EQUITY OF SI

	Issued and fully paid ordinary shares of RM1 each	Non- Distributable Revaluation Reserve RM'000	Distributable Retained Profit RM'000	Total RM'000
	Share Capital RM'000			
As at 01 July 1998	500	100	(14)	586
Net profit for the year	-	-	96	96
As at 30 June 1999	500	100	82	682
Net profit for the year	-	-	6	6
As at 30 June 2000	500	100	88	688
Net profit for the year	-	-	31	31
As at 30 June 2001	500	100	119	719
Net profit for the period	-	-	65	65
As at 31 August 2002 (As previously stated)	500	100	184	784
Prior year adjustment	-	(25)	-	(25)
As at 31 August 2002 (As restated)	500	75	184	759
Net profit for the year	-	-	73	73
As at 31 August 2003	500	75	257	832

Note:

Prior year adjustment arose from the adoption of MASB 25 that is retrospectively applied.

9.0 ACCOUNTANTS' REPORT (Cont'd)

9. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of UDS and the Proforma Group which are prepared for illustration purposes are based on the audited financial statements of UDS, UDT, SWS, DA, UDI, UDP, EGT, UDW, ORI and SI as at 31 August 2003 and on the assumption that the restructuring scheme of the UDS Group as stated in Paragraph 2(b) had been effected on 31 August 2003 and should be read in conjunction with the notes thereon.

Balance Sheets as at 31 August 2003	Note	Company RM'000	Proforma Group RM'000
Property, plant and equipment	9.1	-	36,340
Investment properties	9.2	-	1,517
Unquoted investments		-	1,220
Quoted investments (market value RM837,900)		-	777
Current assets			
Inventories	9.3	-	23,182
Trade receivables	9.4	-	18,024
Other receivables	9.5	650	10,226
Tax recoverable	9.6	-	446
Fixed deposits with licensed banks	9.7	-	231
Cash and bank balances		1	18,788
		651	70,897
Current liabilities	9.8		
Trade payables		-	6,637
Other payables		652	5,335
Amount due to directors		-	73
Amount due to shareholder		-	1,152
Taxation	9.6	-	12
Borrowings	9.9	-	39,346
		652	52,555
Net current assets		(1)	18,342
Non-current liabilities			
Term loans	9.9	-	(4,485)
Hire purchase payables	9.10	-	(745)
Deferred taxation	9.11	-	(1,074)
Minority interest	9.12	-	(224)
		-	(6,528)
		(1)	51,668
Financed by:			
Share capital	9.13	50	40,000
Reserves -			
Share premium	9.14	-	5,934
Accumulated loss		(51)	(51)
Negative goodwill	9.15	-	5,785
		(51)	11,668
		(1)	51,668

9.0 ACCOUNTANTS' REPORT (Cont'd)**9.1. PROPERTY, PLANT AND EQUIPMENT**

Proforma Group	Net book value as at <u>01.09.2002</u> RM'000	Additions RM'000	Disposals/ Write-off* RM'000	Reclas- sification RM'000	Depreciation RM'000	Net book value as at <u>31.08.2003</u> RM'000
Air-conditioners	5	16	-	-	(2)	19
Building under construction	1,319	1,073	-	(2,000)	-	392
Computers	80	10	(4)*	-	(27)	59
Electrical installation	182	67	-	(18)	(34)	197
Factory building and shophouse	5,187	5,846	-	2,022	(154)	12,901
Freehold building and store	132	-	-	-	(1)	131
Freehold land	4,886	5,280	-	(4)	-	10,162
Freehold warehouses and workshop	2,222	-	-	-	(50)	2,172
Furniture, fittings and tools	545	344	(1)*	-	(58)	830
Long leasehold land	1,194	975	-	-	(23)	2,146
Motor vehicles	2,000	264	(76)	-	(675)	1,513
Office equipment	401	28	(8)*	-	(62)	359
Plant, machinery and equipment	3,906	2,058	(46)	-	(655)	5,263
Renovation	168	64	-	-	(50)	182
Signboard	8	10	(2)*	-	(2)	14
	22,235	16,035	(137)	-	(1,793)	36,340

