

**11. FINANCIAL INFORMATION****11.1 PROFORMA CONSOLIDATED INCOME STATEMENT**

The following table sets out a summary of the proforma consolidated income statement of the AB Group for the past five (5) financial years ended 31 December 2003 and the six (6)-months financial period ended 30 June 2004 prepared based on the assumption that the current structure of the AB Group has been in existence throughout the financial years and period under review. The proforma consolidated income statement is extracted from the Accountants' Report for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set forth in Section 12 of this Prospectus:

	← Financial years ended 31 December →					Six (6) months ended 30 June 2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
Revenue	1,664	2,435	2,540	3,717	4,138	2,054
Profit/(Loss) before depreciation and interest expense	171	160	(313)	833	1,107	410
Interest Expense	-	-	(7)	(30)	(49)	(53)
Depreciation	(44)	(51)	(55)	(39)	(79)	(43)
PBT/(LBT)	127	109	(375)	764	979	314
Taxation	-	-	(5)	(148)	(199)	(55)
PAT/(LAT) before MI	127	109	(380)	616	780	259
MI	-	-	2	12	21	10
PAT/(LAT) after MI	127	109	(378)	628	801	269
No. of AB Shares assumed in issue ('000)*	28,000	28,000	28,000	28,000	28,000	28,000
Gross EPS/(loss per share) (sen) <sup>(1)</sup>	0.46	0.39	(1.34)	2.73	3.50	2.24 <sup>(4)</sup>
Net EPS/(loss per share) (sen) <sup>(2)</sup>	0.46	0.39	(1.35)	2.24	2.86	1.92 <sup>(4)</sup>

(1) The gross EPS is calculated by dividing PBT by the number of AB Shares in issue after the Acquisition and Rights Issue but before the Public Issue.

(2) The net EPS is calculated by dividing PAT after MI by the number of AB Shares in issue after the Acquisition and Rights Issue but before the Public Issue.

(3) There were no share of profits and losses of associated companies and joint ventures, extraordinary items or exceptional items during the financial years/period under review.

(4) Annualised for illustration purposes. The gross and net EPS for the financial period ended 30 June 2004 are 1.12 sen and 0.96 sen respectively.

\* Based on the issued and paid-up share capital after the Acquisition and Rights Issue but before the Public Issue.

**11. FINANCIAL INFORMATION (Cont'd)**

- (i) In the financial year ended 31 December 1999, the revenue of the Group increased by a 51% largely due to growth in both revenue from computer related products and services and revenue from the ASDION suite of business software. This can be attributable to the recovery of the economy from the 1997/1998 slowdown. With the introduction of HrLink and TPosLink during the financial year, a total of four applications, including AccLink and MemberLink (which were introduced in 1997 and 1998 respectively) were available in the market. The Group's PAT after MI improved by more than 200% in the financial year under review in line with the increase in revenue and increase in gross margin to 50% as compared to the previous financial year.

There was no tax expense for the financial year under review due to the utilisation of unabsorbed capital allowances and tax losses brought forward.

- (ii) In the financial year ended 31 December 2000, the revenue of the Group increased by 46% driven by the growth in the revenue from the ASDION suite of business software. In addition, the BookLink application was launched during the financial year. However, Group's PAT after MI decreased by 15% as compared to the previous financial year mainly due to the increased in cost of sales resulting from the usage of external resources in the implementation of the Group's application. In addition, the decrease in PAT after MI for the financial year under review also attributed by the increase in operating expenses by 53% as compared to the previous financial year.

There was no tax expense for the financial year under review due to the utilisation of unabsorbed capital allowances and tax losses brought forward.

- (iii) In the financial year ended 31 December 2001, the revenue of the Group only registered a growth rate of 4% due to the diversion of resources and key personnel towards establishing a R&D centre in Shanghai, which resulted in operational constraints on TIS. Hence, the Group incurred a loss after taxation and MI of RM0.4 million during the financial year.

The low effective tax rate for the financial year under review was attributed to unabsorbed tax losses brought forward.

