

12. ACCOUNTANTS' REPORT (cont'd)



9.1.14 Kiaratex Exports Pte Ltd

The summarised results of KEX based on the audited financial statements for the financial years ended from 31 December 1998 to 2002 and 10-month financial period ended 31 October 2003 are set out below :-

| | Financial year/period | | | | | |
|--|--|--|--|--|--|---------------------------------------|
| | 12 months ended 31 December 1998 RM | 12 months ended 31 December 1999 RM | 12 months ended 31 December 2000 RM | 12 months ended 31 December 2001 RM | 12 months ended 31 December 2002 RM | 10 months ended 31 October 2003 RM |
| Revenue | 1,780,915 | 4,937,899 | 5,344,892 | 2,738,598 | 3,558,292 | 2,405,942 |
| Profit/(Loss) before depreciation, interest and taxation | 2,564 | 9,747 | 28,338 | 39,860 | 15,864 | (165,539) |
| Depreciation | - | - | - | - | (821) | (1,873) |
| Interest expense | - | - | - | (66) | - | - |
| Profit/(Loss) before taxation | 2,564 | 9,747 | 28,338 | 39,794 | 15,043 | (167,412) |
| Tax expense | (1,747) | (775) | (3,494) | 1,402 | (4,523) | - |
| Profit/(Loss) after taxation | 817 | 8,972 | 24,844 | 41,196 | 10,520 | (167,412) |
| Number of ordinary shares in issue | 2 | 2 | 2 | 100 | 100 | 100 |
| Weighted average number of ordinary shares in issue | 2 | 2 | 2 | 84 | 100 | 100 |
| Gross earnings per share (sen) | 128,200 | 487,350 | 1,416,900 | 47,374 | 15,043 | (167,412) |
| Net earnings per share (sen) | 40,850 | 448,600 | 1,242,200 | 49,043 | 10,520 | (167,412) |

Note:

- (i) Gross and net earning per share are computed based on the weighted average number of shares in issue.
- (ii) There were no extraordinary items or exceptional items during the financial years/period under review.
- (iii) The financial information has been translated into Ringgit Malaysia using the exchange rate of SGD0.4579 to RM1.00.
- (iv) The taxation has been adjusted for any under or overprovision where relevant.

12. ACCOUNTANTS' REPORT (cont'd)



9.1.15 Fibre Innovation Technology Sdn Bhd

The summarised results of FITSB based on the audited financial statements for the financial years ended from 31 December 1998 to 2002 and 10-month financial period ended 31 October 2003 are set out below :-

| | Financial year/period | | | | | |
|--|--|--|--|--|--|---------------------------------------|
| | 12 months ended 31 December 1998 RM | 12 months ended 31 December 1999 RM | 12 months ended 31 December 2000 RM | 12 months ended 31 December 2001 RM | 12 months ended 31 December 2002 RM | 10 months ended 31 October 2003 RM |
| Revenue | 135,431 | 521,064 | - | - | 4,112,590 | 6,617,347 |
| Profit/(Loss) before depreciation, interest and taxation | 110,741 | 170,721 | 1,397 | (429,941) | 314,786 | 701,883 |
| Depreciation | (11,173) | (11,173) | (1,375) | (191,061) | (389,726) | (349,070) |
| Interest expense | (232,735) | (154,063) | (122,159) | (143,083) | (294,585) | (260,535) |
| (Loss)/Profit before taxation | (133,167) | 5,485 | (122,137) | (764,085) | (369,525) | 92,278 |
| Tax expense | - | - | - | - | (19,000) | (1,972) |
| (Loss)/Profit after taxation | (133,167) | 5,485 | (122,137) | (764,085) | (388,525) | 90,306 |
| Number of ordinary shares in issue | 300,000 | 300,000 | 300,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Weighted average number of ordinary shares in issue | 300,000 | 300,000 | 300,000 | 4,341,667 | 10,000,000 | 10,000,000 |
| Gross earnings per share (sen) | (44.39) | 1.83 | (40.71) | (17.60) | (3.70) | 0.92 |
| Net earnings per share (sen) | (44.39) | 1.83 | (40.71) | (17.60) | (3.89) | 0.90 |

Note:

- (i) Gross and net earning per share are computed based on the weighted average number of shares in issue.
- (ii) There were no extraordinary items or exceptional items during the financial years/period under review.
- (iii) The taxation has been adjusted for any under or overprovision where relevant.

12. ACCOUNTANTS' REPORT (cont'd)



10. SUMMARISED STATEMENT OF ASSETS AND LIABILITIES

10.1 Proforma Group

The summarised statement of assets and liabilities of the Proforma Group and the Group's audited assets and liabilities as at the end of the financial years and period respectively under review are set out below. The Group's Proforma are for illustration purposes and have been prepared after such adjustments considered necessary on the audited accounts of EKIB, EKSB, EKM, KESB, ATF, KEX and FIT and assuming that the Proforma Group have been in existence throughout the financial years under review. The EKIB's equity interest in the subsidiary companies is stated in paragraph 9.1.3.

| | Financial years/period ended | | | |
|---|--|--|--|---------------------------------------|
| | Proforma | | | Audited |
| | 12 months ended 31 December 2000 RM | 12 months ended 31 December 2001 RM | 12 months ended 31 December 2002 RM | 10 months ended 31 October 2003 RM |
| ASSETS EMPLOYED:- | | | | |
| PROPERTY, PLANT AND EQUIPMENT | 23,433,345 | 39,249,791 | 38,726,809 | 37,375,125 |
| GOODWILL | - | - | - | 3,609,758 |
| DEFERRED TAX ASSETS | - | - | - | 1,466,000 |
| CURRENT ASSETS LESS · CURRENT LIABILITIES | 28,379,950 (25,203,961) | 28,046,069 (29,497,869) | 38,586,805 (30,660,219) | 55,617,058 (41,021,697) |
| NET CURRENT ASSETS/(LIABILITIES) | 3,175,989 | (1,451,800) | 7,926,586 | 14,595,361 |
| | 26,609,334 | 37,797,991 | 46,653,395 | 57,046,244 |
| FINANCED BY :- | | | | |
| SHARE CAPITAL RESERVES | 11,580,007 6,196,180 | 17,400,091 9,107,826 | 18,900,091 15,424,964 | 19,080,572 21,691,391 |
| SHAREHOLDERS' EQUITY | 17,776,187 | 26,507,917 | 34,325,055 | 40,771,963 |
| RESERVE ON CONSOLIDATION | - | - | - | 3,290,220 |
| MINORITY INTERESTS | 78,730 | 3,629,892 | 3,453,784 | 4,058,598 |
| LONG TERM LIABILITIES | 8,754,417 | 7,660,182 | 8,874,556 | 8,925,463 |
| | 26,609,334 | 37,797,991 | 46,653,395 | 57,046,244 |
| NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH | 1.54 | 1.52 | 1.82 | 1.95 |

The summarised statement of assets and liabilities of the Proforma Group as at 31 December 1998 and 1999 have not been prepared as it is impracticable to do so as EKIB was incorporated on 7 June 1999.

