

14. ACCOUNTANTS' REPORT

Shamsir Jasani Grant Thornton 

Chartered Accountants

(PREPARED FOR INCLUSION IN THIS PROSPECTUS)

1 June 2007

The Board of Directors  
Scanwolf Corporation Berhad  
41, Jalan Medan Ipoh 6  
Bandar Baru Medan Ipoh  
31400 Ipoh  
Perak Darul Ridzuan

Dear Sirs,

**ACCOUNTANTS' REPORT  
SCANWOLF CORPORATION BERHAD ("SCANWOLF" OR "THE COMPANY") AND ITS  
SUBSIDIARY COMPANIES ("SCANWOLF GROUP" OR "THE GROUP")**

**1. INTRODUCTION**

This report has been prepared by us, an approved company auditor, for inclusion in this Prospectus in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Scanwolf on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities") which includes the following:-

**Public Issue**

- (a) Public issue of 14,400,000 new ordinary shares of RM0.50 each in Scanwolf ("Scanwolf Shares") at an issue price of RM0.75 per Scanwolf Share to the investing public.

The allocation of the public issue is as follows:-

- (i) 6,000,000 new Scanwolf Shares, representing 7.50% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application of the Malaysian public;
- (ii) 4,925,000 new Scanwolf Shares, representing 6.16% of the enlarged issued and paid-up share capital of Scanwolf shall be made by way of private placement to identified investors;
- (iii) 975,000 new Scanwolf Shares, representing 1.22% of the enlarged issued and paid-up share capital of Scanwolf reserved for Bumiputra investors, as approved by the Ministry of International Trade and Industry; and
- (iv) 2,500,000 new Scanwolf Shares, representing 3.13% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application by eligible employees of Scanwolf Group and persons who have contributed to the success of Scanwolf Group.

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**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **1. INTRODUCTION (CONT'D)****Listing and Quotation on the Second Board of Bursa Securities**

- (b) In conjunction with the Public Issue, Scanwolf seeks the admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of Scanwolf of RM40,000,000 comprising 80,000,000 Scanwolf Shares on the Official List of the Second Board of the Bursa Securities.

**2. GENERAL INFORMATION****2.1 Background**

Scanwolf was incorporated in Malaysia under the Companies Act, 1965 on 13 July 2006 as a public limited company with an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each. Its issued and paid up share capital on incorporation date was RM2.00 comprising 2 ordinary shares of RM1.00 each.

**2.1.1 Flotation exercise**

As an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of Scanwolf, Scanwolf Group undertook the flotation exercise that was approved by the Securities Commission ("SC") on 30 January 2007. The flotation exercise includes the following:-

**(i) Revaluation of Landed Properties**

Revaluation of all the landed properties in its subsidiary company, Scanwolf Plastic Industries Sdn. Bhd. ("SPISB") and the incorporation of the revaluation surplus into SPISB's Books.

**(ii) Dividend Payment**

Declaration and dividend distribution by SPISB to its shareholders prior to the Acquisition (as defined herein) out of the earnings generated from 1 April 2006 to a date prior to the completion of the Acquisition.

The dividend was paid on 25 May 2007.

**(iii) Share Split**

Share split to subdivide the existing par value of the Company's ordinary shares from RM1.00 per share to RM0.50 per share.

The above share split was completed on 12 March 2007.

**(iv) Acquisition**

Acquisition by Scanwolf of the entire issued and fully paid-up share capital of SPISB comprising 2,300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM21,824,076 satisfied wholly by the issuance of 43,648,152 new ordinary shares of RM0.50 each in Scanwolf ("Scanwolf Shares") at par.

The above acquisition was completed on 2 April 2007.

**(v) Transfer of Subscribers' Shares**

Transfer of all 4 ordinary subscribers' shares in Scanwolf to Mr. Loo Bin Keong for a cash consideration of RM2.00;

The above transfer of subscribers' shares was completed on 2 April 2007.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **2. GENERAL INFORMATION (CONT'D)****2.1 Background (cont'd)****2.1.1 Floatation exercise (cont'd)****(vi) Rights Issue**

Rights issue of 21,951,844 new Scanwolf Shares at the issue price of RM0.50 per share, on the basis of approximately 2,749 new Scanwolf Shares for every 5,466 existing shares held subsequent to the Transfer of Subscribers' Shares.

The above Rights Issue was completed on 28 May 2007.

**(vii) Public Issue**

Public issue of 14,400,000 new Scanwolf Shares at an issue price of RM0.75 per share as follows:-

- (i) 6,000,000 new Scanwolf Shares, representing 7.50% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application of the Malaysian public;
- (ii) 4,925,000 new Scanwolf Shares, representing 6.16% of the enlarged issued and paid-up share capital of Scanwolf shall be made by way of private placement to identified investors;
- (iii) 975,000 new Scanwolf Shares, representing 1.22% of the enlarged issued and paid-up share capital of Scanwolf reserved for Bumiputra investors, as approved by the Ministry of International Trade and Industry; and
- (iv) 2,500,000 new Scanwolf Shares, representing 3.13% of the enlarged issued and paid-up share capital of Scanwolf shall be made available for application by eligible employees of Scanwolf Group and persons who have contributed to the success of Scanwolf Group.

**(viii) Listing and Quotation on the Second Board of Bursa Securities**

In conjunction with Public Issue, Scanwolf seeks the admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of Scanwolf of RM40,000,000 comprising 80,000,000 Scanwolf Shares on the Official List of the Second Board of the Bursa Securities.

The gross proceeds arising from the Rights Issue and Public Issue amounting to RM21,775,922 are expected to be fully utilised for the core business of Scanwolf Group in the following manner:-

	RM
Capital expenditure *	6,200,000
Repayment of borrowings	9,500,000
Working capital	4,075,922
Estimated listing expenses	<u>2,000,000</u>
	<u>21,775,922</u>

- \* Approximately RM6.0 million of capital expenditure have been purchased through internal generated fund. The amount of internal generated funds used to purchase the above capital expenditure would be replenished using the proceeds from the Rights Issue and Public Issue. Thus, additional RM200,000 will be incurred to purchase above capital expenditure.

The listing expenses of RM2,000,000 will be set off against share premium account.

**14. ACCOUNTANTS' REPORT (Cont'd)****Shamsir Jasani Grant Thornton** **2. GENERAL INFORMATION (CONT'D)****2.2 Share capital**

The changes in the Company's authorised share capital since its date of incorporation were as follows:-

<b>Date of creation</b>	<b>Number of ordinary shares</b>	<b>Par value (RM)</b>	<b>Cumulative total (RM)</b>
13.07.2006	100,000	1.00	100,000
09.03.2007	49,900,000	1.00	50,000,000
09.03.2007	100,000,000	0.50	50,000,000

On 9 March 2007, the Company had divided its authorised share capital of 50,000,000 ordinary shares of RM1.00 each to 100,000,000 ordinary shares of RM0.50 each.

The movement in the Company's issued and fully paid-up share capital since its date of incorporation were as follows:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par value (RM)</b>	<b>Consideration</b>	<b>Cumulative total (RM)</b>
13.07.2006	2	1.00	Subscribers' shares	2
12.03.2007	4	0.50	Subdivide from RM1.00 per share to RM0.50 per share	2
02.04.2007	43,648,152	0.50	Acquisition of SPISB	21,824,078
28.05.2007	21,951,844	0.50	Rights issue	32,800,000

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **2. GENERAL INFORMATION (CONT'D)****2.3 Principal activity**

Scanwolf is principally engaged in investment holding and commenced its business operation on 16 August 2006.

The subsidiary companies are as follows:-

Name of the company	Effective equity interest	Principal activities	Date and place of incorporation
Scanwolf Plastic Industries Sdn. Bhd. ("SPISB")	100%	Design and manufacture of plastic extrusions, PVC compounding, processing of PVC coils and trading of industrial consumables	02.09.1993, Malaysia
<b>Subsidiary company of SPISB</b>			
Scanwolf Building Materials Sdn. Bhd. ("SBMSB")	100%	Sales and marketing of PVC extruded building materials and trading of other building materials	19.09.1987, Malaysia

At the date of this report, SCB does not have any associate company.

SPISB and SBMSB are collectively referred as "SPISB Group".

Scanwolf, SPISB and SBMSB are collectively referred to as "Scanwolf Group" or "The Group".

