

## 13. ACCOUNTANTS' REPORT

(Prepared for inclusion in this prospectus)



16 DEC 2003

The Board of Directors  
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**Horwath Wong & Co.**  
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Dear Sirs,

### 1. INTRODUCTION

This report has been prepared by Horwath Wong & Co., an approved company auditor, for inclusion in the Prospectus of Plastrade Technology Berhad (hereinafter referred to as "PTB" or "the Company") to be dated 23 DEC 2003 in connection with the Public Issue of 32,500,000 new ordinary shares of RM0.10 each in PTB at an issue price of RM0.30 per ordinary share and the listing of and quotation for the entire enlarged issued and fully paid-up share capital of PTB comprising 130,000,000 ordinary shares of RM0.10 each on the Malaysian Exchange of Securities Dealing and Automated Quotation ("MESDAQ") Market of the Kuala Lumpur Stock Exchange ("KLSE").

### 2 GENERAL INFORMATION

#### 2.1 INCORPORATION

The Company was incorporated as a public company in Malaysia under the Companies Act, 1965 on 29 August 2002 under the name of Plastrade Technology Berhad.

#### 2.2 PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services.

#### 2.3 RESTRUCTURING AND FLOTATION SCHEME

As an integral part of the listing of and quotation for its entire enlarged issued and paid-up ordinary share capital on the MESDAQ Market of KLSE, PTB implemented a restructuring and flotation scheme which was approved by the Ministry of International Trade and Industry ("MITI") on 10 February 2003, the Securities Commission ("SC") on 10 April 2003, the Foreign Investment Committee ("FIC") on 27 January 2003 and KLSE on 14 April 2003, involving the following :-

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- (i) acquisition of 1,000,000 ordinary shares of RM1.00 each in MHT Manufacturing Sdn Bhd ("MHT"), representing the entire issued and paid-up share capital of MHT for a total purchase consideration of RM6,150,914 satisfied by way of an issue of 61,509,140 new ordinary shares of RM0.10 each in PTB at an issue price of RM0.10 per ordinary share.
- (ii) acquisition of 1,000,000 ordinary shares of RM1.00 each in Plascable Polymer Sdn Bhd ("PPSB"), representing the entire issued and paid-up share capital of PPSB for a total purchase consideration of RM3,599,084 satisfied by way of an issue of 35,990,840 new ordinary shares of RM0.10 each in PTB at an issue price of RM0.10 per ordinary share.
- (iii) public issue of 32,500,000 new ordinary shares of RM0.10 each at an issue price of RM0.30 per ordinary share payable in full.
- (iv) listing of and quotation for the entire enlarged issued and fully paid-up share capital of PTB, comprising 130,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the KLSE.

### 2.4 SHARE CAPITAL

At the date of incorporation, the Company's authorised share capital was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. On 18 November 2002, the authorised share capital was subdivided into 1,000,000 ordinary shares of RM0.10 each and subsequently on 7 October 2003, the authorised share capital was increased from RM100,000 to RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each.

The present issued and fully paid up share capital of the Company is RM9,750,000 comprising 97,500,000 ordinary shares of RM0.10 each. Upon completion of the Public Issue, the issued and paid up share capital of the Company will be enlarged to RM13,000,000 comprising 130,000,000 ordinary shares of RM0.10 each.

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Details of changes in the issued and fully paid-up share capital of the Company since its incorporation are as follows:

Date of Allotment	No. of ordinary shares issued	Par value RM	Consideration/Type of issue	Cumulative issued and paid-up share capital RM
29.08.2002	2	1.00	Subscribers' shares	2
18.11.2002	18	0.10	Share split	2
13.10.2003	61,509,140	0.10	Issued pursuant to the acquisition of MHT at an issue price of RM0.10 per ordinary share.	6,150,916
13.10.2003	35,990,840	0.10	Issued pursuant to the acquisition of PPSB at an issue price of RM0.10 per ordinary share.	9,750,000

### 2.5 PRINCIPAL ACTIVITIES OF THE SUBSIDIARIES

The subsidiaries and their respective principal activities as at the date of this report are as follows:

Name of Company	Date of Incorporation	Effective Equity Interest (%)	Principal Activities
MHT	21.12.1994	100	Manufacturing of polyethylene compounds for wire and cable insulation and jacketing, stabilisers and processing aids for wire and cable industry.
PPSB	18.07.1988	100	Compounding of: <ul style="list-style-type: none"> <li>- Coloured concentrated plastic master batches;</li> <li>- Polymer additives, and resin compound for pipes; and</li> <li>- resin compounds for the automotive components.</li> </ul>

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### **2.6 FINANCIAL STATEMENTS AND AUDITORS**

We have acted as auditors of PPSB and MHT since the financial year ended 31 December 2002. Prior to that, the financial statements of PPSB and MHT were audited by another firm of auditors.

