CHARTERED ACCOUNTANTS

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Private and Confidential

ACCOUNTANTS' REPORT

9 June 2004

The Board of Directors
Perisai Petroleum Teknologi Bhd.
Lot No. 9, Jalan P10/15
Kawasan Perindustrian MIEL, Fasa 4,
43680 Bandar Baru Bangi
Selangor Darul Ehsan
Malaysia

Dear Sirs,

1. INTRODUCTION

This report has been prepared by Kumpulan Naga, as an approved company auditor. for inclusion in the Prospectus to be dated 16 June 2004 in connection with the following:

(i) Public issue of 52,000,000 new ordinary shares of RM0.10 each in Perisai Petroleum Teknologi Bhd ("Perisai" or the "Company") at an issue price of RM0.33 per ordinary share comprising:

- 20,800,000 new ordinary shares of RM0.10 each to be reserved for application by eligible directors and employees of Perisai and its subsidiary companies:
- 29,120,000 new ordinary shares of RM0.10 each available for Private Placement;
- 2,080,000 new ordinary shares of RM0.10 each available for application by the Malaysian Public;

(ii) The listing of and quotation for the entire enlarged issued and paid-up share capital of Perisai of RM20,800,000 comprising 208,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

2. LISTING SCHEME

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of Perisai on MESDAQ, the Company undertook the following listing scheme which was approved by the Securities Commission ("SC") on 16 April 2004 and by Bursa Malaysia Securities Berhad ("BMSB") on 20 April 2004.

(i) Acquisition of 60% equity interest in Corro-Shield (M) Sdn. Bhd. ("CSSB") for a total consideration of RM7,366,801 satisfied by the issuance of 73,668,010 new Perisai ordinary shares of RM0.10 each at par,

(ii) Acquisition of the entire share capital of Romily (M) Sdn. Bhd. ("RMSB") for a total consideration of RM2,600,000 satisfied by the issuance of 26,000,000 new Perisai ordinary shares of RM0.10 each at par,

(iii) Acquisition of the entire share capital of Fibaroll (SEA) Sdn. Bhd. ("FSSB") for a total consideration of RM3,103,197 satisfied by the issuance of 31,031,970 new Perisai ordinary shares of RM0.10 each at par,

(iv) Acquisition of the entire share capital of Orinippon Trading Sdn. Bhd. ("OTSB") for a total consideration of RM1,030,000 satisfied by the issuance of 10,300,000 new Perisai ordinary shares of RM0.10 each at par,

(v) Acquisition of 37.50% equity interest in Whizz Water Sdn. Bhd. ("WWSB") for a total consideration of RM1,500,000 satisfied by the issuance of 15,000,000 new Perisai ordinary shares of RM0.10 each at par,

(Collectively referred to as "Acquisitions")

(vi) A public issue of 52,000,000 new ordinary shares of RM0.10 each in Perisai at an issue price of RM0.33 per share comprising:

- 20,800,000 new ordinary shares of RM0.10 each to be reserved for application by eligible directors and employees of Perisai and its subsidiary companies;
- 29,120,000 new ordinary shares of RM0.10 each available for Private Placement;
- 2,080,000 new ordinary shares of RM0.10 each available for application by the Malaysian Public.

3. GENERAL INFORMATION

3.1 Background

Perisai was incorporated in Malaysia on 30 October 2003 under the Companies Act, 1965 under the name of Perisai Petroleum Teknologi Bhd. as a public limited company.

The principal activity of Perisai is investment holding. The principal activities of the subsidiaries and associated company of Perisai are set out in section 3.3.

3.2 Share Capital

The present authorised share capital of Perisai is RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each. The issued and paid up share capital of Perisai was increased from RM2 from the date of incorporation to RM15,600,000 comprising 156,000,000 ordinary shares of RM0.10 each as at the date of this report.

Upon completion of the Flotation Scheme the issued and paid up capital would be RM20,800,000 comprising 208,000,000 shares of RM0.10 each.

3.3 Information on the Subsidiaries and Associated Company of Perisai

Upon completion of the Flotation Scheme as set out in Note 2 above, the subsidiaries and associated company of Perisai would be as follows :-

Companies	Principal activities	Date and place of incorporation	Issued and fully paid share capital	Effective equity interest to be held
Subsidiaries				
CSSB	Manufacturing, supplying, commissioning and installation of corrosion control products and of related services.	15 April 1996/ Malaysia	600,000	60%
RMSB	Inspection and maintenance of plant and machinery used in the oil and gas industry.	23 February 1999/ Malaysia	100,000	100%
FSSB	Trading and application of specialist composite materials.	10 March 1993/ Malaysia	500,000	100%

3. GENERAL INFORMATION (Cont'd)

3.3 Information on the Subsidiaries and Associated Company of Perisai (Cont'd)

OTSB	Design and engineering and patent holder.	3 March 1999/ Malaysia	500,000	100%
Subsidiary of OTSB				
ISSB	Design and consultancy services and patent holder	1 August 1994/ Malaysia	100,000	100%
Associated company				
WWSB	Technical services relating to mitigation of hydrocarbon.	30 October 2002/ Malaysia	100,000	37.5%

3.4 Accounting Policies and Standards

This report is prepared on a basis consistent with accounting policies normally adopted by the Perisai Group, which complies with applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

3.5 Financial Statements and Auditors

The intended financial year end of Perisai is 31 December. The financial statements of all companies in the Perisai Group have been audited for the relevant years/periods under review. Kumpulan Naga have been the auditors for all the subsidiaries of Perisai since their respective dates of incorporation.

The auditors' report of Perisai and its subsidiaries for all the relevant years/periods under review were not subject to any qualification.

3.6 Events Subsequent to the Balance Sheet Date

Based on the audited financial statements as at 31 December 2003 and save for the Listing Scheme as referred to in Section 2, no events have arisen subsequent to the balance sheet date, which require disclosure in this report.

4. SUMMARISED RESULTS

The summarised proforma consolidated income statement in respect of Perisai, which is provided for illustrative purposes only, have been presented based on the audited financial statements of the subsidiaries and associated company on the assumption that the Group has been in existence throughout the years/period under review. The following results are to be read in conjunction with the notes thereon.

