

16. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



03 DEC 2007

The Board of Directors
Signature International Berhad
Suite 13A.01(A), Level 13A,
Wisma Goldhill,
67, Jalan Raja Chulan,
50200 Kuala Lumpur.

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

+6 03 2166 0000 Main
+6 03 2166 1000 Fax

www.horwath.com.my
info@horwathkl.com

Dear Sirs

SIGNATURE INTERNATIONAL BERHAD ACCOUNTANTS' REPORT

1. PURPOSE OF REPORT

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of Signature International Berhad ("SIB" or "the Company") to be dated **28 DEC 2007** in connection with the listing of SIB on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). Details of the listing scheme are disclosed in paragraph 2 of this report.

2. DETAILS OF THE LISTING SCHEME

In conjunction with and as an integral part of the listing of SIB on the Second Board of the Bursa Securities, the Company undertook the following transactions which have been approved by the relevant authorities:-

(1) Acquisitions

(a) Acquisition of Cabinet Industries Sdn. Bhd. ("CISB")

Acquisition of the entire issued and paid-up share capital of CISB comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM27,379,019 satisfied by the issuance of 54,758,038 new ordinary shares of RM0.50 each in SIB at an issue price of RM0.50 per share. The acquisition was completed on 20 November 2007.

(b) Acquisition of Obicorp Sdn. Bhd. ("OSB")

Acquisition of the entire issued and paid-up share capital of OSB comprising 250,000 ordinary shares of RM1.00 each for a purchase consideration of RM2,221,845 satisfied by the issuance of 4,443,690 new ordinary shares of RM0.50 each in SIB at an issue price of RM0.50 per share. The acquisition was completed on 20 November 2007.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang



2. DETAILS OF THE RESTRUCTURING AND LISTING SCHEME (CONT'D)

(1) Acquisitions (Cont'd)

(c) Acquisition of Signature Aluminium Sdn. Bhd. ("SASB")

Acquisition of 60% of the issued and paid-up share capital of SASB comprising 120,000 ordinary shares of RM1.00 each for a purchase consideration of RM335,732 satisfied by the issuance of 671,464 new ordinary shares of RM0.50 each in SIB at an issue price of RM0.50 per share. The acquisition was completed on 20 November 2007.

(hereinafter referred to as "Acquisitions")

(2) Debt Settlement

Novation of outstanding amounts owing by CISB and Signature Manufacturing Sdn. Bhd. ("SMSB") to Tan Kee Choong and Chooi Yoey Sun totalling RM1,218,002 ("Outstanding Debt") to SIB, whereby Tan Kee Choong and Chooi Yoey Sun have agreed to release and discharge CISB and SMSB from their obligations to repay the Outstanding Debt and SIB, in consideration of such release by Tan Kee Choong and Chooi Yoey Sun, has settled the Outstanding Debt on CISB's and SMSB's behalf by issuing 2,436,004 new ordinary shares of RM0.50 each in SIB to Tan Kee Choong and Chooi Yoey Sun at an issue price of RM0.50 per share. The Debt Settlement was completed on 20 November 2007.

(hereinafter referred to as "Debt Settlement")



2. DETAILS OF THE RESTRUCTURING AND LISTING SCHEME (CONT'D)

(3) Listing Scheme

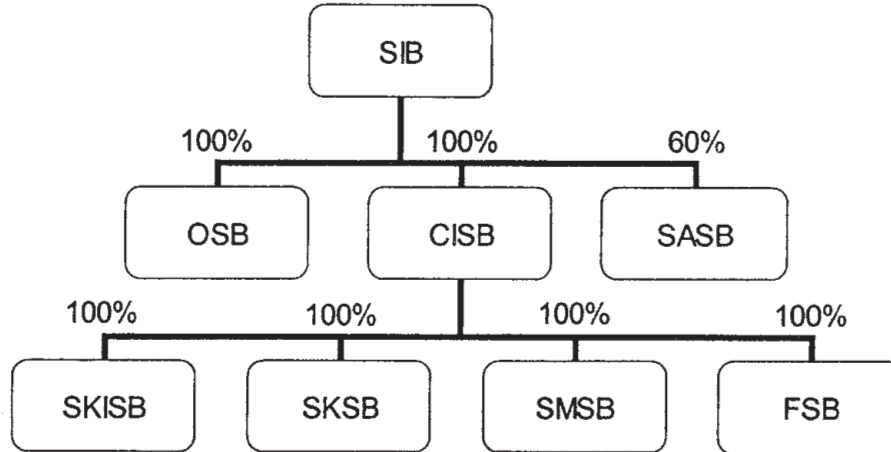
SIB seeks a listing on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). The listing scheme comprises the following:-

- (a) public issue of 17,690,800 new ordinary shares of RM0.50 each at an issue price of RM1.25 per ordinary share ("Public Issue") payable in full upon application which will be allocated and allotted in the following manner:-
 - (i) 6,000,000 new ordinary shares of RM0.50 each available for application by the Malaysian public;
 - (ii) 1,300,000 new ordinary shares of RM0.50 each reserved for application by the eligible employees of SIB Group and persons who have contributed to the success of the SIB Group;
 - (iii) 7,700,000 new ordinary shares of RM0.50 each for private placement to identified investors; and
 - (iv) 2,690,800 new ordinary shares of RM0.50 reserved for Bumiputera investors approved by the Ministry of International Trade and Industry;
- (b) offer for sale of 2,119,246 new ordinary shares of RM0.50 each by way of placement to Bumiputera investors approved by the Ministry of International Trade and Industry at an offer price of RM1.25 per ordinary share payable in full upon application; and
- (c) the listing of and quotation for the entire enlarged issued and paid-up share capital of SIB comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Securities.



3. GROUP STRUCTURE

Currently, the group structure of SIB Group is as follows:-



SIB was incorporated on 23 November 2006 as a private company limited by shares under the Malaysian Companies Act, 1965. On 13 April 2007, the company was converted into a public company and assumed its present name.

CISB acquired a 100% equity interest in SKISB and FSB on 28 February 2007 and 1 September 2006, respectively.

Notes:-

OSB	- Obicorp Sdn. Bhd.
CISB	- Cabinet Industries Sdn. Bhd.
SASB	- Signature Aluminium Sdn. Bhd.
SKISB	- Signature Kitchen Industries Sdn. Bhd.
SKSB	- Signature Kitchen Sdn. Bhd.
SMSB	- Signature Manufacturing Sdn. Bhd.
FSB	- Fabriano Sdn. Bhd.

16. ACCOUNTANTS' REPORT (Cont'd)**4. RELEVANT FINANCIAL PERIODS AND AUDITORS**

The relevant financial periods for the purpose of this report ("Relevant Financial Periods") and the auditors of SIB and CISB included in this report for the Relevant Financial Periods are as follows:-

Company	Relevant Financial Periods	Auditors	Auditors' Report
SIB	Financial period ("FP") from 23 November (date of incorporation) to 30 June 2007	Horwath	Appendix I
CISB	Financial years ended ("FY") 2005 to FY 2007	Horwath	Appendix II

The first set of audited financial statements prepared by SIB was for the financial period from 23 November 2006 (date of incorporation) to 30 June 2007, hence there are no financial statements of SIB for the FY 2005 and FY 2006. For the purpose of this report, the audited financial statements of SIB for FP 2007 are presented.

The audited financial statements of CISB for FY 2005 to FY 2007 are presented, while the audited financial statements of the other subsidiaries for the Relevant Financial Periods are not shown separately as the results of CISB and the CISB Group itself form more than 75% of the SIB Group's proforma profit before taxation for FY 2005 to FY 2007.

The audited financial statements of SIB and CISB for the Relevant Financial Periods were reported upon without any audit qualification or emphasis of matter.

16. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES****5.1 BASIS OF PREPARATION**

The financial statements of SIB and CISB are prepared under the historical cost convention and modified to include other bases of valuation as disclosed under significant accounting policies below. The financial statements comply with applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities for the Relevant Financial Periods.

In FY 2007, SIB and CISB Group have adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board which are relevant to its operations and effective for financial periods beginning on or after 1 January 2006.

The adoption of these new and revised FRS does not have any material effects on the financial statements.

The following FRS have been issued and are effective for financial periods beginning on or after 1 October 2006 and will be effective for SIB and CISB Group's financial statements for the financial year ending 30 June 2008:-

FRS 117	Leases
FRS 124	Related Party Disclosures

The following revised FRS which are relevant to SIB and CISB Group's operations have been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for SIB and CISB Group's financial statements for the financial year ending 30 June 2008:-

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The directors are of the opinion that the adoption of these FRS will not have any material financial effects on the financial statements of the Group when these standards become effective.