The auditors' reports on the financial statements of PTB and its subsidiaries for the respective financial years/period under review were not subject to any qualification.

The financial statements of PTB and its subsidiaries for the respective financial years/period under review, have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by the Malaysian Accounting Standards Board.

### **2.7 ACCOUNTING POLICIES**

There were no changes in accounting policies and accounting estimates by the Proforma Group for the relevant financial years/period under review.

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### 3. SUMMARISED INCOME STATEMENT

#### 3.1 The Proforma Group

We set out below the proforma consolidated financial results of PTB and its subsidiaries (hereinafter referred to as "the Proforma Group") for the past five financial years ended 31 December 1998 to 2002 and the six (6) months period ended 30 June 2003 after making such reclassifications to conform with the latest period of accounts presentation in accordance with the Malaysian Accounting Standards Board (MASB). The proforma consolidated results are provided for illustrative purpose only, based on the assumption that the Proforma Group had been in existence throughout the financial years/period under review.

	Proforma Group					Six months period ended 30 June 2003 RM'000
	Financial year ended 31 December					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Turnover	4,749	9,050	10,420	16,612	24,488	14,928
Profit before depreciation, interest and taxation	315	1,104	1,479	2,103	4,429	3,031
Depreciation	(81)	(97)	(220)	(304)	(781)	(504)
Interest Expense	(6)	(11)	(48)	(134)	(539)	(421)
Amortisation of goodwill	(95)	(95)	(95)	(95)	(95)	(48)
Profit before taxation	133	901	1,116	1,570	3,014	2,058
Taxation	*	(45)	(158)	(94)	(720)	(263)
Profit after taxation	133	856	958	1,476	2,294	1,795
Minority Interest	-	-	-	-	-	-
Profit after taxation and minority interest	133	856	958	1,476	2,294	1,795
Number of ordinary shares assumed to be in issue ('000)**	97,500	97,500	97,500	97,500	97,500	97,500
Gross earnings per share (sen)	0.14	0.92	1.14	1.61	3.09	4.22 <sup>#</sup>
Net earnings per share (sen)	0.14	0.88	0.98	1.51	2.35	3.68 <sup>#</sup>

\* Amount lesser than RM1,000

\*\* The number of ordinary shares assumed in issue throughout the financial years/period under review is the number of ordinary shares in issue after the acquisitions of the subsidiaries by PTB, i.e. 97,500,000 ordinary shares of RM0.10 each but before Public Issue.

# Annualised.

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Notes:-

- (i) *The proforma consolidated results for the five financial years ended 31 December 2002 and the six (6) months period ended 30 June 2003 are prepared on the basis that the Proforma Group had been effective throughout the periods under review. The proforma consolidated results for these years/period have been prepared based on the adjusted audited financial statements for all its subsidiaries. The proforma consolidated results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the adjusted audited financial statements of the individual subsidiaries.*
- (ii) *The gross earnings per share of the Proforma Group is calculated based on the profit before taxation and the number of ordinary shares of PTB assumed to be in issue of 97,500,000 ordinary shares of RM0.10 each.*
- (iii) *The net earnings per share of the Proforma Group is calculated based on the profit after taxation and the number of ordinary shares of PTB assumed to be in issue of 97,500,000 ordinary shares of RM0.10 each but prior to the Public Issue.*
- (iv) *The effective tax rate for the financial year ended 31 December 1998 is lower than the statutory tax rate mainly due to utilisation of reinvestment allowances. The effective tax rate for the financial year ended 31 December 1999 is lower than the statutory tax rate due to taxable income for the year being waived in accordance with the provisions of the Income Tax (Amendment) Act 1999. The effective tax rate for the financial years ended 31 December 2000 until 31 December 2001 is lower than the statutory tax rate mainly due to the utilisation of reinvestment allowance tax incentive to reduce the chargeable income of the Group. The effective tax rate for the financial year ended 31 December 2002 and for the 6 months period ended 30 June 2003 is lower than the statutory tax rate mainly due to the utilisation of reinvestment allowance and pioneer status tax incentives to reduce the chargeable income of the Group.*
- (v) *There were no exceptional or extraordinary items during the financial years/period under review.*
- (vi) *The amortisation of goodwill is calculated based on the goodwill arising from consolidation as per the proforma consolidated balance sheet as at 30 June 2003 (section 6). The amortisation charge is based on a policy of amortising goodwill over twenty (20) years and this charge is assumed to be applicable retrospectively to the financial years/period under review.*

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### 3.2 PTB

The following summarised income statements of PTB is based on the audited financial statements of PTB for the period ended 31 December 2002 and 6 months period ended 30 June 2003.