**2.4 Share capital history of subsidiary companies****(i) SPISB**

The changes in the Company's authorised share capital since its date of incorporation were as follows:-

Date of creation	Number of ordinary shares	Par value (RM)	Cumulative total (RM)
02.09.1993	100,000	1.00	100,000
28.04.1994	900,000	1.00	1,000,000
24.03.1997	4,000,000	1.00	5,000,000

The changes in the Company's issued and fully paid-up share capital since its date of incorporation were as follows:-

Date of allotment	Number of ordinary shares	Par value (RM)	Consideration	Cumulative total (RM)
02.09.1993	3	1.00	Subscribers' shares	3
28.04.1994	999,997	1.00	Cash	1,000,000
25.03.1997	1,300,000	1.00	Bonus issue	2,300,000

**14. ACCOUNTANTS' REPORT (Cont'd)****Shamsir Jasani Grant Thornton** **2. GENERAL INFORMATION (CONT'D)****2.4 Share capital history of subsidiary companies (cont'd)****(ii) SBMSB**

The changes in the Company's authorised share capital since its date of incorporation were as follows:-

<b>Date of creation</b>	<b>Number of ordinary shares</b>	<b>Par value (RM)</b>	<b>Cumulative total (RM)</b>
19.09.1987	25,000	1.00	25,000
12.01.1996	75,000	1.00	100,000

The changes in the Company's issued and fully paid-up share capital since its date of incorporation were as follows:-

<b>Date of allotment</b>	<b>Number of ordinary shares</b>	<b>Par value (RM)</b>	<b>Consideration</b>	<b>Cumulative total (RM)</b>
19.09.1987	2	1.00	Subscribers' shares	2
12.01.1996	99,998	1.00	Cash	100,000

**3. FINANCIAL STATEMENTS AND AUDITORS****A. SCANWOLF**

The financial statements of Scanwolf for the past financial period ended 31 March 2007 were audited by Messrs. Deloitte KassimChan. All financial statements were reported without any qualifications.

**B. SPISB**

The financial statements of SPISB for the past three financial years ended 31 March 2005 to 2007 were audited by Messrs. Deloitte KassimChan. All financial statements were reported without any qualifications.

**C. SBMSB**

The financial statements of SBMSB with effect from financial period 1 October 2004 to 31 March 2005 and financial years ended 31 March 2006 to 2007 were audited by Messrs. Deloitte KassimChan. All the financial statements were reported without any qualifications.

The auditors reports of the financial statements of Scanwolf, SPISB and SBMSB for the relevant financial years and period under review are set out in Appendix I, Appendix II and Appendix III respectively.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **4. ACCOUNTING POLICIES AND STANDARDS**

This report is prepared on a basis consistent with the accounting policies normally adopted by the Group and in accordance with applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

**4.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS")**

The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act, 1965 and in compliance with applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

During the financial year, the Group adopted all of the new and revised Standards and Interpretations issued by MASB that are relevant to their operations and effective for accounting periods beginning on or after 1 January 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the accounting policies of the Group except as follows:

**(a) FRS 3 : Business Combination**

The adoption of this FRS has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 5 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. Based on the transitional provisions of FRS 3, the Group is required to eliminate at 1 April 2006 the carrying amount of the accumulated amortisation of RM8,613 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 April 2006 of RM34,452 ceased to be amortised.

**(b) FRS 101 : Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current year's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current year's presentation.

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 4.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS") (CONT'D)

## (c) FRS 140 : Investment Property

FRS 140 requires land and/or buildings (completed properties) held to earn rental and/or for capital appreciation to be accounted for as Investment Property. The Group has reclassified such properties which were previously presented as part of Property, Plant and Equipment to Investment Property during the financial year. The investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

At the date of authorisation of these reports for issue, the following Standards and Interpretations were issued but were not yet adopted by the Group:

Standards/IC Interpretation (Int.)	Title	Effective for annual periods beginning on or after
FRS 6	Exploration for and Evaluation of Mineral Resources	January 1, 2007
FRS 117	Leases	October 1, 2006
FRS 124	Related Party Disclosures	October 1, 2006
Amendments to FRS 119 <sub>2004</sub>	Actuarial Gains and Losses, Group Plans and Disclosures	January 1, 2007
Amendments to FRS 121	Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	July 1, 2007
Int. 1	Changes in Existing Decommissioning, Restoration & Similar Liabilities	July 1, 2007
Int. 2	Members' Shares in Co-operative Entities & Similar Instruments	July 1, 2007
Int. 5	Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds	July 1, 2007
Int. 6	Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment	July 1, 2007
Int. 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> <i>Financial Reporting in Hyperinflationary Economies</i>	July 1, 2007
Int. 8	Scope of IFRS 2	July 1, 2007

## FRS 117 : Leases

The adoption of the revised FRS 117 will result in retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for entering into the leasehold represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Leasehold land is currently classified as property, plant and equipment and is stated at cost less accumulated depreciation and impairment losses.



**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **4.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS") (CONT'D)****FRS 117 : Leases (cont'd)**

Upon the adoption of the revised FRS 117, the unamortised revalued amount of leasehold land will be retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of the revised FRS 117. The reclassification of leasehold land as prepaid lease payments will be accounted for retrospectively.

Other than as disclosed above, the directors anticipate that the adoption of FRS 117 in the financial year ending 31 March 2008 will have no material impact on the financial statements of the Group.

**FRS 124 : Related Party Transactions**

The directors anticipate that the adoption of FRS 124 in the financial year ending 31 March 2008 will have no material impact on the financial statements of the Group.

MASB has also issued FRS 139, Financial Instruments: Recognition and Measurement but has yet to announce the effective date of this standard. The Group has not early adopted FRS 139 and by virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on their financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

**4.2 SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

The financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Group made up to 31 March 2007.

A subsidiary company is a company where the Group has control over the financial and operating policies of the subsidiary so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than one half of the voting rights of the subsidiary.

The results of subsidiary companies acquired or disposed off during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, and resulting unrealised gains are eliminated in full on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **4.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basis of Consolidation (cont'd)**

Minority interests in the net assets (excluding goodwill) of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination stated at the minority's proportion of the net fair value of the assets, liabilities, and contingent liabilities recognised and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

**Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable net of sales tax, trade discounts and customer returns.

Sale of goods

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the customer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **4.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Revenue Recognition (cont'd)**Rental income

Rental income is accrued on a time apportion basis, by reference to the agreement entered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

**Foreign Currencies**

The financial statements of the Group are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Group operates (its functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency are initially recorded in Ringgit Malaysia at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are initially denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is recognised directly in equity.

**Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the year in which they are incurred.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **4.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability approach. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **4.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Employee Benefits**Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plan

The Group is required by law to make monthly contributions to the Employees' Provident Fund ("EPF"), a statutory defined contribution plan, for all its eligible employees based on certain prescribed rates of the employees' salaries. The Group's contributions to the EPF are recognised as an expense when employees have rendered service entitling them to the contributions and are disclosed separately. The employees' contributions to EPF are included in salaries and wages.

**Property, Plant and Equipment**

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

Land and buildings stated at valuation are revalued at regular intervals of at least once in every five years by the directors based on the valuation reports of independent professional valuers using the "open market value on existing use" basis with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from the market value.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in carrying amount is charged to income statement. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statement to the extent that it offsets the previously recorded decrease. On disposal of revalued assets, the amounts in revaluation reserve account relating to the assets disposed are transferred to retain earnings.

Depreciation is charged so as to write off the cost of assets, other than capital work-in-progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Capital work-in-progress are stated at cost and are not depreciated. Capital work-in-progress comprises contractors' payments and directly attributable costs incurred in preparing these assets for their intended use. Depreciation on assets under construction commences when the assets concerned are ready for their intended use.

Leasehold land is amortised over the remaining lease terms ranging from 45 to 87 years.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **4.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Property, Plant and Equipment (cont'd)**

Annual depreciation rates used to depreciate other property, plant and equipment over their estimated remaining useful lives are as follows:-

Factory buildings	2%
Plant and machinery	10%
Moulds	20%
Motor vehicles	20%
Office equipment	10%
Computers	20%
Furniture, fixtures and fittings	8%
Tools and equipment	10%
Electrical installation	10%
Air-conditioners	10%
Signboard	10%
Renovation	10%

Upon the disposal or retirement of an item of property, plant and equipment, the difference between the sale proceeds and the carrying amount of the asset is recognised as the profit or loss.

**Property, Plant and Equipment under Hire-Purchase Arrangements**

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the profit or loss to give a constant periodic rate of interest on the hire-purchase liabilities.

