

**XII. ACCOUNTANTS' REPORT (CONT'D)**

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**9.2 RTC**

	← As at 28 <sup>th</sup> /29 <sup>th</sup> February →					As at
	1999	2000	2001	2002	2003	30/6/03
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	394	1,157	2,253	1,908	3,155	3,691
Investments	4	-	-	-	-	-
Subsidiaries	21	106	388	241	150	150
Intangible assets	963	2,119	5,047	3,787	2,538	2,128
	<u>1,382</u>	<u>3,382</u>	<u>7,688</u>	<u>5,936</u>	<u>5,843</u>	<u>5,969</u>
<b>CURRENT ASSETS</b>	1,865	3,006	7,467	9,142	14,863	19,525
<b>CURRENT LIABILITIES *</b>	623	2,523	1,997	4,566	8,654	17,193
<b>NET CURRENT ASSETS</b>	<u>1,242</u>	<u>483</u>	<u>5,470</u>	<u>4,576</u>	<u>6,209</u>	<u>2,332</u>
	<u>2,624</u>	<u>3,865</u>	<u>13,158</u>	<u>10,512</u>	<u>12,052</u>	<u>8,301</u>
<b>FINANCED BY:</b>						
Share capital	1,600	1,600	1,660**	1,660**	1,600***	1,600
Reserves	359	491	8,799	6,691	9,063	5,520
Shareholders' equity	<u>1,959</u>	<u>2,091</u>	<u>10,459</u>	<u>8,351</u>	<u>10,663</u>	<u>7,120</u>
Deferred income	665	1,563	2,520	2,013	1,389	1,181
Term loan (secured)	-	211	179	148	-	-
Total long term and deferred liabilities	<u>665</u>	<u>1,774</u>	<u>2,699</u>	<u>2,161</u>	<u>1,389</u>	<u>1,181</u>
	<u>2,624</u>	<u>3,865</u>	<u>13,158</u>	<u>10,512</u>	<u>12,052</u>	<u>8,301</u>
Number of ordinary shares of RM1.00 each	1,600	1,600	1,600	1,600	1,600	1,600
Net tangible assets/(liabilities) per share (RM)	0.62	(0.02)	3.38	2.85	5.08	3.12

\* The under provision of taxation for financial year ended 2001 of approximately RM7,000 has been adjusted to reflect the actual tax expenses for the financial year.

\*\* Included 6,000,000 convertible cumulative redeemable preference shares in issue of RM0.01 each.

\*\*\* According to MASB Standard No. 24: Financial Instruments: Disclosure and Presentation, with effect from this financial year the issuer of a financial instrument should classify the instrument, or its component parts, as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition and the definitions of a financial liability and an equity instrument.

As the convertible cumulative redeemable preference shares issued by RTC is a compound financial instrument, which is predominantly liability, it has been presented as part of liabilities.

The standard further provides that no re-classification is required for prior year presentation.

**XII. ACCOUNTANTS' REPORT (CONT'D)****9.3 VMSTL**

	← As at 28 <sup>th</sup> /29 <sup>th</sup> February →				As at 30/6/03
	2000	2001	2002	2003	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>PLANT AND EQUIPMENT</b>	77	75	55	40	31
<b>CURRENT ASSETS</b>	726	1,236	1,359	1,212	1,204
<b>CURRENT LIABILITIES</b>	728	1,072	1,176	1,148	1,151
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	(2)	164	183	64	53
	75	239	238	104	84
<b>FINANCED BY:</b>					
Share capital	*	242	242	242	242
Reserves	75	(3)	(4)	(138)	(158)
Shareholders' equity	75	239	238	104	84
Number of ordinary shares of HK\$1.00 each ('000)	1	500	500	500	500
Net tangible assets per share (RM)	75	0.48	0.48	0.21	0.17