	Financial period from 29 August 2002 (Date of incorporation) to 31 December 2002 RM'000	6 months period ended 30 June 2003 RM'000
Turnover	-	-
Loss before depreciation, interest and taxation	(4)	(3)
Depreciation	-	-
Interest Expense	-	-
Loss before taxation	(4)	(3)
Taxation	-	-
Loss after taxation	(4)	(3)
Weighted average number of ordinary shares of RM0.10 each	20	20
Gross loss per share (RM)	(200)	(150)
Net loss per share (RM)	(200)	(150)

*Notes:*

- i) *There were no exceptional and extraordinary items in the financial period under review.*
- ii) *The gross earnings/(loss) per share is calculated based on profit/(loss) before taxation while the net earnings/(loss) per share is calculated based on profit/(loss) after taxation and the total weighted average number of ordinary shares in issue during the financial years/period under review.*
- iii) *The income statements of PTB presented for the four (4) months period ended 31 December 2002 and six (6) months period ended 30 June 2003 represent preliminary and pre-operating expenses.*

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### 3.3 PPSB

The following summarised income statements of PPSB are based on the adjusted audited financial statements of PPSB after making reclassification for the past five (5) financial years ended 31 December 1998 to 2002 and 6 months period ended 30 June 2003 as shown below:

	Financial year ended 31 December					6 months period ended 30 June 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Turnover	4,749	9,050	10,420	16,612	22,498	7,667
Profit before depreciation, interest and taxation	315	1,104	1,479	2,173	2,922	1,341
Depreciation	(81)	(97)	(220)	(304)	(600)	(320)
Interest Expense	(6)	(11)	(48)	(134)	(516)	(364)
Profit before taxation	228	996	1,211	1,735	1,806	657
Taxation	*	(45)	(158)	(94)	(444)	(109)
Profit after taxation	228	951	1,053	1,641	1,362	548
Weighted average number of ordinary shares in issue ('000)	233	450	733	1,000	1,000	1,000
Gross earnings per share (sen)	98	221	165	174	181	131 <sup>#</sup>
Net earnings per share (sen)	98	211	144	164	136	110 <sup>#</sup>

\* Amount less than RM1,000

<sup>#</sup> The results were annualised to enable comparability with the gross and net earnings per share calculated for the five (5) years ended 31 December 2002.

Notes:

- i) There were no exceptional or extraordinary items in the years/period under review.
- ii) The gross earning per share is calculated based on profit before taxation while the net earnings per share is calculated based on profit after taxation and the total weighted average number of ordinary shares in issue during the financial years/period under review.

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#### 3.4 MHT

The following summarised income statements of MHT are based on the audited financial statements of MHT for the past five financial years ended 31 December 1998 to 2002 and 6 months period ended 30 June 2003 as shown below:

	Financial year ended 31 December					6 months period ended 30 June
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Turnover	-	-	-	-	10,380	9,877
Profit before depreciation, interest and taxation	-	-	-	(70)	1,523	1,725
Depreciation	-	-	-	-	(181)	(184)
Interest Expense	-	-	-	-	(35)	(89)
Profit before taxation	-	-	-	(70)	1,307	1,452
Taxation	-	-	-	-	(276)	(154)
Profit after taxation	-	-	-	(70)	1,031	1,298
Weighted average number of ordinary shares in issue	2	2	2	33,335	700,000	1,000,000
Gross earnings per share (sen)	-	-	-	(210)	187	290 <sup>#</sup>
Net earnings per share (sen)	-	-	-	(210)	147	260 <sup>#</sup>

<sup>#</sup> The results were annualised to enable comparability with the gross and net earnings per share calculated for the two (2) years ended 31 December 2001 and 31 December 2002.

**Notes:**

- i) There were no exceptional or extraordinary items in the years/period under review.
- ii) The gross earnings/(loss) per share is calculated based on profit/(loss) before taxation while the net earnings/(loss) per share is calculated based on profit/(loss) after taxation and the total weighted average number of ordinary shares in issue during the financial years/period under review.

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The Company has not paid or declared any dividends since the date of incorporation.

A tax exempt dividend has been declared and paid by PPSB, one of the subsidiaries of PTB, during the financial year ended 31 December 2002 of RM1.50 per ordinary share or 150% amounting to RM1,500,000.