FRS 139 - Financial Instruments: Recognition and Measurement has been issued and the effective date has yet to be determined by the MASB. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. CISB Group will apply this standard when it becomes effective.

16. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by SIB and CISB Group in the preparation of this report are as follows:-

(a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(i) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its asset will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the Group is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) Critical Accounting Estimates And Judgements (Cont'd)****(iv) *Classification between Investment Properties and Owner-Occupied Properties***

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(v) *Construction Contracts*

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) *Contract Revenue*

Construction contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) *Contract Costs*

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

16. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) Critical Accounting Estimates And Judgements (Cont'd)***(vi) Allowance for Doubtful Debts of Receivables*

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vii) Allowance for Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

16. ACCOUNTANTS' REPORT (Cont'd)**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(c) Functional and Foreign Currency***(i) Functional and Presentation Currency*

The functional currency of the Group is measured using the currency of the primary economic environment in which the Group operates.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the parent's functional and presentation currency.

(ii) Transactions and Balances

Transactions in foreign currency are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

(d) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries as at the balance sheet date.

A subsidiary is defined as an enterprise in which the parent has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at 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.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Basis of Consolidation (Cont'd)**

Minority interests in the consolidated balance sheets consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

(e) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised immediately in the consolidated income statement.

(f) Investments in Subsidiaries

Investments in subsidiaries are stated at cost in the balance sheet of the Company, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

(g) Other Investments

Other investments held on a long-term basis are stated at cost less allowance for permanent diminution in value.

On the disposal of these investments, the difference between the net disposal proceeds and the carrying amount of the investments is taken to the income statement.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are stated at cost or revalued amount less accumulated depreciation or amortisation and impairment losses, if any. Freehold land is stated at cost less any impairment losses, and is not depreciated.

Short-term leasehold land is amortised over the unexpired lease term.

Depreciation or amortisation is calculated under the straight-line method to write off the cost or revalued amount of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Short leasehold land and building	Over the remaining lease period of 27 years
Plant and machinery, tools and factory equipment	10%
Motor vehicles	20%
Furniture and fittings, renovation and signboard	10%
Showroom and office equipment	10%

Properties are revalued periodically, at least once in every three to five years. Surpluses arising from the revaluation of the properties, net of deferred taxation, where applicable, are credited to a revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are charged to the income statement.

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Capital work-in-progress represent assets under construction, and which are not ready for commercial use at the balance sheet date. Capital work-in-progress is stated at cost, and will be transferred to the relevant category of long-term assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct costs and related expenditure for the construction or acquisition of the assets to the date that the assets are completed and put into use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

16. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(i) Impairment of Assets**

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(j) Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is charged to the income statement.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(k) Assets under Hire Purchase**

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in Note 5(h) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the periods of the respective hire purchase agreements.

(l) Revaluation Reserve

Surpluses arising from the revaluation of properties are credited to the revaluation reserve account. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are charged to the income statement.

In the year of disposal of the revalued asset, the attributable remaining revaluation surplus is transferred from the revaluation reserve account to retained profits.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all obsolete, damaged and slow-moving items.

(n) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

16. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Amounts Owing by Contract Customers

The amounts owing by contract customers is stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

(p) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged to financial institutions, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(r) Income Taxes

Income taxes for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is provided in full, using the liability method, on all material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

16. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(r) Income Taxes (Cont'd)**

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

(s) Interest-bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

(t) Equity Instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

16. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(u) Employee Benefits****(i) Short-term Benefits**

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(v) Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party, to the extent that it prevents the other party from pursuing its own separate interests in making financial and operating decisions.

(w) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

16. ACCOUNTANTS' REPORT (Cont'd)

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(x) Revenue Recognition***(i) Construction Contracts*

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

(ii) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

(iii) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iv) Rental Income

Rental income is recognised on an accrual basis.

(v) Interest Income

Interest income is recognised on an accrual basis, based on the effective yield on the investment.

Interest income on late payment is recognised on a receipt basis.

16. ACCOUNTANTS' REPORT (Cont'd)



5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

5.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

This report is prepared on a basis consistent with the accounting policies adopted by the SIB and CISB Group as disclosed in paragraph 5.2 above. There were no changes in the significant accounting policies adopted by the SIB and CISB Group during the Relevant Financial Periods other than the adoption of all the new and revised FRS issued by the Malaysian Accounting Standards Board which are relevant to its operations and effective for financial periods beginning on or after 1 January 2006, as disclosed in paragraph 5.1 above.

6. AUDITED FINANCIAL STATEMENTS

The following are the audited financial statements of SIB and CISB for the Relevant Financial Periods.

The financial statements of SIB and CISB as presented in Sections 6.1 and 6.2 are based on the audited financial statements, modified as appropriate, for the purpose of this report.

All information is extracted from the audited financial statements except those in italics which are prepared based on calculation, representation and explanation provided by the management.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 SIB

6.1.1 INCOME STATEMENT OF SIB

	Note	FP 2007 RM'000
Revenue		-
Operating expenses		(8)
Loss for the financial period	6.1.5	(8)
<i>GP margin (%)</i>		N/A
<i>PBT margin (%)</i>		N/A
<i>PAT margin (%)</i>		N/A
<i>Effective tax rate (%)</i>		N/A
<i>Interest coverage ratio (times)</i>		N/A
<i>Number of ordinary shares in issue of RM0.50 each</i>		4
<i>Gross earnings per share ("EPS") * (RM)</i>		(2,000)
<i>Net EPS * (RM)</i>		(2,000)

Note:-

- * - The Gross EPS and Net EPS were computed by dividing the loss for the financial period by the number of ordinary shares in issue during the Relevant Financial Periods.

Commentary:-

- (a) The Company has remained dormant during the Relevant Financial Periods under review.
- (b) There was no exceptional or extraordinary item in the Relevant Financial Periods under review.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 SIB (CONT'D)

6.1.2 BALANCE SHEET OF SIB AS AT 30 JUNE

	Note	2007 RM'000
ASSETS		
CURRENT ASSETS		
Other receivables		4
Bank balances		*
		4
TOTAL ASSETS		4
EQUITY AND LIABILITIES		
EQUITY		
Share capital	6.1.6	#
Accumulated loss		(8)
TOTAL EQUITY		(8)
CURRENT LIABILITIES		
Other payables and accruals		4
Amount owing to directors	6.1.7	8
		12
TOTAL LIABILITIES		12
TOTAL EQUITY AND LIABILITIES		4

Notes:-

(i) * - Less than RM1,000.

(ii) # - RM2.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 SIB (CONT'D)

6.1.3 CASH FLOW STATEMENT OF CISB

	FP 2007 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES	
Loss for the financial period	(8)
Changes in working capital:-	
Increase in other receivables	(4)
Increase in other payables	4
NET CASH FOR OPERATING ACTIVITIES	<u>(8)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of shares	#
Advances from directors	8
NET CASH FROM FINANCING ACTIVITIES	<u>8</u>
BANK BALANCES AT THE END OF THE FINANCIAL PERIOD	<u>*</u>

Notes:-

(i) * - Less than RM1,000.

(ii) # - RM2.

6.1.4 STATEMENTS OF CHANGES IN EQUITY OF SIB

	Share Capital RM'000	Accumulated Loss RM'000	Total RM'000
At 23.11.2006 (Date of incorporation)	#	-	#
Loss for the financial period	-	(8)	(8)
Balance at 30.6.2007	<u>#</u>	<u>(8)</u>	<u>(8)</u>

Note:-

- RM2.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.1 SIB (CONT'D)

6.1.5 LOSS FOR THE FINANCIAL PERIOD

	FP 2007 RM'000
Loss for the financial period is arrived at after charging:-	
Audit fee	2
Preliminary expenses	4
	<u>6</u>

6.1.6 SHARE CAPITAL

	Par Value RM	Number of Shares ('000)	RM'000
ORDINARY SHARES:-			
Authorised			
At 23.11.2006 (Date of incorporation)	1.00	100	100
Sub-division of the par value of the ordinary shares of RM1 each into RM0.50 each	0.50	100	-
At 30.6.2007	0.50	<u>200</u>	<u>100</u>
Issued and fully paid-up			
At 23.11.2006 (Date of incorporation)	1.00	^	#
Sub-division of the par value of the ordinary shares of RM1 each into RM0.50 each	0.50	^	-
At 30.6.2007	0.50	<u>*</u>	<u>#</u>

Notes:-

(i) ^ - 2 ordinary shares.