\* Amount less than RM1,000.00

**XII. ACCOUNTANTS' REPORT (CONT'D)**

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**9.4 RT**

	← As at 28 <sup>th</sup> /29 <sup>th</sup> February →					As at
	1999	2000	2001	2002	2003	30/6/03
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>						
Plant and equipment	-	-	1,501	272	262	245
Intangible assets	-	-	1,667	1,469	1,067	933
Investment	-	-	-	-	-	**
Deferred tax assets	-	-	-	1,140 <sup>^</sup>	1,220 <sup>^</sup>	1,117 <sup>^</sup>
Trade receivables	-	-	313	2,136	263	49
	-	-	3,481	5,017	2,812	2,344
<b>CURRENT ASSETS</b>	**	**	387	925	5,300	7,701
<b>CURRENT LIABILITIES</b>	7	8	4,323	5,645	8,513	10,315
<b>NET CURRENT LIABILITIES</b>	(7)	(8)	(3,936)	(4,720)	(3,213)	(2,614)
	(7)	(8)	(455)	297	(401)	(270)
<b>(REPRESENTED)/ FINANCE BY:</b>						
Share capital	*	*	*	1,000	1,000	1,000
Accumulated losses	(7)	(8)	(455)	(703) <sup>^</sup>	(1,401) <sup>^</sup>	(1,270)
Shareholder's (deficits)/equity	(7)	(8)	(455)	297	(401)	(270)
Net liabilities assets per share (RM)	(3,500)	(4,000)	(1,061,000)	(1.17)	(1.47)	(1.20)

\* Share capital of RM2.00 only.

\*\* Amount less than RM1,000.00

<sup>^</sup> In compliance with Malaysian Accounting Standard Board No. 25, Income Taxes, the deferred taxation for the financial year ended 28<sup>th</sup> February 2002 and 2003 has been restated as follows:

	2002	2003
	RM'000	RM'000
As per audited financial statements		
- Accumulated losses	(1,843)	(2,621)
Effects of adopting MASB 25	1,140	1,220
As restated	(703)	(1,401)
As per audited financial statements		
- Non current assets	3,877	1,592
Effects of adopting MASB 25	1,140	1,220
As restated	5,017	2,812

**XII. ACCOUNTANTS' REPORT (CONT'D)****9.5 RSB**

	As at 30/6/2003 RM'000
<b>CURRENT ASSET</b>	*
<b>CURRENT LIABILITIES</b>	2
<b>NET CURRENT LIABILITIES</b>	<u>(2)</u>
	<u>(2)</u>
<b>REPRESENTED BY:</b>	
Share capital	**
Accumulated losses	(2)
Shareholders' deficits	<u>(2)</u>
Net liabilities per share (RM)	^
* Amount less than RM1,000.00.	
** Share capital of RM100.00 only.	
^ Negligible	

RSB was incorporated on 12<sup>th</sup> June 2003 with an issued and paid-up capital of 100 ordinary shares at RM1.00 each. As such, no summarised balance sheet is prepared for the financial years ended 1999 to 2003.

**9.6 RMSB**

	← As at 28 <sup>th</sup> February →	As at		
	2001	2002	2003	30/6/03
	RM'000	RM'000	RM'000	RM'000
<b>PLANT AND EQUIPMENT</b>	21	12	5	3
<b>CURRENT ASSETS</b>	62	8	9	8
<b>CURRENT LIABILITIES</b>	324	421	427	427
<b>NET CURRENT LIABILITIES</b>	<u>(262)</u>	<u>(413)</u>	<u>(418)</u>	<u>(419)</u>
	<u>(241)</u>	<u>(401)</u>	<u>(413)</u>	<u>(416)</u>
<b>REPRESENTED BY:</b>				
Share capital	*	*	*	*
Reserves	(241)	(401)	(413)	(416)
Shareholder's deficits	<u>(241)</u>	<u>(401)</u>	<u>(413)</u>	<u>(416)</u>
Net liabilities per share (RM)	(120,500)	(200,500)	(206,500)	(208,000)
* Share capital of RM2.00				

RMSB was incorporated on 13<sup>th</sup> September 2000 with an issued and paid-up capital of 2 ordinary shares at RM1.00 each. As such, no summarised balance sheet is prepared for the financial years ended 1999 to 2000.