**5. SUMMARISED BALANCE SHEETS**

The balance sheets of the Company and its subsidiaries based on the adjusted audited financial statements after making reclassification for the relevant financial years/period under review, where applicable, are summarised below for comparative purposes:

**5.1 PTB**

	<b>As at 31 December 2002 RM</b>	<b>As at 30 June 2003 RM</b>
<b>CURRENT ASSETS</b>	2	362
<b>CURRENT LIABILITIES</b>	(3,937)	(7,524)
<b>NET CURRENT LIABILITIES</b>	<u>(3,935)</u>	<u>(7,162)</u>
<b>FINANCED BY :-</b>		
Share capital	2	2
Retained profits	(3,937)	(7,164)
<b>SHAREHOLDERS' EQUITY</b>	<u>(3,935)</u>	<u>(7,162)</u>
NTA	(3,935)	(7,162)
NTA per ordinary share (RM)	<u>(197)</u>	<u>(358)</u>

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	As at 31 December					As at
	1998	1999	2000	2001	2002	30 June
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
						RM'000
<b>ASSET</b>						
Property, plant and equipment	508	635	1,635	3,571	10,778	10,872
<b>CURRENT ASSETS</b>	2,008	2,198	4,540	9,120	6,369	6,467
<b>CURRENT LIABILITIES</b>	2,657	1,683	3,502	8,371	8,124	7,999
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	(649)	515	1,038	749	(1,755)	(1,532)
	(141)	1,150	2,673	4,320	9,023	9,340
<b>FINANCED BY :-</b>						
Share capital	300	600	1,000	1,000	1,000	1,000
Retained profits	(456)	495	1,548	3,189	3,050	3,598
<b>SHAREHOLDERS' EQUITY</b>	(156)	1,095	2,548	4,189	4,050	4,598
<b>LONG TERM AND DEFERRED LIABILITIES</b>	15	55	125	131	4,973	4,742
	(141)	1,150	2,673	4,320	9,023	9,340
NTA	(156)	1,095	2,548	4,189	4,050	4,598
NTA per ordinary share (RM)*	(0.67)	2.43	3.48	4.19	4.05	4.60

\* The NTA per ordinary share is calculated based on the total weighted average number of ordinary shares in issue during the financial years/period under review.

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### 5.3 MHT

	As at 31 December					As at
	1998	1999	2000	2001	2002	30 June
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
						RM'000
<b>ASSET</b>						
Property, plant and equipment	-	-	-	76	2,933	5,409
Expenditure carried forward	7	9	10	-	-	-
<b>CURRENT ASSETS</b>	*	*	*	148	3,930	6,846
<b>CURRENT LIABILITIES</b>	7	9	10	194	4,668	7,923
<b>NET CURRENT LIABILITIES</b>	(7)	(9)	(10)	(46)	(738)	(1,077)
	<b>*</b>	<b>*</b>	<b>*</b>	<b>30</b>	<b>2,195</b>	<b>4,332</b>
<b>FINANCED BY :-</b>						
Share capital	*	*	*	100	1,000	1,000
Retained profits	-	-	-	(70)	961	2,259
<b>SHAREHOLDERS' EQUITY</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>30</b>	<b>1,961</b>	<b>3,259</b>
<b>LONG TERM AND DEFERRED LIABILITIES</b>	-	-	-	-	234	1,073
	<b>*</b>	<b>*</b>	<b>*</b>	<b>30</b>	<b>2,195</b>	<b>4,332</b>
NTA	(7)	(9)	(10)	30	1,961	3,259
NTA per ordinary share (RM)**	(3,500)	(4,500)	(5,000)	(0.90)	2.80	3.26

\* Represent RM2.00

\*\* The NTA per ordinary share is calculated based on the total weighted average number of ordinary shares in issue during the financial years/period under review.

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### 6. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of PTB and the Proforma Group which are prepared for illustrative purposes are based on the audited financial statements of PTB and its subsidiaries as at 30 June 2003 and on the assumption that the restructuring and flotation scheme of PTB Group, Public Issue as stated in Section 2.3 and the utilisation of the proceeds had been effected on 30 June 2003 and should be read in conjunction with the notes thereon.

	Note	As of 30 June 2003		The
		The Proforma Group Before public issue RM'000	After public issue RM'000	Company RM'000
<b>ASSETS</b>				
Property, plant and equipment	7.4	16,281	16,281	-
Goodwill on consolidation		1,893	1,893	-
		<u>18,174</u>	<u>18,174</u>	-
<b>CURRENT ASSETS</b>				
Inventories	7.5	4,966	4,966	-
Trade receivables		3,855	3,855	-
Other receivables, deposit and prepayments	7.6	608	608	#
Fixed deposits with licensed banks	7.7	674	674	-
Cash and bank balances	7.8	293	3,743	*
		<u>10,396</u>	<u>13,846</u>	#
<b>LESS: CURRENT LIABILITIES</b>				
Trade payables		5,620	5,620	-
Other payables and accruals	7.9	752	752	7
Hire purchase payable	7.10	60	60	-
Bank borrowings – secured	7.11	6,415	**1,515	-
Taxation		165	165	-
		<u>13,012</u>	<u>8,112</u>	(7)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(2,616)	5,734	(7)
		<u>15,558</u>	<u>23,908</u>	(7)
<b>FINANCED BY :-</b>				
Share capital	7.12	9,750	13,000	*
Share premium		-	***5,100	-
Retained profits		(7)	(7)	(7)
<b>SHAREHOLDERS' EQUITY</b>		<u>9,743</u>	<u>18,093</u>	(7)
<b>LONG TERM AND DEFERRED LIABILITIES</b>				
Hire purchase payables	7.10	13	13	-
Bank borrowings – secured	7.11	5,052	5,052	-
Deferred taxation	7.13	750	750	-
		<u>5,815</u>	<u>5,815</u>	-
		<u>15,558</u>	<u>23,908</u>	(7)
NTA per ordinary share (RM)		0.08	0.13	(350)