12. ACCOUNTANTS' REPORT (cont'd)



10.2 Emas Kiara Industries Berhad

The summarised statement of assets and liabilities of EKIB based on the audited financial statements as at the end of the financial years/periods under review are set out below :-

| | ←----- Financial years/period ended -----> | | | | |
|---|--|------------------|------------------|------------------|------------------|
| | 31.12.1999 RM | 31.12.2000 RM | 31.12.2001 RM | 31.12.2002 RM | 31.10.2003 RM |
| ASSETS EMPLOYED :- | | | | | |
| PROPERTY, PLANT AND EQUIPMENT | - | - | 1,618 | 538 | 1 |
| INVESTMENT IN SUBSIDIARY COMPANIES | - | - | 10,560,130 | 10,560,130 | 24,042,801 |
| OTHER INVESTMENT | - | - | - | 1,800,000 | - |
| CURRENT ASSETS | 7,699,985 | 11,494,337 | 663,957 | 521,616 | 3,453,601 |
| LESS : CURRENT LIABILITIES | (2,752,855) | (134,742) | (295,208) | (168,466) | (3,436,040) |
| NET CURRENT ASSETS | 4,947,130 | 11,359,595 | 368,749 | 353,150 | 17,561 |
| | 4,947,130 | 11,359,595 | 10,930,497 | 12,713,818 | 24,060,363 |
| FINANCED BY :- | | | | | |
| SHARE CAPITAL | 4,987,027 | 11,500,002 | 11,500,002 | 13,300,002 | 19,080,572 |
| SHARE PREMIUM | - | - | - | - | 5,702,101 |
| ACCUMULATED LOSSES | (39,897) | (140,407) | (569,505) | (586,184) | (722,310) |
| SHAREHOLDERS' EQUITY | 4,947,130 | 11,359,595 | 10,930,497 | 12,713,818 | 24,060,363 |
| NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH | 0.99 | 0.99 | 0.95 | 0.96 | 1.26 |

12. ACCOUNTANTS' REPORT (cont'd)



10.3 Emas Kiara Sdn Bhd

The summarised statement of assets and liabilities of EKSBB based on the audited financial statements as at the end of the financial years/periods under review are set out below :-

| | ← Financial years/period ended → | | | | | |
|---|----------------------------------|----------------------------|---------------------------|----------------------------|---------------------------|---------------------------|
| | 30.11.1998 RM | 30.11.1999 RM | 31.12.2000 RM | 31.12.2001 RM | 31.12.2002 RM | 31.10.2003 RM |
| ASSETS EMPLOYED :- | | | | | | |
| PROPERTY, PLANT AND EQUIPMENT INVESTMENT | 5,926,255 200,000 | 4,870,261 | 5,464,018 | 12,166,002 | 11,448,969 | 10,673,375 |
| CURRENT ASSETS LESS: CURRENT LIABILITIES | 10,816,000 (10,395,767) | 14,040,593 (12,340,208) | 12,389,526 (8,269,242) | 15,742,253 (13,031,961) | 19,822,302 (6,008,485) | 28,014,432 (9,244,104) |
| NET CURRENT ASSETS | 420,233 | 1,700,385 | 4,120,284 | 2,710,292 | 13,813,817 | 18,770,328 |
| | 6,546,488 | 6,570,646 | 9,584,302 | 14,876,294 | 25,262,786 | 29,443,703 |
| FINANCED BY :- | | | | | | |
| SHARE CAPITAL | 2,000,000 | 2,000,000 | 2,300,000 | 3,500,000 | 4,500,000 | 4,500,000 |
| RETAINED PROFITS | 1,665,178 | 3,255,015 | 6,518,209 | 9,871,159 | 15,586,832 | 20,188,675 |
| SHAREHOLDERS' EQUITY | 3,665,178 | 5,255,015 | 8,818,209 | 13,371,159 | 20,086,832 | 24,688,675 |
| LONG TERM AND DEFERRED LIABILITIES | 2,881,310 | 1,315,631 | 766,093 | 1,505,135 | 5,175,954 | 4,755,028 |
| | 6,546,488 | 6,570,646 | 9,584,302 | 14,876,294 | 25,262,786 | 29,443,703 |
| NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH | 1.83 | 2.63 | 3.83 | 3.82 | 4.46 | 5.49 |

12. ACCOUNTANTS' REPORT (cont'd)



10.4 Emas Kiara Marketing Sdn Bhd

The summarised statement of assets and liabilities of EKMSB based on the audited financial statements as at the end of the financial years/period under review are set out below :-

| | ← Financial years/period ended → | | | | | |
|---|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| | 31.12.1998 RM | 31.12.1999 RM | 31.12.2000 RM | 31.12.2001 RM | 31.12.2002 RM | 31.10.2003 RM |
| ASSETS EMPLOYED :- | | | | | | |
| PROPERTY, PLANT AND EQUIPMENT | 81,023 | 68,016 | 161,715 | 189,402 | 471,503 | 420,249 |
| CURRENT ASSETS | 6,673,129 | 11,321,185 | 15,969,625 | 18,450,775 | 28,067,936 | 38,109,770 |
| LESS : CURRENT LIABILITIES | (6,180,966) | (9,659,659) | (13,868,733) | (15,786,539) | (24,377,297) | (34,683,461) |
| NET CURRENT ASSETS | 492,163 | 1,661,526 | 2,100,892 | 2,664,236 | 3,690,639 | 3,426,309 |
| | 573,186 | 1,729,542 | 2,262,607 | 2,853,638 | 4,162,142 | 3,846,558 |
| FINANCED BY :- | | | | | | |
| SHARE CAPITAL | 500,000 | 500,000 | 500,000 | 1,000,000 | 1,500,000 | 1,500,000 |
| RETAINED PROFITS | 49,708 | 1,223,072 | 1,708,421 | 1,812,164 | 2,513,172 | 2,185,569 |
| SHAREHOLDERS' EQUITY | 549,708 | 1,723,072 | 2,208,421 | 2,812,164 | 4,013,172 | 3,685,569 |
| LONG TERM AND DEFERRED LIABILITIES | 23,478 | 6,470 | 54,186 | 41,474 | 148,970 | 160,989 |
| | 573,186 | 1,729,542 | 2,262,607 | 2,853,638 | 4,162,142 | 3,846,558 |
| NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH | 1.10 | 3.45 | 4.42 | 2.81 | 2.68 | 2.46 |