**XII. ACCOUNTANTS' REPORT (CONT'D)****9.7 RN**

	← As at 28 <sup>th</sup> February →			As at
	2001	2002	2003	30/6/03
	RM'000	RM'000	RM'000	RM'000
<b>PLANT AND EQUIPMENT</b>	*	*	409	395
<b>CURRENT ASSETS</b>	-	-	62	864
<b>CURRENT LIABILITIES</b>	2	4	552	1,135
<b>NET CURRENT LIABILITIES</b>	(2)	(4)	(490)	(271)
	(2)	(4)	(81)	124
<b>(REPRESENTED)/FINANCED BY:</b>				
Share capital	**	**	***	***
Reserves	(2)	(4)	(81)	104
Shareholder's (deficits)/equity	(2)	(4)	(81)	104
Deferred tax liability	-	-	-	20
	(2)	(4)	(81)	124
Net (liabilities)/tangible asset per share (RM)	(1,000)	(2,000)	(810)	1,040

\* Amount less than RM1,000.00

\*\* Share capital of RM2.00 only.

\*\*\* Share capital of RM100.00 only.

RN was incorporated on 26<sup>th</sup> August 2000 with an issued and paid-up capital of 2 ordinary shares at RM1.00 each. As such, no summarised balance sheet is prepared for the financial years ended 1999 to 2000.

**10.0 SUMMARISED PRO FORMA CONSOLIDATED BALANCE SHEETS**

As the purchase consideration for the acquisitions was calculated based on net assets value using the audited financial statements of the subsidiaries as at 31<sup>st</sup> October 2002, it is therefore impracticable to present pro forma balance sheets of RIB Group throughout the years under review. Accordingly the pro forma consolidated balance sheet of the pro forma RIB Group has only been presented by way of pro forma statement of assets and liabilities as at 30<sup>th</sup> June 2003 based on the latest audited financial statements as at 30<sup>th</sup> June 2003 of RIB and its subsidiaries as set out in Section 2.3 of this Report.

**XII. ACCOUNTANTS' REPORT (CONT'D)****10.1 STATEMENT OF ASSETS AND LIABILITIES AS AT 30<sup>TH</sup> JUNE 2003**

The following is the detailed statement of assets and liabilities of RIB and of the pro forma RIB Group which has been prepared for illustrative purposes only and is based on audited financial statements of the companies in the RIB Group as at 30<sup>th</sup> June 2003. The statement of assets and liabilities has been prepared to show the effects of Acquisitions, Rights Issue, Bonus Issue and Public Issue ("Pro forma") on the assumption that the respective transactions had been completed on 30<sup>th</sup> June 2003 and should be read in conjunction with the notes thereon:

	Notes	Company RM'000	Pro forma Group RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10.3	-	4,365
Investment		350	-
Intangible assets	10.4	-	2,128
Deferred tax asset	10.5	-	1,117
Trade receivables	10.6	-	48
		<u>350</u>	<u>7,658</u>
<b>CURRENT ASSETS</b>			
Inventories	10.7	-	210
Trade receivables	10.6	-	6,843
Other receivables	10.8	522	1,187
Marketable securities	10.9	-	5,500
Cash and bank balances		*	43,060
		<u>522</u>	<u>56,800</u>
<b>CURRENT LIABILITIES</b>			
Trade payables		-	7,271
Other payables	10.10	881	9,981
Deferred income	10.11	-	2,090
Tax payable		-	34
		<u>881</u>	<u>19,376</u>
<b>NET CURRENT (LIABILITIES)/ ASSETS</b>		<u>(359)</u>	<u>37,424</u>
		<u>(9)</u>	<u>45,082</u>

**XII. ACCOUNTANTS' REPORT (CONT'D)**

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	Notes	Company RM'000	Pro forma Group RM'000
<b>FINANCED BY:</b>			
Share capital	10.12	**	25,200
Reserves	10.13	(9)	18,630
Shareholders' (deficits)/equity		(9)	43,830
Minority interest		-	51
		(9)	43,881
Deferred income	10.11	-	1,181
Deferred tax liability	10.5	-	20
		-	1,201
		(9)	45,082
Net (liabilities)/tangible assets		(9)	41,702
Net (liabilities)/tangible assets per share (RM)		(4,500)	0.165^

\* Amount less than RM1,000.00.

\*\* Share capital of RM2.00 only.

^ Based on the enlarged issued and paid-up share capital of 252 million ordinary shares of RM0.10 each in RIB.