(ii) * - 4 ordinary shares.

(iii) # - RM2.

6.1.7 AMOUNT OWING TO DIRECTORS

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 SIB (CONT'D)****6.1.8 INCOME TAX EXPENSE**

A reconciliation of income tax expense applicable to the loss for the financial period at the statutory tax rate to income tax expense at the effective tax rate of SIB is as follows:-

	FP 2007 RM'000
Loss for the financial period	(8)
Tax at the statutory rate of 27%	(2)
Tax effect of:-	
Non-deductible expenses	2
Tax for the financial period	-

6.1.9 FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial instruments reported in the financial statements approximated their fair values.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB

6.2.1 INCOME STATEMENTS OF CISB

	Note	← The Company →			← The Group →	
		FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Revenue	6.2.5	39,978	42,230	61,920	43,161	72,096
Cost of sales		(25,761)	(28,418)	(46,777)	(26,677)	(47,577)
Gross profit ("GP")		14,217	13,812	15,143	16,484	24,519
Other income		126	773	1,193	617	718
		14,343	14,585	16,336	17,101	25,237
Operating expenses		(6,966)	(7,937)	(7,988)	(8,968)	(12,091)
Finance costs		(124)	(306)	(372)	(324)	(372)
Profit before taxation ("PBT")		7,253	6,342	7,976	7,809	12,774
Depreciation		439	753	1,127	826	1,404
Interest expense		124	262	372	262	372
Interest income		(73)	(82)	(61)	(82)	(67)
Earnings before interest, depreciation and taxation		7,743	7,275	9,414	8,815	14,483
Depreciation		(439)	(753)	(1,127)	(826)	(1,404)
Interest expense		(124)	(262)	(372)	(262)	(372)
Interest income		73	82	61	82	67
PBT	6.2.6	7,253	6,342	7,976	7,809	12,774
Income tax expense	6.2.7	(2,140)	(1,636)	(2,393)	(1,757)	(2,886)
Profit after taxation ("PAT")		5,113	4,706	5,583	6,052	9,888
Minority interests		-	-	-	#	-
Profit attributable to shareholders		5,113	4,706	5,583	6,052	9,888
GP margin (%)		35.6%	32.7%	24.5%	38.2%	34.0%
PBT margin (%)		18.1%	15.0%	12.9%	18.1%	17.7%
PAT margin (%)		12.8%	11.1%	9.0%	14.0%	13.7%
Effective tax rate (%)		29.5%	25.8%	30.0%	22.5%	22.6%
Interest coverage ratio (times)		59.5	25.2	22.4	30.8	35.3
Number of ordinary shares in issue of RM1.00 each ('000)		1,000	1,000	1,000	1,000	1,000
Gross earnings per share ("EPS") * (RM)		7.25	6.34	7.98	7.81	12.77
Net EPS * (RM)		5.11	4.71	5.58	6.05	9.89

Notes:-

(i) # - Less than RM1,000.

(ii) * - The Gross EPS and Net EPS were computed by dividing the PBT and PAT respectively by the number of ordinary shares in issue during the Relevant Financial Periods.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.1 INCOME STATEMENTS OF CISB (CONT'D)

Commentary:-

- (a) *The increase in revenue in FY 2005 by approximately RM9.1 million or 29.5% was mainly due to the increase in retail sales during the financial year, which was driven by the opening of additional retail showrooms.*

The gross profit margin for FY 2005 has increased mainly due to the continued enhancement of CISB's market position within the branded kitchen system market segment and CISB is able to command a higher selling price for its kitchen systems.

The increase in profit before taxation in FY 2005 by approximately RM3.5 million resulted from the economies of scale achieved by CISB in line with the increase in its sales volume.

- (b) *The increase in revenue in FY 2006 by approximately RM2.3 million or 5.6% was mainly due to additional projects secured and completed in FY 2006.*

The gross profit margin decreased slightly due to the transfer of its retail operations to SKSB. The gross profit margin earned from sales to SKSB is less than direct sales to end customers.

The decrease in the profit before taxation was mainly due to the decrease in the gross profit and the increase in operating overheads at a higher rate when compared to the increase in revenue.

During FY 2006, CISB transferred its manufacturing and retail activities to SMSB, and SKSB, respectively. The financial results of the subsidiaries were incorporated in the consolidated financial statements of CISB in FY 2006.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.1 INCOME STATEMENTS OF CISB (CONT'D)

Commentary (Cont'd):-

- (c) *The increase in revenue in FY 2007 by approximately RM19.7 million or 46.6% was mainly due to increase in project revenue.*

The gross profit margin decreased mainly due to the transfer of its retail operations to SKSB. The gross profit margin earned from sales to SKSB is less than direct sales to end customers. In addition, the cost of sales has increased due to increase in purchases price.

The decrease in the profit before taxation was mainly due to the decrease in the gross profit.

- (d) *The effective tax rates for FY 2005 and FY 2007 were slightly higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes. The effective tax rate for FY 2006 was slightly lower than the statutory tax rate mainly due to the first RM500,000 of taxable profit being taxed at 20% with the balance of taxable profit taxed at 28%.*
- (e) *There were no exceptional or extraordinary items in the Relevant Financial Periods under review.*
- (f) *No dividend was declared or paid by CISB during the Relevant Financial Periods under review.*

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.2 BALANCE SHEETS OF CISB AS AT 30 JUNE

Note	← The Company →			← The Group →		
	2005 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	
ASSETS						
NON-CURRENT ASSETS						
Investment in subsidiaries	6.2.8	-	500	1,543	-	-
Property, plant and equipment	6.2.9	9,160	13,462	14,392	14,921	16,173
Investment properties	6.2.10	-	425	1,744	425	1,744
Other investment	6.2.11	-	-	-	-	321
		9,160	14,387	17,679	15,346	18,238
CURRENT ASSETS						
Inventories	6.2.12	975	292	712	1,735	3,088
Trade receivables	6.2.13	3,942	5,330	12,050	6,214	14,868
Other receivables, deposits and prepayments	6.2.14	480	572	3,690	841	3,941
Amount owing by contract customers	6.2.15	-	-	2,349	-	2,349
Amount owing by subsidiaries	6.2.16	7	-	250	-	-
Amount owing by related parties	6.2.17	2,986	3,262	904	3,262	905
Amount owing by directors	6.2.18	7	-	-	-	-
Tax refundable		-	414	-	414	66
Fixed deposits with licensed banks	6.2.19	2,253	2,236	904	2,236	958
Cash and bank balances		310	1,167	1,106	1,718	3,610
		10,960	13,273	21,965	16,420	29,785
TOTAL ASSETS		20,120	27,660	39,644	31,766	48,023

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.2 BALANCE SHEETS OF CISB AS AT 30 JUNE (CONT'D)

Note	← The Company →			← The Group →	
	2005 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	6.2.20	1,000	1,000	1,000	1,000
Revaluation reserve	6.2.21	-	1,257	1,257	1,257
Retained profits	6.2.22	9,908	14,614	15,960	25,848
SHAREHOLDERS' EQUITY		10,908	16,871	18,217	28,105
MINORITY INTEREST		-	-	#	-
TOTAL EQUITY		10,908	16,871	18,217	28,105
NON-CURRENT LIABILITIES					
Long-term borrowings	6.2.23	3,521	3,699	3,699	4,153
Deferred taxation	6.2.24	199	783	585	814
		3,720	4,482	4,738	4,811
CURRENT LIABILITIES					
Trade payables	6.2.25	2,951	2,704	6,898	5,359
Other payables and accruals		671	655	647	1,077
Amount owing to subsidiaries	6.2.16	-	974	2,389	-
Amount owing to related parties	6.2.17	425	1,260	45	1,459
Amount owing to directors	6.2.18	138	-	968	254
Provision for taxation		450	-	555	80
Bank overdrafts		-	-	-	-
Short-term borrowings	6.2.26	857	714	950	807
		5,492	6,307	12,452	9,036
TOTAL LIABILITIES		9,212	10,789	17,190	13,549
TOTAL EQUITY AND LIABILITIES		20,120	27,660	39,644	48,023
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>		1,000	1,000	1,000	1,000
<i>Net assets ("NA") (RM)</i>		10,908	16,871	22,454	18,217
<i>NA per ordinary share (RM)</i>		10.91	16.87	22.45	18.22
<i>Cost of sales</i>		25,761	28,418	46,777	26,677
<i>Inventories turnover period (months)</i>		0.5	0.1	0.2	0.8
<i>Trade receivables turnover period (months)</i>		1.2	1.5	2.3	1.7
<i>Purchases [^]</i>		22,009	19,765	21,301	23,020
<i>Trade payables turnover period (months)</i>		1.6	1.6	3.9	2.8
<i>Gearing ratio (times)</i>		0.4	0.3	0.2	0.2

