

13. ACCOUNTANTS' REPORT

Shamsir Jasani Grant Thornton 

Chartered Accountants

(PREPARED FOR INCLUSION IN THIS PROSPECTUS)

Date : 18 March 2004

The Board of Directors  
CBS Technology Berhad  
C15-1, Level 15, Tower C  
Megan Avenue II  
12, Jalan Yap Kwan Seng  
50450 Kuala Lumpur

Dear Sirs,

**CBS TECHNOLOGY BERHAD ("CBS")  
AND ITS SUBSIDIARY COMPANIES ("CBS GROUP")  
ACCOUNTANTS' REPORT**

**1. INTRODUCTION**

This report has been prepared by a firm of approved company auditors for inclusion in the Prospectus issued in connection with the flotation of the share capital of CBS Technology Berhad ("CBS") on the MESDAQ Market of Malaysia Securities Exchange Berhad ("MSEB") which includes the following:-

**(i) Public Issue**

CBS will issue 30,000,000 new ordinary shares ("CBS Shares") at an issue price of RM0.32 per share by way of private placement and public offer.

**(ii) Listing of and Quotation on the MESDAQ Market**

Upon completion of the Public Issue, the entire issued and paid-up share capital of CBS of RM9,723,226 comprising 97,232,260 CBS Shares will be listed on the MESDAQ Market; and

**(iii) Employee Share Option Scheme ("ESOS")**

Employee share option scheme of up to ten percent (10%) of the enlarged issued and paid-up share capital of the Company at an issue price of RM0.32 per share.

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## 2. GENERAL INFORMATION

## 2.1 Restructuring Scheme

In conjunction with and as part of the listing of and quotation for the entire issued and paid-up share capital of CBS on the MESDAQ Market of MASEB, the following was carried out:-

## (a) Acquisition of CYBER

Acquisition of the entire issued and paid-up share capital of Cyber Business Solutions Sdn Bhd ("CYBER") comprising 3,223,226 ordinary shares of RM1.00 each for a total consideration of RM3,223,226 to be satisfied by the issuance of 3,223,226 ordinary shares of RM1.00 each in CBS.

## (b) Acquisition of NETGEN

Acquisition of the entire issued and paid-up share capital of Netgen Sdn Bhd ("NETGEN") comprising 35,000 ordinary shares of RM1.00 each in NETGEN for a total consideration of RM2,500,000 to be satisfied by the issuance of 2,500,000 ordinary shares of RM1.00 each in CBS.

## (c) Share Split

Sub-division of par value of the existing ordinary shares in CBS from RM1.00 each to RM0.10 each.

The acquisitions and share split were completed on 19 January 2004 and 20 January 2004 respectively.

## 2.2 Background

CBS was incorporated and domiciled in Malaysia under the Companies Act, 1965 on 19 January 2001 as a private limited liability company. Subsequently, it was converted to public company on 10 September 2003.

## 2.3 Share capital

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

(a) Authorised share capital

Date of creation	No. of ordinary shares	Par value RM	Cumulative total RM
19 January 2001	100,000	1.00	100,000
1 August 2001	900,000	1.00	1,000,000
19 January 2004	24,000,000	1.00	25,000,000
20 January 2004	250,000,000	0.10	25,000,000

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## 2. GENERAL INFORMATION (CONT'D)

## 2.3 Share capital (cont'd)

## (b) Issued and fully paid-up share capital

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Cumulative total RM
19 January 2001	2	1.00	Subscribers' shares	2
1 August 2001	999,998	1.00	Cash	1,000,000
19 January 2004	3,223,226	1.00	Acquisition of Cyber	4,223,226
19 January 2004	2,500,000	1.00	Acquisition of Netgen	6,723,226
20 January 2004	67,232,260	0.10	Subdivide from RM1.00 shares to RM0.10 shares	6,723,226

## 2.4 Principal activities

The principal activities of the Company are to carry on the business as software programmers and dealers in computers. Since the financial year 2002, the Company has temporarily ceased business operation and did not make trade. The Company become an investment holding company during the financial year 2004.