**Investment Property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its costs, subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

**Investment in Subsidiary Company**

Investment in subsidiary company, which is eliminated on consolidation, is stated in the Group's financial statements at cost less accumulated impairment losses, if any.

**Goodwill**

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss is recognised immediately in the consolidated profit or loss and any impairment loss recognised for goodwill is not subsequently reversed.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **4.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Goodwill (cont'd)**

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Impairment of Assets Excluding Goodwill**

At each balance sheet date, the Group reviews the carrying amounts of their assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but the increased carrying amount would not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

**Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the "First-in, First-out" method. The cost of raw materials, packing materials, spare parts and goods-in-transit comprise the original purchase price plus cost incurred in bringing the inventories to their present location. The cost of finished goods and work-in-progress comprise the cost of raw materials, direct labour and an appropriate proportion of production overheads. Net realisable value represents the estimated selling price for inventories and all estimated costs to completion and costs necessary to make the sale.

**Receivables**

Receivables are reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **4.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Cash Flow Statements**

The Group adopts the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

**Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets in the next financial year include the recoverability of receivables and the recoverable amount of goodwill.

**5. FINANCIAL RISK MANAGEMENT AND POLICY****Financial Risk Management Objectives and Policies**

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group's principal objective is to minimise their exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

**Foreign currency risk**

The Group is exposed to currency risk as a result of its trade and non-trade activities where the currency base differs from the local currency, Ringgit Malaysia ("RM"). The management do not consider the Group's exposure to foreign exchange risk as of 31 March 2007.

**Interest rate risk**

The Group finances its operations by a mixture of internal funds and bank and other borrowings. The Group regularly reviews the interest rate profile of borrowings against prevailing and anticipated market rates. The repayment and maturity profiles of borrowings are structured after taking into consideration the cash inflows expected to be generated from the underlying assets or operations and the economic life of the assets or operations being financed.



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**14. ACCOUNTANTS' REPORT (Cont'd)**

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Shamsir Jasani Grant Thornton **5. FINANCIAL RISK MANAGEMENT AND POLICY (CONT'D)****Interest rate risk (cont'd)**

The Group's policy is to borrow both on the fixed and floating rate basis. The objective for the mix between fixed and floating rate borrowings is set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

**Credit risk**

The Group's exposure to credit risk is mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history. A credit committee is also formed by the Group to monitor credit controls of the Group through monthly meetings.

**Liquidity and cash flow risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**6. DIVIDENDS**

Dividends of RM5,413,290 in respect of the financial year ended 31 March 2007 were paid on 25 May 2007 by SPISB to the shareholders of SPISB prior to the acquisition of SPISB as the subsidiary company of Scanwolf.

Save for the above, no dividend has been paid or declared by SPISB and SBMSB over the past two (2) financial years under review from 31 March 2005 to 2006.

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION

## (a) Summarised income statements

## (i) Scanwolf

The following table sets out the summary of the financial results prepared based on the audited financial statements of Scanwolf for the financial period ended 31 March 2007:-

Period ended	31.3.2007 RM'000
Revenue	-
Gross profit	-
Loss before depreciation, interest and taxation	(6)
Depreciation	-
Interest expenses	-
Loss before taxation but after depreciation and interest ("LBT")	(6)
Taxation	-
Loss after taxation ("LAT")	(6)
Gross profit margin (%)	-
LBT margin (%)	-
LAT margin (%)	-
Effective tax rate (%)	-
Weighted average number of ordinary shares issued RM0.50 each	*
Gross earnings per share ("EPS") (RM)	(3,000)**
Net EPS (RM)	(3,000)**

**Notes:-**

- (1) There were no exceptional or extraordinary items in the financial period under review.
- (2) There were no accounting policies which are peculiar to Scanwolf due to the nature of business or industry it is involved in and that would affect the determination of Scanwolf's income or financial position.

\* 2

\*\* Annualised

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (a) Summarised income statements (cont'd)

(ii) **SPISB Group**

The following table sets out the summary of the financial results prepared based on the audited financial statements of SPISB Group for the past three financial years ended 31 March 2005 to 2007:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Revenue	22,478	27,251	31,426
Gross profit	7,798	9,940	11,186
Profit before depreciation, interest expenses and taxation	5,890	7,990	8,921
Depreciation	(1,220)	(1,586)	(2,060)
Amortisation of goodwill	-	(9)	-
Interest expenses	(401)	(449)	(718)
Profit before taxation but after depreciation and interest ("PBT")	4,269	5,946	6,143
Taxation	(971)	(1,013)	(725)
Profit after tax ("PAT") but before minority interest	3,298	4,933	5,418
Minority interest	2	-	-
Profit after tax ("PAT") and minority interest	3,300	4,933	5,418
Gross profit margin (%)	34.69	36.48	35.59
PBT margin (%)	19.00	21.82	19.55
PAT margin (%)	14.68	18.10	17.24
Effective tax rate (%) (Note 3)	23.09	19.02	10.77
Weighted average number of ordinary shares of RM1.00 each	2,300	2,300	2,300
Gross earnings per share ("EPS") (RM)	1.86	2.59	2.67
Net EPS (RM)	1.43	2.14	2.36

**Notes:-**

- (1) There were no exceptional or extraordinary items in all the financial years under review.
- (2) There were no accounting policies which are peculiar to SPISB due to the nature of business or industry it is involved in and that would affect the determination of SPISB's income or financial position.
- (3) The effective tax rate was arrived after adjusting for over and under provision for income tax to the respective financial years.

**14. ACCOUNTANTS' REPORT (Cont'd)****Shamsir Jasani Grant Thornton** **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(a) Summarised income statements (cont'd)****(iii) SPISB**

The following table sets out the summary of the financial results prepared based on the audited financial statements of SPISB for the past three financial years ended 31 March 2005 to 2007:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Revenue	22,478	27,224	31,408
Gross profit	7,798	9,914	11,168
Profit before depreciation, interest expenses and taxation	5,893	8,023	8,909
Depreciation	(1,220)	(1,586)	(2,060)
Interest expenses	(401)	(449)	(718)
Profit before taxation but after depreciation and interest ("PBT")	4,272	5,988	6,131
Taxation	(970)	(1,013)	(718)
Profit after tax ("PAT")	3,302	4,975	5,413
Gross profit margin (%)	34.69	36.42	35.56
PBT margin (%)	19.01	22.00	19.52
PAT margin (%)	14.69	18.27	17.23
Effective tax rate (%) (Note 3)	23.07	18.81	10.74
Weighted average number of ordinary shares of RM1.00 each	2,300	2,300	2,300
Gross earnings per share ("EPS") (RM)	1.86	2.60	2.67
Net EPS (RM)	1.44	2.16	2.35

**Notes:-**

- (1) There were no exceptional or extraordinary items in all the financial years under review.
- (2) There were no accounting policies which are peculiar to SPISB due to the nature of business or industry it is involved in and that would affect the determination of SPISB's income or financial position.
- (3) The effective tax rate was arrived after adjusting for over and under provision for income tax to the respective financial years.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(a) Summarised income statements (cont'd)****(iv) SBMSB**

The following table sets out the summary of the financial results prepared based on the audited financial statements of SBMSB for the financial period/years ended 31 March 2005 to 2007:-

Period/Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Revenue	-	90	57
Gross profit	-	26	18
(Loss)/Profit before depreciation, interest expenses and taxation	(3)	(33)	13
Depreciation	-	-	-
Interest expenses	-	-	-
(Loss)/Profit before taxation but after depreciation and interest ("LBT")/"PBT")	(3)	(33)	13
Taxation	-	-	(8)
(Loss)/Profit after tax ("LAT")/"PAT")	(3)	(33)	5
Gross profit margin (%)	-	28.89	31.58
(LBT)/PBT margin (%)	-	(36.67)	22.81
(LAT)/PAT margin (%)	-	(36.67)	8.77
Effective tax rate (%) (Note 3)	-	(13.34)	25.60
Weighted average number of ordinary shares of RM1.00 each (units'000)	100	100	100
Gross (loss)/earnings per share ("LPS")/"EPS") (RM)	(0.03)	(0.33)	0.13
Net (LPS)/EPS (RM)	(0.03)	(0.33)	0.05

**Notes:-**

- (1) There were no exceptional or extraordinary items in all the financial years/period under review.
- (2) There were no accounting policies which are peculiar to SBMSB due to the nature of business or industry it is involved in and that would affect the determination of SBMSB's income or financial position.
- (3) The effective tax rate was arrived at after adjusting for over and under provision for income tax to the respective financial period/years.