- (iv) In the financial year ended 31 December 2002, revenue of the Group increased by 46% driven by both computer related products and services as well as the ASDION suite of applications as there were less constraints on TIS' resources with the R&D centre in Shanghai becoming operational during the financial year. The growth in revenue is also attributable to the expansion of TIS' clientele base which enabled TIS to undertake more systems integration works, maintenance services and systems upgrading exercises. As a result of this, coupled with the improvement in gross margin, the PAT after MI of the Group has increased to RM0.6 million during the financial year under review.

The low effective tax rate for the financial year under review was mainly due to the utilisation of unabsorbed tax losses and certain non-taxable income.

- (v) In the financial year ended 31 December 2003, revenue of the Group increased by 11% due to the growth in demand from clients for one-stop solutions. In tandem with the increase in revenue, the PAT after MI of the Group also recorded an increase by 28% to RM0.8 million during the financial year under review.

The effective tax rate was higher for the financial year under review compared to the previous financial year mainly due to the ineligibility for tax deduction of certain expenses.

---

**11. FINANCIAL INFORMATION (Cont'd)**

---

- (vi) For the financial period ended 30 June 2004, the Group recorded a revenue of RM2.1 million which represents a decline of less than 1% on an annualised basis compared to the previous financial year. The Group's PAT showed a decrease of 33% on an annualised basis compared to the previous year mainly due to additional expenses incurred resulting from additional employees recruited in the financial period under review to increase the Group's capacity as part of its expansion plans.
- (vii) For the five (5) financial years ended 31 December 2003 and the financial period ended 30 June 2004, the results of the Group were not materially affected by the changes in the foreign exchange rates relating to the Group's transactions as the said foreign exchange rates, namely SGD\$, RM, USD\$ and RMB, have been relatively stable during the financial years/period under review.

In addition, the results of the Group were not materially affected by the changes in interest rates of the Group's borrowings during the financial years/period under review as the changes in interest rates were not significant.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**11. FINANCIAL INFORMATION (Cont'd)****11.2 FINANCIAL INFORMATION ANALYSIS**

A segmental analysis of the revenue, PBT/LBT, gross profit and gross profit margin of the AB Group is as follows.

	← Financial years ended 31 December →					Six (6)
	1999	2000	2001	2002	2003	months
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000	ended 30
AB	-	-	-	-	-	June 2004
TIS	1,664	2,435	3,145	3,714	4,066	RM'000
AS	-	-	308	148	185	-*
ASSL	-	-	-	4	-	-
	1,664	2,435	3,453	3,866	4,251	2,054
Consolidated Adjustments	-	-	(913)	(149)	(113)	-
	1,664	2,435	2,540	3,717	4,138	2,054

	← Financial years ended 31 December →					Six (6)
	1999	2000	2001 <sup>1</sup>	2002 <sup>2</sup>	2003 <sup>3</sup>	months
PBT/LBT	RM'000	RM'000	RM'000	RM'000	RM'000	ended 30
AB	-	-	-	-	(3)	June 2004 <sup>4</sup>
TIS	127	109	246	935	679	RM'000
AS	-	-	(37)	(90)	(297)	(137)
ASSL	-	-	-	(146)	(135)	(62)
	127	109	209	699	244	(53)
Consolidated Adjustments	-	-	(584)	65	735	367
	127	109	(375)	764	979	314

	← Financial years ended 31 December →					Six (6)
	1999	2000	2001	2002	2003	months
Gross Profit	RM'000	RM'000	RM'000	RM'000	RM'000	ended 30
AB	-	-	-	-	-	June 2004
TIS	837	1,124	1,273	1,825	2,108	RM'000
AS	-	-	211	101	185	-*
ASSL	-	-	-	4	-	-
	837	1,124	1,484	1,930	2,293	1,115

	← Financial years ended 31 December →					Six (6)
	1999	2000	2001	2002	2003	months
Gross Profit Margin	%	%	%	%	%	ended 30
AB	-	-	-	-	-	June 2004
TIS	50	46	40	49	52	%
AS	-	-	68	68	100	100
ASSL	-	-	-	100	-	-
	50	46	108	217	152	154