Proforma Group at 31 August 2003	<u>Cost/ valuation</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
At cost			
Air-conditioners	23	(4)	19
Building under construction	392	-	392
Computers	138	(79)	59
Electrical installation	288	(91)	197
Factory building	13,435	(534)	12,901
Freehold land and shophouse	8,956	-	8,956
Freehold warehouses and workshop	2,502	(330)	2,172
Furniture, fittings and tools	1,003	(173)	830
Long leasehold land	2,210	(64)	2,146
Motor vehicles	4,807	(3,294)	1,513
Office equipment	628	(269)	359
Plant, machinery and equipment	9,746	(4,483)	5,263
Renovation	270	(88)	182
Signboard	21	(7)	14
Store	7	(1)	6
	44,426	(9,417)	35,009
At valuation			
Freehold land	1,206	-	1,206
Freehold building	125	-	125
	45,757	(9,417)	36,340

9.0 ACCOUNTANTS' REPORT (Cont'd)

9.1. PROPERTY, PLANT AND EQUIPMENT - cont'd**Proforma Group**

RM'000

a) **Net book value**

Property, plant and equipment acquired by hire purchase plan:

Motor vehicles	840
Plant, machinery and equipment	2,222

	3,062
	=====

Motor vehicle registered in the name of a director held in trust	199
	=====

Long leasehold land registered in the name of a related company	417
	=====

- b) The freehold land, warehouse and workshop, long leasehold land, factory building and building under construction of the Proforma Group with net book value of RM18,249,617 are charged to banks for banking facilities granted to the Proforma Group.
- c) Interest expense on borrowings directly related to building under construction that has been capitalised during the year amounted to RM26,840.
- d) Fully depreciated property, plant and equipment at a total cost of RM2,488,089 are still in use.
- e) Certain land and building were revalued by the directors based on professional appraisals by an independent valuer using open market values.

Had the revalued land and building been carried at historical cost, the net book value of the land and building that would have been included in the financial statements of the Proforma Group as at 31 August 2003 would be RM646,178.

9.2 INVESTMENT PROPERTIESProforma
Group
RM'000**At cost**

- Freehold land	411
- Freehold condominium	210
- Long leasehold condominium	317
- Long leasehold land	579

	1,517
	=====

The directors considered the cost as fair value of the investment properties.

Long leasehold land costing RM350,965 is charged as security for banking facilities granted to the Proforma Group.

Long leasehold land costing RM197,407 which is acquired by way of a set-off against trade debt is in the midst of being transferred to the name of a subsidiary company.

9.0 ACCOUNTANTS' REPORT (Cont'd)

9.3 INVENTORIES

	Proforma Group RM'000
Inventories stated at cost comprise:-	
Raw material	7,306
Work-in-progress	1,969
Finished goods	13,853
Store	54

	23,182
	=====

9.4 TRADE RECEIVABLES

	Proforma Group RM'000
Trade receivables	18,025
Less:	
Allowance for doubtful debt	1

	18,024
	=====

The credit terms of trade receivables ranging from 30 to 90 days.

In view of the Proforma Group's historical experience in collection of trade receivables and long term business relationship between the Proforma Group and the customers, the directors of the Proforma Group are of the opinion that no additional credit risk beyond the above amounts is inherent in the Proforma Group's trade receivables.