12. ACCOUNTANTS' REPORT (cont'd)



10.5 Khidmat Edar (M) Sdn Bhd

The summarised statement of assets and liabilities of KESB based on the audited financial statements as at the end of the financial years/periods under review are set out below :-

| | Financial years/periods ended | | | | | |
|---|-------------------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| | 31.3.1999 RM | 31.3.2000 RM | 31.12.2000 RM | 31.12.2001 RM | 31.12.2002 RM | 31.10.2003 RM |
| ASSETS EMPLOYED :- | | | | | | |
| PROPERTY, PLANT AND EQUIPMENT | 16,795,653 | 15,968,737 | 15,265,685 | 14,431,881 | 14,298,936 | 13,791,937 |
| INTEREST IN SUBSIDIARY COMPANY | 354,000 | - | - | - | - | - |
| DEFERRED TAX ASSETS | - | - | - | - | - | 1,466,000 |
| CURRENT ASSETS LESS CURRENT LIABILITIES | 4,029,422 (10,489,219) | 4,407,871 (9,539,045) | 2,697,444 (7,800,030) | 4,083,890 (9,477,524) | 3,440,914 (10,176,758) | 4,105,973 (9,631,274) |
| NET CURRENT LIABILITIES | (6,459,797) | (5,131,174) | (5,102,586) | (5,393,634) | (6,735,844) | (5,525,301) |
| | 10,689,856 | 10,837,563 | 10,163,099 | 9,038,247 | 7,563,092 | 9,732,636 |
| FINANCED BY :- | | | | | | |
| SHARE CAPITAL | 3,000,000 | 4,575,000 | 4,575,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| ACCUMULATED LOSSES /RETAINED PROFITS | (1,838,353) | (2,136,208) | (1,507,759) | (1,355,202) | (584,296) | 1,038,782 |
| SHAREHOLDERS' EQUITY | 1,161,647 | 2,438,792 | 3,067,241 | 4,644,798 | 5,415,704 | 7,038,782 |
| LONG TERM AND DEFERRED LIABILITIES | 9,528,209 | 8,398,771 | 7,095,858 | 4,393,449 | 2,147,388 | 2,693,854 |
| | 10,689,856 | 10,837,563 | 10,163,099 | 9,038,247 | 7,563,092 | 9,732,636 |
| NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH | 0.39 | 0.53 | 0.67 | 0.77 | 0.90 | 1.17 |

12. ACCOUNTANTS' REPORT (cont'd)



10.6 Advance Technical Fabric Sdn Bhd

The summarised statement of assets and liabilities of ATF based on the audited financial statements as at the end of the financial years/periods under review are set out below :-

| | ← Financial years/periods ended → | | | | | |
|---|-----------------------------------|-----------------|------------------|------------------|------------------|------------------|
| | 31.3.1999 RM | 31.3.2000 RM | 31.12.2000 RM | 31.12.2001 RM | 31.12.2002 RM | 31.10.2003 RM |
| ASSETS EMPLOYED :- | | | | | | |
| PROPERTY, PLANT AND EQUIPMENT | 36,920 | 19,311 | 6,101 | 1,446 | 1,106 | 268,074 |
| CURRENT ASSETS | 431,619 | 223,013 | 162,816 | 126,732 | 342,684 | 4,520,597 |
| LESS : CURRENT LIABILITIES | (413,152) | (87,639) | (28,455) | (45,724) | (313,083) | (3,227,395) |
| NET CURRENT ASSETS | 18,467 | 135,374 | 134,361 | 81,008 | 29,601 | 1,293,202 |
| | 55,387 | 154,685 | 140,462 | 82,454 | 30,707 | 1,561,276 |
| FINANCED BY :- | | | | | | |
| SHARE CAPITAL | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 1,000,000 |
| ACCUMULATED LOSSES/ RETAINED PROFITS | (464,523) | (350,955) | (359,538) | (417,546) | (469,293) | 410,567 |
| SHAREHOLDERS' EQUITY | 35,477 | 149,045 | 140,462 | 82,454 | 30,707 | 1,410,567 |
| LONG TERM LIABILITIES | 19,910 | 5,640 | - | - | - | 150,709 |
| | 55,387 | 154,685 | 140,462 | 82,454 | 30,707 | 1,561,276 |
| NET TANGIBLE ASSETS / PER ORDINARY SHARE OF RM1.00 EACH | 0.07 | 0.30 | 0.28 | 0.16 | 0.06 | 1.41 |

12. ACCOUNTANTS' REPORT (cont'd)



10.7 Kiaratex Exports Pte Ltd

The summarised statement of assets and liabilities of Kiaratex based on the audited financial statements as at the end of the financial years/period under review are set out below :-

| | ← Financial years/period ended → | | | | | |
|--|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| | 31.12.1998 RM | 31.12.1999 RM | 31.12.2000 RM | 31.12.2001 RM | 31.12.2002 RM | 31.10.2003 RM |
| ASSETS EMPLOYED :- | | | | | | |
| PROPERTY, PLANT AND EQUIPMENT | - | - | - | - | 1,640 | 2,931 |
| CURRENT ASSETS | 528,510 | 781,160 | 1,191,994 | 1,146,346 | 935,431 | 1,441,924 |
| LESS : CURRENT LIABILITIES | (527,689) | (771,367) | (1,157,358) | (1,070,299) | (850,504) | (1,525,700) |
| NET CURRENT ASSETS/(LIABILITIES) | 821 | 9,793 | 34,636 | 76,047 | 84,927 | (83,776) |
| | 821 | 9,793 | 34,636 | 76,047 | 86,567 | (80,845) |
| FINANCED BY :- | | | | | | |
| SHARE CAPITAL | 4 | 4 | 4 | 218 | 218 | 218 |
| RETAINED PROFITS | 817 | 9,789 | 34,632 | 75,829 | 86,349 | (81,063) |
| SHAREHOLDERS' EQUITY/(CAPITAL DEFICIENCY) | 821 | 9,793 | 34,636 | 76,047 | 86,567 | (80,845) |
| NET TANGIBLE ASSETS PER ORDINARY SHARE OF SGD1.00 EACH | 410.50 | 4,896.50 | 17,318 | 760.47 | 865.67 | (808.45) |

Note:

The financial information has been translated into Ringgit Malaysia using the exchange rate of SGD0.4579 to RM1.00.