**10.2 NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES – 30<sup>TH</sup> JUNE 2003****SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Accounting**

The financial statements of the Group are prepared under the historical cost convention and comply with applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board ("MASB") and the provisions of the Companies Act, 1965.

During the 4-month period ended 30 June 2003, the Company and the Group have adopted the following MASB standards for the first time:

MASB 25 : Income Taxes  
 MASB 26 : Interim Financial Reporting  
 MASB 29 : Employee Benefits

The effects of adopting MASB 25 are summarised in Section 9.4 of this Report.

**(b) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and all its subsidiary companies, after the elimination of all material intercompany transactions.

Subsidiary companies are those enterprises in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

**XII. ACCOUNTANTS' REPORT (CONT'D)**

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Acquisitions of subsidiary companies are accounted for using the acquisition method of accounting. The results of the subsidiary companies acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The difference between the cost of acquisition of subsidiary companies and the fair value ascribed to the net assets of these subsidiary companies at dates of acquisition is dealt with through reserves in the year of acquisition.

The financial statements of subsidiary companies are prepared for the same reporting period as the Company. In the preparation of the consolidated financial statements, the financial statements of subsidiary companies are adjusted for the effects of any material dissimilar accounting policies.

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

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

**(c) Reserve on consolidation**

Where the fair value of net assets acquired exceeds the Group's cost of acquisition, the surplus arising is taken up as reserve on consolidation.

**(d) Property, Plant and Equipment**

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

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives using the following principal annual rates:-

Freehold office lots	2%
Computers and software	33.33%
Office equipment, furniture and fittings	10% - 33.33%
Telecommunication equipment	20% - 33.33%
Plant and machinery	20%
Leasehold improvements and renovation	10%
Handphone	33.33%

**(e) Intangible Assets**

Intangible assets represent patents and trademarks and deferred expenditure.

Patents and trademarks are stated at cost less accumulated amortisation and impairment losses. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and the cost of the asset can be measured reliably. Patents and trademarks are amortised over 5 years.



**XII. ACCOUNTANTS' REPORT (CONT'D)**

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Expenditure on development activities is also recognised as an expense in the period incurred except when the expenditure meets the following criteria where it will be capitalised as intangible assets:

- the product or process is clearly defined and costs are separately identified and measured reliably;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- the assets will generate future economic benefits (e.g. a potential market exists for the product or its usefulness in case of internal use is demonstrated); and
- adequate technical, financial and other resources required for completion of the project are available.

Development costs initially recognised as an expense are not recognised as an asset in subsequent periods. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense in the income statement based on a straight-line basis over 5 years commencing from the start date of the respective projects.

**(f) Inventories**

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realizable value. Cost includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents as stated in the cash flow statement comprise cash and bank balances, fixed deposits and other short term highly liquid investments that are readily convertible into cash with insignificant risk of changes in value, against which overdraft balances, if any, are deducted.

**(h) Provisions for Liabilities**

Provisions are recognised when the Group has present obligations as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

**(i) Income Tax**

Income tax on the profit or loss 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 at the balance sheet date.

Deferred taxation is provided for, using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

**XII. ACCOUNTANTS' REPORT (CONT'D)**

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Deferred tax is 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 tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognized directly in equity, in which case the deferred tax is also charged or credited directly in 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 negative goodwill.

**(j) Government Agency Grant**

Government grants are deferred and recognised in the income statement over the period necessary to match them with the related costs that they are intended to compensate. Grants contributed towards the development costs are deducted from the costs of those assets. Income relating to government grants is recognised on a systematic and rational basis over the useful life of the project of 20% per annum to match the annual amortisation charge of the project's development expenditure.

**(k) Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measure reliably.

**(i) Sale of goods**

Revenue relating to sale of goods is recognised net of service tax and discounts upon the transfer of risks and rewards.

**(ii) Revenue from services**

Revenue from telecommunication services is recognised based on actual traffic volume net of rebates/discounts.

**(l) Foreign Currencies****(i) Foreign currency transactions**

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange differences are taken to the income statement.

**(ii) Foreign entities**

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

**XII. ACCOUNTANTS' REPORT (CONT'D)**

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**(m) Impairment of Assets**

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Where there is an indication of impairment, the carrying values of such assets are written down immediately to the respective recoverable amounts. The impairment loss is recognised in the income statement immediately. Similarly, all reversals of impairment loss are recognised as income immediately in the income statement.