The foreign currency exposures of trade receivables are as follows:-

	Proforma Group RM'000
United States Dollar	1,250
Singapore Dollar	23

	1,273
	=====

9.0 ACCOUNTANTS' REPORT (Cont'd)**9.5 OTHER RECEIVABLES**

	Proforma Group RM'000
Other receivables	9,071
Due from subsidiary's director	197
Deposits and prepayments	958

	10,226
	=====
Included in other receivables are:-	
	RM
Deposit and part payment for the purchase of industrial land	6,378
Amounts due by purchaser of freehold land and building	2,211
Share application money in unquoted shares pending allotment	290

	8,879
	=====

9.6 TAXATION

	Proforma Group RM'000
The taxation expenses comprise:-	
Current year provision	1,366
Transfer to deferred taxation	394
Prior year underprovision of Real Property Gains Tax	82

Taxation expense for the year	1,842
	=====

The current taxation charge of the Proforma Group is disproportionate to the operating results due to the claim of reinvestment allowances and utilisation of the brought forward unabsorbed losses, unutilised capital allowances and reinvestment allowances by certain subsidiary companies.

A reconciliation of the statutory tax rate to the Proforma Group's effective tax rate applicable to pre-tax profit was as follows:-

	Proforma Group RM'000
Profit before taxation	7,969

Taxation at statutory tax rate of 28%	2,231
Expenses not deductible for tax purposes	257
Depreciation on non-qualifying property, plant and equipment	123
Income not subject to tax	(8)
Utilisation of previously unrecognised capital allowances and unabsorbed loss	(208)
Reinvestment allowance incentive	(509)
Expenses allowed for double deduction	(70)
Prior year underprovision of Real Property Gains Tax	82
Income chargeable at different tax rate	(48)
Reduction in opening deferred tax resulting from reduction in rate	(8)

Taxation expense for the year	1,842
	=====

9.0 ACCOUNTANTS' REPORT (Cont'd)**9.7 FIXED DEPOSITS WITH LICENSED BANKS**

Proforma Group

Included in the fixed deposits with licensed banks is an amount of RM180,000 pledged as collateral for banking facilities granted to the Proforma Group.

9.8 TRADE PAYABLES

The credit terms of trade payables ranging from 30 to 90 days.

The foreign currency exposure of trade payables is as follows:-

	Proforma Group RM'000
United States Dollar	608 =====

9.9 BORROWINGS

Borrowings of the Proforma Group comprise the followings:

	RM'000
Hire purchase payables	1,431
Bank overdrafts	5,707
Bankers acceptances	27,008
Trust receipts	3,079
Term loans	
- current portion	2,121
	----- 39,346 =====

The non-current portion of term loans is repayable over the following periods:-

	Proforma Group RM'000
Between one to two years	943
Between two to five years	2,184
After five years	1,358
	----- 4,485 =====

The bank borrowings are secured by:

- a) facility agreements;
- b) legal charges created over properties of the Proforma Group;
- c) debenture for RM15.6 million incorporating first fixed and floating charges over all the present and future assets of the UDT and its subsidiary companies;
- d) joint and several guarantees by certain directors of the Proforma Group; and
- e) corporate guarantee by the UDT for RM6.085 million against banking facilities granted to its subsidiary companies.

9.0 ACCOUNTANTS' REPORT (Cont'd)

9.9 BORROWINGS - cont'd

The average effective interest rates during the financial year for borrowings were as follows:-

	Proforma Group %
Bank overdrafts	8.30
Bankers acceptances	4.25
Trust receipts	8.30
Term loans	7.90

9.10 HIRE PURCHASE PAYABLES

	Proforma Group RM'000
Due within one year	1,546
Less:	
Undue interest	115
	<u>1,431</u> =====
Due after one year	808
Less:	
Undue interest	63
	<u>745</u> =====

Hire purchase payables bear interest at flat rates ranging from 4.05% to 7.50% per annum.

9.11 DEFERRED TAXATION

	Proforma Group RM'000
At 01 September	
- as previously report	339
- prior year adjustment	341
	<u>680</u>
- as restated	680
Transfer from income statements	
- current year	400
- effect on opening deferred tax result from a reduction in income statement	(6)
	<u>1,074</u> =====
At 31 August	1,074 =====

The deferred taxation arose due to the excess of capital allowances claimed over depreciation charge on the property, plant and equipment.

The prior year adjustment arose as a result of the adoption of MASB 25 that is retrospectively applied.