Note:-

[^] - Purchases were in respect of total cost of sales excluding purchases from related companies and parties.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.3 CASH FLOW STATEMENTS OF CISB

Note	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before taxation	7,253	6,342	7,976	7,809	12,774
Adjustments for:-					
Allowance for doubtful debts	-	-	892	-	892
Bad debts written off	-	-	194	-	194
Depreciation of property, plant and equipment	439	753	1,127	826	1,404
Impairment of goodwill	-	-	-	-	60
Interest expense	124	307	372	307	372
Property, plant and equipment written off	-	22	12	25	12
Unrealised loss/(gain) on foreign exchange	-	-	-	16	(27)
Interest income	(73)	(82)	(61)	(82)	(67)
Loss/(Gain) on disposal of property, plant and equipment	1	(111)	(8)	(111)	(11)
Operating profit before working capital changes	7,744	7,231	10,504	8,790	15,603
(Increase)/Decrease in inventories	(329)	683	(420)	(740)	(1,353)
Decrease/(Increase) in trade and other receivables	487	(1,480)	(10,924)	(2,211)	(11,982)
Increase in amount owing by contract customers	-	-	(2,349)	-	(2,349)
(Decrease)/Increase in trade and other payables	(221)	(263)	4,186	1,904	5,481
Increase in amount owing to subsidiaries	-	-	869	-	-
Net decrease/(increase) in amount owing by related parties	99	792	(357)	822	(327)
CASH FROM OPERATIONS	7,780	6,963	1,509	8,565	5,073
Interest paid	(124)	(307)	(372)	(307)	(372)
Tax paid	(1,968)	(2,403)	(1,622)	(2,413)	(2,022)
NET CASH FROM/(FOR) OPERATING ACTIVITIES CARRIED FORWARD	5,688	4,253	(485)	5,845	2,679

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.3 CASH FLOW STATEMENTS OF CISB (CONT'D)

Note	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
	NET CASH FROM/(FOR) OPERATING ACTIVITIES BROUGHT FORWARD				
	5,688	4,253	(485)	5,845	2,679
	CASH FLOWS FOR INVESTING ACTIVITIES				
	73	82	61	82	67
	(5)	-	296	-	-
	(976)	(236)	1,503	(236)	1,502
	(7)	-	-	-	-
	2	322	480	322	491
6.2.29	(7,737)	(3,757)	(1,011)	(4,518)	(1,537)
	-	-	(1,319)	-	(1,319)
	-	-	-	-	(321)
6.2.30	-	-	(993)	(315)	(850)
	-	(500)	(50)	-	#
	NET CASH FOR INVESTING ACTIVITIES				
	(8,650)	(4,089)	(1,033)	(4,665)	(1,967)
	CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES				
	-	981	-	-	-
	-	3	(3)	172	(133)
	(1,488)	(131)	968	123	968
	4,400	602	-	602	-
	(93)	(283)	(440)	(283)	(440)
	(727)	(496)	(400)	(496)	(400)
	-	-	-	93	(93)
	NET CASH FROM/(FOR) FINANCING ACTIVITIES				
	2,092	676	125	211	(98)
	NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
	(870)	840	(1,393)	1,391	614
	CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR				
	3,433	2,563	3,403	2,563	3,954
6.2.31	2,563	3,403	2,010	3,954	4,568

Note:-

- Less than RM1,000.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.4 STATEMENTS OF CHANGES IN EQUITY OF CISB

	Share Capital RM'000	Non- Distributable Revaluation Reserve RM'000	Distributable Retained Profits RM'000	Shareholders' Equity RM'000	Minority Interest RM'000	Total Equity RM'000
The Group						
Balance at 1.7.2005	1,000	-	9,908	10,908	-	10,908
Gain not recognised in the income statement						
- surplus on revaluation of property	-	1,257	-	1,257	-	1,257
Acquisition of subsidiaries	-	-	-	-	#	#
Profit after taxation for the financial year	-	-	6,052	6,052	#	6,052
Balance at 30.6.2006/1.7.2006	1,000	1,257	15,960	18,217	#	18,217
Acquisition of minority interest	-	-	-	-	(#)	(#)
Profit after taxation for the financial year	-	-	9,888	9,888	-	9,888
Balance at 30.6.2007	1,000	1,257	25,848	28,105	-	28,105
The Company						
Balance at 1.7.2004	1,000	-	4,795	5,795	-	5,795
Profit after taxation for the financial year	-	-	5,113	5,113	-	5,113
Balance at 30.6.2005/1.7.2005	1,000	-	9,908	10,908	-	10,908
Gain not recognised in the income statement						
- surplus on revaluation of property	-	1,257	-	1,257	-	1,257
Profit after taxation for the financial year	-	-	4,706	4,706	-	4,706
Balance at 30.6.2006/1.7.2006	1,000	1,257	14,614	16,871	-	16,871
Profit after taxation for the financial year	-	-	5,583	5,583	-	5,583
Balance at 30.6.2007	1,000	1,257	20,197	22,454	-	22,454

Note:-

- Less than RM1,000.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.5 REVENUE

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of goods	28,449	27,675	32,141	27,361	42,317
Project income	11,529	14,555	29,779	15,800	29,779
	<u>39,978</u>	<u>42,230</u>	<u>61,920</u>	<u>43,161</u>	<u>72,096</u>

6.2.6 PROFIT BEFORE TAXATION

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):-					
Allowance for doubtful debts	-	-	892	-	892
Audit fee					
- for the financial year	14	17	24	28	45
- underprovision in the previous financial year	-	-	1	-	1
Bad debts written off	-	-	194	-	194
Contract costs recognised	-	1,287	20,803	1,287	20,803
Depreciation of property, plant and equipment	439	753	1,127	826	1,404
Directors' fees	380	360	600	360	616
Impairment of goodwill	-	-	-	-	60
Interest expense:					
- bankers' acceptances and trust receipts	-	2	4	2	4
- bank guarantee	-	44	114	44	114
- bank overdraft	-	#	10	#	10
- hire purchase and lease	36	34	33	34	33
- term loans	88	226	210	226	210
Loss on foreign exchange					
- realised	9	-	1	8	112
- unrealised	-	-	-	16	-

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.6 PROFIT BEFORE TAXATION (CONT'D)

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Property, plant and equipment written off	-	22	12	25	12
Rental of premises	741	439	25	658	716
Rental of forklift	4	6	44	6	44
Rental of generator	2	-	-	-	-
Staff costs	3,202	3,169	2,491	3,885	5,903
Fixed deposit interest income	(73)	(82)	(61)	(82)	(67)
(Gain)/Loss on disposal of property, plant and equipment	1	(111)	(8)	(111)	(11)
Rental of plant and machinery	-	-	(77)	-	-
Sub-rental income	(10)	(417)	(782)	(417)	(375)
Gain on foreign exchange					
- realised	#	#	-	(4)	(13)
- unrealised	-	-	-	-	(27)

Note:-

- Less than RM1,000.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.7 INCOME TAX EXPENSE

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Income tax:					
- for the current financial year	2,060	1,598	2,577	1,688	3,048
- (over)/underprovision in the previous financial year	-	(58)	14	(58)	6
	<u>2,060</u>	<u>1,540</u>	<u>2,591</u>	<u>1,630</u>	<u>3,054</u>
Deferred taxation (Note 6.2.24):					
- for the current financial year	(40)	201	(236)	232	(176)
- under/(over)provision in the previous financial year	120	(105)	38	(105)	8
	<u>80</u>	<u>96</u>	<u>(198)</u>	<u>127</u>	<u>(168)</u>
	<u>2,140</u>	<u>1,636</u>	<u>2,393</u>	<u>1,757</u>	<u>2,886</u>

The corporate tax rate on the first RM500,000 of chargeable income is 20%. The rate applicable to the balance of the chargeable income is 27%.