4.1 Perisai – Proforma Group

	< Financial year ended 31 December				>
	1999 RM	2000 RM	2001 RM	2002 RM	2003 RM
Turnover	2,205,092	4,385,808	5,014,193	11,019,439	20,869,326
EBITDA before exceptional item	584,447	1,261,990	1,179,341	2,777,211	8,694,094
Depreciation and Amortisation	(199,460)	(293,430)	(419,340)	(493,023)	(933,410)
Interest expense	(31,115)	(70,794)	(114,555)	(106,524)	(87,348)
Exceptional item	-	-	-	-	2,449,001
Share of profit of associated company	-	-	-	-	353,456
PBT	353,872	897,766	645,446	2,177,664	10,475,793
Taxation	-	(337,990)	(114,783)	(124,391)	(1,913,026)
PAT	353,872	559,776	530,663	2,053,273	8,562,767
Minority interests	(144,316)	(256,718)	(168,032)	(799,886)	(2,200,698)
PAT after minority interests	209,556	303,058	362,631	1,253,387	6,362,069
Number of Shares assumed in issue after the Acquisition ('000)	156,000	156,000	156,000	156,000	156,000
Fully diluted gross EPS (sen) *	0.23	0.58	0.41	1.40	6.72
Fully diluted net EPS (sen) **	0.13	0.19	0.23	0.80	4.08

Notes:-

* Computed based on the consolidated PBT and minority interests over the number of shares assumed to be in issue after the Acquisitions.

** Computed based on the consolidated PAT after minority interests over the number of shares to be in issue after the Acquisitions.

4. SUMMARISED RESULTS (CONT'D)

4.1 Perisai – Proforma Group (Cont'd)

Notes to the summarised income statements

(i) Revenue increased considerably throughout the financial years 1999 to 2003 mainly due to the continuous increase in contracts secured by CSSB for services rendered to the Petroliam Nasional Berhad ("PETRONAS") group of companies ("PETRONAS Group") for the provision and installation of corrosion control products in relation to bolts, nuts and flanges.

The revenue for the year of 2000 increased to RM4 million representing an increase of almost 100% from 1999. Subsequently in 2000 revenue increased further by RM1 million to RM5 million. This was mainly attributed to the contract awarded by the PETRONAS Group for the 100% cover of all nuts, bolts and flanges for their newly fabricated fields at Resak and Angsi, the first ever contract of this nature. During this period CSSB was also appointed by PETRONAS under its Vendor Development Programme for the manufacture, supply and installation of protective system for corrosion prevention on all nuts, bolts and flanges.

The significant increase in revenue in 2002 by 119% is mainly due to CSSB securing a contract valued at RM5.4 million from Sarawak Shell for the installation of a Composite Sleeve Repair system.

The significant increase in revenue by 89% in 2003 was attributed to contributions from the various new contracts secured by the Perisai Group for inter-alia the inspection and maintenance of heat exchanger, riser repairs, and under-water pipe repairs.

(iii) The upward trend in the profit before tax observed during the financial years of 1999 and 2000 was attributed to production cost efficiency and cost control measures implemented by the Group.

Profit before tax decreased by 28% in 2001 due to a sharp decline in gross profit margin as a result of an increased number of specialised jobs undertaken by the Group which required heavy initial set-up and research and development costs.

The profit before tax reverted to an upward trend in 2002 and 2003 as a result of stringent cost control measures introduced by the Group.

The substantial increase of 205% in the profit before tax for the financial year ended 31 December 2003 was attributed to higher contribution from operations, and the exceptional gain of RM2.45 million arising from the disposal of its 51% equity interest in RMSB.

4. SUMMARISED RESULTS (CONT'D)

4.1 Perisai – Proforma Group (Cont'd)

Notes to the summarised income statements (Cont'd)

(iv) There was no provision for taxation made on taxable income for year 1999 in view of the waiver granted under the Income Tax (Amendment) Act, 1999.

The disproportionate effective tax rate in year 2000 was due to certain items of expenditure disallowed for tax purposes.

The effective tax rate for the year ended 31 December 2001 is lower than the statutory tax rate due to utilization of unabsorbed tax losses and unutilised capital allowances.

The reason for the unusually low effective tax rate of 6% for the financial year 2002 is due to double tax deduction allowed for Research and Development expenses amounting to RM2.01 million which resulted in significant tax savings.

For the financial year ended 31 December 2003 the effective tax rate is lower than statutory tax rate mainly due to the capital gain of RM2.45 million, which is not subject to tax and Research and Development expenses amounting to RM1.32 million which is allowed for double tax deduction.

(v) Perisai did not declare any dividends during the financial period under review.

(vi) Exceptional item refers to the capital gain resulting from the disposal of 51% equity-interest in RMSB by CSSB. The gain represents the difference between the carrying value of RM50,999 as at 30 June 2003 and the purchase consideration of RM2,500,000.

4. SUMMARISED RESULTS (CONT'D)

4.2 Perisai – Company

The summarised income statement of Perisai based on the audited financial statements from the date of incorporation to 31 December 2003 is as follows:

	Period from 31.10.2003 to 31.12.2003 RM
Revenue	-
EBIDTA	-
Depreciation	-
Interest	-
LBT	(3,500)
Taxation	-
LAT	(3,500)
Issued and paid-up share capital	
- no. of ordinary shares of RM0.10 each	20
- weighted average no. of ordinary shares of RM0.10 each	20
Loss per share	
- gross	(175)
- net	(175)

Notes to the summarised income statements

(i) Perisai was incorporated on 30 October 2003, and has not commenced operations as at 31 December 2003.

(ii) The loss before depreciation and interest for the period represents incorporation expenses.