**(n) Financial Instruments**

The Company and the Group do not have any off balance sheet financial instruments. The accounting policies for financial instruments recognised on the balance sheet are disclosed in the individual policy statements associated with each item.

**10.3 PROPERTY, PLANT AND EQUIPMENT**

PRO FORMA GROUP	Computers, software		Furniture and fittings	Tele- communication equipment	Plant and machinery	* Others RM	Total RM
	Freehold office lots RM'000	and office equipment RM'000					
<b>Cost</b>							
At 1 <sup>st</sup> March 2003	686	1,488	411	2,665	248	284	5,782
Additions	-	65	24	799	-	11	899
At 30 <sup>th</sup> June 2003	686	1,553	435	3,464	248	295	6,681
<b>Accumulated Depreciation and Impairment Losses</b>							
At 1 <sup>st</sup> March 2003	55	1,001	147	509	132	67	1,911
Depreciation charge for the period	4	81	17	277	16	10	405
At 30 <sup>th</sup> June 2003	59	1,082	164	786	148	77	2,316
<b>Net Book Value</b>							
At 30 <sup>th</sup> June 2003	627	471	271	2,678	100	218	4,365

\* Others consist of leasehold improvements, renovation and handphone.

**10.4 INTANGIBLE ASSETS**

	Company RM'000	Pro forma Group RM'000
Intangible assets, at cost	-	6,405
Accumulated amortisation	-	(4,277)
	-	2,128

**XII. ACCOUNTANTS' REPORT (CONT'D)****10.5 DEFERRED TAX**

	Company RM'000	Pro forma Group RM'000
At 1 March 2003	-	1,220
Recognised in the income statement	-	(123)
At 30 June 2003	-	1,097
Presented after appropriate offsetting as follows:		
Deferred tax assets	-	1,117
Deferred tax liabilities	-	(20)
	-	1,097

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

**Deferred Tax Assets/(Liabilities) of the Pro forma Group:**

	Trade Receivable RM'000	Tax Losses and Unabsorbed Capital Allowances RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 March 2003	66	1,213	(59)	1,220
Recognised in income statement	30	(132)	(21)	(123)
At 30 June 2003	96	1,081	(80)	1,097

**10.6 TRADE RECEIVABLES**

	Company RM'000	Pro forma Group RM'000
Trade receivables	-	8,952
Provision for doubtful debts	-	(2,061)
	-	6,891
These fall due:		
Within one year	-	6,843
After one year	-	48
	-	6,891

**XII. ACCOUNTANTS' REPORT (CONT'D)****10.7 INVENTORIES**

	<b>Company RM'000</b>	<b>Pro forma Group RM'000</b>
At cost:		
Finished goods	-	210

**10.8 OTHER RECEIVABLES**

	<b>Company RM'000</b>	<b>Pro forma Group RM'000</b>
Other receivables	522	914
Deposits and prepayments	-	299
	522	1,213
Provision for doubtful debts	-	(26)
	522	1,187

**10.9 MARKETABLE SECURITIES**

	<b>Company RM'000</b>	<b>Pro forma Group RM'000</b>
Unit trust quoted in Malaysia, at cost	-	5,500
Market value of unit trust	-	5,582

**10.10 OTHER PAYABLES**

	<b>Company RM'000</b>	<b>Pro forma Group RM'000</b>
Other payables	830	8,381
Accruals	51	720
USF Contribution	-	880
	881	9,981

**XII. ACCOUNTANTS' REPORT (CONT'D)****10.11 DEFERRED INCOME**

	Company RM'000	Pro forma Group RM'000
Deferred income - short term	-	2,090
Deferred income - long term	-	3,119
Accumulated amortisation	-	(1,938)
	-	1,181

Deferred income (short term) consists of prepaid products sold to customers, which are yet to be utilised.

Deferred income (long term) refers to grant received from a government agency to assist the Group in funding the various research and development projects.