**11. FINANCIAL INFORMATION (Cont'd)***Notes:*

- \* *The revenue and gross profit of AS based on the audited financial statements of AS for the six-(6) months financial period ended 30 June 2004 amounts to SGD\$68 (equivalent to RM147.09 based on an exchange rate of RM2.1631 for every SGD\$1)*
1. *For the financial year ended 31 December 2001, AS recorded LBT of RM0.04 million mainly due to operating expenses incurred for the preparation works for commencement of AS' operation.*
2. *For the financial year ended 31 December 2002, AS recorded LBT of RM0.09 million mainly due to lower revenue as a result of streamlining of the Group's operation where the Group's revenue was mostly recognised by TIS while AS' operating expenses remained relatively stable.*
- For the financial year ended 31 December 2002, ASSL recorded LBT of RM0.15 million mainly due to operating expenses incurred for the preparation works for commencement of ASSL's operation.*
3. *For the financial year ended 31 December 2003, the LBT of AB is mainly due to operating expenses.*
- For the financial year ended 31 December 2003, AS recorded LBT of RM0.3 million largely attributable to diminution in value of investment in ASSL and operating expenses.*
- ASSL, on the other hand, recorded a decrease in LBT to RM0.14 million in the financial year under review mainly due to operating expenses as ASSL essentially functioned as a cost centre for the localisation of ASDION software.*
4. *For the six-(6) months financial period ended 30 June 2004, LBT of AB, AS and ASSL are mainly due to operating expenses.*

**11.3 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND MATERIAL LITIGATION****(i) Working Capital**

The Board is of the opinion that, after taking into account the cashflow position, banking facilities available and the proceeds from the Public Issue, the AB Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

**(ii) Borrowings**

The Board confirms that, save as disclosed below, as of 30 November 2004 being the latest practicable date prior to the printing of this Prospectus, the AB Group does not have any outstanding borrowing, any other loan capital outstanding, loan capital created but unissued, or mortgage or charge outstanding.

TIS has obtained a term loan of SGD\$279,892 from Standard Chartered Bank (Singapore) to finance the purchase of the property referred to in Section 9.2 of this Prospectus together with an overdraft facility of SGD\$300,000 and trade facilities of SGD\$500,000, which banking facilities are collectively secured by an assignment of the said property and joint and several guarantees of Yap Tai Tee and Yap Tai Yeong.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**11. FINANCIAL INFORMATION (Cont'd)**

Further details of the Group's outstanding bank borrowings as at 30 November 2004 are as follows:

<b>Outstanding borrowings</b>	<b>SGD\$'000</b>	<b>RM' 000*</b>
<b>Long term borrowings (Payable after 12 months)</b>		
Interest bearing	253	547
Non-interest bearing	-	-
<b>Short term borrowings (Payable within 12 months)</b>		
Interest bearing	310	670
Non-interest bearing	-	-
<b>Total</b>	<b>563</b>	<b>1,217</b>

\* Based on exchange rate of RM2.1631 for every SGD\$1

The Group has not been defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent period thereof preceding the date of this Prospectus.

**(iii) Contingent Liabilities**

The Board confirms that as of 30 November 2004, it is not aware of any contingent liability which, upon becoming enforceable, may have a material impact on the financial position of the AB Group.

**(iv) Capital Commitments**

The Board confirms that as at 30 November 2004, the AB Group has not contracted for any capital commitment which, upon becoming enforceable, may have a material impact on the financial position of the AB Group.

**(v) Material Litigation**

The Board confirms that as at 30 November 2004, neither AB nor any of its subsidiaries is engaged in any litigation, claims and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of AB or its subsidiaries, and the Board is not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of AB or its subsidiaries.