4. SUMMARISED RESULTS (CONT'D)

4.3 CSSB

The summarised income statements of CSSB based on the audited financial statements for the five respective financial years ended 31 December 2003 are as follows:

	< Financial year ended 31 December >				
	1999 RM	**2000** RM	**2001** RM	**2002** RM	**2003** RM
Revenue	2,205,092	4,011,349	4,504,389	10,772,758	20,411,076
EBITDA before exceptional item	546,455	1,269,326	856,743	2,450,171	4,456,854
Depreciation and Amortisation	(134,187)	(180,142)	(215,200)	(223,262)	(453,783)
Interest expense	(51,479)	(109,398)	(140,355)	(137,503)	(80,748)
Exceptional item	-	-	-	-	2,449,001
PBT	360,789	979,786	501,188	2,089,406	6,371,324
Taxation	-	(337,990)	(81,108)	(89,691)	(869,579)
PAT	360,789	641,796	420,080	1,999,715	5,501,745
Issued and paid-up share capital					
- no. of ordinary shares of RM1.00 each	600,000	600,000	600,000	600,000	600,000
- weighted average no. of ordinary shares of RM1.00 each	600,000	600,000	600,000	600,000	600,000
Earnings per share (sen)					
- gross	60.13	163.30	83.53	348.23	1,061.90
- net	60.13	106.97	70.01	333.30	916.95

4. SUMMARISED RESULTS (CONT'D)

4.3 CSSB (Cont'd)

Notes to the summarised income statements

(i) Revenue

1999

For the financial year ended 31 December 1999, CSSB achieved a turnover of RM2.2 million, an increase of approximately RM1.07 million or 94% from the previous year. The major portion of revenue recorded in 1999 was derived mostly from the PETRONAS Group for the provision of supplies, installation, and commissioning of protection system for nuts, bolts and flanges. CSSB secured its first overseas export order from Vietnam in 1999.

2000 and 2001

The revenue for the years 2000 and 2001 increased to RM4 million and RM4.5 million respectively representing an increase of almost 100% from 1999. This was mainly attributed to the contract awarded by the PETRONAS Group for the 100% cover of all nuts, bolts and flanges for their newly fabricated fields at Resak and Angsi, the first ever contract of this nature. During this period CSSB was also appointed by PETRONAS under its Vendor Development Programme for the manufacture, supply and installation of protective systems for corrosion prevention on all nuts, bolts and flanges.

2002

The significant increase in revenue in 2002 to RM10.8 million was attributed to an ad hoc contract secured from Sarawak Shell Berhad for the permanent repair of a main piping system / riser on a platform without having to shut-down the facility. The scope of the Vendor Development Programme was expanded to cover risers and riser clamps.

2003

The significant increase in revenue for the financial year ended 31 December 2003 to RM20 million was mainly attributed to contributions from the various new contracts secured by CSSB for the inspection and maintenance of heat exchanger, riser repairs, and under-water pipe repairs, in addition to the revenues generated from existing corrosion control contracts.

4. SUMMARISED RESULTS (CONT'D)

4.3 CSSB (Cont'd)

Notes to the summarised income statements (Cont'd)

(ii) Profit Before Taxation

The upward trend in the pre-tax margin observed during the period from 1999 to 2000 was attributed to production cost efficiency and cost control measures implemented by the management of CSSB.

However, the decline of 49% in profit before tax observed in 2001 is mainly attributable to a sharp decline in gross profit margin as a result of new contracts secured which required heavy initial set-up and research and development cost for the new specialised jobs.

The pre-tax margin reverted to an upward trend in 2002 and 2003 as a result of stringent cost control measures introduced by the management of CSSB.

The substantial increase of 205% in the profit before tax for the financial year ended 31 December 2003 was attributable to higher contribution from operations, and to the gain of RM2,45 million arising from the disposal of its 51% equity interest in RMSB.

(iii) Taxation

There was no provision for taxation made on taxable income for year 1999 in view of the waiver granted under the Income Tax (Amendment) Act, 1999.

The disproportionate effective tax rate in years 2000 and 2001 was due to certain items of expenditure disallowed for tax purposes.

The reason for the unusually low effective tax rate at 4% for year 2002 is due to double tax deduction allowed for Research and Development expenses amounting to RM2,005,000 which resulted in significant tax savings.

The effective tax rate for the financial year ended 31 December 2003 was lower than statutory rate applicable mainly due to the non taxable income of RM2.45 million arising from the disposal of CSSB's 51% equity interest in RMSB, research and development expenditure amounting to RM1.32 million which is qualified for double tax deduction and reduced tax rate on chargeable income for the first RM0.1 million.

Included in taxation for the year 2003 is deferred taxation amounting to RM97,200. This represents the timing differences as at 31 December 2003 between depreciation and corresponding capital allowances on property, plant and equipment.

4. SUMMARISED RESULTS (CONT'D)

4.3 CSSB (Cont'd)

Notes to the summarised income statements (Cont'd)

(iii) Exceptional and Extraordinary Item

There was an exceptional gain of RM2.45 million made upon the disposal of investment in RMSB by CSSB for the financial year ended 31 December 2003.

(v) Gross Earnings Per Share

The gross earnings per share is calculated based on the profit before taxation and on the number of ordinary shares in issue in respective years.

(vii) Net Earnings Per Share

The net earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in respective years.

4. SUMMARISED RESULTS (CONT'D)

4.4 RMSB

The summarised income statements of RMSB based on the audited financial statements for the five (5) financial years ended 31 December 2003 are as follows:

	<---- Financial year ended 31 December ---->				
	1999 RM	**2000** RM	**2001** RM	**2002** RM	**2003** RM
Revenue	-	532,207	1,196,016	1,243,198	5,194,698
EBITDA	-	(58,572)	179,161	163,793	2,020,707
Depreciation and Amortisation	-	(5,000)	(16,333)	(66,147)	(179,272)
Interest expense	-	-	-	(11,109)	(6,600)
(LBT) / PBT	-	(63,572)	162,828	86,537	1,834,835
Taxation	-	-	(28,600)	(34,700)	(518,992)
(LAT) / PAT	-	(63,572)	134,228	51,837	1,315,843
Issued and paid-up share capital	-	100,000	100,000	100,000	100,000
- no. of ordinary shares of RM1.00 each	-	100,000	100,000	100,000	100,000
- weighted average no. of ordinary shares of RM1.00 each	-	100,000	100,000	100,000	100,000
(Loss)/earnings per share (sen)					
- gross	-	(0.64)	1.63	0.86	18.35
- net	-	(0.64)	1.34	0.52	13.16

4. SUMMARISED RESULTS (CONT'D)

4.4 RMSB (Cont'd)

Notes to the summarised income statements

(i) Revenue

2000 and 2001

RMSB was incorporated in 1999 and commenced business operation in September 2000 as a specialist service provider for the inspection and maintenance of plant and machinery used in the petroleum industry.