\* Represents RM2.00

\*\* Net of repayment of trade facilities of RM4.9 million

\*\*\* Net of estimated listing expenses of RM1.4 million

# This represents amount less than RM1,000

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### 7. NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES

#### 7.1 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Proforma Group and its subsidiaries made up to 30 June 2003.

A subsidiary is defined as a company in which the parent company holds directly or indirectly more than 50% of equity share capital and has control over the financial and operating policies. Investment in subsidiary is stated at cost unless in the opinion of the directors there has been a permanent diminution in value, in which case allowance is made for the diminution in value.

The 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 up to the date of disposal. At the date of acquisition, fair value of the subsidiaries' net asset is determined and this value is reflected in the consolidated financial statements.

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 the subsidiaries to ensure consistency of accounting policies with those of the Proforma Group.

#### 7.2 FINANCIAL RISK MANAGEMENT POLICIES

The Proforma Group's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Proforma Group's business whilst managing its currency, interest rate, market, credit, liquidity and cash flow risks. The proforma Group operates within defined guidelines that are approved by the Board and the policies in respect of the major areas of treasury activity are as follows:-

##### 7.2.1 CURRENCY RISK

The Proforma Group is exposed to foreign exchange risk on sales and purchases that are denominated in foreign currencies. It manages its foreign exchange exposure by a policy of matching as far as possible receipts and payments in each individual currency.

##### 7.2.2 INTEREST RATE RISK

The Proforma Group obtains financing through bank borrowings and hire purchase. Its policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable financial institutions at the most favourable interest rates.

##### 7.2.3 MARKET RISK

The Proforma Group does not have any quoted investments and hence is not exposed to market risks.

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### 7.2.4 CREDIT RISK

The Proforma Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from cash deposits and receivables. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet reduced by the effects of any netting arrangements with counterparties.

The Proforma Group does not have any major concentration of credit risks related to any individual customer or counterparty.

### 7.2.5 LIQUIDITY AND CASH FLOW RISKS

The Proforma Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practices prudent liquidity risks management by maintaining sufficient cash balances and the availability of funding through advances from related companies and certain committed credit facilities from financial institutions.

## 7.3 BASIS OF PREPARATION OF THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The Proforma statement of assets and liabilities of the Proforma Group and of the Company are prepared under the historical cost convention and in accordance with applicable approved accounting standards of the Malaysian Accounting Standards Board and on the following accounting policies which are consistent with those adopted in the preparation of the audited financial statements of the individual subsidiaries:

### 7.3.1 FOREIGN CURRENCY CONVERSION

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of the financial year, at the approximate exchange rates prevailing at the date. All foreign exchange gains or losses are taken up in the income statement.

### 7.3.2 DEFERRED TAX

The tax effect of transactions are recognised using the 'liability' method, when such transactions are entered into in the determination of net income regardless of when they are recognised for tax purposes. However, when timing differences give rise to net deferred tax assets, the tax effects are recognised generally on actual realisation.

### 7.3.3 PROPERTY, PLANT AND EQUIPMENT

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

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### 7.3.3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

No depreciation is provided on freehold land. Depreciation is calculated under the straight –line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Leasehold land	Over the remaining lease period
Buildings	2% or over the remaining lease period
Furniture, fittings and office equipment	10% to 20%
Plant and machinery	10% to 20%
Renovation and electrical installation	10%

### 7.3.4 GOODWILL ON CONSOLIDATION

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiary at the date of acquisition.

The goodwill on consolidation is being amortised over the period of 20 years from the date of acquisition.

### 7.3.5 IMPAIRMENT OF ASSETS

The carrying amounts of assets, other than those to which MASB Standard 23 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.

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.



## 13. ACCOUNTANTS' REPORT



### 7.3.6 PROPERTY, PLANT AND EQUIPMENT UNDER HIRE-PURCHASE ARRANGEMENTS

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

### 7.3.7 INVESTMENTS

Investments in subsidiaries, which are eliminated on consolidation, are stated in the Proforma Group's financial statement at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

### 7.3.8 INVENTORIES

Inventories are valued at the lower of cost or net realisable value. The cost of raw materials comprise the original purchase price plus cost incurred in bringing the inventories to their present location and condition. The costs of finished goods and work-in progress comprise the cost of raw materials, direct labour and a proportion of overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

### 7.3.9 RECEIVABLES

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowances for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

### 7.3.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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.

### 7.3.11 SEGMENTAL INFORMATION

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of properties, plant and equipment (net of accumulated depreciation, where applicable), inventories, receivables and cash and bank balances.