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (b) Summarised balance sheets

## (i) Scanwolf

The following table sets out the summary of balance sheet prepared based on the audited financial statements of Scanwolf for the financial period ended 31 March 2007:-

Period ended	Note	31.3.2007 RM'000
Issued capital		*
Accumulated loss		(6)
Shareholders' equity		(6)
Total current asset	(i)	*
Total current liability	(ii)	(6)
Net current liability		(6)
		(6)
Net tangible liability ("NTL")		(6)
NTL per share (RM)		(3,000)

Notes:-

## (i) Current assets

Period ended	31.3.2007 RM'000
Cash in hand	*

## (ii) Current liability

Period ended	31.3.2007 RM
Other payables	(6)

\* RM2

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (b) Summarised balance sheets (cont'd)

## (ii) SPISB Group

The following table sets out the summary of balance sheet prepared based on the audited financial statements of SPISB Group for the past three financial years ended 31 March 2005 to 2007:-

Year ended	Note	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Issued capital		2,300	2,300	2,300
Revaluation reserve	(i)	-	-	1,482
Unappropriated profit		13,210	18,159	18,165
Shareholders' equity		15,510	20,459	21,947
Minority interest		35	-	-
Borrowings	(ii)	28	812	2,352
Hire-purchase payables	(iii)	52	2,012	1,996
Deferred tax liabilities	(iv)	1,071	1,328	2,139
		16,696	24,611	28,434
Property, plant and equipment	(v)	13,086	19,351	27,811
Goodwill on consolidation	(vi)	13	34	34
Investment property	(vii)	-	-	800
Total current assets	(viii)	13,641	18,764	21,281
Total current liabilities	(ix)	(10,044)	(13,538)	(21,492)
Net current assets/(liabilities)		3,597	5,226	(211)
		16,696	24,611	28,434
Net tangible assets ("NTA")		15,497	20,425	21,913
NTA per share (RM)		6.74	8.88	9.53

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (b) Summarised balance sheets (cont'd)

## (ii) SPISB Group (cont'd)

Notes:-

## (i) Revaluation reserve

The revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the revaluation reserve that relates to the assets and is effectively realised, is transferred directly to retained earnings.

## (ii) Borrowings

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Secured:			
Bank overdraft	2,387	1,990	790
Term loans	126	1,026	2,692
Bankers' acceptances	3,691	6,127	8,284
	6,204	9,143	11,766
Less: Amount due within 12 months (shown under current liabilities)	(6,176)	(8,331)	(9,414)
	28	812	2,352

The above borrowings are secured by land and buildings and fixed deposit of the Company and debenture incorporating fixed and floating charges over all assets of the Company. These facilities are further secured against properties belonging to Directors and also guaranteed by the Directors jointly and severally. The above facilities bear interest rates ranging from 3.84% to 7.55% (2006: 4.88% to 7.75%, 2005: 3.93% to 7.75%) per annum.

## (iii) Hire-purchase payables

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Principal outstanding	142	2,733	3,098
Less: Amount due within 12 months (shown under current liabilities)	(90)	(721)	(1,102)
Non-current portion	52	2,012	1,996

It is the Company's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The terms for hire-purchase ranged from 2 to 5 years. For the financial year ended 31 March 2007, the average effective borrowing rate was 5.84% (2006: 5.31%, 2005: 6.48%) per annum.

The Company's hire-purchase payables are secured by the assets under hire-purchase.



## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (b) Summarised balance sheets (cont'd)

## (ii) SPISB Group (cont'd)

## (iv) Deferred tax liabilities

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
At beginning of year	1,033	1,071	1,328
Transfer from income statement	38	257	290
Transfer from revaluation reserve	-	-	521
At end of year	1,071	1,328	2,139

The deferred tax liabilities are in respect of the following:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Tax effects of temporary differences arising from:			
Property, plant and equipment	748	1,012	1,348
Revaluation surplus on leasehold land and building	323	316	791
	1,071	1,328	2,139

## (v) Property, plant and equipment

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
<b>Net book value</b>			
At valuation:-			
Long-term leasehold land	833	817	296
Factory building	2,880	2,808	8,056
Short-term leasehold land	-	-	2,234
At cost:-			
Long-term leasehold land and building	1,087	1,073	-
Short-term leasehold land	857	838	-
Factory building	1,605	1,613	171
Plant and machinery	3,123	5,145	7,358
Plant and machinery under hire purchase	-	2,113	2,783
Moulds	538	895	1,018
Motor vehicles	49	74	165
Motor vehicle under hire-purchase	248	1,166	870
Office equipment	24	46	68
Computers	36	70	69
Furniture, fixtures and fittings	75	81	78
Tools and equipment	110	94	273
Electrical installation	180	173	207
Air conditioners	50	40	44
Signboard	-	-	6
Renovation	6	5	20
Capital work-in-progress	1,385	2,300	4,095
	13,086	19,351	27,811

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (b) Summarised balance sheets (cont'd)

(ii) **SPISB Group (cont'd)**

## (v) Property, plant and equipment

Leasehold land and buildings of the SPISB Group with total carrying value of RM10,756,983 are pledged to certain local licensed banks for facilities granted to the SPISB Group as mentioned in Note 7 (b) (ii) (ii).

The leasehold land and buildings of the subsidiary companies were revalued by the Directors on 12 September 2006 based on valuations carried out by Mr. Thoo Sing Choon, a registered valuer of Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers, using the "Open Market Value on Existing Use" basis. The resulting net revaluation surplus amounting to RM1,482,638 (net of deferred tax of RM520,927) has been credited to revaluation reserve account.

## (vi) Goodwill on consolidation

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Net carrying value	13	34	34

**Impairment tests for cash-generating units ("CGU") containing goodwill**

The Group considers the subsidiary company as a single CGU and the carrying amount of goodwill is allocated to the subsidiary company.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on a financial forecast, approved by management, covering a period 5 years from financial year 2008 to 2013. The following key assumptions are used to generate the financial forecast:-

Sales volume growth rate	10% per annum
Discount rate	7.55%

The above key assumptions were determined based on business past performance and management's expectations on market development.

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (b) Summarised balance sheets (cont'd)

## (ii) SPISB Group (cont'd)

Notes (cont'd):-

## (vii) Investment property

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Fair value	-	-	800

The fair value of the investment property as at 31 March 2007 has been arrived at on the basis of a valuation carried out on 13 September 2006 by Mr. Subramaniam A/L Arumugam, registered valuers of Colliers Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the "Open Market Value on Existing Use" basis. The resulting net revaluation surplus amounting to RM1,482,638 (net of deferred tax of RM520,927) has been credited to revaluation reserve account. The investment property has been pledged to a licensed bank for banking facilities granted to the Company as disclosed in Note 7 (b) (ii) (ii).

## (viii) Current assets

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Inventories	3,758	6,206	8,302
Trade receivables	6,561	9,437	9,174
Other receivables	1,180	1,056	1,571
Amount owing by Directors	343	75	-
Current tax assets	2	2	349
Fixed deposits, cash and bank balances	1,797	1,988	1,885
	13,641	18,764	21,281

Details disclosure on inventories are as below:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
At costs:			
Finished goods	2,212	3,039	3,879
Raw materials	881	1,633	2,345
Work-in-progress	623	1,490	1,679
Good-in-transit	-	-	333
Packing materials and spareparts	42	44	66
	3,758	6,206	8,302
Cost of sales	14,680	17,311	20,240
Inventories' average turnover period (months)#	2.77	3.45	4.30

# Based on average inventories balances

**14. ACCOUNTANTS' REPORT (Cont'd)****Shamsir Jasani Grant Thornton** **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (b) Summarised balance sheets (cont'd)

(ii) **SPISB Group (cont'd)**

Notes (cont'd):-

## (viii) Current assets (cont'd)

Details disclosure on trade receivables are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Trade receivables	6,634	9,510	9,247
Less: Allowance for doubtful debts	(73)	(73)	(73)
Net trade receivables	6,561	9,437	9,174
Revenue	22,478	27,251	31,426
Trade receivables' average turnover period (months) #	3.26	3.52	3.55

# Based on average trade receivables balances

Ageing analysis of trade receivables as at 31 March 2007.