The revenue recorded for the year 2001 of RM1.2 million represented a full year contribution from its activities.

2002 and 2003

The significant increase in revenue in 2003 by 318% was primarily generated from a three plus two year's contract awarded by Petronas for the inspection and maintenance of heat exchangers, which CSSB had sub-contracted to RMSB.

(ii) Profit/Loss Before Taxation

The loss recorded in the year 2000 was mainly due to commencement of operations and outsourcing of RMSB services. The gross profit margin improved from 20% in 2000 to 42% achieved for the year 2002 was attributed from outsourcing specialist work to in-house activities, which contributed to the improvement in PBT.

However the PBT in 2002 was lower by 47% due to an increase in marketing expenses. In 2003 a significant increase in profits amounting to RM1.8 million was recorded following the commencement of the new heat exchanger contract that was secured by CSSB from PETRONAS, as mentioned above.

(iii) Taxation

The effective tax rate in 2001 was lower than the statutory tax rate applicable due to the utilisation of unabsorbed tax losses brought forward.

The effective tax rate for the years 2002 and 2003 were higher than the statutory tax rate applicable as certain expenses were not deductible for tax purposes.

Included in taxation for the year 2003 is deferred taxation amounting to RM10,303. This represents the timing differences as at 31 December 2003 between depreciation and corresponding capital allowances on property, plant and equipment.

(iv) Exceptional and Extraordinary Item

There were no extraordinary items in all the financial years under review.

4. SUMMARISED RESULTS (CONT'D)

4.4 RMSB (Cont'd)

Notes to the summarised income statements (Cont'd)

(v) Gross Earnings Per Share

The gross earnings per share is calculated based on the profit before taxation and on the number of ordinary shares in issue in respective years.

(vi) Net Earnings Per Share

The net earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in respective years.

4. SUMMARISED RESULTS (CONT'D)

4.5 FSSB

The summarised income statements of FSSB based on the audited financial statements for the five (5) financial years ended 30 June 2003 and 6 months financial statements for the period ended 31 December 2003 are as follows:

	<--- Financial year ended 30 June --->					
	1999	**2000**	**2001**	**2002**	**2003**	**1.7.03 to 31.12.03**
	RM	RM	RM	RM	RM	RM
Revenue	-	-	-	-	1,196,693	935,032
EBITDA	(1,154)	(1,144)	(1,389)	(1,389)	1,038,180	831,894
Depreciation and Amortisation	-	-	-	-	(53,854)	(26,927)
Interest expense	-	-	-	-	-	-
(LBT) / PBT	(1,154)	(1,144)	(1,389)	(1,389)	984,326	804,967
Taxation	-	-	-	-	(275,000)	(217,540)
(LAT) / PAT	(1,154)	(1,144)	(1,389)	(1,389)	709,326	587,427
Issued and paid-up share capital						
- no. of ordinary shares of RM1.00 each	2	2	2	100	500,000	500,000
- weighted average no. of ordinary shares of RM1.00 each	2	2	2	100	202,087	500,000
(Loss)/Earnings per share						
- gross	(577)	(572)	(694.5)	(13.89)	4.87	1.61
- net	(577)	(572)	(694.5)	(13.89)	3.51	1.18

4. SUMMARISED RESULTS (CONT'D)

4.5 FSSB (Cont'd)

Notes to the summarised income statements

(i) Revenue

Fibaroll was incorporated on 10 March 1993 and was dormant until it commenced operations for the trading and application of fibre re-inforced plastics and the provision of technical supervision and work equipments during the financial year ended 30 June 2003.

The annualised revenue for the period ended 31 December 2003 is 56% higher than the revenue for the financial year ended 30 June 2003 mainly due to the subsequent acceptance of FSSB's products and solutions. While FSSB's revenue increased 56% the PBT increased by 64% due, in part, to the successful implementation of FSSB's cost control measures.

(ii) Taxation

The Company did not incur any tax expense from the date it was incorporated until operations commenced in year 2003. The effective tax rate for the financial year ended 30 June 2003 approximates the statutory rate at 28%.

The effective tax rate for the financial period ended 31 December 2003 was lower than statutory rate applicable mainly due to reduced tax rate on chargeable income for the first RM0.1 million.

(iii) Exceptional and Extraordinary Item

There were no extraordinary items in all the financial years under review.

(iv) Gross Earnings Per Share

The gross earnings per share is calculated based on the profit before taxation and on the number of ordinary shares in issue in respective years.

(v) Net Earnings Per Share

The net earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in respective years.

4. SUMMARISED RESULTS (CONT'D)

4.6 OTSB

The summarised income statements of OTSB based on the audited financial statements for the four (4) financial years ended 31 March 2003 and 9 months financial statements for the period ended 31 December 2003 are as follows:

	< Financial year ended 31 March			>	
	3.3.1999 to 31.3.2000 RM	**2001** RM	**2002** RM	**2003** RM	**1.4.03 to 31.12.03** RM
Revenue	-	79,923	90,850	169,226	190,152
EBITDA	(6,042)	(19,556)	19,579	74,679	118,092
Depreciation and Amortisation	-	-	(5,437)	(4,452)	(4,143)
Interest expenses	-	-	-	-	-
(LBT) / PBT	(6,042)	(19,556)	14,142	70,227	113,949
Taxation	-	-	-	(19,663)	(27,000)
(LAT) / PAT	(6,042)	(19,556)	14,142	50,564	86,949
Issued and paid-up share capital					
- no. of ordinary shares of RM1.00 each	100,000	100,000	100,000	100,000	500,000
- weighted average no. of ordinary shares of RM1.00 each	100,000	100,000	100,000	100,000	373,332
(Loss)/earnings per share					
- gross	(0.06)	(0.20)	0.14	0.70	0.31
- net	(0.06)	(0.20)	0.14	0.51	0.23

4. SUMMARISED RESULTS (CONT'D)

4.6 OTSB (Cont'd)

Notes to the summarised income statements

(i) Revenue

The sole source of revenue is royalty income from CSSB, collected for the use of patented products held under the company's name. The royalty income recognised is based on the fixed percentage of 4% of the revenue generated by CSSB using OTSB's patented products.

