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**10. FINANCIAL INFORMATION**

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**OCEANCASH PACIFIC BERHAD**

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**NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)****7.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(b) Basis of consolidation (Continued)**

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of their acquisition or up to the date of their disposal as appropriate. The assets and liabilities of subsidiary companies are measured at their fair value at the date of acquisition and these values are reflected in the Statement of Assets and Liabilities of Proforma Group. The difference between the cost of acquisition and the fair value of Proforma Group's share of the net assets of the acquired subsidiary companies at the date of acquisition is included in the Proforma Group's Statement of Assets and Liabilities as goodwill or reserve arising on consolidation.

Intra group transactions, balances and resulting unrealised gains are eliminated on consolidation and the Proforma Group's Statement of Assets and Liabilities reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

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

OPB's investments in subsidiary companies are stated at cost less impairment losses where applicable. At each balance sheet date OPB assess whether there is any indication of impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(k).

**(c) Goodwill on consolidation**

Reserve arising on consolidation which represents the excess of the fair value of the identifiable assets and liabilities of the subsidiary companies over the cost of acquisition is taken to reserve.

On disposal of a subsidiary company, the attributable amount of reserve on consolidation is included in the determination of the profit or loss on disposal.

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**OCEANCASH PACIFIC BERHAD**


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**NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)**
**7.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**(d) Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses where applicable. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(k).

No depreciation is provided for plant and machinery costing RM3,140,000/- as these assets are not ready for their intended use. Property, plant and equipment are depreciated on a straight line basis over their expected useful lives. The annual depreciation rates used for this purpose are as follows

Long leasehold buildings	2%
Renovation	33 1/3%
Furniture and fittings	10% - 33 1/3%
Office and factory equipment	10% - 33 1/3%
Motor vehicles	20%
Plant and machinery	10%

Long leasehold lands costing RM3,207,386/- and RM3,302,615/- are amortised over the remaining lease period of the lease of 97 years .

Property, plant and equipment are written down to a recoverable amount if, the recoverable amount is less than their carrying value. Recoverable amount is the higher of an asset's net selling price and its value in use.

**(e) Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis.

Costs of manufactured finished goods and work-in-progress include direct materials, direct labour and related overheads.

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**NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Debtors**

Known bad debts are written off and specific provision is made for any debts considered to be doubtful of collection.

**(g) Hire Purchase**

Property, plant and equipment financed by hire purchase arrangements which transfer substantially all the risks and rewards of ownership to Proforma Group are capitalised and are depreciated in accordance with the accounting policy as set out in Note 2(d). The corresponding outstanding obligations due after deducting finance charges are treated as liabilities. Finance charges are charged to the income statement in equal annual instalments over the period of the respective agreements.

**(h) Income Tax**

Deferred income 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 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.

Prior to the adoption of MASB 25 Income Taxes on 1st July 2002, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was a reasonable expectation of their realisation.

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**NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)****7.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****(i) Foreign Currency Translation**

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates. Where settlement has not taken place at the end of the financial year, conversion into Ringgit Malaysia is at the approximately exchange rates prevailing at that date. Foreign exchange gains or losses are taken up in the income statement.

The principal closing rate used in the translation of 1 US Dollar is RM3.80.

**(j) Financial Instruments**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as 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 set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**(k) Impairment of Assets**

At each balance sheet date, the carrying values of assets, other than stocks, deferred tax assets and financial assets, are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by referenced to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

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**NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)**

**7.2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Impairment of Assets (Continued)**

An impairment loss is charged to the income statement immediately.

Subsequent increase in the recoverable amount of an asset is treated as 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 also recognised in the income statement immediately, unless the asset is carried at revalued amount.