9.0 ACCOUNTANTS' REPORT (Cont'd)**9.12 MINORITY INTEREST**

This consists of the minority shareholders' portion of share capital and reserves of a subsidiary net of their share of a subsidiary goodwill on consolidated and amortised of goodwill charged to minority shareholders.

9.13 SHARE CAPITAL

	No. of ordinary shares '000	Company RM'000	No. of ordinary shares '000	Proforma Group RM'000
Authorised:				
Balance at 31 August 2003	50,000	50,000	50,000	50,000
2 for 1 share split	50,000	-	50,000	-
	<u>100,000</u>	<u>50,000</u>	<u>100,000</u>	<u>50,000</u>
Issued and fully paid:				
Balance at 31 August 2003	50	50	50	50
Acquisition of the entire issued and paid-up share capital of:				
i) UDT via the issuance of 21,722,187 new ordinary share at an issue price of approximately RM1.07 per share	-	-	21,722	21,722
ii) SWS via the issuance of 5,329,820 new ordinary shares at an issue price of approximately RM1.07 per share	-	-	5,330	5,330
Rights Issue of 5,297,993 new ordinary shares at par value	-	-	5,298	5,298
2 for 1 share split	50	-	32,400	-
Public Issue of 15,200,000 new ordinary shares at an issue price of RM0.88 per share	-	-	15,200	7,600
	<u>100</u>	<u>50</u>	<u>80,000</u>	<u>40,000</u>

9.14 SHARE PREMIUM (NON-DISTRIBUTABLE)

	Proforma Group RM'000
Acquisition of the entire issued and paid-up share capital of:-	
i) UDT via the issuance of 21,722,187 new ordinary shares at an issue price of approximately RM1.07 per share	1,412
ii) SWS via the issuance of 5,329,820 new ordinary shares at an issue price of approximately RM1.07 per share	346
iii) Public Issue	5,776
	<u>7,534</u>
Less: Estimated listing expenses written off	1,600
Balance at 31 August 2003	<u>5,934</u>

9.0 ACCOUNTANTS' REPORT (Cont'd)**9.15 NEGATIVE GOODWILL**

The acquisition of UDT and SWS will result in an estimated negative goodwill of approximately RM5,785,000.

9.16 CAPITAL COMMITMENT

	Proforma Group RM'000
Approved and contracted for: Property, plant and equipment	3,244 =====

9.17 CONTINGENT LIABILITIES (UNSECURED) - Proforma Group

The UDT has extended corporate guarantee to bankers and finance company for credit facilities to a limit of approximately RM22.8 million granted to its subsidiary companies.

Accordingly, the UDT is contingently liable to the extent of credit facilities utilised by its subsidiary companies amounting to approximately RM12.2 million as at 31 August 2003.

9.18 FINANCIAL INSTRUMENTS

The operations of the Proforma Group is exposed to a variety of financial risks, including foreign currency risk, credit risk, interest rate risk, liquidity and cash flow risks. The objective of the overall financial risk management of the Proforma Group is to minimise the Proforma Group's exposure to risks and cost associated with the financing, investing and operating activities of the Proforma Group. Financial risk management is carried out through risk reviews, internal control systems and insurance programme.

a) Foreign currency risk

The Proforma Group incurs foreign currency risk on sale and purchase transactions denominated in currencies other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar.

The Proforma Group does not hedge its trade receivables or payables as the exchange rate for United States Dollar has been pegged to Ringgit Malaysia at 3.80.

b) Credit risk

The Proforma Group manages credit risk by setting credit limits and ensuring that sale of goods are made to customers with an appropriate credit history. Collaterals are obtained where necessary from some customers to mitigate the credit risk exposure. Trade receivables are monitored on a regular and ongoing basis for irregularities.