(ii) Gross Profit Margin

The cost of sales fluctuates in line with the fluctuation of revenue during the period under review.

(iii) Taxation

The Company did not incur any tax expense for the years 2000 and 2001 due to losses incurred during these years. Chargeable income for year 2002 was fully absorbed by unabsorbed tax losses brought forward from the previous financial years. The effective tax rate for year 2003 approximated the statutory rate at 28%. This is similarly the case for the nine months period ended 31 December 2003.

(iv) Exceptional and Extraordinary Item

There were no extraordinary items in all the financial years under review.

(v) Gross Earnings Per Share

The gross earnings per share is calculated based on the profit before taxation and on the weighted average number of ordinary shares in issue in respective years/period.

(vi) Net Earnings Per Share

The net earnings per share is calculated based on the profit after taxation and on the weighted average number of ordinary shares in issue in respective years/period.

4. SUMMARISED RESULTS (CONT'D)

4.7 ISSB

The summarised income statements of ISSB based on the audited financial statements for the five (5) financial years ended 31 December 2003 are as follows:

	< Financial year ended 31 December				>
	1999	**2000**	**2001**	**2002**	**2003**
	RM	RM	RM	RM	RM
Revenue	-	-	-	-	-
EBITDA	(1,120)	(1,120)	(1,120)	(1,120)	(1,120)
Depreciation and Amortisation	-	-	-	-	-
Interest expenses	-	-	-	-	-
(LBT)	(1,120)	(1,120)	(1,120)	(1,120)	(1,120)
Taxation	-	-	-	-	-
(LAT) / PAT	(1,120)	(1,120)	(1,120)	(1,120)	(1,120)
Issued and paid-up share capital					
- no. of ordinary shares of RM1.00 each	100,000	100,000	100,000	100,000	100,000
- weighted average no. of ordinary shares of RM1.00 each	100,000	100,000	100,000	100,000	100,000
(Loss)/earnings per share	-	-	-	-	-
- gross	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
- net	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

ISSB did not earn any revenues during the period under review as it principally a patent holder.

5. SUMMARISED BALANCE SHEETS

The summarised balance sheets of Perisai and its subsidiary companies for the past five (5) financial years ended 31 December 2003 are set out below. The balance sheets should be read in conjunction with the notes thereto.

5.1 Perisai – Company

	Period from 31.10.2003 to 31.12.2003 RM
Current assets	243,470
Current liabilities	246,968
Net current liabilities	(3,498)
Represented by:	
Share capital	2
Loss for the period	(3,500)
	(3,498)
Net tangible liabilities per ordinary share of RM0.10 each	(175)

5. SUMMARISED BALANCE SHEETS (CONT'D)

5.2 CSSB

	< Financial year ended 31 December				>
	1999	**2000**	**2001**	**2002**	**2003**
	RM	RM	RM	RM	RM
Property, plant and equipment	508,020	830,641	1,213,850	1,098,995	3,394,839
Subsidiary company	-	154,935	(381,856)	111,642	-
Investments	300,000	1,100,000	1,476,827	2,077,087	3,000,000
Intangible assets	447,687	406,988	366,289	325,590	284,891
	1,255,707	2,492,564	2,675,110	3,613,314	6,679,730
Current assets	759,434	1,861,828	1,766,628	3,433,859	9,406,325
Current liabilities	1,263,475	2,819,818	2,660,819	3,299,815	6,208,423
Net current (liabilities)/assets	(504,041)	(957,990)	(894,191)	134,044	3,197,902
	751,666	1,534,574	1,780,919	3,747,358	9,877,632
Financed by :					
Share capital	600,000	600,000	600,000	600,000	600,000
Retained profits	35,684	677,480	1,001,384	3,001,099	8,502,844
Shareholders' funds	635,684	1,277,480	1,601,384	3,601,099	9,102,844
Deferred taxation	-	-	5,049	-	97,200
Long term liabilities	115,982	257,094	174,486	146,259	677,588
	751,666	1,534,574	1,780,919	3,747,358	9,877,632
Net tangible assets per share	0.31	1.45	2.06	5.46	14.70

5. SUMMARISED BALANCE SHEETS (CONT'D)

5.3 RMSB

	<----------	Financial year ended 31 December			---------->
	1999	**2000**	**2001**	**2002**	**2003**
	RM	RM	RM	RM	RM
Property, plant and equipment	-	20,000	49,048	235,480	628,596
Deferred expenditure	2,900	-	-	-	-
Current assets	2	373,664	551,215	427,965	2,047,039
Current liabilities	2,900	357,236	429,607	373,106	1,025,247
Net current (liabilities)/assets	(2,898)	16,428	121,608	54,859	1,021,792
	2	36,428	170,656	290,339	1,650,388
Financed by :					
Share capital	2	100,000	100,000	100,000	100,000
(Accumulated losses) / Retained profits	-	(63,572)	65,441	117,278	1,433,121
Shareholders' funds	2	36,428	165,441	217,278	1,533,121
Deferred taxation	-	-	5,215	4,986	15,289
Long term liabilities	-	-	-	68,075	101,978
	2	36,428	170,656	290,339	1,650,388
Net tangible (liabilities) / assets per share	(1,449)	0.36	1.65	2.17	15.33