Segment revenues, expenses and results include transfers between segments. The price charged on intersegment transactions are based on normal commercial terms. These transfers are eliminated on consolidation.

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### 7.4 PROPERTY, PLANT AND EQUIPMENT

#### The Proforma Group

	Cost RM'000	Accumulated Depreciation RM'000	NBV RM'000
Freehold and Leasehold Land	3,275	97	3,178
Buildings	6,452	142	6,310
Furniture, Fittings and Office Equipment	60	22	38
Plant and Machinery	8,249	1,571	6,678
Renovation and Electrical Installation	126	49	77
Total net book value	18,162	1,881	16,281

The net book value of property, plant and equipment of the Proforma Group which have been pledged to financial institutions for banking facilities are as follows:

	RM'000
Leasehold land	3,178
Buildings	6,310
	<u>9,488</u>

#### 7.4a ASSETS HELD UNDER HIRE PURCHASE AGREEMENTS

Included in the property, plant and equipment of the Proforma Group are assets held under hire purchase agreements as follows:-

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000	Depreciation for the period RM'000
Plant and machinery	<u>213</u>	<u>51</u>	<u>162</u>	<u>21</u>

**13. ACCOUNTANTS' REPORT****7.5 INVENTORIES**

Inventories consist of the following:

	<b>The Proforma Group Before public issue RM'000</b>	<b>After public issue RM'000</b>	<b>The Company  RM'000</b>
At Cost:-			
Raw materials	3,487	3,487	-
Finished goods	1,479	1,479	-
	<u>4,966</u>	<u>4,966</u>	<u>-</u>

**7.6 OTHER RECEIVABLES, DEPOSIT AND PREPAYMENTS**

	<b>The Proforma Group Before public issue RM'000</b>	<b>After public issue RM'000</b>	<b>The Company  RM'000</b>
Other receivables	3	3	-
Deposits	7	7	-
Prepayments	318	318	-
Tax recoverable	280	280	-
	<u>608</u>	<u>608</u>	<u>-</u>

**7.7 FIXED DEPOSITS WITH LICENSED BANKS**

The above fixed deposits have been pledged with licensed banks for banker's guarantee issued on behalf of the PPSB and as securities for bank borrowings as disclosed in note 7.11 of the accountants' report. Included in the fixed deposits is RM24,032 held under the name of a director in trust for PPSB.

**13. ACCOUNTANTS' REPORT****7.8 CASH AND BANK BALANCES**

	<b>The Proforma Group</b>		<b>The Company</b>
	<b>Before public issue</b>	<b>After public issue</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances as at 30 June 2003	293	293	*
Add: Proceeds from Public Issue	-	9,750	-
Less: Utilisation of proceeds:			
Estimated listing expenses	-	(1,400)	-
Repayment of trade facilities	-	(4,900)	-
	<u>293</u>	<u>3,743</u>	<u>*</u>

\* This represents cash and bank balances of RM2.00

**7.9 OTHER PAYABLES AND ACCRUALS**

	<b>The Proforma Group</b>		<b>The Company</b>
	<b>Before public issue</b>	<b>After public issue</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other payables	394	394	7
Payroll liabilities	176	176	-
Accrued expenses	182	182	1
	<u>752</u>	<u>752</u>	<u>8</u>

### 13. ACCOUNTANTS' REPORT



#### 7.10 HIRE PURCHASE PAYABLE

	The Proforma Group Before public issue RM'000	The Proforma Group After public issue RM'000	The Company RM'000
Minimum hire purchase payments:			
- not later than one year	63	63	-
- later than one year and not later than five years	17	17	-
	80	80	-
Less : Future finance charges	(7)	(7)	-
Present value of hire purchase liabilities	73	73	-
Current:			
- not later than one year	60	60	-
Non-current:			
- later than one year and not later than five years	13	13	-
	73	73	-

#### 7.11 BANK BORROWINGS

Loan facilities RM'000	Term of loan	Securities	The Proforma Group Before public issue RM'000	The Proforma Group After public issue RM'000	The Company RM'000
4,500	108 monthly instalments of RM57,772 and bears interest at 1.25% per annum above the bank's base lending rate calculated on monthly rest.	A fixed charge on the Group's leasehold land and building, corporate guarantee by a related party and joint and several guarantee by the directors of the Group.	4,074	4,074	-
700	96 monthly instalments of RM9,684 and bears interest at 1% per annum above the bank's base lending rate calculated on monthly rest.	A fixed charge on the Group's leasehold land and building, corporate guarantee by a related party and joint and several guarantee by the directors of the Group.	649	649	-