A subsidiary of the Company has been granted Pioneer Status by the Ministry of International Trade And Industry, Malaysia which qualifies the subsidiary for the pioneer status incentive with tax exemption on 70% of its business income from pioneer activities. The pioneer status is for a period of five years from 1 February 2006 to 31 January 2011.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.7 INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of CISB is as follows:-

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation	7,253	6,342	7,976	7,809	12,774
Tax at the statutory tax rate of 28%/27%	2,031	1,776	2,153	2,187	3,449
Tax effects of:-					
Non-deductible expenses	29	94	225	133	278
Non-taxable income	-	(31)	(2)	(324)	(2)
Differential in tax rates	(40)	(40)	(35)	(76)	(105)
Pioneer income not subject to tax	-	-	-	-	(748)
Under/(over)provision of deferred taxation in the previous financial year	120	(105)	38	(105)	8
(Over)/Underprovision of income tax in the previous financial years	-	(58)	14	(58)	6
	2,140	1,636	2,393	1,757	2,886

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.8 INVESTMENT IN SUBSIDIARIES

	← The Company →		
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Unquoted shares, at cost	-	500	1,543

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name of Company	Effective Equity Interest			Principal Activities
	2005	2006	2007	
Signature Manufacturing Sdn. Bhd.	-	99.99%	100%	Manufacture and sales of wooden furniture, kitchen cabinets and accessories.
Signature Kitchen Sdn. Bhd.	-	100%	100%	Retailing of kitchen systems, wardrobe systems and built-in kitchen appliances.
Signature Kitchen Industries Sdn. Bhd. *	-	-	100%	Ceased operations.
Fabriano Sdn. Bhd.	-	-	100%	Investment holding.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.9 PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land and building RM'000	Short leasehold land RM'000	Building under construction RM'000	Building RM'000	Capital work-in-progress RM'000	Plant and machinery, tools and factory equipment RM'000	Motor vehicles RM'000	Furniture and fittings, renovation and signboard RM'000	Showroom and office equipment RM'000	Total RM'000
Net Book Value										
At 30.6.2005	509	3,068	3,636	-	319	457	862	66	243	9,160
Revaluation	-	852	-	894	-	-	-	-	-	1,746
Acquisition of subsidiaries	-	-	-	-	-	722	-	36	16	774
Additions	-	-	2,576	-	346	117	461	151	1,077	4,728
Transfers	-	-	(6,212)	6,212	(425)	-	-	-	-	(425)
Disposals	(210)	-	-	-	-	-	-	-	(1)	(211)
Written off	-	-	-	-	-	-	-	(22)	(3)	(25)
Depreciation charge	-	(150)	-	(32)	-	(96)	(315)	(16)	(217)	(826)
At 30.6.2006/1.7.2006	299	3,770	-	7,074	240	1,200	1,008	215	1,115	14,921
Acquisition of subsidiaries	-	-	-	-	-	81	-	-	-	81
Additions	-	-	-	55	718	126	1,701	103	364	3,067
Disposals	(299)	-	-	-	-	-	(173)	#	(8)	(480)
Written off	-	-	-	-	-	(10)	-	-	(2)	(12)
Depreciation charge	-	(140)	-	(256)	-	(167)	(458)	(34)	(349)	(1,404)
At 30.6.2007	-	3,630	-	6,873	958	1,230	2,078	284	1,120	16,173
At 30.6.2006										
Cost	299	-	-	-	240	1,465	1,969	279	1,665	5,917
At valuation	-	3,920	-	7,106	-	-	-	-	-	11,026
Accumulated depreciation	-	(150)	-	(32)	-	(265)	(961)	(64)	(550)	(2,022)
Net book value	299	3,770	-	7,074	240	1,200	1,008	215	1,115	14,921
At 30.6.2007										
Cost	-	-	-	55	958	1,717	3,447	382	2,019	8,578
At valuation	-	3,920	-	7,106	-	-	-	-	-	11,026
Accumulated depreciation	-	(290)	-	(288)	-	(487)	(1,369)	(98)	(899)	(3,431)
Net book value	-	3,630	-	6,873	958	1,230	2,078	284	1,120	16,173

Note:-

- Less than RM1,000.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Freehold land and building RM'000	Short leasehold land RM'000	Building under construction RM'000	Building RM'000	Capital work-in-progress RM'000	Plant and machinery, tools and factory equipment RM'000	Motor vehicles RM'000	Furniture and fittings, renovation and signboard RM'000	Showroom and office equipment RM'000	Total RM'000
Net Book Value										
At 1.7.2004	509	-	-	-	-	444	586	76	250	1,865
Additions	-	3,068	3,636	-	319	72	505	1	136	7,737
Disposals	-	-	-	-	-	-	-	-	(3)	(3)
Depreciation charge	-	-	-	-	-	(59)	(229)	(11)	(140)	(439)
At 30.6.2005/1.7.2005	509	3,068	3,636	-	319	457	862	66	243	9,160
Revaluation	-	852	-	894	-	-	-	-	-	1,746
Additions	-	-	2,576	-	346	82	461	55	447	3,967
Transfers	-	-	(6,212)	6,212	(425)	-	-	-	-	(425)
Disposals	(210)	-	-	-	-	-	-	-	-	(210)
Written off	-	-	-	-	-	-	-	(22)	(1)	(23)
Depreciation charge	-	(150)	-	(32)	-	(65)	(315)	(12)	(179)	(753)
At 30.6.2006/1.7.2006	299	3,770	-	7,074	240	474	1,008	87	510	13,462
Additions	-	-	-	55	718	-	1,701	5	62	2,541
Disposals	(299)	-	-	-	-	-	(173)	-	-	(472)
Written off	-	-	-	-	-	(10)	-	-	(2)	(12)
Depreciation charge	-	(140)	-	(256)	-	(67)	(458)	(14)	(192)	(1,127)
At 30.6.2007	-	3,630	-	6,873	958	397	2,078	78	378	14,392
At 30.6.2005										
Cost	509	3,068	3,636	-	319	626	1,589	127	576	10,450
Accumulated depreciation	-	-	-	-	-	(169)	(727)	(61)	(333)	(1,290)
Net book value	509	3,068	3,636	-	319	457	862	66	243	9,160
At 30.6.2006										
Cost	299	-	-	-	240	708	1,969	147	1,019	4,382
At valuation	-	3,920	-	7,106	-	-	-	-	-	11,026
Accumulated depreciation	-	(150)	-	(32)	-	(234)	(961)	(60)	(509)	(1,946)
Net book value	299	3,770	-	7,074	240	474	1,008	87	510	13,462
At 30.6.2007										
Cost	-	-	-	55	958	685	3,447	152	1,075	6,372
At valuation	-	3,920	-	7,106	-	-	-	-	-	11,026
Accumulated depreciation	-	(290)	-	(288)	-	(288)	(1,369)	(74)	(697)	(3,006)
Net book value	-	3,630	-	6,873	958	397	2,078	78	378	14,392

Included in property, plant and equipment of CISB are the following assets acquired under hire purchase terms:-

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Net book value:-					
Motor vehicles	764	711	1,900	711	1,900
Plant and machinery	224	-	-	-	-
	<u>988</u>	<u>711</u>	<u>1,900</u>	<u>711</u>	<u>1,900</u>

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The freehold land, short leasehold land and buildings have been pledged to financial institutions as security for banking facilities granted to CISB.

The net book value of property, plant and equipment, had these assets been carried at cost less accumulated depreciation, would have been as follows:-

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Short leasehold land	-	2,958	2,848	2,958	2,848
Building	-	6,184	5,962	6,184	5,962
	-	9,142	8,810	9,142	8,810

The valuation of the short leasehold land and building during the financial year was based on professional appraisals by independent valuers using the open market value basis. The deferred tax on the revaluation surplus has been accounted for in the financial statements, as disclosed in Note 6.2.24.

The details of the professional valuer are as follows:-

Name of firm	:	KGV-Lambert Smith Hampton (M) Sdn. Bhd.
Name of valuer	:	Anthony Chua Kian Beng
Qualification	:	B Surv (Hons) Pty Mgmt, MIS (M)

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.10 INVESTMENT PROPERTIES

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold buildings, at fair value:-					
Apartment	-	425	889	425	889
Condominium	-	-	855	-	855
	-	425	1,744	425	1,744

6.2.11 OTHER INVESTMENT

	← The Group →	
	FY 2006	FY 2007
	RM'000	RM'000
Unquoted shares outside Malaysia, at cost	-	321

On 21 February 2007, the Company acquired a 32% equity interest in Signature Kitchen India Private Limited., a company incorporated in India.

The Company does not consider this investment as an associate as the Company has no significant influence over its financial and operating decisions.