**11.4 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE**

The Board declares that save as disclosed in this Prospectus, as at 30 November 2004, the financial conditions and operations of AB and its subsidiaries are not affected by any of the following:

- (i) Known trends or known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's or the Group's liquidity increasing or decreasing in a material way;
- (ii) Unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations of the Company or the Group;

---

**11. FINANCIAL INFORMATION (Cont'd)**

---

- (iii) Known trends, events, circumstances, uncertainties or commitments that are reasonably likely to make the historical financial information not indicative of future financial performance and position or that the Company and/or the Group reasonably expects will have a favourable or unfavourable impact on the revenue or operating income of the Company or the Group; and
- (iv) Material commitments for capital expenditure.

**11.5 FUTURE FINANCIAL INFORMATION**

No future financials (including profit forecast or estimates) are included in this Prospectus as they are difficult to forecast due to the uncertain nature and inherent risks of the business of the AB Group. The financial position of the AB Group are affected by a complexity of factors, including intense competition, operating risks, risks associated with the penetration of new geographical markets, uncertainty of its Business Development Plan and its dependence on customers and the securing of new contracts. Please refer to Section 3 of this Prospectus – Risk Factors for further details.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**11. FINANCIAL INFORMATION (Cont'd)**

**11.6 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON**

*Prepared for inclusion in the Prospectus.*



■ Chartered Accountants  
4th Floor, Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia

■ Phone : (03) 2144-2333  
Fax : (03) 2141-0676  
(03) 2144-5619  
www.ey.com/my

Mail Address:  
P.O. Box 10068  
50704 Kuala Lumpur, Malaysia

**REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS**

(Prepared for inclusion in the Prospectus)

10 December 2004

The Board of Directors  
Asdion Berhad  
Wisma Selangor Dredging  
6<sup>th</sup> Floor South Block  
142-A Jalan Ampang  
50450 Kuala Lumpur

Dear Sirs

**PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004  
FLOTATION ON THE MESDAQ MARKET OF BURSA MALAYSIA SECURITIES  
BERHAD**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Asdion Berhad ("AB" or the "Company") and its subsidiary companies (collectively known as the "Proforma Group"), as at 30 June 2004 together with the accompanying notes, for which the Directors are solely responsible, which we have stamped for identification, prepared for inclusion in the Prospectus to be dated **23 DEC 2004** in connection with the flotation of AB on the MESDAQ Market of Bursa Malaysia Securities Berhad.

In our opinion, the Proforma Consolidated Balance Sheets of AB as at 30 June 2004, which are provided for illustrative purposes only, have been properly compiled on the bases set out in the notes thereto, are presented on a basis consistent with the accounting policies normally adopted by the Proforma Group and the adjustments are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

Yours faithfully



ERNST & YOUNG  
AF: 0039  
Chartered Accountants



Yeo Eng Seng  
1212/12/04(J)  
Partner

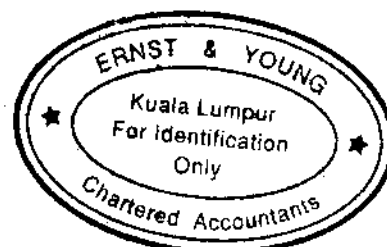


**11. FINANCIAL INFORMATION (Cont'd)****11.6 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON****ASDION BERHAD****PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004**

The Proforma Consolidated Balance Sheets set out below are presented for illustrative purposes only and are based on the audited balance sheet of Asdion Berhad ("AB" or the "Company") and the audited consolidated balance sheet of Techtron Integrated Systems (S) Pte Ltd ("TIS") as at 30 June 2004 to show the effects of the Acquisition, Rights Issue and Public Issue had they been effected on 30 June 2004.

For the purpose of illustration in these Proforma Consolidated Balance Sheets, the audited consolidated financial statements of TIS which are expressed in Singapore Dollars ("SGD") have been converted to Ringgit Malaysia ("RM") at the exchange rate of SGD1 to RM2.1631.