No. of days	Within normal credit period				Exceeding normal credit period of 120 days			Total RM'000
	0-30 days	31-60 days	61-90 days	91- 120 days	121- 180 days	181- 365 days	More than 365 days	
Trade receivables (RM'000)	2,986	1,617	1,941	1,306	909	291	124	9,174
% of trade receivables	32.55	17.63	21.16	14.24	9.91	3.17	1.34	100.00

Details disclosure on other receivables are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Other receivables	599	761	1,111
Advance payment for acquisition of plant and machinery	-	42	189
Refundable deposits	508	116	142
Prepaid expenses	73	137	129
	1,180	1,056	1,571

Other receivables comprised mainly advances granted to employees, advance payments to suppliers for purchase of raw materials and expenses paid on behalf, which are unsecured and interest-free.

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (b) Summarised balance sheets (cont'd)

## (ii) SPISB Group (cont'd)

Notes (cont'd):-

## (ix) Current liabilities

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Trade payables	1,126	1,805	2,064
Other payables	943	1,321	1,556
Amount owing to Director	-	-	1,943
Borrowings	6,176	8,331	9,414
Hire-purchase payables	90	721	1,102
Current tax liability	1,709	1,360	-
Dividend payable	-	-	5,413
	10,044	13,538	21,492

Details disclosure on trade payables are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Trade payables	1,126	1,805	2,064
Cost of sales	14,680	17,311	20,240
Trade payables' average turnover period (months) #	0.90	1.02	1.15

# Based on average trade payables balances

Ageing analysis of trade payables as at 31 March 2007.

No. of days	Within normal credit period				Exceeding normal credit period of 120 days			Total RM'000
	0-30 days	31-60 days	61-90 days	91- 120 days	121- 180 days	181- 365 days	More than 365 days	
Trade payables (RM'000)	734	433	755	127	12	3	-	2,064
% of trade payables	35.56	20.98	36.58	6.15	0.58	0.15	-	100

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (b) Summarised balance sheets (cont'd)

(ii) **SPISB Group (cont'd)**

Notes (cont'd):-

## (ix) Current liabilities (cont'd)

Details disclosure on other payables are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Other payables	604	955	1,158
Accrued expenses	325	353	384
Deposits received	14	13	14
	943	1,321	1,556

The amounts owing to other payables are unsecured and interest free.

Details disclosure on dividend payable are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Dividend payable	-	-	5,413*

The Directors do not recommend the payment of any final dividend in respect of the financial years under review.

\* Interim tax-exempt dividend of 235.36 per ordinary share. The interim dividends were paid on 25 May 2007.

**14. ACCOUNTANTS' REPORT (Cont'd)****Shamsir Jasani Grant Thornton** **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (b) Summarised balance sheets (cont'd)

(iii) **SPISB**

The following table sets out the summary of balance sheet prepared based on the audited financial statements of SPISB for the past three financial years ended 31 March 2005 to 2007:-

Year ended	Note	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Issued capital		2,300	2,300	2,300
Revaluation reserve	(i)	-	-	1,482
Unappropriated profit		13,212	18,187	18,187
Shareholders' equity		15,512	20,487	21,969
Borrowings	(ii)	28	812	2,352
Hire-purchase payables	(iii)	52	2,012	1,996
Deferred tax liabilities	(iv)	1,071	1,328	2,139
		16,663	24,639	28,456
Property, plant and equipment	(v)	13,086	19,351	27,811
Investment property	(vi)	-	-	800
Investment in subsidiary company		51	100	100
Total current assets	(vii)	13,567	18,723	21,234
Total current liabilities	(viii)	(10,041)	(13,535)	(21,489)
Net current assets/(liabilities)		3,526	5,188	(255)
		16,663	24,639	28,456
Net tangible assets ("NTA")		15,512	20,487	21,969
NTA per share (RM)		6.74	8.91	9.55

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (b) Summarised balance sheets (cont'd)

## (iii) SPISB (cont'd)

Notes:-

## (i) Revaluation reserve

The revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the revaluation reserve that relates to the assets and is effectively realised, is transferred directly to retained earnings.

## (ii) Borrowings

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Secured:			
Bank overdraft	2,387	1,990	790
Term loans	126	1,026	2,692
Bankers' acceptances	3,691	6,127	8,284
	6,204	9,143	11,766
Less: Amount due within 12 months (shown under current liabilities)	(6,176)	(8,331)	(9,414)
	28	812	2,352

The above borrowings are secured by land and buildings and fixed deposit of the Company and debenture incorporating fixed and floating charges over all assets of the Company. These facilities are further secured against properties belonging to Directors and also guaranteed by the Directors jointly and severally. The above facilities bear interest rates ranging from 3.84% to 7.55% (2006: 4.88% to 7.75%, 2005: 3.93% to 7.75%) per annum.

## (iii) Hire-purchase payables

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Principal outstanding	142	2,733	3,098
Less: Amount due within 12 months (shown under current liabilities)	(90)	(721)	(1,102)
Non-current portion	52	2,012	1,996

It is the Company's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The terms for hire-purchase ranged from 2 to 5 years. For the financial year ended 31 March 2007, the average effective borrowing rate was 5.84% (2006: 5.31%, 2005: 6.48%) per annum.

The Company's hire-purchase payables are secured by the assets under hire-purchase.



## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (b) Summarised balance sheets (cont'd)

## (iii) SPISB (cont'd)

## (iv) Deferred tax liabilities

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
At beginning of year	1,033	1,071	1,328
Transfer from income statement	38	257	290
Transfer from revaluation reserve	-	-	521
At end of year	1,071	1,328	2,139

The deferred tax liabilities are in respect of the following:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Tax effects of temporary differences arising from:			
Property, plant and equipment	748	1,012	1,348
Revaluation surplus on leasehold land and building	323	316	791
	1,071	1,328	2,139

## (v) Property, plant and equipment

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
<b>Net book value</b>			
At valuation:-			
Long-term leasehold land	833	817	296
Factory building	2,880	2,808	8,056
Short-term leasehold land	-	-	2,234
At cost:-			
Long-term leasehold land and building	1,087	1,073	-
Short-term leasehold land	857	838	-
Factory building	1,605	1,613	171
Plant and machinery	3,123	5,145	7,358
Plant and machinery under hire purchase	-	2,113	2,783
Moulds	538	895	1,018
Motor vehicles	49	74	165
Motor vehicle under hire-purchase	248	1,166	870
Office equipment	24	46	68
Computers	36	70	69
Furniture, fixtures and fittings	75	81	78
Tools and equipment	110	94	273
Electrical installation	180	173	207
Air conditioners	50	40	44
Signboard	-	-	6
Renovation	6	5	20
Capital work-in-progress	1,385	2,300	4,095
	13,086	19,351	27,811

**14. ACCOUNTANTS' REPORT (Cont'd)****Shamsir Jasani Grant Thornton** **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (b) Summarised balance sheets (cont'd)

(iii) **SPISB (cont'd)**

## (v) Property, plant and equipment (cont'd)

Leasehold land and buildings of the SPISB with total carrying value of RM10,756,983 are pledged to certain local licensed banks for facilities granted to the SPISB as mentioned in Note 7 (b) (iii) (ii).

The leasehold land and buildings of the subsidiary companies were revalued by the Directors on 12 September 2006 based on valuations carried out by Mr. Thoo Sing Choon, a registered valuer of Colliers, Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers, using the "Open Market Value on Existing Use" basis. The resulting net revaluation surplus amounting to RM1,482,638 (net of deferred tax of RM520,927) has been credited to revaluation reserve account.

## (vi) Investment property

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Fair value	-	-	800

The fair value of the investment property as at 31 March 2007 has been arrived at on the basis of a valuation carried out on 13 September 2006 by Mr. Subramaniam A/L Arumugam, registered valuers of Colliers Jordan Lee & Jaafar Sdn. Bhd., an independent firm of professional valuers using the "Open Market Value on Existing Use" basis. The resulting net revaluation surplus amounting to RM1,482,638 (net of deferred tax of RM520,927) has been credited to revaluation reserve account. The investment property has been pledged to a licensed bank for banking facilities granted to the Company as disclosed in Note 7 (b) (iii) (ii).