**(l) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand, bank balances and fixed deposits

## 10. FINANCIAL INFORMATION

## OCEANCASH PACIFIC BERHAD

## NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)

7.3 PROPERTY, PLANT AND EQUIPMENT  
Proforma Group

2003	Long Leasehold Land and Buildings RM'000	Renovation RM'000	Furniture and Fittings RM'000	Office and Factory Equipment RM'000	Motor Vehicles RM'000	Plant and Machinery RM'000	Total RM'000
Cost							
Additions through acquisition of subsidiary companies as at 31 December 2003	11,375	3	170	682	1,029	14,186	27,445
Additions	-	-	-	-	-	3,140	3,140
At 31st December 2003	11,375	3	170	682	1,029	17,326	30,585
Accumulated depreciation							
Additions through acquisition of subsidiary companies as at 31 December 2003	147	2	60	175	466	4,505	5,355
At 31st December 2003	147	2	60	175	466	4,505	5,355
Net Book Value at 31st December 2003	11,228	1	110	507	563	12,821	25,230

**10. FINANCIAL INFORMATION****OCEANCASH PACIFIC BERHAD****NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)****7.3 PROPERTY, PLANT AND EQUIPMENT ( Continue )****Proforma Group**

The long leasehold land with a net book value of RM6,455,139/- is registered in the name of a third party namely Oceancash Holdings Sdn. Bhd..

Long leasehold land and buildings with net book value of RM11,228,000/- and plant and machinery with net book value of RM4,961,677/- were purchased under financing from licenced financial institutions and are secured by :-

- i) first legal charge over the leasehold land,
- ii) first fixed charge on machinery,
- iii) jointly and severally guaranteed by directors of ONW.

Included in property, plant and equipment are the following assets which are acquired under hire purchase arrangements :-

	<b>Proforma Group RM'000</b>
At net book value,	
Motor vehicles	562
Plant and machinery	140
	<u>702</u>

**7.4 STOCKS**

	<b>Proforma Group RM'000</b>
At cost,	
Raw material and packaging material	1,718
Work in progress	143
Finished goods	610
Machinery parts	145
	<u>2,616</u>

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**OCEANCASH PACIFIC BERHAD**


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**NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)**
**7.5 TRADE DEBTORS**  
**Proforma Group**

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

**7.6 FIXED DEPOSITS**  
**Proforma Group**

Fixed deposits are registered in the name of a third party, namely Tan Siew Chin in trust for OFSB.

**7.7 TRADE CREDITORS**  
**Proforma Group**

The normal trade credit terms granted to the Proforma Group range from 30 to 60 days.

**7.8 HIRE PURCHASE CREDITORS**

	<b>Proforma Group RM'000</b>
Minimum hire purchase payments	
- not later than one year	152
- later than one year and not later than five years	163
- later than five years	-
	<hr/> 315
Future finance charges	(65)
Present value of hire purchase liabilities	<hr/> 250 <hr/>

Represented by:

Current

- not later than one year 120

Long term

- later than one year and not later than five years 130

- later than five years -

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130

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250

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**10. FINANCIAL INFORMATION****OCEANCASH PACIFIC BERHAD****NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)****7.9 BILLS PAYABLE**  
**Proforma Group**

The bills payable are secured by Facility Agreement, first fixed legal charge over the leasehold land with net book value of RM3,289,048/- and a joint and several guarantee by directors of ONW. The said borrowing bears interest at rates ranging from 5.20% to 7.50% per annum.

**7.10 TERM LOANS**

	<b>Proforma Group RM'000</b>
Term loans	4,939
Less: Portion due within twelve months	(605)
Portion due after twelve months	<u>4,334</u>

The terms of repayment of the term loans are as follows:-

Within the next twelve months ( included under current liabilities)	605
After the next twelve months ( included under long term liabilities)	
Not later than two years	3,102
Later than two years but not later than five years	1,232
Later than five years	-
	<u>4,939</u>

The term loans are secured by:-

- (a) Facility Agreement
- (b) First fixed legal charge over long leasehold lands and buildings with net book value of RM8,961,288/- and
- (c) Jointly and severally guaranteed by directors of ONW

**10. FINANCIAL INFORMATION****OCEANCASH PACIFIC BERHAD****NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)****7.11 SHARE CAPITAL**

	<b>Proforma Group RM'000</b>	<b>OPB RM'000</b>
Ordinary shares of RM0.10/- each		
Authorised:	<u>25,000</u>	<u>100</u>
Issued and fully paid:		
Audited balance as at 31 December 2003	^	^
Proforma adjustments :		
Arising from the Acquisitions	17,222	-
Public Issue	5,078	
	<u>22,300</u>	<u>-</u>