The subsidiary companies are as follows:-

Name	Effective equity interest held by CBS %	Principal activities	Date and place of incorporation
CYBER	100	Dealing in computer equipment and software	27 July 1996 Malaysia
NETGEN	100	Software development and solutions provider	6 March 2000 Malaysia

CBS and its subsidiary companies will be collectively referred to as CBS Group.

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## 2. GENERAL INFORMATION (CONT'D)

## 2.5 Share capital history of the subsidiary companies

## (A) CYBER

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

(a) Authorised share capital

Date of creation	No. of ordinary shares	Par value RM	Cumulative total RM
27 July 1996	100,000	1.00	100,000
21 December 1999	400,000	1.00	500,000
30 June 2003	4,500,000	1.00	5,000,000

(b) Issued and fully paid-up share capital

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Cumulative total RM
27 July 1996	3	1.00	Subscribers' shares	3
9 May 1997	29,997	1.00	Cash	30,000
2 September 1998	70,000	1.00	Settlement of book debt	100,000
21 December 1999	100,000	1.00	Settlement of book debt	200,000
28 July 2000	100,000	1.00	Settlement of book debt	300,000
30 June 2003	2,923,226	1.00	Bonus issue	3,223,226

## (B) NETGEN

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

(a) Authorised share capital

Date of creation	No. of ordinary shares	Par value RM	Cumulative total RM
6 March 2000	100,000	1.00	100,000

(b) Issued and fully paid-up share capital

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Cumulative total RM
6 March 2000	2	1.00	Subscribers' shares	2
12 October 2001	34,998	1.00	Cash	35,000

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**3. FINANCIAL STATEMENTS AND AUDITORS**

The financial statements of CBS Group for the relevant financial periods/years under review were audited by other firm of auditors except for the financial year ended 31 December 2003 which were audited by us. All the financial statements under this report were reported without any qualification.

**4. ACCOUNTING POLICIES AND STANDARDS**

This report is prepared on a basis consistent with the accounting policies normally adopted by CBS Group and in accordance with applicable approved accounting standard in Malaysia.

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## 5. HISTORICAL FINANCIAL INFORMATION OF CBS GROUP

## 5.1 Summarised income statements

## (a) Proforma CBS Group

The proforma consolidated financial results of CBS Group for the three (3) financial years/period ended 31 December 2001 to 2003 are provided for illustrative purposes based on the audited financial statements of its subsidiary companies, assuming that the CBS Group has been in existence since the beginning of the financial period ended 31 December 2001.

Year/Period ended	31/12/2001 RM	31/12/2002 RM	31/12/2003 RM
Revenue	4,742,740	4,381,420	8,313,476
Gross profit	1,064,785	1,810,485	4,552,660
Profit before amortisation, depreciation, interest and taxation	385,407	1,077,667	3,836,845
Amortisation	-	-	-
Depreciation	(69,437)	(66,181)	(110,375)
Interest expenses	-	-	-
Profit before taxation but after amortisation, depreciation and interest	315,970	1,011,486	3,726,470
Taxation	(101,915)	(303,000)	(868,243)
Profit after taxation	214,055	708,486	2,858,227
Weighted average number of shares assumed to be issued	67,232,260	67,232,260	67,232,260
Gross earning per share ("EPS") (sen)	0.47	1.50	5.54
Net EPS (sen)	0.32	1.05	4.25

Notes:-

- (i) The gross earning per share has been calculated on their profit before taxation and on the assumption that the issued and paid-up share capital of CBS of 67,232,260 ordinary shares of RM0.10 each in issue after the Acquisition of CYBER and NETGEN and share split but before the public issue.

The net earning per share has been calculated based on the profit after taxation and on the assumption that the issued and paid-up share capital of CBS of 67,232,260 ordinary shares of RM0.10 each in issue after the Acquisition of CYBER and NETGEN and share split but before the public issue.