## (vii) Current assets

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Inventories	3,758	6,206	8,302
Trade receivables	6,561	9,397	9,148
Other receivables	1,128	1,056	1,571
Amount owing by subsidiary companies	-	29	4
Amount owing by Directors	342	74	-
Current tax assets	-	-	346
Fixed deposits, cash and bank balances	1,778	1,961	1,863
	13,567	18,723	21,234

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (b) Summarised balance sheets (cont'd)

(iii) **SPISB (cont'd)**

Notes (cont'd):-

## (vii) Current assets (cont'd)

Details disclosure on inventories are as below:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
At costs:			
Finished goods	2,212	3,039	3,879
Raw materials	881	1,633	2,345
Work-in-progress	623	1,490	1,679
Good-in-transit	-	-	333
Packing materials and spareparts	42	44	66
	<u>3,758</u>	<u>6,206</u>	<u>8,302</u>
Cost of sales	<u>14,680</u>	<u>17,310</u>	<u>20,240</u>
Inventories' average turnover period (months)#	2.77	3.45	4.30

# Based on average inventories balances

Details disclosure on trade receivables are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Trade receivables	6,634	9,470	9,221
Less: Allowance for doubtful debts	(73)	(73)	(73)
Net trade receivables	<u>6,561</u>	<u>9,397</u>	<u>9,148</u>
Revenue	<u>22,478</u>	<u>27,224</u>	<u>31,408</u>
Trade receivables' average turnover period (months) #	<u>3.26</u>	<u>3.52</u>	<u>3.54</u>

# Based on average trade receivables balances

Ageing analysis of trade receivables as at 31 March 2007.

No. of days	Within normal credit period				Exceeding normal credit period of 120 days			Total RM'000
	0-30 days	31-60 days	61-90 days	91- 120 days	121- 180 days	181- 365 days	More than 365 days	
Trade receivables (RM'000)	2,983	1,615	1,938	1,306	908	275	123	9,148
% of trade receivables	32.61	17.65	21.18	14.28	9.93	3.00	1.35	100.00

**14. ACCOUNTANTS' REPORT (Cont'd)****Shamsir Jasani Grant Thornton** **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (b) Summarised balance sheets (cont'd)

(iii) **SPISB (cont'd)**

Notes (cont'd):-

## (vii) Current assets (cont'd)

Details disclosure on other receivables are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Other receivables	547	761	1,111
Advance payment for acquisition of plant and machinery	-	42	189
Refundable deposits	508	116	142
Prepaid expenses	73	137	129
	1,128	1,056	1,571

Other receivables comprised mainly advances granted to employees, advance payments to suppliers for purchase of raw materials and expenses paid on behalf, which are unsecured and interest-free.

## (viii) Current liabilities

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Trade payables	1,125	1,805	2,064
Other payables	941	1,319	1,553
Amount owing to Director	-	-	1,943
Borrowings	6,176	8,331	9,414
Hire-purchase payables	90	721	1,102
Current tax liabilities	1,709	1,359	-
Dividend payable	-	-	5,413
	10,041	13,535	21,489

Details disclosure on trade payables are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Trade payables	1,125	1,805	2,064
Cost of sales	14,680	17,310	20,240
Trade payables' average turnover period (months) #	0.90	1.02	1.15

# Based on average trade payables balances

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(b) Summarised balance sheets (cont'd)

(iii) **SPISB (cont'd)**

Notes (cont'd):-

(viii) Current liabilities (cont'd)

Ageing analysis of trade payables as at 31 March 2007.

No. of days	Within normal credit period				Exceeding normal credit period of 120 days			Total RM'000
	0-30 days	31-60 days	61-90 days	91- 120 days	121- 180 days	181- 365 days	More than 365 days	
Trade payables (RM'000)	734	433	755	127	12	3	-	2,064
% of trade payables	35.56	20.98	36.58	6.15	0.58	0.15	-	100

Details disclosure on other payables are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Other payables	602	955	1,156
Accrued expenses	325	352	383
Deposits received	14	12	14
	941	1,319	1,553

The amounts owing to other payables are unsecured and interest free.

Details disclosure on dividend payable are as follows:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Dividend payable	-	-	5,413*

The Directors do not recommend the payment of any final dividend in respect of the financial years under review.

\* Interim tax-exempt dividend of 235.36 per ordinary share. The interim dividends were paid on 25 May 2007.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (b) Summarised balance sheets (cont'd)

(iv) **SBMSB**

The following table sets out the summary of balance sheets prepared based on the audited financial statements of SBMSB for the financial period/years ended 31 March 2005 to 2007:-

Period/Year ended	Note	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Issued capital		100	100	100
Accumulated loss		(28)	(62)	(57)
Shareholders' equity		72	38	43
Total current assets	(i)	73	69	50
Total current liabilities	(ii)	(1)	(31)	(7)
Net current assets		72	38	43
Net assets		72	38	43
Net tangible assets ("NTA")		72	38	43
NTA per share (RM)		0.72	0.38	0.43

Notes:-

## (i) Current assets

Period/Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Trade receivables	-	40	26
Sundry receivables	52	-	-
Current tax assets	2	2	3
Cash and bank balances	19	27	21
	73	69	50

Details disclosure on trade receivables are as follows:-

Period/Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Net trade receivables	-	40	26
Revenue	-	90	57
Trade receivables' average turnover period (months) #	-	2.67	6.95

# Based on average trade receivables balances

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (b) Summarised balance sheets (cont'd)

## (iv) SBMSB (cont'd)

Notes (cont'd):-

## (i) Current assets (cont'd)

Ageing analysis of trade receivables as at 31 March 2007.

No. of days	Within normal credit period				Exceeding normal credit period of 120 days			Total RM'000
	0-30 Days	31-60 days	61-90 days	91-120 days	121-180 days	181-365 days	More than 365 days	
Trade receivables (RM'000)	3	2	3	-	1	16	1	26
% of trade receivables	11.54	7.69	11.53	-	3.85	61.54	3.85	100

Details disclosure on sundry receivables are as follows:-

Period/Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Sundry receivables (excluding deposits and prepaid expense)	52	-	-

Sundry receivables represented unsecured and interest-free advances.

## (ii) Current liabilities

Period/Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Other payables	1	3	3
Amount owing to holding company	-	28	4
	1	31	7

Details disclosure on other payables are as follows:-

Period/Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Sundry payables	*	1	2
Accrued expenses	1	2	1
	1	3	3

\* RM210

The amounts owing to sundry payables are unsecured and interest-free with no fixed terms of repayment.

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (c) Cash flow statements

(i) **Scanwolf**

The following table sets out the summary of cash flows prepared based on the audited financial statements of Scanwolf for the financial period ended 31 March 2007:-

Period ended	31.3.2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Loss before taxation/Operating loss before working capital changes	(6)
Changes in working capital:-	
Payables	6
Net cash generated from operating activities	-
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>	
Proceeds from issuance of shares	*
Net cash used in financing activity	*
<b>CASH AND CASH EQUIVALENTS</b>	
Net increase/At end of financial year	*

\* RM2



## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (c) Cash flow statements (cont'd)

## (ii) SPISB Group

The following table sets out the summary of cash flows prepared based on the audited financial statements of SPISB Group for the past three (3) financial years ended 31 March 2005 to 2007:-

Year ended	Note	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation		4,269	5,946	6,143
<b>Adjustments for:-</b>				
Allowance for doubtful debts		73	-	-
Change in fair value of investment property		-	-	(115)
Depreciation of property, plant and equipment		1,220	1,586	2,060
Finance costs		491	621	771
Bad debts written off		33	-	-
Revaluation deficit of property, plant and equipment		-	-	223
Tax penalty		3	-	117
Investment revenue		(36)	(87)	(69)
Gain on disposal of property, plant and equipment		(22)	(80)	(4)
Amortisation of goodwill		-	9	-
Operating profit before changes in working capital		6,031	7,995	9,126
Changes in working capital:				
Inventories		(731)	(2,448)	(2,096)
Receivables		(1,656)	(2,734)	(263)
Payables		328	1,056	495
Cash generated from operations		3,972	3,869	7,262
Income tax paid		(466)	(1,106)	(2,170)
Tax penalty paid		-	-	(89)
Net cash generated from operating activities		3,506	2,763	5,003
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received from fixed and short term deposits		36	32	14
Purchase of property, plant and equipment	A	(2,417)	(4,876)	(8,106)
(Advances granted from)/Repayment from directors - Net		(99)	268	-
(Placement)/Withdrawal of fixed deposits		(55)	100	1,254
Acquisition of additional shares in a subsidiary company		23	(49)	-
Proceeds from disposal of property, plant and equipment		22	80	78
Rental received		-	52	55
Net cash used in investing activities		(2,490)	(4,393)	(6,705)

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (c) Cash flow statements (cont'd)