	COMPANY	PROFORMA GROUP		
		Proforma I	Proforma II	Proforma III
	Audited as at 30.6.2004 RM	After Acquisition RM	After Proforma I and Rights Issue RM	After Proforma II and Public Issue RM
PROPERTY, PLANT AND EQUIPMENT	-	1,103,908	1,103,908	4,503,908
CURRENT ASSETS (Note 4(a))	6,932	3,002,625	4,349,625	5,749,625
CURRENT LIABILITIES (Note 4(b))	10,830	1,157,373	1,157,373	1,157,373
NET CURRENT (LIABILITIES) / ASSETS	(3,898)	1,845,252	3,192,252	4,592,252
	(3,898)	2,949,160	4,296,160	9,096,160
SHARE CAPITAL	2	1,453,000	2,800,000	4,000,000
RESERVES (Note 5)	(3,900)	892,283	892,283	4,492,283
	(3,898)	2,345,283	3,692,283	8,492,283
MINORITY INTERESTS	-	26,563	26,563	26,563
LONG TERM LIABILITIES (Note 4(c))	-	577,314	577,314	577,314
	(3,898)	2,949,160	4,296,160	9,096,160
NO. OF ORDINARY SHARES OF RM0.10 EACH IN ISSUE	20	14,530,000	28,000,000	40,000,000
NET TANGIBLE (LIABILITIES) / ASSETS PER ORDINARY SHARE (SEN)	(19,490)	16	13	21



**11. FINANCIAL INFORMATION (Cont'd)****11.6 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON****ASDION BERHAD****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004**

The Proforma Consolidated Balance Sheets have been prepared on accounting principles and bases consistent with those adopted in the preparation of audited financial statements. These have been prepared based on the audited financial statements of AB and the audited consolidated financial statements of TIS as at 30 June 2004 and adjusted for the following:-

## 1. Flotation Scheme

## (a) Acquisition

The Company acquired 100% of the equity interest in TIS comprising 600,000 ordinary shares of SGD1 each for a purchase consideration of RM1,453,134 satisfied by the issue of 14,529,980 new ordinary shares of RM0.10 each in the Company at an issue price of approximately RM0.10 per share ("Acquisition").

The Acquisition was completed in September 2004.

The reserve on consolidation amounting to RM896,047 arising from the Acquisition is derived as follows:-

	RM
Purchase consideration	(1,453,134)
Share of net assets of TIS as at 30 June 2004	<u>2,349,181</u>
Reserve on consolidation	<u>896,047</u>

## (b) Rights Issue

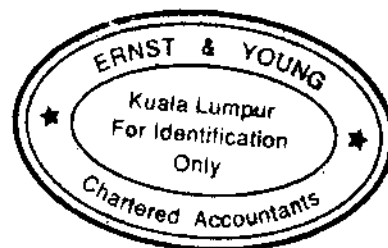
The Company made a Rights Issue of 13,470,000 new ordinary shares of RM0.10 each in the Company on the basis of approximately 0.927 new ordinary share of RM0.10 each for every one (1) existing ordinary share of RM0.10 each held in the Company after the Acquisition, at an issue price of RM0.10 per share for total cash proceeds of RM1,347,000 ("Rights Issue").

The Rights Issue was completed in October 2004.

## (c) Public Issue

The Company will make a Public issue for cash of 12,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.50 per share for total cash proceeds of RM6,000,000 ("Public Issue").

The premium of RM4,800,000 arising from the Public Issue is credited to share premium account.

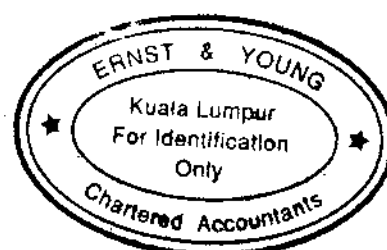


**11. FINANCIAL INFORMATION (Cont'd)****11.6 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON****ASDION BERHAD****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004 (CONT'D.)**

2. Estimated expenses relating to the Flotation Scheme of RM1.2 million have been debited against share premium account.
3. It is assumed that the net cash proceeds of RM6.147 million (after deducting estimated expenses relating to the Flotation Scheme of RM1.2 million) to be received from the Flotation Scheme will be utilised as follows:-

	<b>RM million</b>
Purchase of property, plant and equipment:-	
- for research and development	2.200
- others	1.200
Working capital	2.747
	<hr/>
	6.147
	<hr/> <hr/>