5. SUMMARISED BALANCE SHEETS (CONT'D)

5.4 FSSB

	<------ Financial year ended 30 June				------>	
	1999	**2000**	**2001**	**2002**	**2003**	**1.7.03 to 31.12.03**
	RM	RM	RM	RM	RM	RM
Property, plant and equipment	-	-	-	-	82,084	71,824
Intangible asset	-	-	-	-	466,667	450,000
Current assets	2,350	2,350	2,350	100	1,240,019	2,091,568
Current liabilities	13,566	14,710	16,099	15,140	594,584	831,779
Net current (liabilities) /assets	(11,216)	(12,360)	(13,749)	(15,040)	645,435	1,259,789
	(11,216)	(12,360)	(13,749)	(15,040)	1,194,186	1,781,613
Financed by :						
Share capital	2	2	2	100	500,000	500,000
(Accumulated losses) / Retained profit	(11,218)	(12,362)	(13,751)	(15,140)	694,186	1,281,613
	(11,216	(12,360)	(13,749	(15,040)	1,194,186	1,781,613
Net tangible (liabilities) / assets per share	(5,608)	(6,180)	(6,875)	(150)	1.46	2.66

5. SUMMARISED BALANCE SHEETS (CONT'D)

5.5 OTSB

	<--- Financial year ended 31 March --->				
	2000	**2001**	**2002**	**2003**	**1.4.03 to 31.12.03**
	RM	RM	RM	RM	RM
Property, plant and equipment	-	-	15,249	10,797	12,169
Subsidiary company	-	-	-	100,000	100,000
Current assets	100,000	179,923	100,765	175,004	620.907
Current liabilities	6,042	105,521	27,470	146,693	107.019
Net current assets	93,958	74,402	73,295	28.311	513.888
	93,958	74,402	88,544	139,108	626.057
Financed by :					
Share capital	100,000	100,000	100,000	100,000	500.000
(Accumulated losses) / Retained profits	(6,042)	(25,598)	(11,456)	39,108	126,057
	93,958	74,402	88,544	139,108	626.057
Net tangible assets per share	0.94	0.74	0.89	1.39	1.25

5. SUMMARISED BALANCE SHEETS (CONT"D)

5.6 ISSB

	<------ Financial year ended 31 December				------>
	1999 RM	**2000** RM	**2001** RM	**2002** RM	**2003** RM
Development expenditure	101,004	101,004	101,004	101,004	101,004
Current assets	2	2	2	2	2
Current liabilities	9,561	10,681	11,801	12,921	14,041
Net current liabilities	(9,559)	(10,679)	(11,799)	(12,919)	(14,039)
	91,445	90,325	89,205	88,085	86,965
Financed by:					
Share capital	100,000	100,000	100,000	100,000	100,000
Accumulated losses	(8,555)	(9,675)	(10,795)	(11,915)	(13,035)
	91,445	90,325	89,205	88,085	86,965
Net tangible liabilities per share	(0.10)	(0.11)	(0.12)	(0.13)	(0.14)

6. DETAILED STATEMENTS OF ASSETS AND LIABILITIES

The proforma statements of assets and liabilities of Perisai Group set out below is based on the audited financial statements of the respective companies in the Proforma Group for the financial year ended 31 December 2003. The statement is presented for illustrative purposes only and should be read in conjunction with the notes thereto.

	Note	Before Public Issue RM	After Public Issue RM
Property, plant and equipment	7.3	4,107,428	4,107,428
Intangible assets	7.4	734,891	734,891
Associated company	7.5	1,500,000	1,500,000
Goodwill		4,710,536	4,710,536
Development expenditure	7.6	101,004	101,004
Investment	7.7	3,000,000	3,000,000
CURRENT ASSETS			
Inventories	7.8	2,177,285	2,177,285
Trade receivables	7.9	1,799,997	1,799,997
Other receivables	7.10	588,735	588,735
Deposits, bank and cash balances	7.11	6,631,060	22,591,060
		11,197,077	27,157,077
CURRENT LIABILITIES			
Trade payables	7.12	1,635,390	1,635,390
Other payables	7.13	1,596,528	1,596,528
Hire purchase creditors	7.14	168,303	168,303
Provision for taxation		1,821,022	1,821,022
		5,221,243	5,221,243
NET CURRENT ASSETS		5,975,834	21,935,834
		20,129,693	36,089,693
FINANCED BY:			
Share capital	7.15	15,600,000	20,800,000
Share premium	7.16	-	10,760,000
Loss for the period		(3,500)	(3,500)
Shareholders' funds		15,596,500	31,556,500
Minority interest		3,641,138	3,641,138
Deferred taxation	7.17	112,489	112,489
Hire purchase creditors	7.14	779,566	779,566
		20,129,693	36,089,693

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES

7.1 Basis of Preparation

The financial statements have been prepared in accordance with applicable Approved Accounting Standards in Malaysia issued by the Malaysian Accounting Standards Board (MASB) and comply with the provisions of the Companies Act, 1965.

7.2 Significant Accounting Policies

(a) Property, Plant and Equipment and Depreciation

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

Leasehold land is amortised equally over the period of lease.

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Equipment, furniture and fittings	10%
Motor vehicles	20%
Tools and equipment	20%
Computers	33.33%
Moulds	20%
Building	2%
Plant and machinery	10%

(b) Inventories

Inventories are valued at the lower of cost (determined on the weighted average basis) and net realisable value. Cost comprises the cost of purchase plus the cost of bringing the inventories to its present condition.

Net realisable value is the estimate of the selling price in the ordinary course of business less the cost of completion and selling expenses.

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

7.2 Significant Accounting Policies (Cont'd)

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and at bank, deposits at call and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(d) Intangible Assets

Expenditure on acquired patents, trademarks and licensed is capitalised and amortised using the straight line method over their useful lives but not exceeding 20 years, whichever is shorter. Intangible assets are not revalued.

The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

(e) Investment

Investment is stated at cost unless in the opinion of the directors there has been a permanent diminution in value, in which case provision is made for the diminution in value.

(f) Development Expenditure

Research and development expenditure is recognised as an expenses except that costs incurred on development projects are recognised as development assets to the extent that such expenditure is expected to generate future economic benefits. Development costs initially recognised as an expense is not recognised as an asset in a subsequent period.

Development costs that have been capitalised will be amortised upon commencement of the commercial use of the product to which it relate to.