**10.12 SHARE CAPITAL**

	Company RM'000	Pro forma Group RM'000
<u>Authorised:</u>		
Ordinary shares of RM1.00 each	100	100
<u>Created during the period:</u>		
Ordinary shares of RM1.00 each	-	29,900
Ordinary shares of RM0.10 each (Effect of sub-division of RM1.00 shares at RM0.10 each)	-	30,000
Ordinary shares of RM1.00 each at end of the period	100	-
Ordinary shares of RM0.10 each at end of the period	-	30,000
<u>Issued and Fully paid:</u>		
Ordinary shares of RM1.00 each/RM0.10 each	*	-
<u>Issued during the period:</u>		
Increase in ordinary shares of RM1.00 each and subsequent sub-division of shares to RM0.10 each	-	6,240
Ordinary shares of RM0.10 each issued for acquisitions	-	1,334
2.68:10 Rights Issue	-	2,033
4.22:10 Bonus Issue I	-	4,050
Ordinary shares of RM0.10 each issued for acquisition	-	35
Public Issue of ordinary shares of RM0.10 each	-	3,108
2:1 Bonus Issue II	-	8,400
Ordinary shares of RM1.00 each at end of the period	*	-
Ordinary shares of RM0.10 each at end of the period	-	25,200

\* Share capital of RM2.00

**XII. ACCOUNTANTS' REPORT (CONT'D)****10.13 RESERVES**

	Company RM'000	Pro forma Group RM'000
Non distributable reserves:		
Share premium	-	15,535
Reserve on consolidation	-	3,104
	<u>-</u>	<u>18,639</u>
Accumulated loss	<u>(9)</u>	<u>(9)</u>
	<u>(9)</u>	<u>18,630</u>

**Share premium**

Share premium arose from the following:

	The Company and Pro forma Group RM'000
Renounceable Rights Issue of 20,333,230 new ordinary shares of RM0.10 each at the proposed issue price of RM0.30 per ordinary share of RM0.10 each.	4,067
Bonus Issue I (Note 10.12)	(4,050)
Public issue of 31,080,000 new ordinary shares of RM0.10 each at the proposed issue price of RM0.95 per ordinary share of RM0.10 each.	26,418
Share issue expenses	(2,500)
Bonus issue II (Note 10.12)	(8,400)
	<u>15,535</u>

**10.14 CHANGES IN ACCOUNTING POLICIES****Changes in Accounting Policies**

During the financial period, the Company and Group applied three new MASB Standards, which became effective from 1 July 2002, and accordingly modified certain accounting policies. The changes in accounting policies, which resulted in prior year adjustments, are discussed below:

**MASB 25: Income Taxes**

Under MASB 25, deferred tax liabilities are recognized for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Company and Group have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

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**XII. ACCOUNTANTS' REPORT (CONT'D)**

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**10.15 FINANCIAL INSTRUMENTS**

**(a) Financial Risk Management Objectives and Policies**

The Company and the Group are exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity and cash flow risk. The Company and the Group's overall financial risk management objective is to ensure that the Company creates value for its shareholders while minimising the potential adverse effects on the performance of the Company and of the Group. The Company and the Group do not trade in financial instruments.

**(b) Interest Rate Risk**

The Company and the Group finance their operations through operating cash flows and borrowings, which are principally denominated in Malaysian Ringgit. The Company and the Group's policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities.

**(c) Liquidity and Cash Flow Risk**

The Company and the Group practise prudent liquidity risk management by maintaining the availability of funding through an adequate amount of committed credit facilities.

**(d) Credit Risk**

The Company and the Group seek to invest cash assets safely and profitably. The Company and the Group also seeks to control credit risk by setting counterparty limits and ensuring that sale of products and services are made to customers with an appropriate credit history, and monitoring customers' financial standing through periodic credit review and credit checks at point of sales. The Company and the Group consider the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

**(e) Fair Values**

The carrying amounts of the financial assets and liabilities of the Company and the Group approximate their fair value due to their relatively short-term nature.