## (iii) SPISB Group (CONT'D)

Year ended	Note	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances granted from directors - Net		-	-	2,017
Proceeds from bankers' acceptances		292	2,436	2,157
Finance costs paid		(491)	(635)	(760)
Repayment of hire purchase payables		(69)	(383)	(1,027)
Proceeds from term loans		-	1,000	2,000
Repayment of term loans		(146)	(100)	(334)
Net cash (used in)/generated from financing activities		(414)	2,318	4,053
<b>CASH AND CASH EQUIVALENTS</b>				
Net increase		602	688	2,351
At beginning of year		(2,546)	(1,944)	(1,256)
At end of year	<b>B</b>	(1,944)	(1,256)	1,095

**NOTES TO THE CASH FLOW STATEMENTS:****A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment were acquired by following means:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Cash purchase	2,417	4,876	8,106
Hire-purchase	50	2,975	1,393
	2,467	7,851	9,499

**B. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Fixed deposits	1,354	1,254	-
Cash and bank balances	443	734	1,885
Bank overdrafts	(2,387)	(1,990)	(790)
	(590)	(2)	1,095
Less: Fixed deposits pledged to banks	(1,354)	(1,254)	-
	(1,944)	(1,256)	1,095

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(c) Cash flow statements (cont'd)****(iii) SPISB**

The following table sets out the summary of cash flows prepared based on the audited financial statements of SPISB for the past three (3) financial years ended 31 March 2005 to 2007:-

Year ended	Note	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation		4,272	5,988	6,131
<b>Adjustments for:-</b>				
Allowance for doubtful debts		73	-	-
Change in fair value of investment property		-	-	(115)
Depreciation of property, plant and equipment		1,220	1,586	2,060
Finance costs		491	621	771
Bad debts written off		33	-	-
Revaluation deficit of property, plant and equipment		-	-	223
Tax penalty		3	-	117
Investment revenue		(36)	(87)	(69)
Gain on disposal of property, plant and equipment		(22)	(80)	(4)
Operating profit before changes in working capital		6,034	8,028	9,114
Changes in working capital:				
Inventories		(731)	(2,448)	(2,096)
Receivables		(1,605)	(2,746)	(277)
Payables		329	1,056	494
Amount owing by subsidiary company		-	(29)	25
Cash generated from operations		4,027	3,861	7,260
Income tax paid		(466)	(1,106)	(2,162)
Tax penalty paid		-	-	(89)
Net cash generated from operating activities		3,561	2,755	5,009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received from fixed and short term deposits		36	32	14
Purchase of property, plant and equipment	A	(2,417)	(4,876)	(8,106)
Repayment from/(Advances granted to) directors - Net		(99)	268	-
(Placement)/Withdrawal of fixed deposits		(55)	100	1,254
Acquisition of additional shares in a subsidiary company		(51)	(49)	-
Proceeds from disposal of property, plant and equipment		22	80	78
Rental received		-	52	55
Net cash used in investing activities		(2,564)	(4,393)	(6,705)

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(c) Cash flow statements (cont'd)

(iii) SPISB (CONT'D)

Year ended	Note	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances granted from directors - Net		-	-	2,017
Proceeds from bankers' acceptances		292	2,436	2,157
Finance costs paid		(491)	(635)	(760)
Repayment of hire purchase payables		(69)	(383)	(1,027)
Proceeds from term loans		-	1,000	2,000
Repayment of term loans		(146)	(100)	(334)
Net cash (used in)/generated from financing activities		(414)	2,318	4,053
<b>CASH AND CASH EQUIVALENTS</b>				
Net increase		583	680	2,357
At beginning of year		(2,546)	(1,963)	(1,283)
At end of year	<b>B</b>	(1,963)	(1,283)	1,074

**NOTES TO THE CASH FLOW STATEMENTS:****A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment were acquired by following means:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Cash purchase	2,417	4,876	8,106
Hire-purchase	50	2,975	1,393
	2,467	7,851	9,499

**B. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:-

Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
Fixed deposits	1,354	1,254	-
Cash and bank balances	424	707	1,863
Bank overdrafts	(2,387)	(1,990)	(789)
	(609)	(29)	1,074
Less: Fixed deposits pledged to banks	(1,354)	(1,254)	-
	(1,963)	(1,283)	1,074

## 14. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

## 7. HISTORICAL FINANCIAL INFORMATION (CONT'D)

## (c) Cash flow statements (cont'd)

## (iv) SBMSB

The following table sets out the summary of cash flows prepared based on the audited financial statements of SBMSB for the financial period/years ended 31 March 2005 to 2007:-

Period /Year ended	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/Profit before taxation	(3)	(33)	12
<b>Adjustments for:-</b>			
Finance costs	*	**	***
Loss on disposal of property, plant and equipment	-	-	-
Operating profit/(loss) before changes in working capital	(3)	(33)	12
Changes in working capital:			
Receivables	(52)	12	15
Payables	(****)	1	1
Directors	-	-	-
Amount owing to holding company	-	28	(25)
Cash (used in)/generated from operations	(55)	8	3
Income tax paid	-	-	(9)
Net cash (used in)/generated from operating activities	(55)	8	(6)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Proceeds from disposal of investment property	-	-	-
Net cash generated from investing activity	-	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Financial cost paid	(*)	(**)	(***)
Repayment of term loan	-	-	-
Net cash used in financing activities	(*)	(**)	(***)
<b>CASH AND CASH EQUIVALENTS</b>			
Net (decrease)/ increase	(55)	8	(6)
At beginning of financial year	74	19	27
At end of financial year	19	27	21

\* RM37

\*\* RM13

\*\*\* RM47

\*\*\*\* RM85

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)****(d) Statements of changes in equity****(i) Scanwolf**

The following table sets out the summary of changes in equity prepared based on the audited financial statements of Scanwolf for the financial period ended 31 March 2007:-

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
<b>At date of incorporation</b>	*	-	*
Net loss for the financial period	-	(6)	(6)
<b>At 31 March 2007</b>	-	(6)	(6)

\* RM2

**(ii) SPISB Group**

The following table sets out the summary of the changes in equity prepared based on the audited financial statements of SPISB Group for the past three financial years ended 31 March 2005 to 2007:-

	Share capital RM'000	Non- distributable reserve Revaluation reserve RM'000	Distributable reserve Unappropriated profit RM'000	Sub-total RM'000	Minority interest RM'000	Total shareholders' equity RM'000
<b>At 1 April 2004</b>	2,300	-	9,910	12,210	-	12,210
Net profit for the financial year	-	-	3,300	3,300	(2)	3,298
<b>At 31 March 2005</b>	2,300	-	13,210	15,510	(2)	15,508
Net profit for the financial year	-	-	4,949	4,949	(16)	4,933
Acquisition of remaining interest in subsidiary company	-	-	-	-	18	18
<b>At 31 March 2006</b>	2,300	-	18,159	20,459	-	20,459
Net profit for the financial year	-	-	5,419	5,419	-	5,419
Net revaluation surplus of property, plant and equipment	-	1,482	-	1,482	-	1,482
Dividend	-	-	(5,413)	(5,413)	-	(5,413)
<b>At 31 March 2007</b>	2,300	1,482	18,165	21,947	-	21,947

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

## (d) Statements of changes in equity (cont'd)

(iii) **SPISB**

The following table sets out the summary of the changes in equity prepared based on the audited financial statements of SPISB for the past three financial years ended 31 March 2005 to 2007:-

	Share capital RM'000	Non- distributable reserve Revaluation reserve RM'000	Distributable reserve Unappropriated profit RM'000	Total shareholders' equity RM'000
<b>At 1 April 2004</b>	2,300	-	9,910	12,210
Net profit for the financial year	-	-	3,302	3,302
<b>At 31 March 2005</b>	2,300	-	13,212	15,512
Net profit for the financial year	-	-	4,975	4,975
<b>At 31 March 2006</b>	2,300	-	18,187	20,487
Net profit for the financial year	-	-	5,413	5,413
Dividend	-	-	(5,413)	(5,413)
Revaluation surplus of property, plant and equipment	-	1,482	-	1,482
<b>At 31 March 2007</b>	2,300	1,482	18,187	21,969

**14. ACCOUNTANTS' REPORT (Cont'd)**Shamsir Jasani Grant Thornton **7. HISTORICAL FINANCIAL INFORMATION (CONT'D)**

(d) Statements of changes in equity (cont'd)

(iv) **SBMSB**

The following table sets out the summary of changes in equity prepared based on the audited financial statements of SBMSB for the financial period/years ended 31 March 2005 to 2007:-

	Share capital RM'000	Accumulated loss RM'000	Total shareholders' equity RM'000
<b>At 1 October 2004</b>	100	(25)	75
Net loss for the financial period	-	(3)	(3)
<b>At 31 March 2005</b>	100	(28)	72
Net loss for the financial year	-	(34)	(34)
<b>At 31 March 2006</b>	100	(62)	38
Net profit for the financial year	-	5	5
<b>At 31 March 2007</b>	100	(57)	43



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**14. ACCOUNTANTS' REPORT (Cont'd)**

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**Shamsir Jasani Grant Thornton** 

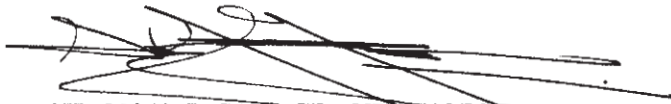
**8. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE**

There are no significant events subsequent to the balance sheet date.