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

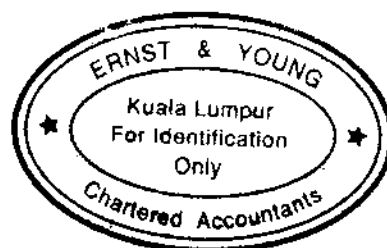


**11. FINANCIAL INFORMATION (Cont'd)****11.6 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON****ASDION BERHAD****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004 (CONT'D.)**

4. Analysis of Current Assets, Current Liabilities, and Long Term Liabilities are as follows:-

	COMPANY	PROFORMA GROUP		
		Proforma I	Proforma II	Proforma III
	Audited as at <u>30.6.2004</u> RM	After <u>Acquisition</u> RM	After Proforma I and <u>Rights Issue</u> RM	After Proforma II and <u>Public Issue</u> RM
(a) CURRENT ASSETS				
Inventories	-	331,411	331,411	331,411
Trade receivables	-	1,481,829	1,481,829	1,481,829
Other receivables	-	739,670	739,670	739,670
Fixed deposit with bank	-	356,092	1,703,092	3,103,092
Cash and bank balances	6,932	93,623	93,623	93,623
	6,932	3,002,625	4,349,625	5,749,625
(b) CURRENT LIABILITIES				
Trade payables	-	555,715	555,715	555,715
Other payables	2,000	114,133	114,133	114,133
Amounts due to directors	8,830	19,596	19,596	19,596
Provision for taxation	-	238,123	238,123	238,123
Bank term loan	-	43,262	43,262	43,262
Bank overdraft	-	186,544	186,544	186,544
	10,830	1,157,373	1,157,373	1,157,373
(c) LONG TERM LIABILITIES				
Bank term loan	-	562,172	562,172	562,172
Deferred tax	-	15,142	15,142	15,142
	-	577,314	577,314	577,314

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

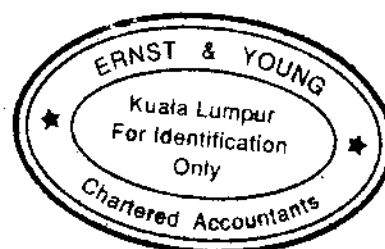


**11. FINANCIAL INFORMATION (Cont'd)****11.6 PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON****ASDION BERHAD****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2004 (CONT'D.)**

5. Analysis of Reserves is as follows:-

	<u>Share Premium</u> RM	<u>Reserve on Consolidation</u> RM	<u>Accumulated Loss</u> RM	<u>Total</u> RM
Company – Audited as at 30 June 2004	-	-	(3,900)	(3,900)
Arising on Acquisition	136	896,047	-	896,183
<b>After Acquisition / After Rights Issue</b>	136	896,047	(3,900)	892,283
Arising on Public Issue	4,800,000	-	-	4,800,000
Estimated expenses relating to the Flotation Scheme	(1,200,000)	-	-	(1,200,000)
<b>After Public Issue</b>	3,600,136	896,047	(3,900)	4,492,283

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



## 12. ACCOUNTANTS' REPORT

*Prepared for inclusion in the Prospectus.*



■ Chartered Accountants  
4th Floor, Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia

■ Phone : (03) 2144-2333  
Fax : (03) 2141-0676  
(03) 2144-5619  
[www.ey.com/my](http://www.ey.com/my)

Mail Address:  
P.O. Box 10068  
50704 Kuala Lumpur, Malaysia

### ASDION BERHAD ACCOUNTANTS' REPORT (Prepared for inclusion in the Prospectus)

10 December 2004

The Board of Directors  
Asdion Berhad  
Wisma Selangor Dredging  
6<sup>th</sup> Floor South Block  
142-A Jalan Ampang  
50450 Kuala Lumpur

Dear Sirs

#### 1.0 INTRODUCTION

This Report has been prepared by Ernst & Young, an approved company auditor, for the purpose of inclusion in the Prospectus to be dated **23 DEC 2004** in connection with a Public Issue of 12,000,000 new ordinary shares of RM0.10 each in Asdion Berhad ("AB" or the "Company") at an issue price of RM0.50 per ordinary share and the listing of the entire issued and paid-up share capital of AB on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Listing").