6.2.12 INVENTORIES

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
At costs:-					
Raw materials and parts for installation of kitchen cabinets	975	292	712	1,577	2,511
Finished goods	-	-	-	158	577
	975	292	712	1,735	3,088

None of the inventories is carried at net realisable value.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.13 TRADE RECEIVABLES

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Trade receivables	3,228	4,019	10,135	4,795	12,953
Retention sum	788	1,311	2,807	1,419	2,807
Trade receivables	4,016	5,330	12,942	6,214	15,760
Allowances for doubtful debts	(74)	-	(892)	-	(892)
	<u>3,942</u>	<u>5,330</u>	<u>12,050</u>	<u>6,214</u>	<u>14,868</u>
Allowance for doubtful debts:-					
As at 1.7.2004/2005/2006	74	74	-	74	-
Addition during the financial year	-	-	892	-	892
Written off during the financial year	-	(74)	-	(74)	-
As at 30.6.2005/2006/2007	<u>74</u>	<u>-</u>	<u>892</u>	<u>-</u>	<u>892</u>

The Group's normal trade credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of the trade receivables is as follows:-

	← The Group →	
	FY 2006 RM'000	FY 2007 RM'000
United States Dollar	665	2,165
Thai Baht	35	(6)

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Amounts owing by former related parties which were included in trade receivables	<u>389</u>	<u>521</u>	<u>521</u>	<u>521</u>	<u>339</u>

The nature of the related party relationship and details of the transactions involved are disclosed in Note 6.2.32 to this report.

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.13 TRADE RECEIVABLES (CONT'D)

The trade receivables ageing analysis of the Company for the FY 2007 is set out below:-

	0 to 30 Days RM'000	31 to 60 Days RM'000	61 to 90 Days RM'000	> 90 Days RM'000	Retention Sum RM'000	Total RM'000
Balance as at 30.6.2007	2,276	676	388	6,795	2,807	12,942
% of trade receivables	17.6	5.2	3.0	52.5	21.7	100.0

6.2.14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Advances to sub-contractors	-	-	2,000	-	2,000
Other receivables	118	238	712	231	831
Deposits	333	333	946	460	1,077
Prepayments	29	1	32	150	33
	480	572	3,690	841	3,941

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Amounts owing by former related parties which were included in other receivables, deposits and prepayments	3	10	10	10	-

The nature of the related party relationship and details of the transactions involved are disclosed in Note 6.2.32 to this report.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.15 AMOUNT OWING BY CONTRACT CUSTOMERS

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Contract cost	5,561	1,287	12,511	1,287	12,511
Attributable profit	2,383	552	5,423	552	5,423
Progress billings	7,944 (7,944)	1,839 (1,839)	17,934 (15,585)	1,839 (1,839)	17,934 (15,585)
Amount owing by contract customers	-	-	2,349	-	2,349

6.2.16 AMOUNT OWING BY/(TO) SUBSIDIARIES

	← The Company →		
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Amount owing by:- Non-trade balance	7	-	250
Amount owing to:- Trade balance	-	(1,622)	(2,491)
Non-trade balance	-	648	102
	-	(974)	(2,389)

The Company's normal trade credit terms range from 30 to 60 days.

The non-trade amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.17 AMOUNT OWING BY/(TO) RELATED PARTIES

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Amount owing by:-					
Trade balance	815	855	-	855	-
Non-trade balance	2,171	2,407	904	2,407	905
	<u>2,986</u>	<u>3,262</u>	<u>904</u>	<u>3,262</u>	<u>905</u>
Amount owing to:-					
Trade balance	(425)	(1,257)	(45)	(1,287)	(114)
Non-trade balance	-	(3)	-	(172)	-
	<u>(425)</u>	<u>(1,260)</u>	<u>(45)</u>	<u>(1,459)</u>	<u>(114)</u>

The Group's normal trade credit terms range from 30 to 60 days.

The non-trade amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

6.2.18 AMOUNT OWING BY/(TO) DIRECTORS

The amount owing is unsecured, interest-free and not subject to fixed terms of repayment.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.19 FIXED DEPOSITS WITH LICENSED BANKS

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed deposits pledged to banks for banking facilities granted to the Company	1,986	1,208	903	1,208	903
Fixed deposits held in trust by the directors of the Company	1,089	528	-	528	-
Weighted average effective interest rate per annum	3.0%	3.1%	3.1%	3.1%	3.1%

The fixed deposits have maturity periods ranging from 1 month to 12 months.

6.2.20 SHARE CAPITAL

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Authorised 1,000,000 ordinary shares of RM1 each	1,000	1,000	1,000	1,000	1,000
Issued and fully paid-up 1,000,000 ordinary shares of RM1 each	1,000	1,000	1,000	1,000	1,000

6.2.21 REVALUATION RESERVE

The revaluation reserve represents the surplus arising from the revaluation of the short leasehold land and building and is not distributable by way of cash dividends.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.22 RETAINED PROFITS

Based on Section 108 of the Income Tax Act, 1967 and subject to agreement with the tax authorities, at the balance sheet date, the Company has sufficient tax credits to distribute the entire retained profits by way of dividends without incurring any additional tax liabilities.

6.2.23 LONG-TERM BORROWINGS

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Hire purchase payables (Note 6.2.27)	201	252	1,097	252	1,097
Term loans (Note 6.2.28)	3,320	3,447	3,056	3,447	3,056
	<u>3,521</u>	<u>3,699</u>	<u>4,153</u>	<u>3,699</u>	<u>4,153</u>

6.2.24 DEFERRED TAXATION

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1.7.2004/2005/2006	119	199	783	199	814
Arising from acquisition of a subsidiary	-	-	-	-	12
Arising from revaluation of property, plant and equipment	-	488	-	488	-
Recognised in income statement (Note 6.2.7)	80	96	(198)	127	(168)
Balance at 30.6.2005/ 2006/2007	<u>199</u>	<u>783</u>	<u>585</u>	<u>814</u>	<u>658</u>

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.24 DEFERRED TAXATION (CONT'D)

The deferred tax liabilities are attributable to the following:-

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Accelerated capital allowances	199	295	97	326	170
Revaluation of leasehold land	-	238	238	238	238
Revaluation of buildings	-	250	250	250	250
	<u>199</u>	<u>783</u>	<u>585</u>	<u>814</u>	<u>658</u>

6.2.25 TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 days.

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

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
United States Dollar	<u>45</u>	<u>44</u>	<u>-</u>	<u>44</u>	<u>-</u>

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Amounts owing by former related parties which were included in trade payables</i>	<u>-</u>	<u>98</u>	<u>98</u>	<u>98</u>	<u>90</u>

The nature of the related party relationship and details of the transactions involved are disclosed in Note 6.2.32 to this report.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.25 TRADE PAYABLES (CONT'D)

The trade payables ageing analysis of the Company for the FY 2007 is set out below:-

	0 to 30 Days RM'000	31 to 60 Days RM'000	61 to 90 Days RM'000	> 90 Days RM'000	Total RM'000
Balance as at 30.6.2007	2,281	1,243	498	2,876	6,898
% of trade payables	33.1	18.0	7.2	41.7	100.0

6.2.26 SHORT-TERM BORROWINGS

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Bills payable	-	-	-	93	-
Hire purchase payables (Note 6.2.27)	253	130	376	130	376
Term loans (Note 6.2.28)	604	584	574	584	574
	857	714	950	807	950

The bills payable are secured in the same manner as the term loans as disclosed in Note 6.2.28 to this report.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.27 HIRE PURCHASE PAYABLES

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Minimum hire purchase payments:					
- not later than one year	282	151	441	151	441
- later than one year and not later than five years	172	273	1,188	273	1,188
- later than five years	71	18	-	18	-
	<u>525</u>	<u>442</u>	<u>1,629</u>	<u>442</u>	<u>1,629</u>
Less: Future finance charges	(71)	(60)	(156)	(60)	(156)
Present value of hire purchase payables	<u>454</u>	<u>382</u>	<u>1,473</u>	<u>382</u>	<u>1,473</u>

The net hire purchase payables are repayable as follows:-

Current:					
- not later than one year (Note 6.2.26)	253	130	376	130	376
Non-current:					
- later than one year and not later than five years	136	241	1,097	241	1,097
- later than five years (Note 6.2.23)	65	11	-	11	-
	<u>201</u>	<u>252</u>	<u>1,097</u>	<u>252</u>	<u>1,097</u>
	<u>454</u>	<u>382</u>	<u>1,473</u>	<u>382</u>	<u>1,473</u>

The hire purchase payables of CISB bore the following effective interest rates:-

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
Effective interest rates (per annum)	<u>2.5% to 3.9%</u>	<u>2.4% to 3.9%</u>	<u>2.2% to 3.3%</u>	<u>2.4% to 3.9%</u>	<u>2.2% to 3.3%</u>