12. ACCOUNTANTS' REPORT (cont'd)



10.8 Fibre Innovation Technology Sdn Bhd

The summarised statement of assets and liabilities of FITSB based on the audited financial statements as at the end of the financial years/period under review are set out below :-

| | Financial years/period ended | | | | | |
|---|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31.12.1998 RM | 31.12.1999 RM | 31.12.2000 RM | 31.12.2001 RM | 31.12.2002 RM | 31.10.2003 RM |
| ASSETS EMPLOYED :- | | | | | | |
| PROPERTY, PLANT AND EQUIPMENT | 2,554,088 | 2,542,915 | 2,535,826 | 12,459,442 | 12,504,117 | 12,218,558 |
| INTEREST IN ASSOCIATED COMPANY | 114,596 | - | - | - | 109,193 | - |
| CURRENT ASSETS LESS : CURRENT LIABILITIES | 2,124,636 (3,262,517) | 2,119,069 (3,340,267) | 1,863,256 (3,504,440) | 1,196,212 (2,943,254) | 1,782,701 (4,390,015) | 2,445,419 (4,805,036) |
| NET CURRENT LIABILITIES | (1,137,881) | (1,221,198) | (1,641,184) | (1,747,042) | (2,607,314) | (2,359,617) |
| | 1,530,803 | 1,321,717 | 894,642 | 10,712,400 | 10,005,996 | 9,858,941 |
| FINANCED BY :- | | | | | | |
| SHARE CAPITAL | 300,000 | 300,000 | 300,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| ACCUMULATED LOSSES | (126,986) | (121,501) | (243,638) | (1,007,723) | (1,396,248) | (1,305,942) |
| SHAREHOLDERS' EQUITY | 173,014 | 178,499 | 56,362 | 8,992,277 | 8,603,752 | 8,694,058 |
| LONG TERM LIABILITIES | 1,357,789 | 1,143,218 | 838,280 | 1,720,123 | 1,402,244 | 1,164,883 |
| | 1,530,803 | 1,321,717 | 894,642 | 10,712,400 | 10,005,996 | 9,858,941 |
| NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH | 0.58 | 0.59 | 0.19 | 0.90 | 0.86 | 0.87 |

12. ACCOUNTANTS' REPORT (cont'd)



11. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of the Group as at 31 October 2003 is set out below. It has been prepared based on the audited financial statements of EKIB, EKSB, EKM, KESB, ATF, KEX and FIT for the 10-month financial period ended 2003. The EKIB's equity interest in the subsidiary companies is stated in paragraph 9.1.3. This statement of assets and liabilities should be read in conjunction with notes thereon:-

| | NOTE | 31.10.2003 RM |
|---|-------|-------------------|
| ASSETS EMPLOYED | | |
| PROPERTY, PLANT AND EQUIPMENT | 11.1 | 37,375,125 |
| GOODWILL ON CONSOLIDATION | 11.2 | 3,609,758 |
| DEFERRED TAX ASSETS | 11.19 | 1,466,000 |
| CURRENT ASSETS | | |
| Inventories | 11.3 | 15,004,917 |
| Trade receivables | 11.4 | 33,183,914 |
| Other receivables, deposits and prepayments | 11.5 | 2,160,222 |
| Tax recoverable | | 4,368 |
| Fixed deposits with licensed banks | 11.6 | 4,202,129 |
| Cash and bank balances | 11.7 | 1,061,508 |
| | | 55,617,058 |
| LESS: CURRENT LIABILITIES | | |
| Trade payables | 11.8 | 9,644,461 |
| Other payables and accruals | 11.9 | 8,120,823 |
| Hire-purchase creditors | 11.10 | 490,343 |
| Amounts owing to shareholders | 11.11 | 56,141 |
| Amounts owing to Directors | 11.12 | 95,750 |
| Short term bank borrowings | 11.13 | 16,786,447 |
| Bank overdrafts | 11.14 | 1,325,491 |
| Term loans | 11.15 | 3,122,958 |
| Taxation | | 1,379,283 |
| | | 41,021,697 |
| NET CURRENT ASSETS | | 14,595,361 |
| | | 57,046,244 |
| FINANCED BY | | |
| SHARE CAPITAL | 11.16 | 19,080,572 |
| RESERVES | 11.17 | 21,691,391 |
| SHAREHOLDERS' EQUITY | | 40,771,963 |
| RESERVES ON CONSOLIDATION | 11.18 | 3,290,220 |
| MINORITY INTERESTS | | 4,058,598 |
| LONG TERM AND DEFERRED LIABILITIES | | |
| Hire-purchase creditors | 11.10 | 804,974 |
| Term loans | 11.15 | 5,221,261 |
| Deferred tax liabilities | 11.19 | 2,899,228 |
| | | 57,046,244 |
| Net tangible assets per ordinary share of RM1.00 each | | 1.95 |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.1 PROPERTY, PLANT AND EQUIPMENT

| Group | Balance as at 1.1.2003 RM | Additions RM | Acquisition of subsidiary company RM | Disposals RM | Written off RM | Balance as at 31.10.2003 RM |
|---|--|---|---|-------------------------|-------------------------------|--|
| Cost | | | | | | |
| Freehold land | 2,404,375 | - | 2,529,063 | - | - | 4,933,438 |
| Building | 7,554,671 | - | 2,497,153 | - | - | 10,051,824 |
| Plant and machinery | 26,339,694 | 901,511 | 7,680,158 | - | - | 34,921,363 |
| Motor vehicles | 1,755,166 | 661,990 | 261,318 | (234,128) | (165,574) | 2,278,772 |
| Office equipment, furniture and fittings | 475,861 | 42,880 | 49,064 | (7,500) | - | 560,305 |
| Renovation | 17,003 | - | - | - | - | 17,003 |
| Computer equipment | 139,467 | 17,036 | - | - | - | 156,503 |
| | 38,686,237 | 1,623,417 | 13,016,756 | (241,628) | (165,574) | 52,919,208 |
| | Balance as at 1.1.2003 RM | Charge for the financial period RM | Acquisition of subsidiary company RM | Disposals RM | Written off RM | Balance as at 31.10.2003 RM |
| Accumulated depreciation | | | | | | |
| Building | 386,858 | 166,030 | 68,554 | - | - | 621,442 |
| Plant and machinery | 11,080,615 | 2,167,116 | 448,721 | - | - | 13,696,452 |
| Motor vehicles | 748,627 | 350,802 | 56,811 | (191,876) | (98,760) | 865,604 |
| Office equipment, furniture and fittings | 151,641 | 65,996 | 13,837 | (1,375) | - | 230,099 |
| Renovation | 2,870 | 1,417 | - | - | - | 4,287 |
| Computer equipment | 92,934 | 33,265 | - | - | - | 126,199 |
| | 12,463,545 | 2,784,626 | 587,923 | (193,251) | (98,760) | 15,544,083 |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.1. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | 31.10.2003 RM |
|--|-------------------|
| Net book value | |
| Freehold land | 4,933,438 |
| Building | 9,430,382 |
| Plant and machinery | 21,224,911 |
| Motor vehicles | 1,413,168 |
| Office equipment, furniture and fittings | 330,206 |
| Renovation | 12,716 |
| Computer equipment | 30,304 |
| | <u>37,375,125</u> |

The freehold land and buildings with a total net book value of RM5,898,355 (31.12.2002: RM5,970,186) are being registered in the name of the Company.