#### 2.0 GENERAL INFORMATION

##### 2.1 The Company

The Company was incorporated in Malaysia on 27 August 2002 as a private limited company under the name of Asdion Sdn Bhd. On 16 December 2003, the Company was converted into a public company and assumed the name of Asdion Berhad.

The authorised and issued and paid-up share capital of the Company as at the date of incorporation are RM100,000 comprising 100,000 ordinary shares of RM1.00 each and RM2 comprising 2 ordinary shares of RM1.00 each respectively. The authorised and issued and paid-up share capital of the Company as at the date of this Report are RM5,000,000 comprising 50,000,000 ordinary shares of RM0.10 each and RM2,800,000 comprising 28,000,000 ordinary shares of RM0.10 each respectively.

The Company has not commenced operations since its incorporation.

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**2.2 Flotation Scheme****(a) Acquisition**

The Company acquired 100% of the equity interest in Techtron Integrated Systems (S) Pte Ltd comprising 600,000 ordinary shares of SGD1 each for a purchase consideration of RM1,453,134 satisfied by the issue of 14,529,980 new ordinary shares of RM0.10 each in the Company at an issue price of approximately RM0.10 per share ("Acquisition").

The Acquisition was completed in September 2004.

**(b) Rights Issue**

The Company made a rights issue of 13,470,000 new ordinary shares of RM0.10 each in the Company on the basis of approximately 0.927 new ordinary share of RM0.10 each for every one (1) existing ordinary share of RM0.10 each held in the Company after the Acquisition, at an issue price of RM0.10 per share for total cash proceeds of RM1,347,000 ("Rights Issue").

The Rights Issue was completed in October 2004.

**(c) Public Issue**

The Company will make a Public Issue for cash of 12,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.50 per share for total cash proceeds of RM6,000,000 ("Public Issue").

The Acquisition, Rights Issue and Public Issue are collectively referred to as the "Flotation Scheme".

On completion of the Acquisition, Rights Issue and Public Issue, the issued and paid-up share capital of the Company will be as follows:-

	<b>Issued and paid-up share capital RM</b>	<b>Number of ordinary shares</b>	<b>Par value RM</b>
Based on the audited financial statements as at 30 June 2004	2	20	0.10
Acquisition	1,452,998	14,529,980	0.10
Rights Issue	1,347,000	13,470,000	0.10
	2,800,000	28,000,000	0.10
Public Issue	1,200,000	12,000,000	0.10
On completion of Flotation Scheme	4,000,000	40,000,000	

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**2.3 The Subsidiary Companies**

Information on the subsidiary companies of AB is as follows:-

**2.3.1 Techtron Integrated Systems (S) Pte Ltd ("TIS")**

TIS was incorporated in Singapore on 28 October 1993 as a private limited company under the name of Techtron-Tesa Integrated Systems (S) Pte Ltd. On 24 May 1994, TIS changed its name to Techtron Integrated Systems (S) Pte Ltd.

The authorised and issued and paid-up share capital of TIS as at 30 June 2004 (based on the exchange rate of SGD1 to RM2.1631) and as at the date of this Report are as follows:-

	SGD	RM
Authorised:		
1,000,000 ordinary shares of SGD1 each	<u>1,000,000</u>	<u>2,163,100</u>
Issued and paid-up:		
600,000 ordinary shares of SGD1 each	<u>600,000</u>	<u>1,297,860</u>

Based on the audited financial statements as at 30 June 2004, the principal activities of TIS are those of software development, information communication technology and related activities.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**2.3.1 Techtron Integrated Systems (S) Pte Ltd ("TIS") – Cont'd.**

The subsidiary companies of TIS as at 30 June 2004 are Asdion Software Pte Ltd and Asdion Software (Shanghai) Ltd, which is a subsidiary company of Asdion Software Pte Ltd.

- **Asdion Software Pte Ltd ("AS") – Subsidiary Company of TIS**

AS was incorporated in Singapore on 3 April 2000 as a private limited company under the name of Asdion Software Pte Ltd.