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.28 TERM LOANS

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Current portion:					
- repayable within one year (Note 6.2.26)	604	584	574	584	574
Non-current portion:					
- repayable between one and two years	609	545	574	545	574
- repayable between two and five years	1,749	1,676	1,497	1,676	1,497
- repayable after five years	962	1,226	985	1,226	985
Total non-current portion (Note 6.2.23)	3,320	3,447	3,056	3,447	3,056
	<u>3,924</u>	<u>4,031</u>	<u>3,630</u>	<u>4,031</u>	<u>3,630</u>

Details of the repayment terms are as follows:-

Term loan	Monthly instalment RM	Number of monthly instalments	Date of commencement of repayment	← The Company →			← The Group →	
				FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
1	1,999	120	1 November 2002	133	-	-	-	-
2	20,249	120	1 January 2005	1,924	1,771	1,615	1,771	1,615
3	4,603	120	1 January 2005	388	359	328	359	328
4	20,728	120	1 December 2005	1,404	1,862	1,687	1,862	1,687
5	3,398	72	1 June 2001	75	39	-	39	-
				<u>3,924</u>	<u>4,031</u>	<u>3,630</u>	<u>4,031</u>	<u>3,630</u>

The term loans of CISB bore the following weighted average effective interest rates:-

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
Weighted average effective interest rates (per annum)	5.49%	6.45%	6.53%	6.45%	6.53%

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 CISB (CONT'D)****6.2.28 TERM LOANS (CONT'D)**

The term loans are secured by way of:-

- (i) a first party legal charge over the short leasehold land and buildings;
- (ii) the pledge of the fixed deposits of RM500,000;
- (iii) a corporate guarantee by a subsidiary and a related party; and
- (iv) the joint and several guarantee of the directors of CISB.

6.2.29 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	← The Company →			← The Group →	
	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000	FY 2006 RM'000	FY 2007 RM'000
Cost of property, plant and equipment purchased	7,737	3,967	2,541	4,728	3,067
Amount financed through hire purchase payables	-	(210)	(1,530)	(210)	(1,530)
Cash disbursed for the purchase of property, plant and equipment	<u>7,737</u>	<u>3,757</u>	<u>1,011</u>	<u>4,518</u>	<u>1,537</u>

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.30 SUMMARY OF EFFECTS OF ACQUISITION OF SUBSIDIARIES

Details of the acquisition of subsidiaries during the Relevant Financial Periods were as follows:-

- (a) On 1 February 2006, the Company acquired the entire equity interest comprising 2 ordinary shares of RM1 each in Signature Kitchen Sdn. Bhd., a company incorporated in Malaysia for a cash consideration of RM2.

On 28 June 2006, the Company further subscribed for 149,998 ordinary shares of RM1 each in Signature Kitchen Sdn. Bhd. for a cash consideration of RM149,998;

- (b) On 22 February 2006, the Company acquired a 99.99% equity interest comprising 349,998 ordinary shares of RM1 each in Signature Manufacturing Sdn. Bhd., a company incorporated in Malaysia for a cash consideration of RM349,998.

On 13 March 2007, the Company further acquired a 0.01% equity interest comprising 2 ordinary shares of RM1 each in Signature Manufacturing Sdn. Bhd. for a cash consideration of RM2;

- (c) On 1 September 2006, the Company acquired the entire equity interest comprising 50,000 ordinary shares of RM1 each in Fabriano Sdn. Bhd., a company incorporated in Malaysia for a cash consideration of RM50,000.

On 4 September 2006, the Company further subscribed for 50,000 ordinary shares of RM1 each in Fabriano Sdn. Bhd. for a cash consideration of RM50,000; and

- (d) On 28 February 2007, the Company acquired the entire equity interest comprising 500,000 ordinary shares of RM1 each in Signature Kitchen Industries Sdn. Bhd., a company incorporated in Malaysia for a cash consideration of RM943,502.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.30 SUMMARY OF EFFECTS OF ACQUISITION OF SUBSIDIARIES (CONT'D)

The effects of the acquisition of subsidiaries on the financial results of the CISB Group for the financial year are as follows:-

	← The Group →	
	FY 2006	FY 2007
	RM'000	RM'000
Revenue	8,820	-
Cost of sales	(6,148)	-
Gross profit	2,672	-
Other income	24	18
	2,696	18
Less: Operating expenses		
Selling and distribution expenses	(160)	#
Administrative expenses	(1,009)	(19)
Other expenses	(42)	(15)
Finance costs	(18)	-
Profit before taxation	1,467	(16)
Taxation	(120)	18
Increase in net profit of the Group	1,347	2

Note:-

- Less than RM1,000.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.30 SUMMARY OF EFFECTS OF ACQUISITION OF SUBSIDIARIES (CONT'D)

The effects of the acquisition of the subsidiaries on the financial position of the CISB Group at the financial year end are as follows:-

	← The Group →	
	FY 2006	FY 2007
	RM'000	RM'000
Plant and equipment	1,459	387
Current assets	4,095	875
Current liabilities	(3,677)	(276)
Non-current liabilities	(30)	-
Increase in net assets of the Group	<u>1,847</u>	<u>986</u>

Details of net assets acquired and cash flow arising from the acquisition of the subsidiaries are as follows:-

	← The Group →	
	FY 2006	FY 2007
	RM'000	RM'000
Plant and equipment	774	81
Current assets	486	1,006
Non-current liabilities	-	(12)
Current liabilities	(910)	(142)
Minority interest	#	-
Total net assets acquired/Purchase consideration	350	933
Goodwill arising on consolidation	-	60
	<u>350</u>	<u>993</u>
Cash and cash equivalents of subsidiaries acquired	(35)	(143)
Net cash outflow for the acquisition of subsidiaries	<u>315</u>	<u>850</u>

Note:-

- Less than RM1,000.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.31 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	2,253	2,236	904	2,236	958
Cash and bank balances	310	1,167	1,106	1,718	3,610
	<u>2,563</u>	<u>3,403</u>	<u>2,010</u>	<u>3,954</u>	<u>4,568</u>

6.2.32 SIGNIFICANT RELATED PARTY TRANSACTIONS

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales to existing related parties	7,117	6,443	56	6,443	745
Sales to former related parties	1,184	3,606	-	3,606	-
Purchases from existing related parties	3,752	4,073	1,895	4,073	2,901
Administrative fee received from existing related parties	11	17	-	17	-
Administrative fee received from former related parties	-	13	-	13	-
Rental receivable from existing related parties	-	232	223	232	223
Rental paid/payable to an existing related party	-	-	-	8	-
Rental paid/payable to a director	17	7	-	7	-
Purchase of plant and equipment from:					
- an existing related party	-	-	-	429	-
- a director	-	-	-	300	-
Disposal of plant and equipment to an existing related party	190	-	-	-	-
Sub-contractor charges payable to a related party	-	-	153	-	153

Horwath Offices in Malaysia:

Johor Bahru • Klang • Kota Kinabalu • Kuala Lumpur • Kuching • Labuan • Melaka • Penang

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

Related parties refer to companies in which all the directors have substantial financial interests.

Former related parties refer to partnerships and companies in which the directors had substantial financial interests during the Relevant Financial Periods but ceased to be related parties as at 30 June 2006.

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that were mutually agreed between the parties.

6.2.33 SIGNIFICANT RELATED COMPANY TRANSACTIONS

	← The Company →		
	FY 2005	FY 2006	FY 2007
	RM'000	RM'000	RM'000
Sales to subsidiaries	-	3,309	12,263
Purchases from a subsidiary	-	4,580	13,402
Administrative fee receivable from subsidiaries	-	16	48
Rental receivable from subsidiaries	-	164	484
	<u>-</u>	<u>8,069</u>	<u>26,197</u>

6.2.34 CAPITAL COMMITMENT

	← The Company →		
	FY 2005	FY 2006	FY 2007
	RM'000	RM'000	RM'000
Approved and contracted for:-			
Purchase of properties	-	958	2,244
Approved and not contracted for:-			
Purchase of properties	-	-	13,960
	<u>-</u>	<u>958</u>	<u>16,204</u>

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.35 CONTINGENT LIABILITY

	← The Company →		
	FY 2005	FY 2006	FY 2007
	RM'000	RM'000	RM'000
Unsecured:-			
Corporate guarantee given by CISB to a financial institutional for credit facilities granted to			
- a related party	1,500	1,500	-
- to a third party	550	1,040	2,863
	<u> </u>	<u> </u>	<u> </u>

6.2.36 FOREIGN EXCHANGE RATES

The principal closing exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of foreign currency balances at the balance date were as follows:-

	← The Company →			← The Group →	
	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
	RM'000	RM'000	RM'000	RM'000	RM'000
United States Dollar	3.80	3.68	3.68	3.68	3.45
Thai Baht	-	-	0.10	-	0.10
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6.2.37 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities of the Group and of the Company:-

(a) Amounts Owing By/(To) Subsidiaries/Related Parties/Directors

It is not practicable to estimate the fair values of the amounts owing by/(to) the subsidiaries/the related parties/the directors due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

16. ACCOUNTANTS' REPORT (Cont'd)



6. AUDITED FINANCIAL STATEMENTS (CONT'D)

6.2 CISB (CONT'D)

6.2.37 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Hire Purchase Payables and Long-Term Borrowings

The carrying amounts approximated the fair values of these instruments. The fair values of the hire purchase payables and the long-term borrowings are determined by discounting the relevant cash flows using the current interest rates at the balance sheet date.