^ RM2/-

**7.12 DEFERRED TAXATION**

	<b>Proforma Group RM'000</b>
Deferred taxaton consists of :	
Temporary difference due to capital allowance in excess of depreciation	1,756
Reinvestment Allowance	(562)
Other timing differences	(59)
Balance as at 31 December 2003	<u>1,135</u>

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**OCEANCASH PACIFIC BERHAD**


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**NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)**
**7.13 COMMITMENTS**

	<b>Proforma Group RM'000</b>
Expenditure authorised and contracted for but not provided in the financial statements	<u>2,889</u>

**7.14 FINANCIAL INSTRUMENTS**
**(a) Financial Risk Management and Objectives**

The Proforma Group seeks to manage effectively the various risks namely credit, foreign exchange, interest rate and liquidity risks, to which the Proforma Group is exposed in its daily operations.

**(b) Credit Risk**

Credit risks, or the risks of counter parties defaulting, are controlled by the application of credit approvals, limits and monitoring procedure. Credit risks are monitored via strictly limiting Proforma Group's associations to business parties with high credit worthiness. Trade debtors are monitored on a regular and on ongoing basis.

As at balance sheet date, Proforma Group does not have any significant exposure to any individual customer or counter-party nor does it have any major concentration of credit risk related to any financial instruments. The maximum exposure to credit risk for Proforma Group is the carrying amount of the financial assets shown in the Statements of Assets and Liabilities.

**(c) Foreign Exchange Risk**

Proforma Group is not exposed to significant foreign currency risks as the majority of Proforma Group's transactions, assets and liabilities are denominated in Ringgit Malaysia. Foreign currency denominated assets and liabilities together with expected future cash flows from business transactions give rise to foreign exchange exposure.

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**OCEANCASH PACIFIC BERHAD**


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**NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)**
**7.15 FINANCIAL INSTRUMENTS (Continue)**
**(d) Interest Rate Risk**

Proforma Group's primary interest rate risk relates to long-term interest-bearing debt as at 31st December 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

At 31st December 2003	Effective Interest Rate %	Total RM	Within 1 Year RM	1 - 5 Years RM	> 5 Years RM
<b>Financial Asset</b>					
Fixed deposits	4.00	527	527	-	-
<b>Financial Liabilities</b>					
Borrowings					
- term loans	6.25 - 7.50	4,939	605	4,334	-
- hire purchase creditors	5.50 - 7.30	250	120	130	-
- bills payable	5.20 - 7.50	1,384	1,384	-	-

As at 31st December 2003, Proforma Group did not enter into any hedging instruments arrangement such as interest rate swaps to minimise its exposure to interest rate volatility.

**(e) Liquidity Risk**

Proforma Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, Proforma Group maintains sufficient levels of cash or cash equivalent to meet its working capital requirement.

**(f) Fair Values**
***Recognised financial instruments***

The fair value of the financial assets and liabilities approximate their respective carrying values on the Statements of Assets and Liabilities.

***Unrecognised financial instruments***

There were no financial instruments not recognised in the Statements of Assets and Liabilities as at 31st December 2003 that are required to be disclosed.

## 10. FINANCIAL INFORMATION

## OCEANCASH PACIFIC BERHAD

## NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)

## 7.16 CONSOLIDATED CASH FLOW STATEMENT

	Proforma Group RM'000	OPB RM'000
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating Loss Before Working Capital Changes	(2)	(2)
Increase in debtors	(95)	(95)
Increase in creditors	97	97
Net Cash From Operating Activities	-	-
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(3,140)	-
Net Cash Used In Investing Activity	(3,140)	-
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceed from issue of shares	10,156	-
Acquisition of subsidiary companies net of cash acquired *	2,461	-
Repayment of term loan	(1,018)	-
Payment of listing expenses	(1,000)	-
Net Cash From Financing Activities	10,599	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,459	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	^	^
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7,459	^
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	6,932	^
Fixed deposits	527	-
	7,459	^