(g) Foreign Currencies

Monetary assets and liabilities in foreign currency are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet or at forward contracted rates and foreign currency transactions, where applicable, are converted at rates ruling on the transaction dates. Differences on foreign exchange are taken to the income statements in the financial year in which they arise.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date are as follows :-

1 United States Dollar	3.80
1 Singapore Dollar	2.19

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

7.2 Significant Accounting Policies (Cont'd)

(h) Leased and Hired Assets

Assets acquired under finance leases and hire purchase arrangements, which in substance transfer substantially all the risks, and benefits of ownership of the assets to the Company are capitalised as property, plant and equipment. The property, plant and equipment and corresponding lease obligations are recorded at the lower of the net present value of minimum lease payments or the fair value of the lease assets at the beginning of the respective lease terms. Leases and hire assets, which do not meet such criteria, are classified as operating lease.

(i) Deferred Taxation

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 tax 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.

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 recognised 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.

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

7.2 Significant Accounting Policies (Cont'd)

(j) Impairment of Assets

At each balance sheet date, the Company review the carrying amount of its assets (other than inventories, deferred tax assets, assets arising from employee benefits and financial assets which are reviewed pursuant to the relevant accounting policies) to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the assets no longer exist or have decreased.

(k) Financial Instruments

Financial instruments carried in the balance sheet include cash and bank balances, investments, receivable, payables, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements for the relevant item. The financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

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 Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the assets and settle the liability simultaneously.

i. Receivables

Receivables are carried at their anticipated realisable values. Bad debts are written off in the year in which they are considered irrecoverable and provision is made for specific doubtful debts, if any.

ii. Payables

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

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

7.2 Significant Accounting Policies (Cont'd)

(k) Financial Instruments (Cont'd)

(iii) Interest-Bearing Borrowings

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

Borrowings costs are charged to the income statement as an expense in the period in which they are incurred.

(iv) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are paid.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

7.3 Property, Plant and Equipment

Cost	Motor Vehicles	Equipment, furniture and fittings	Machineries	Tools and equipment and moulds	Computers	Leasehold land and Building	Total
	RM	RM	RM	RM	RM	RM	RM
At 1 January 2003	771,571	428,258	252,480	1,197,531	119,297	-	2,769,137
Additions	1,092,305	50,652	-	901,924	89,421	1,540,000	3,674,302
Disposals	(323,848)	(2,999)	-	(143,567)	-	-	(470,414)
At 31 December 2003	1,540,028	475,911	252,480	1,955,888	208,718	1,540,000	5,973,025
Accumulated Depreciation							
At 1 January 2003	434,102	131,423	50,496	747,787	70,689	-	1,434,497
Depreciation charge for the year	308,006	46,185	25,248	345,631	65,519	26,345	816,934
Disposals	(257,048)	(650)	-	(39,563)	-	-	(297,261)
At 31 December 2003	485,060	176,958	75,744	1,053,855	136,208	26,345	1,954,170
Net Book Value							
At 31 December 2003	1,054,968	294,544	176,736	1,004,638	62,887	1,513,655	4,107,428

Included under property, plant and equipment of the Proforma Group are:-

(a) Assets acquired under the existing hire purchase financing is as follows:-

	Cost	Accumulated Depreciation	Net Book Value
	RM	RM	RM
Motor Vehicles	1,417,409	414,567	1,002,842

(b) Cost of fully depreciated assets which are still in use as follows:-

	Net Book Value
	RM
Tools and equipment	176,430

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

7.4 Intangible Assets

	Cost	Accumulated Depreciation	Net Book Value
	RM	RM	RM
Supply Rights	1,110,483	375,592	734,891

This represents amount capitalised on acquired patents, trademarks and licenses. It is amortised using the straight line method over a period of 20 years. Intangible assets are not revalued.

The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

7.5 Associated Company

	RM
Unquoted, at cost	1,500,000
Share of post – acquisition profits	-
	1,500,000
Share of net assets	390,956
Goodwill on acquisition	1,109,044
	1,500,000

7.6 Development Expenditure

	RM
Development expenditure	101,004

This represents research and development expenditure in relation to patent rights owned by the Group and will be amortised upon commencement of the commercial use of the product to which it relate to.

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

7.7 Investment

	RM
Cumulative Redeemable 5% Preference Shares	3,000,000

7.8 Inventories

	RM
At cost:	
Raw materials	180,320
Finished goods	630,465
Work-in-progress	1,366,500
	2,177,285

Cost of inventories recognised as an expense during the financial year amounted to RM815,407.

7.9 Trade Receivables

Credit term of trade receivables ranges from 30 to 90 days. Other credit terms which are up to a maximum limit of 150 days are assessed and approved on a case-by-case basis. As at 31 December 2003, 80.71% of trade receivables are owed by three major customers.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

7.10 Other Receivables

	RM
Advances	26,989
Deposits	21,170
Prepayments	243,468
Sundry receivables	297,108
	588,735

Professional fees and other expenses amounting to RM243,468 are included in prepayments which have been incurred pursuant to the Flotation Scheme.
The Group has no significant credit risk that may arise from exposure to a single debtor or to groups of debtors.

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

7.11 Cash And Cash Equivalents

	RM
Short term deposits with licensed banks	988,343
Cash and bank balances	5,642,717
Balance before public issue	6,631,060
Proceeds from public issue	17,160,000
Estimated listing expenses	(1,200,000)
Balance after public issue and listing expenses	22,591,060
Cash and cash equivalents comprise:-	
Short term deposits with licensed banks	16.948,343
Cash and bank balances	5.642.717
	22.591,060
Short term deposits before public issue:-	
Amount pledged as security against credit facilities	988,343

7.12 Trade Payables

The normal trade credit tern granted to the Group ranges from 30 to 60 days.

7.13 Other Payables

	RM
Accruals	482,994
Sundry payables	739,775
	1,222,769
Amounts due to directors	373,759
	1,596,528

Amounts due to directors are unsecured, interest free and have no fixed term of repayment.