(c) Cash and Bank Balances and Other Short-Term Receivables

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

(d) Short-Term Borrowings and Other Current Liabilities

The carrying amounts approximated their fair values due to the relatively short-term maturity of these financial instruments.

7. RECLASSIFICATIONS TO THE AUDITED FINANCIAL STATEMENTS

During the preparation of this report, no material restatement has been made to the audited financial statements of CISB for the Relevant Financial Periods other than certain reclassifications made to ensure consistency of presentation of information for comparison purposes. The details of the reclassifications made are set out as follows:-

7.1 CISB

	← The Company →		The Group
	FY 2005	FY 2006	FY 2006
	RM'000	RM'000	RM'000
BALANCE SHEETS (EXTRACT)			
(a) Trade receivables			
As per audited financial statements	3,606	6,185	7,069
Reclassification (i)	(815)	(855)	(855)
Reclassification (ii)	(7)	-	-
Reclassification (iii)	1,158	-	-
As per accountants' report ("AR")	3,942	5,330	6,214

16. ACCOUNTANTS' REPORT (Cont'd)



7. RECLASSIFICATIONS TO THE AUDITED FINANCIAL STATEMENTS

7.1 CISB (CONT'D)

	← The Company →		The Group
	FY 2005 RM'000	FY 2006 RM'000	FY 2006 RM'000
BALANCE SHEETS (EXTRACT)			
(b) Other receivables, deposits and prepayments			
As per audited financial statements	435	574	818
Reclassification (iv)	-	(2)	(2)
Reclassification (v)	45	-	-
Reclassification (vi)	-	-	25
As per AR	480	572	841
(c) Trade payables			
As per audited financial statements	2,218	3,961	6,616
Reclassification (iii)	1,158	-	-
Reclassification (vii)	(425)	(1,257)	(1,257)
As per AR	2,951	2,704	5,359
(d) Other payables and accruals			
As per audited financial statements	671	655	1,057
Reclassification (vi)	-	-	20
As per AR	671	655	1,077
(e) Amount owing by related parties			
As per audited financial statements	2,223	2,405	2,405
Reclassification (i)	815	855	855
Reclassification (iv)	-	2	2
Reclassification (v)	(52)	-	-
As per AR	2,986	3,262	3,262
(f) Amount owing by directors			
As per audited financial statements	-	-	-
Reclassification (ii)	7	-	-
As per AR	7	-	-

16. ACCOUNTANTS' REPORT (Cont'd)



7. RECLASSIFICATIONS TO THE AUDITED FINANCIAL STATEMENTS

7.1 CISB (CONT'D)

	← The Company →		The Group
	FY 2005 RM'000	FY 2006 RM'000	FY 2006 RM'000
BALANCE SHEETS (EXTRACT)			
(g) Amount owing by subsidiaries			
As per audited financial statements	-	-	-
Reclassification (v)	7	-	-
As per AR	7	-	-
(h) Amount owing to related parties			
As per audited financial statements	-	3	197
Reclassification (vii)	425	1,257	1,257
Reclassification (vi)	-	-	5
As per AR	425	1,260	1,459

Notes:-

- (i) Reclassification from trade receivables to amount owing by related parties.
- (ii) Reclassification from trade receivables to amount owing by directors.
- (iii) Reclassification from trade receivables to trade payables.
- (iv) Reclassification from other receivables, deposits and prepayments to amount owing by related parties.
- (v) Reclassification from amount owing by related parties to other receivables, deposits and prepayments and amount owing by a subsidiary.
- (vi) Reclassification from other receivables, deposits and prepayments to other payables and accruals and amount owing to related parties.
- (vii) Reclassification from trade payables to amount owing to related parties.

8. SUBSEQUENT EVENTS

There were no significant subsequent events between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report except for the completion of the Acquisitions and Debt Settlement on 20 November 2007 as detailed in Note 2.

16. ACCOUNTANTS' REPORT (Cont'd)




9. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 30 June 2007 for SIB and CISB.

Yours faithfully


Horwath
Firm No : AF 1018
Chartered Accountants


Lee Kok Wai
Approval No : 2760/06/08 (J)
Partner



Appendix I

**REPORT OF THE AUDITORS TO THE MEMBERS OF
SIGNATURE INTERNATIONAL BERHAD**

(Incorporated in Malaysia)
Company No: 754118-K

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

+6 03 2166 0000 Main
+6 03 2166 1000 Fax

www.horwath.com.my
info@horwathkl.com

We have audited the financial statements set out on pages 8 to 19. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the 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 to 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 that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-
 - (i) the state of affairs of the Company at 30 June 2007 and its results and cash flows for the financial period 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 of the Company; and
- (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 said Act.

Horwath
Firm No: AF 1018
Chartered Accountants

Kuala Lumpur

21 SEP 2007

Lee Kok Wai
Approval No: 2760/06/08 (J)
Partner



Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia

+6 03 2166 0000 Main
+6 03 2166 1000 Fax

www.horwath.com.my
info@horwathkl.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF
CABINET INDUSTRIES SDN. BHD.**

(Incorporated in Malaysia)
Company No : 300330 - A

We have audited the financial statements set out on pages 9 to 55. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the 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 to 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 that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 30 June 2007 and their results and cash flows for the financial period 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 of the Group and of the Company; 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

16. ACCOUNTANTS' REPORT (Cont'd)



**REPORT OF THE AUDITORS TO THE MEMBERS OF
CABINET INDUSTRIES SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)
Company No : 300330 - A

We have considered the financial statements and the auditors' report thereon of the subsidiary for which we have not acted as auditors, as indicated in Note 6 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments made under Section 174(3) of the Companies Act, 1965.

A handwritten signature in black ink, appearing to be "J. W. A.", written over the Horwath logo.

Horwath
Firm No : AF 1018
Chartered Accountants

Kuala Lumpur

21 SEP 2007

A handwritten signature in black ink, appearing to be "KW", written over the name "Lee Kok Wai".

Lee Kok Wai
Approval No : 2760/06/08 (J)
Partner



**REPORT OF THE AUDITORS TO THE MEMBERS OF
CABINET INDUSTRIES SDN. BHD.**

(Incorporated in Malaysia)
Company No : 300330 – A

Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

603.2166.0000 Main
603.2166.1000 Fax

www.horwath.com.my
horwath@po.jaring.my

We have audited the financial statements set out on pages 9 to 44. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the 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 to 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 that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and 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 at 30 June 2006 and their results and cash flows for the financial 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 of the Group and of the Company; 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.



**REPORT OF THE AUDITORS TO THE MEMBERS OF
CABINET INDUSTRIES SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)
Company No : 300330 – A


We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments made under sub-section (3) of Section 174 of the Companies Act, 1965.


Horwath
Firm No : AF 1018
Chartered Accountants

Kuala Lumpur

18 AUG 2006


Lee Kok Wai
Approval No : 2760/06/08 (J)
Partner



Horwath AF No 1018
Kuala Lumpur Office
Chartered Accountants

Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur

603.2166.0000 Main
603.2166.1000 Fax

www.horwath.com.my
horwath@po.jaring.my

**REPORT OF THE AUDITORS TO THE MEMBERS OF
CABINET INDUSTRIES SDN. BHD.**

(Incorporated in Malaysia)
Company No: 300330 - A


We have audited the financial statements set out on pages 8 to 33. The preparation of the financial statements is the responsibility of the Company's directors.


It is our responsibility to form an independent opinion, based on our audit, on the 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 to 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 that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Company at 30 June 2005 and its results and cash flows for the financial 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 of the Company; and
- (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 said Act.


Horwath
Firm No: AF 1018
Chartered Accountants


Mok Wai Ling
Approval No: 1090/04/06 (J)
Partner

Kuala Lumpur

08 DEC 2005

Page 7