The net book value of the property, plant and equipment which have been charged to licensed financial institutions for credit facilities granted to the Group are as follows:-

| | 31.10.2003 RM |
|--|-------------------|
| <u>Borrowings (other than hire-purchase)</u> | |
| Freehold land and building | 11,452,573 |
| Plant and machinery | 2,656,504 |
| | <u>14,109,077</u> |
| <u>Hire purchase</u> | |
| Plant and machinery | 1,776,819 |
| Motor vehicle | 947,679 |
| | <u>2,724,498</u> |

11.2. GOODWILL ON CONSOLIDATION

| | 31.10.2003 RM |
|---|------------------|
| Cost | |
| At beginning of financial period | 2,276,092 |
| Arising from disposal of 40% equity interest in a wholly owned subsidiary company | (53,505) |
| Arising from acquisition of a subsidiary company and additional equity interest in subsidiary companies | 2,007,617 |
| | 4,230,204 |
| Less: Accumulated amortization | |
| At beginning of financial period | 455,218 |
| Amortisation for the financial period | 165,228 |
| | (620,446) |
| | <u>3,609,758</u> |

The amortisation of goodwill in certain subsidiary companies is recognised during the financial period to reflect their recoverable amounts based on their value in use.

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.3. INVENTORIES

| | 31.10.2003 RM |
|------------------|-------------------|
| At cost | |
| Raw materials | 4,741,965 |
| Work-in-progress | 825,278 |
| Finished goods | 8,808,694 |
| Consumables | 628,980 |
| | <u>15,004,917</u> |

11.4. TRADE RECEIVABLES

| | 31.10.2003 RM |
|------------------------------------|--------------------|
| Trade receivables | 36,508,088 |
| Less: Allowance for doubtful debts | <u>(3,324,174)</u> |
| | <u>33,183,914</u> |

The trade receivables/allowance for doubtful debts is net of bad debts written off as follows:-

| | 31.10.2003 RM |
|-----------------------|------------------|
| Bad debts written off | <u>3,067</u> |

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

The foreign currencies exposure of trade receivables of the Group are as follows:-

| | 31.10.2003 RM |
|------------------|-------------------|
| US Dollar | 1,479,237 |
| Singapore Dollar | 251,194 |
| Ringgit Malaysia | <u>34,777,657</u> |
| | <u>36,508,088</u> |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.5. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The foreign currencies exposure of other receivables, deposits and prepayments of the Group are as follows:-

| | 31.10.2003 RM |
|------------------|------------------|
| US Dollar | 606 |
| Singapore Dollar | 66,849 |
| Ringgit Malaysia | <u>2,092,767</u> |
| | <u>2,160,222</u> |

11.6. FIXED DEPOSITS WITH LICENSED BANKS

The deposits are pledged to financial institutions as security for banking facilities granted to the subsidiary companies.

The weighted average effective interest rate is 3.00% (31.12.2002: 3.20%) per annum.

11.7. CASH AND BANK BALANCES

The foreign currencies profile of cash and bank balances of the Group are as follows:-

| | 31.10.2003 RM |
|------------------|------------------|
| Singapore Dollar | 84,890 |
| Ringgit Malaysia | <u>976,618</u> |
| | <u>1,061,508</u> |

11.8. TRADE PAYABLES

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

The foreign currencies exposure of trade payables of the Group are as follows:-

| | 31.10.2003 RM |
|------------------|------------------|
| US Dollar | 2,057,247 |
| Ringgit Malaysia | <u>7,587,214</u> |
| | <u>9,644,461</u> |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.9. OTHER PAYABLES AND ACCRUALS

11.9.1 Included in other payables and accruals of the Group at end of the current financial period is an amount of RM4,625,485 being advances from customers for procurement of materials for projects that commenced after the financial year end.

11.9.2 The foreign currencies exposure of other payables and accruals of the Group are as follows:-

| | 31.10.2003 RM |
|------------------|------------------|
| US Dollar | 26,617 |
| Singapore Dollar | 276,237 |
| Euro Dollar | 6,142 |
| Swiss Franc | 55,995 |
| Ringgit Malaysia | 7,755,832 |
| | <u>8,120,823</u> |

11.10. HIRE-PURCHASE CREDITORS

| | 31.10.2003 RM |
|---|------------------|
| Minimum hire-purchase payments:- | |
| - not later than one year | 575,465 |
| - later than one year and not later than five years | 928,223 |
| | <u>1,503,688</u> |
| Less: Future interest charges | (208,371) |
| Present value of hire-purchase liabilities | <u>1,295,317</u> |
| Repayable as follows:- | |
| Current liabilities:- | |
| - not later than one year | 490,343 |
| Long term liabilities:- | |
| - later than one year and not later than five years | 804,974 |
| | <u>1,295,317</u> |

The hire-purchase agreements bear interest rate at 6.67% (31.12.2002: 10.01%) per annum.

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.11. AMOUNTS OWING TO SHAREHOLDERS

The amounts owing to shareholders represent payments made on behalf and advances which are unsecured, interest-free and have no fixed terms of repayment.

11.12. AMOUNTS OWING TO DIRECTORS

The amounts owing to Directors represent payments made on behalf and advances which are unsecured, interest-free and have no fixed terms of repayment.

The foreign currencies exposure of amounts owing to Directors of the Group are as follows:-

| | 31.10.2003 RM |
|------------------|------------------|
| Singapore Dollar | 35,104 |
| Ringgit Malaysia | 60,646 |
| | <u>95,750</u> |

11.13. SHORT TERM BANK BORROWINGS

| | 31.10.2003 RM |
|----------------------------|-------------------|
| Current liabilities | |
| Bankers' acceptance | 13,064,738 |
| Trust receipt | 3,439,194 |
| Letter of credit | 282,515 |
| | <u>16,786,447</u> |

The borrowings are secured by:-

- (i) a first party legal charge over freehold land and building and financed plant and machinery of certain subsidiary companies;
- (ii) a debenture incorporating fixed and floating charges over the assets of certain subsidiary companies; and
- (iii) fixed deposits with licensed financial institutions of the Company and subsidiary companies.

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.13. SHORT TERM BANK BORROWINGS (SECURED) (cont'd)

| | 31.10.2003 |
|---|------------|
| | % |
| Weighted average effective interest rates per annum:- | |
| Bankers' acceptance | 4.93 |
| Trust receipt | 9.37 |

11.14. BANK OVERDRAFTS

The bank overdrafts are secured by means of:-

- (a) a first party legal charge over freehold land and building of certain subsidiary companies;
- (b) a debenture incorporating fixed and floating charges over the assets of certain subsidiary companies; and
- (c) fixed deposits with a licensed financial institution of a subsidiary company.

The weighted average effective interest rate of the bank overdrafts of the Group is 8.35% (31.12.2002: 8.15%) per annum.