^ RM2/-

## 10. FINANCIAL INFORMATION

## OCEANCASH PACIFIC BERHAD

## 7.16 CONSOLIDATED CASH FLOW STATEMENT (Continued)

## NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)

	Group RM'000
<b>* SUMMARY OF EFFECTS ON ACQUISITION OF INTEREST IN SUBSIDIARY COMPANIES</b>	
<b>Assets:</b>	
<i>Property, plant and equipment</i>	22,090
<i>Stocks</i>	2,616
<i>Trade debtors</i>	5,409
<i>Other debtors, deposits and prepayments</i>	1,385
<i>Tax recoverable</i>	33
<i>Fixed deposits placed with licenced banks</i>	527
<i>Cash and bank balances</i>	1,934
<i>Total Assets</i>	<u>33,994</u>
<b>Liabilities:</b>	
<i>Trade creditors</i>	450
<i>Other creditors and accruals</i>	1,022
<i>Amount owing to directors</i>	4,213
<i>Hire purchase creditors</i>	250
<i>Bills payable</i>	1,384
<i>Term loans</i>	5,957
<i>Deferred taxation</i>	1,135
<i>Minority interest</i>	1,575
	<u>15,986</u>
<i>Net Assets</i>	18,008
<i>Reserve on consolidation</i>	(786)
<i>Total purchase consideration</i>	<u>17,222</u>
<i>Consideration were discharged by the issuance of new shares</i>	(17,222)
<i>Cash of subsidiary acquired</i>	2,461
<i>Net Cash Inflow on Acquisition</i>	<u>2,461</u>

OPB acquired the entire equity interest in ONW and 87.80% interest in OFSB for a total consideration of RM17,222,200/- which to be discharged by the issuance of new shares in OPB.

**10. FINANCIAL INFORMATION****OCEANCASH PACIFIC BERHAD****NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)****7.16 CONSOLIDATED CASH FLOW STATEMENT (Continued)**

The effects of the acquisition on the financial results of Proforma Group for the current year is as follows:-

	<b>Group</b> RM'000
Revenue	-
Cost of sales	-
Gross profit	-
Other operating income	-
Administrative expenses	(2)
Operating profit	(2)
Finance costs (net)	-
Profit before taxation	(2)
Taxation	-
Profit after taxation	(2)
Minority interests	-
Net profit for the period and attributable to shareholders	(2)

The effects of the acquisition on the financial position of the Proforma Group at 31st December 2003 is as follows:-

	<b>Group</b> RM'000
Property, plant and equipment	22,090
Stocks	2,616
Trade debtors	5,409
Other debtors, deposits and prepayments	1,385
Tax recoverable	33
Fixed deposits placed with licensed banks	527
Cash and bank balances	1,934
Trade creditors	(450)
Other creditors and accruals	(5,235)
Hire purchase creditors	(250)
Bills payable	(1,384)
Term loans	(5,957)
Deferred taxation	(1,135)
Minority interest	(1,575)
Reserve on consolidation	(786)
	17,222

**10. FINANCIAL INFORMATION****OCEANCASH PACIFIC BERHAD****NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES (Continued)****7.17 NET TANGIBLE ASSETS COVER**

Based on the Statements of Assets and Liabilities of Proforma Group as at 31st December 2003 the net tangible assets is calculated as follows:

	<b>Proforma Group RM'000</b>
Net assets per Statements of Assets and Liabilities	26,369
Number of ordinary shares of RM0.10 each in issue ('000 units)	223,000
Net tangible assets cover per ordinary share of RM1 each (RM)	0.12


**7.18 SUBSEQUENT EVENTS**

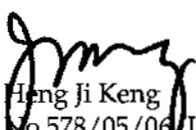
There were no significant subsequent events between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the content of this report.

**7.19 AUDITED FINANCIAL STATEMENTS**

No audited financial statements have been prepared in respect of any period subsequent to 31st December 2003.

Yours faithfully,

  
Monteiro & Heng  
AF0117  
Chartered Accountants

  
Heng Ji Keng  
(No.578/05/06/J/PH)  
Partner