The Proforma Group has no significant concentration of credit risk except for trade debts relating to 5 major customers which account for 28% of its total trade debts as of 31 August 2003.

c) Interest rate risk

The Proforma Group's policy is to borrow principally on a floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

d) Liquidity and cash flow risks

The Proforma Group seeks to achieve a balance between certainty of funding even in difficult times for the Proforma Group and a flexible, cost-effective borrowings structure. The policy, therefore, seeks to ensure that, at a minimum, all projected net borrowings needs are covered by committed facilities. Also, the objective for debt maturities is to ensure that the amount of debt maturing in any one year is not beyond the Proforma Group's means to repay and refinance.

9.0 ACCOUNTANTS' REPORT (Cont'd)

9.19 FAIR VALUES

- a) The aggregate fair values of financial liabilities carried on the balance sheets as at 31 August 2003 are presented in the following table:

	Proforma Group	
	Carrying amount RM'000	Fair value RM'000
Non-current financial liabilities		
Hire purchase payables	745	786
Term loans	4,485	4,391
	=====	=====

- b) It is not practical to estimate the fair values of investment in unquoted shares due to the constraints of timeliness and cost involved.

However, as of 31 August 2003, the carrying value of the Proforma Group's investment in unquoted shares is in excess of the underlying net tangible assets backing by approximately RM1.2 million. Considering the future prospects and profitability of the unquoted investments, the directors are of the opinion that no permanent impairment in the value of investment has occurred and therefore no allowance for diminution in value is necessary or required to be made in the financial statements of the Proforma Group for the current financial year.

- c) It is not practical to estimate the fair value of contingent liability reliably due to the uncertainties of timing, costs and eventual outcome.

9.20 SEGMENT INFORMATION

Segment information is presented in respect of the Proforma Group's business. The primary reporting segment information is in respect of business segments as the Proforma Group risk and rates of return are affected predominantly by differences in the products and services it produces. The geographical segments which are the secondary information have not been prepared as the Proforma Group's operations are located in Malaysia.

For management purposes, the Group is organised into the following operating divisions:-

- Manufacturing of wood products
- Manufacturing of seatee and sofa
- Distributing of wood products, parts and hardware
- Investment properties and others

9.0 ACCOUNTANTS' REPORT (Cont'd)**9.20 SEGMENT INFORMATION - cont'd****The Proforma Group**

	Manu- facturing of wood products RM'000	Distributing of wood products, parts and hardware RM'000	Manu- facturing of seatee and sofa RM'000	Investment properties & others RM'000	Elimination RM'000	Conso- lidated RM'000
Capital additions	6,201	3,930	3,886	2,018	-	16,035
Depreciation	825	448	520	-	-	1,793
Consolidated Balance Sheet						
Assets						
Segment assets	35,589	53,645	20,495	6,345	(5,769)	110,305
Unallocated corporate assets	70	376	-	-	-	446
Consolidated total assets						110,751
Liabilities						
Segment liabilities	24,038	31,132	13,264	6,337	(15,700)	59,071
Unallocated corporate liabilities	-	-	12	-	-	12
Consolidated total liabilities						59,083

9.21 SIGNIFICANT RELATED PARTY TRANSACTIONS

Except as disclosed in individual notes to income statements, significant transactions undertaken with related parties during the year were as follows:-

	Proforma Group RM'000
i) Sales from UDT to SWS	80
ii) Sales to a company of which a director is proprietor/has deemed interest:- Perabut Chip Hong Sdn. Bhd. Kim Seng	291 72
iii) Purchases from a company of which a director is proprietor/has interest:- S-Classic Spray Sdn. Bhd. (till 30 April 2003) Kim Seng	209 72
iv) Rental paid to director - Koh Low @ Koh Kim Toon	14
v) Interest paid to director - Ng Sey Wee @ Ang Seh Wee	3

9.0 ACCOUNTANTS' REPORT (Cont'd)

10. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement of UDS and the Proforma Group are based on the audited financial statements of UDS and its subsidiaries for the year ended 31 August 2003.