11.15. TERM LOANS

| | 31.10.2003 |
|--|------------------|
| | RM |
| Term loan I repayable by 60 monthly instalments of RM17,320 each commencing 1 July 2000 | 327,452 |
| Term loan II repayable by 72 monthly instalments of RM15,970 each commencing 1 October 2001 | 651,467 |
| Term loan III repayable by 144 monthly instalments of RM45,627 each commencing 1 March 2002 | 3,576,330 |
| Term loan IV repayable by 108 monthly instalments of RM10,560 each commencing 3 June 1996 | 278,010 |
| Term loan V repayable by 84 monthly instalments of RM20,544 each commencing 28 August 1998 | 285,176 |
| Term loan VI repayable by 55 monthly instalments of RM30,000 in 2001, RM100,000 in 2002, RM175,000 in 2002 to 30 June 2004 and RM190,000 on 1 July 2004, commencing 3 January 2001 | 1,776,911 |
| Term loan VII repayable by 12 monthly instalments of RM31,473 for the first year and RM15,737 for the remaining 72 monthly instalments each commencing 11 September 2001 | 687,042 |
| Term loan VIII repayable by 84 monthly instalments of RM15,737 each commencing 5 October 2001 | 761,831 |
| | <u>8,344,219</u> |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.15. TERM LOANS (cont'd)

| | 31.10.2003 RM |
|---|------------------|
| Repayable as follows:- | |
| Current liabilities:- | |
| - within one year (Note 11.13) | 3,122,958 |
| Long term liabilities:- | |
| - not later than one year | 4,172,314 |
| - later than one year and not later than five years | 1,048,947 |
| | <u>5,221,261</u> |
| | <u>8,344,219</u> |

The term loans are secured by:-

- (i) a first party legal charge over freehold land and building and financed plant and machinery of certain subsidiary companies;
- (ii) a debenture incorporating fixed and floating charges over the assets of certain subsidiary companies; and
- (iii) fixed deposits with a licensed financial institution of a subsidiary company.

| | 31.10.2003 % |
|--|-----------------|
| The weighted average effective interest rate per annum of the term loans are:- | |
| Term loan I | 7.87 |
| Term loan II | 4.95 |
| Term loan III | 7.96 |
| Term loan IV | 7.97 |
| Term loan V | 7.94 |
| Term loan VI | 7.94 |
| Term loan VII | 7.90 |
| Term loan VIII | <u>7.90</u> |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.16. SHARE CAPITAL

| | 31.10.2003 | |
|---------------------------------------|---------------------|-------------------|
| | Number of shares | RM |
| Ordinary shares of RM1.00 each:- | | |
| Authorised | <u>20,000,000</u> | <u>20,000,000</u> |
| Issued and fully paid | | |
| Balance as at 1 January | 13,300,002 | 13,300,002 |
| Issued during the financial period | 5,780,570 | 5,780,570 |
| Balance as at 31 October | <u>19,080,572</u> | <u>19,080,572</u> |

During the financial period, the issued and paid-up share capital of the Company was increased from RM13,300,002 to RM19,080,572 by the issue of 5,780,570 ordinary shares of RM1.00 each as consideration for the acquisition of ordinary shares in its existing and new subsidiary companies (Note 11.39).

All new ordinary shares issued rank pari passu in all respects with the then existing shares of the Company.

11.17. RESERVES

| | 31.10.2003 RM |
|-----------------------------|-------------------|
| Non-distributable:- | |
| Share premium | 5,702,101 |
| Foreign exchange Reserve | 321 |
| Capital reserve | <u>4,096</u> |
| | 5,706,518 |
| Distributable:- | |
| Retained profits | <u>15,984,873</u> |
| | <u>21,691,391</u> |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.18. RESERVE ON CONSOLIDATION

| | 31.10.2003 RM |
|---|------------------|
| Cost | |
| At beginning of financial period/year | 3,689,507 |
| Arising from acquisition of an additional equity interest in a subsidiary company | 550,622 |
| | 4,240,129 |
| Less: Accumulated amortization | |
| At beginning of financial period/year | 737,901 |
| Amortisation for the financial period | 212,008 |
| | (949,909) |
| | <u>3,290,220</u> |

11.19. DEFERRED TAX (ASSETS)/LIABILITIES

| | 31.10.2003 RM |
|------------------------------------|------------------|
| At beginning of financial period | 545,700 |
| Recognised in the income statement | |
| - current period | 799,528 |
| - under provision in prior year | 88,000 |
| | 887,528 |
| | <u>1,433,228</u> |

Presented after appropriate offsetting as follows:-

| | 31.10.2003 RM |
|--------------------------|------------------|
| Deferred tax assets | (1,466,000) |
| Deferred tax liabilities | 2,899,228 |
| | <u>1,433,228</u> |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.19. DEFERRED TAX (ASSETS)/LIABILITIES (continued)

The movements of deferred tax assets and liabilities during the financial period prior to offsetting are as follows:-

Deferred tax assets

| | 31.10.2003 RM |
|--|------------------|
| At beginning of financial period | 793,000 |
| Recognised in the income statements | |
| Arising from unabsorbed tax losses | 137,000 |
| Arising from unutilised capital allowances | 536,000 |
| | <u>673,000</u> |
| | <u>1,466,000</u> |

Deferred tax liabilities

| | 31.10.2003 RM |
|--|------------------|
| At beginning of financial period | 1,338,700 |
| Recognised in the income statements | |
| Temporary differences arising from accelerated capital allowances | 1,560,528 |
| | <u>2,899,228</u> |

The components of deferred tax assets and liabilities as at the end of the financial period comprise tax effect of:-

Deferred tax assets

| | 31.10.2003 RM |
|--|------------------|
| Arising from unabsorbed tax losses | 244,000 |
| Arising from unutilised capital allowances | 1,222,000 |
| | <u>1,466,000</u> |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.19. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)

Deferred tax liabilities

| | 31.10.2003 RM |
|--|------------------|
| Capital allowances in excess of depreciation | <u>2,899,228</u> |

11.20. EARNINGS PER ORDINARY SHARES

The basic earnings per ordinary share for the financial period has been calculated based on the consolidated profit after tax and minority interest divided by the weighted average number of ordinary shares outstanding during the financial period.

| | 31.10.2003 |
|--|-------------------|
| Consolidated profit after tax and minority interest (RM) | <u>6,127,305</u> |
| Weighted average number of shares outstanding | <u>14,517,765</u> |
| Basic earnings per ordinary shares (sen) | <u>42.21</u> |

11.21 SEGMENTAL REPORTING

(i) Business segments

The Group's operations comprise businesses in the following business segments:-

| | |
|---------------|---|
| Trading | : Trading and marketing of geosynthetic products and technical fabrics. |
| Manufacturing | : Manufacturing in geosynthetic and technical fabrics for technical, engineering and industrial applications. |
| Others | : Investment holding company. |

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.21 SEGMENTAL REPORTING (cont'd)