**XII. ACCOUNTANTS' REPORT (CONT'D)**

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**11.0 PRO FORMA CONSOLIDATED CASHFLOW STATEMENT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2003**

The pro forma consolidated cash flow statement of RIB Group prepared for illustrative purposes based on the audited financial statements of RIB and its subsidiaries for the year ended 30<sup>th</sup> June 2003 and on the assumption that the pro forma Group has been existence throughout the financial years under review:

	<b>Financial Period Ended 30/6/2003 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before taxation	2,923
Adjustment for:	
Amortisation of deferred income	(208)
Amortisation of intangible assets	427
Bad debts written off	41
Depreciation	405
Doubtful debts written back	(11)
Interest expenses	12
Interest income	(32)
Provision for doubtful debts	436
Operating profit before working capital changes	3,993
Increase in receivables	(3,897)
Decrease in inventories	49
Increase in payables	5,380
Cash generated from operations	5,525
Interest expenses	(1)
Net cash generated from operating activities	5,524
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property, plant and equipment	(899)
Investment in unquoted shares	(350)
Investment in bonds	(5,500)
Intangible assets incurred	(17)
Interest income	32
Net cash used in investing activities	(6,734)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Dividends paid	(266)
Repayment of term loan	(146)
Net cash used in financing activities	(412)
Foreign exchange translation effect	(11)
Net decrease in cash and cash equivalents	(1,622)
Cash and cash equivalents at beginning of the period	5,880
Cash and cash equivalents at end of the period	4,247

**XII. ACCOUNTANTS' REPORT (CONT'D)****12.0 PROCEEDS FROM RIGHTS ISSUE AND PUBLIC ISSUE**

The proceeds from the Rights Issue and Public Issue will be utilised in the following manner:-

	Note	RM'000
Replication of business model overseas	1	10,000
Marketing expansion of products locally and globally	2	10,000
R&D expenditure	3	10,000
Working capital		3,126
Estimated listing expenses		2,500
		35,626

Notes:

- (1) This will be utilised by the Group to replicate its telecommunications service provisioning business model to other countries. The Group plans to leverage its ownership of products and technology to countries where the telecom industry is undergoing deregulation.
- (2) RM10 million as earmarked for the Group to expand the market for the Group's products locally and globally.
- (3) An allocated sum of RM10 million will be utilised by the RIB Group towards the R&D's effort to improve and diversify its existing range of products and services.

**13.0 PRO FORMA NET TANGIBLE ASSETS COVER**

Based on the financial position of the Pro forma Group as at 30<sup>th</sup> June 2003, the pro forma net tangible assets and enlarged paid-up capital are set out below:

	Pro forma Group RM'000
Net tangible assets of the Pro forma Group after acquisitions	8,576
Add: Proceeds from Rights Issue	6,100
Add: Proceeds from Public Issue	29,526
	44,202
Less: Estimated Listing expenses	(2,500)
	41,702

**XII. ACCOUNTANTS' REPORT (CONT'D)**

	<b>No. of Shares RM'000</b>
At date of incorporation	*
Add: Increase in share capital **	6,240
Add: Acquisition I	1,334
Add: Rights Issue	2,033
Add: Bonus Issue I	4,050
Add: Acquisition II	35
Add: Public Issue and Bonus Issue II	11,508
On completion of Listing Scheme	<u>25,200</u>

\* Share capital of RM2.00

\*\* The share split involves a change in the par value of the ordinary shares of RIB from RM1.00 each to RM0.10 each, by way of sub-division of par value of the existing ordinary shares in RIB.

Upon completion of the share split, the issued and paid-up share capital of RIB changed from RM6,240,002 comprising 6,240,002 ordinary shares of RM1.00 each in RIB to RM6,240,002 comprising 62,400,020 ordinary shares of RM0.10 each in RIB.

Based on the pro forma net tangible assets of RM41.702 million and enlarged paid-up share capital of 252 million of RM0.10 each, the pro forma net tangible assets per share is RM0.165.

**XII. ACCOUNTANTS' REPORT (CONT'D)**



**14.0 FINANCIAL STATEMENTS**

No audited financial statements have been prepared in respect of any period subsequent to 30<sup>th</sup> June 2003.

Yours Faithfully,

*Ernst & Young*  
ERNST & YOUNG  
AF: 0039  
Chartered Accountants

*Habibah Abdul*  
HABIBAH BTE ABDUL  
No. 1210/05/04(J)  
Partner

Signed copies of this document have been prepared in English and Bahasa Malaysia versions. In the event of any inconsistency between these, the English version shall prevail