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#### 7.11 BANK BORROWINGS (CONT'D)

Loan facilities RM'000	Term of loan	Securities	The Proforma Group	The Proforma Group	The
			Before public issue	After public issue	Company
			RM'000	RM'000	RM'000
850	120 monthly instalments and bears interest at 4.25% per annum for the first year, 6% per annum for the second year and 8.15 % per annum for the third year and onwards.	A fixed charge on the Group's freehold land and building, corporate guarantee by a related party, and personal guarantee by a director of the Group.	846	846	-
Term loan			5,569	5,569	-
Bankers' acceptances			2,965	-	-
Trust receipts			2,435	500	-
Bank overdrafts			498	498	-
			<u>11,467</u>	<u>6,567</u>	<u>-</u>
Repayable within twelve months			6,415	1,515	-
Repayable after twelve months			5,052	5,052	-
			<u>11,467</u>	<u>6,567</u>	<u>-</u>

Bankers' acceptances are drawn for a period of 120 to 150 days which are renewable on maturity. Acceptance commission is charged at rates ranging from 1% to 5% per annum and interest rate to be determined upon drawdown.

Trust receipts are drawn for a period of 120 to 150 days which are renewable on maturity. Interest is charged based on rates ranging from 5% to 8% per annum.

Bank overdraft to a limit of RM700,000 is payable on demand and interest is charged based on rates ranging from 6.4% to 7.25% per annum for the first year and 6.4% to 8.4% per annum for the second year and onwards.

The above banking facilities are secured by legal charges over properties of the Group and a related party, corporate guarantee by another related party., fixed deposit of PPSB and joint and several guarantee by the directors of PPSB and MHT.

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**13. ACCOUNTANTS' REPORT****7.12 SHARE CAPITAL**

	Par value	No. of shares	RM
ORDINARY SHARES OF RM0.10 EACH			
AUTHORISED:			
As at 30.6.2003	RM0.10	1,000,000	100,000
Increased during the period	RM0.10	249,000,000	24,900,000
	RM0.10	<u>250,000,000</u>	<u>25,000,000</u>
ISSUED AND FULLY PAID:			
As at 30.6.2003	RM0.10	20	2
Share swap for acquisition of PPSB and MHT	RM0.10	97,499,980	9,749,998
Before Public Issue	RM0.10	<u>97,500,000</u>	<u>9,750,000</u>
Public Issue	RM0.10	<u>32,500,000</u>	<u>3,250,000</u>
After Public Issue	RM0.10	<u>130,000,000</u>	<u>13,000,000</u>

**7.13 DEFERRED TAX LIABILITIES**

	The Proforma Group Before public issue RM'000	After public issue RM'000	The Company RM'000
As at 1.1.2003	668	668	-
Charged to income statement	82	82	-
As at 30.6.2003	<u>750</u>	<u>750</u>	<u>-</u>

Deferred taxation relates to the timing differences between depreciation and capital allowances on qualifying cost of property, plant and equipment.

**13. ACCOUNTANTS' REPORT****8. SEGMENTAL INFORMATION – PROFORMA GROUP (BEFORE PUBLIC ISSUE)**

By business segment for the 6 months financial period ended 30 June 2003:

In RM'000	Resin compound for wire and cable insulation and jacketing	Resin compound for other industries	Others	Elimination	Consolidation
<b>SEGMENT REVENUE</b>					
Revenue from external customer	9,739	5,189	-	-	14,928
Inter-segment revenue	138	2,478	-	(2,616)	-
<b>Total revenue</b>	<b>9,877</b>	<b>7,667</b>	<b>-</b>	<b>(2,616)</b>	<b>14,928</b>
<b>SEGMENT RESULTS</b>					
Segment results	1,541	989	(3)	-	2,527
Finance cost	(89)	(332)	-	-	(421)
Profit from ordinary activities before taxation					2,106
Taxation					(263)
Profit from ordinary activities after taxation					<b>1,843</b>
<b>OTHER INFORMATION</b>					
Segment assets	12,255	17,339	*	-	29,594
Segment liabilities	8,996	12,741	4	-	21,741
Capital expenditure	2,660	413	-	-	3,073
Depreciation	184	320	-	-	504

\* Amount less than RM1,000

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## 13. ACCOUNTANTS' REPORT



### 9. PROFORMA CONSOLIDATED CASH FLOW STATEMENTS

The proforma consolidated cash flow statements prepared for illustration purpose is based on the audited financial statements of PPSB and MHT for the 6 months period ended 30 June 2003 and on the assumption that the Proforma Group has been in existence throughout the period ended 30 June 2003 and that the Public Issue referred to in Section 2.3 has been completed on 30 June 2003:

	Note	The Proforma Group Before public issue RM'000	The Proforma Group After public issue RM'000	The Company RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before taxation		2,106	2,106	(2)
Adjustment for :-				
Doubtful debts recovered		(132)	(132)	-
Depreciation of property, plant and equipment		504	504	-
Interest expenses		421	421	-
Interest income		(36)	(36)	-
Operating profit before working capital changes		2,863	2,863	(2)
Increase in inventories		(1,559)	(1,559)	-
Increase in trade and other receivables		(1,493)	(1,493)	*
Increase in trade and other payables		3,466	3,466	2
<b>CASH FROM OPERATIONS</b>		<b>3,277</b>	<b>3,277</b>	<b>-</b>
Interest paid		(421)	(421)	-
Tax paid		(23)	(23)	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>2,833</b>	<b>2,833</b>	<b>-</b>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	9.1	(2,223)	(2,223)	-
Placement of fixed deposits with licensed banks		(36)	(36)	-
Interest income received		36	36	-
<b>NET CASH FOR INVESTING ACTIVITIES</b>		<b>(2,223)</b>	<b>(2,223)</b>	<b>-</b>

## 13. ACCOUNTANTS' REPORT



### 9. PROFORMA CONSOLIDATED CASH FLOW STATEMENTS (CON'T)

	The Proforma Group Before public issue RM'000	After public issue RM'000	The Company  RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of hire purchase obligation	(41)	(41)	-
Drawdown of bankers' acceptances/trust receipts	549	549	-
Drawdown of term loan	388	388	-
Repayment of bankers' acceptances/trust receipts	-	(4,900)	-
Repayment of term loans	(237)	(237)	-
Proceeds from public issue	-	9,750	-
Payment of dividend	(1,500)	(1,500)	-
Payment of listing expenses	-	(1,400)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(841)</b>	<b>2,609</b>	<b>-</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(231)</b>	<b>3,219</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR</b>	<b>26</b>	<b>26</b>	<b>#</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD/YEAR</b>	<b>(205)</b>	<b>3,245</b>	<b>-</b>

# This represents RM2.00

\* This represents amount less than RM1,000

#### 9.1 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Proforma Group Before public issue RM'000	After public issue RM'000	The Company  RM'000
Purchase of property, plant and equipment	3,073	3,073	-
Less: Amount financed through term loan	(850)	(850)	-
<b>Cash disbursed for the purchase of property, plant and equipment</b>	<b>2,223</b>	<b>2,223</b>	<b>-</b>

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**13. ACCOUNTANTS' REPORT****9.2 CASH AND CASH EQUIVALENTS**

	The Proforma Group Before public issue RM'000	The Proforma Group After public issue RM'000	The Company  RM'000
Cash and bank balances	293	3,743	*
Bank overdraft	(498)	(498)	-
	<u>(205)</u>	<u>3,245</u>	<u>*</u>

\* This represent RM2.00

**10. PROFORMA NET TANGIBLE ASSETS COVER**

Based on the proforma statement of assets and liabilities of the proforma Group as at 30 June 2003, the proforma net tangible assets (NTA) cover per ordinary share after incorporating the restructuring of the PTB Group, Public Issue and estimated cost of flotation will be as follows:

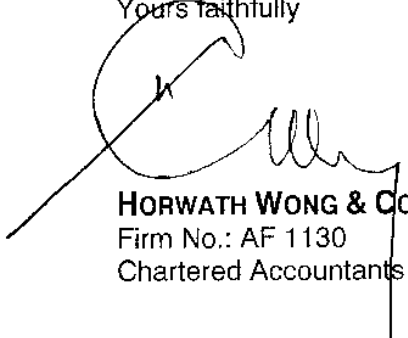
NTA of the Proforma Group as per statement of assets and liabilities as of 30 June 2003 (RM'000)	16,200
Number of ordinary shares of RM0.10 each assumed in issue ('000)	130,000
Proforma NTA cover per ordinary share of RM0.10 each (sen)	12.5

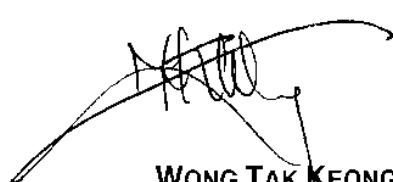
**11. EVENT SUBSEQUENT TO 30 JUNE 2003**

Based on the audited financial statements for the period ended 30 June 2003, we are not aware of any subsequent event that has arisen which require disclosure or adjustment in this report.

On 1 July 2003, three (3) fixed deposits of RM8,454, RM2,263 and RM13,315 held under the name of a director in trust for PPSB was released as security for the bank guarantee issued on behalf of the PPSB. These fixed deposits have been subsequently transferred to PPSB.

Yours faithfully

  
**HORWATH WONG & CO.**  
 Firm No.: AF 1130  
 Chartered Accountants

  
**WONG TAK KEONG**  
 Approval No: 1966/7/05 (J)  
 Partner of Firm

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