(i) Business segments (cont'd)

| 31.10.2003 | Trading RM | Manufacturing RM | Others RM | Elimination RM | Consolidation RM |
|--|-------------------|---------------------|--------------|---------------------|-------------------------|
| Revenue | | | | | |
| External sales | 57,343,216 | 4,535,761 | - | - | 61,878,977 |
| Inter-segment sales | - | 53,312,965 | - | (53,312,965) | - |
| | <u>57,343,216</u> | <u>57,848,726</u> | <u>-</u> | <u>(53,312,965)</u> | <u>61,878,977</u> |
| Results | | | | | |
| Profit/(Loss) before tax | (624,314) | 9,760,478 | (136,126) | 892,573 | 9,892,611 |
| Tax expense | | | | | <u>(3,323,640)</u> |
| Profit after tax | | | | | 6,568,971 |
| Minority interests | | | | | <u>(388,066)</u> |
| Net profit for the financial period | | | | | <u><u>6,180,905</u></u> |
| Other information | | | | | |
| Segment assets | 39,031,531 | 72,428,606 | 27,496,403 | (44,498,357) | <u>94,458,183</u> |
| Total assets | | | | | <u>94,458,183</u> |
| Segment liabilities | 36,370,151 | 34,206,283 | 3,436,040 | (24,065,314) | <u>49,947,160</u> |
| Total liabilities | | | | | <u>49,947,160</u> |
| Capital expenditure | 132,922 | 1,490,495 | - | - | 1,623,417 |
| Depreciation | 134,510 | 2,649,579 | 537 | - | 2,784,626 |
| Amortisation of goodwill | 19,504 | 145,724 | - | - | 165,228 |
| Non-cash expenses other than depreciation amortisation of goodwill | 2,290,091 | 66,814 | 47,788 | - | 2,404,693 |

(ii) Geographical segments

The Group operates mainly in Malaysia and Singapore. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets.

| | Revenue 31.10.2003 RM | Total assets 31.10.2003 RM | Capital expenditure 31.10.2003 RM |
|-----------|-----------------------------|----------------------------------|---|
| Malaysia | 59,473,035 | 93,000,826 | 1,620,253 |
| Singapore | 2,405,942 | 1,457,357 | 3,164 |
| | <u>61,878,977</u> | <u>94,458,183</u> | <u>1,623,417</u> |

Inter segment pricing is determined on an arm's length basis.

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.22. CAPITAL COMMITMENT

31.10.2003
RM

Capital expenditure in respect of purchase of property, plant and equipment
- contracted but not provided for

5,314,400

11.23. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The table below summarises the carrying amount of the Group's financial assets and liabilities as at 31 October 2003, categorised by their maturity dates, which represent the Group's exposure to interest rate risk:-

| | Not later Than 1 year RM | 2 to 5 years RM | Later than 5 years RM | Total RM | Effective interest Rate |
|---------------------------------------|-----------------------------------|-----------------------|-----------------------------|-------------|-------------------------------|
| <u>Financial assets</u> | | | | | |
| Fixed deposits with licensed banks | 4,202,129 | - | - | 4,202,129 | 3.00% |
| <u>Financial liabilities</u> | | | | | |
| Bankers' acceptance | 13,064,738 | - | - | 13,064,738 | 5.31% |
| Trust receipt | 3,439,194 | - | - | 3,439,194 | 7.52% |
| Letter of credit | 282,515 | - | - | 282,515 | |
| Hire purchase creditors | 490,343 | 804,974 | - | 1,295,317 | 10.01% |
| Bank overdrafts | 1,325,491 | - | - | 1,325,491 | 8.15% |
| Term loans | 3,122,958 | 5,221,261 | - | 8,344,219 | 7.74% |
| | 21,725,239 | 6,026,235 | - | 27,751,474 | |

(b) Credit risk

Credit period in respect of trade receivables range from 30 to 90 days. Concentration of credit risk in respect of trade receivables are limited due to the Group's large number of customers. The Group's historical experience in collection of receivables fall within the recorded and reasonable allowances. Due to these factors, the management believes that no additional credit risk amounts for collection losses is inherent to the Group's trade receivables.

(c) Fair values

The carrying amounts of the financial assets and liabilities of the Group as at 31 October 2003 approximate their fair values.

12. ACCOUNTANTS' REPORT (cont'd)



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.24. NUMBER OF EMPLOYEES AND STAFF COSTS

| | 31.10.2003 |
|--|------------------------------------|
| Number of employees, including Executive Directors, at the end of the financial period | <u>258</u> |
| | 1.1.2003 To 31.10.2003 RM |
| Staff costs for the financial period | <u>4,826,641</u> |

11.25. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

- (a) On 24 March 2003, the Company acquired an additional 40 ordinary shares of SGD1.00 each representing 40% of the issued and paid-up capital of Kiaratex Export Pte. Ltd. ("Kiaratex") for a total consideration of RM350,000. The consideration was satisfied by the issuance of 350,000 new ordinary shares of RM1.00 each of the Company at par. The acquisition increased the Company's equity interest in Kiaratex from 60% to 100%.
- (b) On 28 March 2003, the Company acquired an additional 1,000,000 ordinary shares of RM1.00 each representing 22% of the issued and paid-up capital of Emas Kiara Sdn. Bhd. ("EKSB") for a total consideration of RM6,350,748. The consideration was satisfied by the issuance of 3,097,925 new ordinary shares of RM1.00 each of the Company at an issue price of RM2.05 per share. The acquisition increased the Company's equity interest in EKSB from 78% to 100%.
- (c) On 28 March 2003, the Company acquired an additional 500,000 ordinary shares of RM1.00 each representing 33% of the issued and paid-up capital of Emas Kiara Marketing Sdn. Bhd. ("EKMSB") for a total consideration of RM1,168,347. The consideration was satisfied by the issuance of 569,925 new ordinary shares of RM1.00 each of the Company at an issue price of RM2.05 per share. The acquisition increased the Company's equity interest in EKMSB from 67% to 100%.
- (d) On 30 March 2003, the Company acquired an additional 4,200,000 ordinary shares of RM1.00 each representing 42% of the issued and paid-up capital of Fiber Innovation Technology Sdn. Bhd. ("FITSB") for a total consideration of RM3,613,576. The acquisition was satisfied by the issuance of 1,762,720 new ordinary shares of RM1.00 each of the Company at an issue price of RM2.05 per share. The acquisition increased the Company's equity interest in FITSB from 18% to 60%.
- (e) On 28 March 2003, the Company disposed of 200,000 ordinary shares of RM1.00 each representing 40% of the issued and paid-up capital of Advance Technical Fabric Sdn. Bhd. ("ATFSB") for a total consideration of RM18,000. The disposal decreased the Company's equity interest in ATFSB from 100% to 60%.