The proforma consolidated cash flow statement of the Proforma Group for the year ended 31 August 2003 as set out below is for illustration purposes only and is prepared on the assumption that the Proforma Group has been in existence throughout the year ended 31 August 2003.

	Company RM'000	Proforma Group RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(1)	7,969
Adjustments for:		
Bad debts written off	-	765
Depreciation	-	1,793
Goodwill amortised	-	77
Interest expenses	-	2,000
Loss on disposal of property, plant and equipment	-	5
Property, plant and equipment written off	-	15
Provision for doubtful debts	-	1
Dividend (gross)	-	(13)
Gain on disposal of quoted investment	-	(17)
Gain on disposal of property, plant and equipment	-	(96)
Interest income	-	(108)
Negative goodwill credited	-	(45)
Unrealised foreign exchange gain	-	(1)
	<hr/>	<hr/>
Operating (loss)/profit before working capital changes	(1)	12,345
Increase in inventories	-	(7,295)
(Increase)/decrease in receivables	(650)	580
Increase in fixed deposit	-	(2)
Increase/(decrease) in payables	651	(358)
Decrease in directors' current account	-	(647)
Increase in shareholder's current account	-	593
	<hr/>	<hr/>
Cash generated from operations	-	5,216
Interest paid	-	(1,998)
Income tax paid	-	(2,687)
Income tax refund	-	2
	<hr/>	<hr/>
Net cash from operating activities	-	533
	<hr/>	<hr/>

9.0 ACCOUNTANTS' REPORT (Cont'd)

10. PROFORMA CONSOLIDATED CASH FLOW STATEMENT - cont'd

	Company RM'000	Proforma Group RM'000
CASH FLOWS FROM INVESTING ACITIVITES		
Dividend received	-	12
Interest received	-	109
Proceeds from disposal of property, plant and equipment	-	214
Proceeds from sale of investments	-	98
Purchase of property, plant and equipment	-	(14,682)
Purchase of investment property	-	(33)
Acquisition of additional shares from minority	-	*
Purchase of unquoted investment	-	(1,492)
Deferred expenditure incurred	-	(552)
	-----	-----
Net cash used in investing activities	-	(16,326)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from public issue	-	13,376
Proceeds from rights issue	-	5,298
Listing expenses	-	(1,048)
Term loan drawdown	-	4,190
Increase in bankers acceptances	-	8,914
Increase in trust receipts	-	1,888
Repayment of hire purchase	-	(1,155)
Repayment of term loan	-	(1,657)
	-----	-----
Net cash from financing activities	-	29,806
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	14,013
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1	(881)
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1	13,132
	=====	=====
Cash and cash equivalents comprise:		
Fixed deposit with licensed bank	-	51
Cash and bank balances	1	18,788
Bank overdrafts	-	(5,707)
	-----	-----
	1	13,132
	=====	=====

* Nominal : RM2

9.0 ACCOUNTANTS' REPORT (Cont'd)

11. PROFORMA NET TANGIBLE ASSETS COVER

Based on the statement of assets and liabilities of the Proforma Group as at 31 August 2003 the net tangible assets cover will be as follows:-

	Proforma Group RM'000
Net tangible assets as per statement of assets and liabilities of Proforma Group	51,668 =====
Number of ordinary shares of RM0.50 each in issue as at 31 August 2003 ('000)	80,000 =====
Net tangible assets per ordinary share of RM0.50 each (RM)	0.65 =====

12. EVENT SUBSEQUENT TO BALANCE SHEET DATE OF 31 AUGUST 2003

Based on the audited financial statements for the year ended 31 August 2003 and other than the completion of the acquisitions as referred to above, no events have arisen subsequent to the balance sheet date which requires disclosure in this report.

13. FINANCIAL STATEMENTS

No audited financial statements have been made up in respect of any period subsequent to 31 August 2003.

Yours faithfully

JOHN LIM & ASSOCIATES
A.F. No. 0393
Chartered Accountants

LIM JOHN @ LIM WAN SHOW
1148/2/04(J)
Chartered Accountant