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D)

7.14 Hire Purchase Creditors

	RM
Balance outstanding	1,172,239
Interest-in-suspense	(224,370)
	947,869
Payable not later than one year	168,303
Payable later than one year but not later than five years	757,874
Payable later than five years	21,692
	947,869

7.15 Share Capital

The movement in the issued and fully paid-up share capital will be as follows:-

	No. of shares	Par Value RM	Value RM
Upon incorporation	20	0.10	2
Share issue on acquisition of subsidiaries and associated companies	155,999,980	0.10	15,599,998
Before public issue	156,000,000	0.10	15,600,000
		0.10	
Public issue	52,000,000		5,200,000
After public issue	208,000,000	0.10	20,800,000

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D

7.16 Share Premium

The changes in the share premium account is shown in the table below:-

	RM
Upon incorporation	-
Upon the acquisition of subsidiaries and associated companies	-
Before public issue	-
Premium arising from the public issue of 52,000,000 new ordinary shares of RM0.10 each at RM0.33 per share	11,960,000
Estimated share issue expenses written off	(1,200,000)
After public issue	10,760,000

7.17 Deferred Taxation

	RM
At beginning of the year	4,986
Transfer from income statement	107,503
At end of the year	112,489

Deferred taxation is represented by the excess of capital allowances over depreciation.

7.18 Financial Instruments and Risk Management

The Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Company's business whilst managing its credit, interest rate, liquidity and exchange rate risks. The Company operates within clearly defined guidelines that are approved by the Board and it is the Company's policy not to engage in speculative transactions.

(a) Foreign Currency Risk

The Group has exposure to foreign currency risk as a result of transactions denominated in foreign currencies. The currency giving rise to this risk is primarily United State Dollar ("USD"). Exposure to the risk arising from movements in this foreign currency exchange rate is minimal since the Ringgit Malaysia is pegged to USD at the exchange rate of RM3.80 per USD.

The Group does not use any forward contracts to hedge against its exposure to foreign currency risk.

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D

7.18 Financial Instruments and Risk Management (Cont'd)

(b) Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relate primarily to cash equivalents with financial institutions.

The Group does not expect to incur material credit losses on its financial assets or other financial instruments.

(c) Credit Risk

Credit risks, or the risk of counter parties defaulting is limited through the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's association to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group management reporting procedures.

The Group does not have any significant exposure to any individual customers or counter party nor does it have any major concentration of credit risk related to any financial instruments.

(d) Fair Values

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheet date of the Group.

There are no fair values for financial instruments not recognised as at 31 December 2003 that are required to be disclosed.

7. NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (CONT'D

7.19 Proforma Net Tangible Assets Per Ordinary Share

Based on the Proforma Statements of Assets and Liabilities of Perisai Group as at 31 December 2003 the net tangible assets and enlarged share capital are as follows:-

(i) Net Tangible Assets

	RM
Net tangible assets of Perisai Group after Public Issue	(*) 24,901,025

(ii) Share Capital

	RM
Enlarged issued and fully paid-up share capital on completion of Flotation Scheme	208,000,000

(ii) Net Tangible Assets Cover

	RM
Net tangible assets per ordinary share of RM0.10 each on completion of Flotation Scheme	0.12

Notes:

* The computation of the Perisai Group's net tangible assets also includes goodwill arising from acquisition of an associated company amounting to RM1,109,044.

8. PROFORMA CASH FLOW STATEMENT

The proforma cash flow statement of Perisai Group set out below is based on the audited financial statements of the respective companies in the Proforma Group for the financial year ended 31 December 2003 and is presented for illustrative purposes only on the basis that the transaction before and after the Public Issue under the Flotation Scheme had been effected on 31 December 2003.

	Note	Before the Public Issue RM	After the Public Issue and utilisation of proceeds from the Public Issue RM
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period		(3,500)	(3,500)
Increase in other receivables		(243,468)	(243,468)
Increase in other payables		246,968	246,968
		-	-
CASH FLOW FROM INVESTING ACTIVITY			
Cash inflow on acquisition of subsidiary companies	8.1	6,631,058	6,631,058
NET CASH INFLOW FROM INVESTING ACTIVITY		6,631,058	6,631,058
CASH FLOW FROM FINANCING ACTIVITY			
Proceeds from issuance of shares		2	2
Proceeds from public issue at premium		-	17,160,000
Payment of estimated listing expenses		-	(1,200,000)
NET CASH INFLOW FROM FINANCING ACTIVITY		2	15,960,002
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		6,631,060	22,591,060
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		6,631,060	22,591,060

8. PROFORMA CASH FLOW STATEMENT (CONT'D)

8.1 SUMMARY OF EFFECTS OF THE ACQUISITION OF SUBSIDIARY COMPANIES

	Before the Public Issue RM	**After the Public Issue and utilisation of proceeds from the Public Issue** RM
Property, plant and equipment	4,107,428	4,107,428
Associated company	1,500,000	1,500,000
Development expenditure	101,004	101,004
Intangible assets	734,891	734,891
Investment	3,000,000	3,000,000
Inventories	2,177,285	2,177,285
Trade receivables	1,799,997	1,799,997
Other receivables	592,235	592,235
Cash and bank balances	6,631,058	6,631,058
Deferred taxation	(112,489)	(112,489)
Hire purchase creditors	(947,869)	(947,869)
Trade payables	(1,635,390)	(1,635,390)
Other payables	(1,596,528)	(1,596,528)
Provision for taxation	(1,821,022)	(1,821,022)
	14,530,600	14,530,600
Less : Minority interest	(3,641,138)	(3,641,138)
Share of net assets acquired	10,889,462	10,889,462
Goodwill on the date of acquisition	4,710,536	4,710,536
Total purchase consideration	15,599,998	15,599,998
Less : portion discharge by issuance of shares	15,599,998	15,599,998
Portion discharge by cash	-	-
Less : Cash and cash equivalents acquired	6,631,058	6,631,058
Cash inflow on acquisition net of cash and cash equivalents acquired	6,631,058	6,631,058

9. AUDITED FINANCIAL STATEMENTS

No audited financial statements of Perisai and its subsidiary and associated companies have been prepared in respect of any period subsequent to 31 December 2003.

Yours faithfully,

KUMPULAN NAGA
AF : 0024
Chartered Accountants

Nagarajan Thambiah
Approval number : 824/04/06

Kuala Lumpur, Malaysia.