**9. AUDITED FINANCIAL STATEMENTS**

No audited financial statements of Scanwolf and its subsidiary companies have been prepared in respect of any period subsequent to 31 March 2007.

Yours faithfully,



**SHAMSIR JASANI GRANT THORNTON**  
Firm Number: AF 0737  
Chartered Accountants



**DATO' N.K. JASANI**  
Approval Number: 708/03/08(J/PH)  
Partner of the Firm

**14. ACCOUNTANTS' REPORT (Cont'd)**

Appendix I/2007 (1/2)

Company No. 740909-T

**Deloitte.**

Deloitte KassimChan (AF 0680)  
Chartered Accountants  
87 Jalan Sultan Abdul Jalil  
30450 Ipoh, Perak  
Malaysia

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Fax : +60(5) 2530090  
myipoh@deloitte.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SCANWOLF CORPORATION BERHAD**  
(Incorporated in Malaysia)

We have audited the accompanying balance sheet as of March 31, 2007 and the related statements of income, changes in equity and cash flow for the period July 13, 2006 (date of incorporation) to March 31, 2007. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
- (i) the state of affairs of the Company as of March 31, 2007 and of the results and the cash flows of the Company for the period July 13, 2006 (date of incorporation) to March 31, 2007; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(Forward)

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**14. ACCOUNTANTS' REPORT (Cont'd)**

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Appendix I/2007 (2/2)

Company No. 740909-T

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965.

*Deloitte Kassim Chan*

DELOITTE KASSIMCHAN  
AF 0080  
Chartered Accountants

*Yueh*

YEOH SIEW MING  
2421/05/07(J/PH)  
Partner

April 18, 2007

## 14. ACCOUNTANTS' REPORT (Cont'd)

Appendix II/2005 (1/2)

Company No. 275397-M

**Deloitte.**

Deloitte KassimChan (AF 0080)  
Chartered Accountants  
87 Jalan Sultan Abdul Jalil  
30450 Ipoh, Perak  
Malaysia

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myipoh@deloitte.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SCANWOLF PLASTIC INDUSTRIES SDN. BHD.**  
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of March 31, 2005 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as of March 31, 2005 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary company have been properly kept in accordance with the provisions of the Companies Act, 1965.

(Forward)

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**14. ACCOUNTANTS' REPORT (Cont'd)**

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Appendix II/2005 (2/2)

Company No. 275397-M

We are satisfied that the financial statements of the subsidiary company that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Companies Act, 1965.



DELOITTE KASSIMCHAN  
AF 0080  
Chartered Accountants



YEOH SIEW MING  
2421/05/07(J/PH)  
Partner

July 11, 2005

**14. ACCOUNTANTS' REPORT (Cont'd)**

Appendix II/2006 (1/2)

Company No. 275397-M

**Deloitte**

Deloitte KassimChan (AF 0080)  
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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SCANWOLF PLASTIC INDUSTRIES SDN. BHD.**  
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of March 31, 2006 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
- (i) the state of affairs of the Group and of the Company as of March 31, 2006 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary company have been properly kept in accordance with the provisions of the Companies Act, 1965.

(Forward)

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**14. ACCOUNTANTS' REPORT (Cont'd)**

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Appendix II/2006 (2/2)

Company No. 275397-M

We are satisfied that the financial statements of the subsidiary company that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Companies Act, 1965.



**DELOITTE KASSIMCHAN**  
AF 0080  
Chartered Accountants



**YEOH SIEW MING**  
2421/05/07(J/PH)  
Partner

May 10, 2006

**14. ACCOUNTANTS' REPORT (Cont'd)**

Company No. 275397-M

**Deloitte**

Appendix II/2007 (1/2)

Deloitte KassimChan (AF 0080)  
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Fax : +60(5) 2530090  
myipoh@deloitte.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SCANWOLF PLASTIC INDUSTRIES SDN. BHD.**

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of March 31, 2007 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as of March 31, 2007 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary company have been properly kept in accordance with the provisions of the Companies Act, 1965.

(Forward)



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**14. ACCOUNTANTS' REPORT (Cont'd)**

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Appendix II/2007 (2/2)

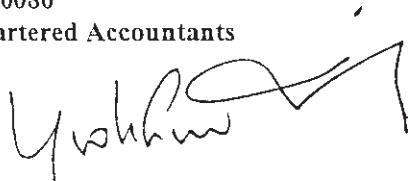
Company No. 275397-M

We are satisfied that the financial statements of the subsidiary company that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiary company was not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Companies Act, 1965.



**DELOITTE KASSIMCHAN**  
AF 0080  
Chartered Accountants



**YEOH SIEW MING**  
2421/05/07(J/PH)  
Partner

April 18, 2007

**14. ACCOUNTANTS' REPORT (Cont'd)**

Appendix III/2005 (1/2)

Company No. 164521-U

**Deloitte**

Deloitte KassimChan (AF 0080)  
Chartered Accountants  
87 Jalan Sultan Abdul Jalil  
30450 Ipoh, Perak  
Malaysia

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myipoh@deloitte.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SCANWOLF BUILDING MATERIALS SDN. BHD.**

(Formerly Known As Thin Chun Sdn. Bhd.)  
(Incorporated in Malaysia)

We have audited the accompanying balance sheet as of March 31, 2005 and the related statements of income, changes in equity and cash flow for the period October 1, 2004 to March 31, 2005. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
- (i) the state of affairs of the Company as of March 31, 2005 and of the results and the cash flows of the Company for the period October 1, 2004 to March 31, 2005; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(Forward)

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**14. ACCOUNTANTS' REPORT (Cont'd)**

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Appendix III/2005 (2/2)

Company No. 164521-U

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965.

The financial statements of the preceding year were examined by other auditors and are presented here merely for comparative purposes.



**DELOITTE KASSIMCHAN**  
**AF 0080**  
**Chartered Accountants**



**YEOH SIEW MING**  
**2421/05/05(J)**  
**Partner**

May 4, 2005

**14. ACCOUNTANTS' REPORT (Cont'd)**

Appendix III/2006 (1/2)

Company No. 164521-U

**Deloitte**

Deloitte KassimChan (AF 0080)  
Chartered Accountants  
87 Jalan Sultan Abdul Jalil  
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Fax : +60(5) 2530090  
myipoh@deloitte.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SCANWOLF BUILDING MATERIALS SDN. BHD.**

(Incorporated in Malaysia)

We have audited the accompanying balance sheet as of March 31, 2006 and the related statements of income, changes in equity and cash flow for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
- (i) the state of affairs of the Company as of March 31, 2006 and of the results and the cash flows of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(Forward)

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**14. ACCOUNTANTS' REPORT (Cont'd)**

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Appendix III/2006 (2/2)

Company No. 164521-U

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965.



DELOITTE KASSIMCHAN  
AF 0080  
Chartered Accountants



YEOH SIEW MING  
2421/05/07(J/PH)  
Partner

April 26, 2006

**14. ACCOUNTANTS' REPORT (Cont'd)**

Appendix III/2007 (1/2)

Company No. 164521-U

**Deloitte**

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myipoh@deloitte.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
SCANWOLF BUILDING MATERIALS SDN. BHD.**  
(Incorporated in Malaysia)

We have audited the accompanying balance sheet as of March 31, 2007 and the related statements of income, changes in equity and cash flow for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
- (i) the state of affairs of the Company as of March 31, 2007 and of the results and the cash flows of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(Forward)

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**14. ACCOUNTANTS' REPORT (Cont'd)**

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Appendix III/2007 (2/2)

Company No. 164521-U

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965.

*Deloitte Kassim Chan*

**DELOITTE KASSIMCHAN**  
AF 0080  
Chartered Accountants

*Yueh-ming*

**YEOH SIEW MING**  
2421/05/07(J/PH)  
Partner

April 18, 2007