12. ACCOUNTANTS' REPORT *(cont'd)*



NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

11.26 EVENT SUBSEQUENT TO BALANCE SHEET DATE

- (a) In conjunction with the proposed listing and quotation of the entire issued and fully paid-up share capital of the Company on the Second Board of the Malaysia Securities Exchange Berhad, the Group and the Company has undertaken the following:-
- (i) On 30 January 2004, the Company increased its authorised share capital from RM20,000,000 to RM50,000,000 by the creation of an additional 60,000,000 ordinary shares of RM0.50 each;
 - (ii) On 30 January 2004, the Company has sub-divided its 19,080,572 ordinary shares of RM1.00 each to 38,141,144 ordinary shares of RM0.50 each;
 - (iii) On 30 January 2004, a wholly-owned subsidiary, Emas Kiara Sdn. Bhd. had paid dividend of 190% tax exempt and 152.78% less tax at 28% based on its entire issued and paid-up share capital comprising 4,500,000 ordinary shares of RM1.00 each;
 - (iv) On 30 January 2004, a wholly-owned subsidiary, Emas Kiara Marketing Sdn. Bhd. had paid dividend of 80% tax exempt and 74.08% less tax at 28% based on its entire issued and paid-up share capital comprising 1,500,000 ordinary shares of RM1.00 each;
 - (v) On 30 January 2004, the Company declared bonus issue of new ordinary shares on the basis of three (3) new ordinary shares for every four (4) ordinary shares held to be capitalised from the Company's share premium and retained profits.
- (b) A subsidiary company, Advance Technical Fabric Sdn. Bhd., entered into a sale and purchase agreement ("S&P") dated 28 March 2003 for the acquisition of machinery for a total purchase consideration of RM3,000,000. The execution of the S&P was completed in December 2003.

12. ACCOUNTANTS' REPORT (cont'd)



12. STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2003

The statement of changes in equity of the Group's audited results for the financial period ended 31 October 2003 is set out below:-

| Group | Share capital RM | Share premium RM | Foreign exchange reserve RM | Capital Reserve RM | Retained Profits RM | Total RM |
|--|---------------------|---------------------|--------------------------------|-----------------------|------------------------|-------------|
| Balance as at 31 December 2001 | 11,500,002 | - | (2,610) | 4,096 | 8,414,083 | 19,915,571 |
| Issue of shares | 1,800,000 | - | - | - | - | 1,800,000 |
| Currency translation differences | - | - | 2,931 | - | - | 2,931 |
| Decrease in share of net assets in subsidiary companies upon issuance of new shares | - | - | - | - | (2,797,646) | (2,797,646) |
| Net profit for the financial year | - | - | - | - | 5,087,444 | 5,087,444 |
| Balance as at 31 December 2002 | 13,300,002 | - | 321 | 4,096 | 10,703,881 | 24,008,300 |
| Issue of shares as consideration for the acquisition of subsidiary companies | 5,780,570 | 5,702,101 | - | - | - | 11,482,671 |
| Decrease in share of net assets in a subsidiary company upon partial disposal of equity interest | - | - | - | - | (846,313) | (846,313) |
| Net profit for the financial period | - | - | - | - | 6,127,305 | 6,127,305 |
| Balance as at 31 October 2003 | 19,080,572 | 5,702,101 | 321 | 4,096 | 15,984,873 | 40,771,963 |

12. ACCOUNTANTS' REPORT (cont'd)



13. CASH FLOW STATEMENTS

The following Group's cash flow statement for the 10-months financial period ended 31 October 2003 has been prepared based on the audited financial statements of EKIB, EKSB, EKM, KESB, ATF, KEX and FIT. The EKIB's equity interest in the subsidiary companies is shown in paragraph 9.1.3. This statement of assets and liabilities should be read in conjunction with notes thereon:-

| | 1.1.2003 to 31.10.2003 RM |
|---|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Profit before tax | 9,839,011 |
| Adjustments for:- | |
| Allowance for doubtful debts | 2,280,899 |
| Amortisation of goodwill | 165,228 |
| Amortisation of reserves on consolidation | (212,008) |
| Bad debts written off | 3,067 |
| Depreciation of property, plant and equipment | 2,784,626 |
| Gain on disposal of property, plant and equipment | (55,374) |
| Interest expenses | 1,315,157 |
| Interest income | (50,811) |
| Loss on partial disposal of equity interest in a subsidiary company | 47,788 |
| Property, plant and equipment written off | 66,814 |
| Unrealised gain on foreign exchange | (9,964) |
| Operating profit before working capital Changes | 16,174,433 |
| Increase in inventories | (6,806,230) |
| Increase in trade receivables | (8,003,596) |
| Increase in other receivables, deposits and Prepayments | (1,087,232) |
| Increase in trade payables | 4,219,404 |
| Increase in other payables and accruals | 548,313 |
| Cash generated from operations | 5,045,092 |
| Tax paid | (1,888,465) |
| Interest paid | (263,440) |
| Net cash from operating activities | 2,893,187 |

12. ACCOUNTANTS' REPORT (cont'd)



13. CASH FLOW STATEMENTS (cont'd)

| | 1.1.2003 to 31.10.2003 RM |
|---|------------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | 50,811 |
| Purchase of property, plant and equipment (Note 13.2) | (1,249,417) |
| Placement of fixed deposits pledged to financial institutions | (2,880,497) |
| Proceeds from partial disposal of equity interest in a subsidiary company | 18,000 |
| Proceeds from disposal of property, plant and Equipment | 103,751 |
| Net cash used in investing activities | (3,957,352) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Advances from Directors | 82,298 |
| Increase in short term borrowings | 4,575,584 |
| Interest paid | (1,051,717) |
| Repayment of hire-purchase liabilities | (471,817) |
| Repayment of term loans | (2,377,566) |
| Net cash from financing activities | 756,782 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (307,383) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | |
| As previously reported | 43,725 |
| Effect of changes in exchange rates | (325) |
| | 43,400 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD (Note 13.1) | (263,983) |

12. ACCOUNTANTS' REPORT (cont'd)

BDO

13. CASH FLOW STATEMENTS (cont'd)

13.1 CASH AND CASH EQUIVALENTS

| | 31.10.2003 RM |
|---|--------------------|
| Fixed deposit with licensed banks | 4,202,129 |
| Cash and bank balances | 1,061,508 |
| Bank overdrafts | <u>(1,325,491)</u> |
| | 3,938,146 |
| Less: Fixed deposits pledged to licensed banks | <u>(4,202,129)</u> |
| | <u>(263,983)</u> |

13.2 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial period, the Group made the following cash payments to purchase property, plant and equipment:-

| | 31.10.2003 RM |
|---|------------------|
| Purchase of property, plant and equipment (Note 11.1) | 1,623,417 |
| Financed by hire-purchase arrangement | <u>(374,000)</u> |
| Cash payment on purchase of property, plant and equipment | <u>1,249,417</u> |

14. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 October 2003.

Yours faithfully

BDO Binder

BDO Binder
AF : 0206
Chartered Accountants

Siew Kah Tong

SIEW KAH TOONG
1045/3/04 (J)
Partner