The authorised and issued and paid-up share capital of AS as at 30 June 2004 (based on the exchange rate of SGD1 to RM2.1631) and as at the date of this Report are as follows:-

	SGD	RM
Authorised:		
500,000 ordinary shares of SGD1 each	500,000	1,081,550
Issued and paid-up:		
400,000 ordinary shares of SGD1 each	400,000	865,240

Based on the audited financial statements as at 30 June 2004, the principal activities of AS are those of consultants and distributors of e-commerce and related products and services.

AS was acquired by TIS in the year 2001 and is a 95% owned subsidiary company of TIS.

- **Asdion Software (Shanghai) Ltd ("ASSL") – Subsidiary Company of AS**

ASSL was established in the People's Republic of China on 18 September 2001 as an enterprise with foreign investment under the name of Asdion Software (Shanghai) Ltd.

The registered and paid-in capital of ASSL as at 30 June 2004 (based on the exchange rate of USD1 to RM3.80) and as at the date of this Report is as follows:-

	USD	RM
Registered and paid-in capital	140,000	532,000

Based on the audited financial statements as at 30 June 2004, the principal activities of ASSL are research and development in software coding and the marketing and provision of computer hardware and software solutions.

The effective period of its business license is 30 years from 18 September 2001 to 17 September 2031.

ASSL was acquired by AS in the year 2001 and is a wholly-owned subsidiary company of AS and accordingly, is 95% effectively held by TIS.

**12. ACCOUNTANTS' REPORT (Cont'd)**



AF: 0039

**3.0 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES**

This Report is based on the audited financial statements of the Company, TIS, AS and ASSL, and is presented on a basis consistent with the accounting policies normally adopted by AB and its subsidiaries ("Proforma Group").

The audited financial statements of TIS and AS are expressed in Singapore Dollars. The audited financial statements of ASSL are expressed in Chinese Renminbi ("RMB") and have been converted to Singapore Dollars ("SGD") for inclusion in the audited consolidated financial statements of TIS. For the purpose of presentation in this Report, Singapore Dollar amounts have been converted to Ringgit Malaysia ("RM") at the exchange rate of SGD1 to RM2.1631.

**4.0 AUDITORS**

We have been appointed as first auditor of AB with effect from the financial period ended 31 December 2003 and have reported on the financial statements without qualification. Our Auditors' Report did not include any emphasis of matter.

The financial statements of TIS for the relevant periods under review were audited by another firm of auditors who have reported on the financial statements without qualification only in respect of the financial years ended 31 December 1999, 2000, 2002, 2003 and period ended 30 June 2004.

In the case of the financial year ended 31 December 2001, the auditors' report included qualification notes as follows:-

*"The accounts of the subsidiary, Asdion Software Pte Ltd are not available, the company has therefore neither complied with the requirements of the Companies Act, Cap. 50 where the subsidiary's accounts are required to be attached with accounts of the company, nor complied with Statement of Accounting Standard No. 26 regarding the preparation of a single set of consolidated accounts."*

In addition, the auditors' reports for the relevant periods under review did not include any emphasis of matter.

The financial statements of AS and ASSL for the relevant periods under review were audited by other firms of auditors who have reported on the financial statements without qualification for the relevant periods under review. In addition, the auditors' reports for the relevant periods under review did not include any emphasis of matter.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

---

**12. ACCOUNTANTS' REPORT (Cont'd)**

---



AF: 0039

**5.0 EVENT SUBSEQUENT TO THE LAST AUDITED FINANCIAL STATEMENTS**

Save as disclosed in Sections 2.2 and 2.3.1 of this Report, no significant event has arisen subsequent to the last audited financial statements as at 30 June 2004.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**6.0 SUMMARISED INCOME STATEMENTS****6.1 Proforma Group**

The summarised income statements of the Proforma Group set out below have been presented on the basis that TIS, AS and ASSL were held by AB throughout the relevant periods under review and are based on the audited financial statements of AB for the financial periods ended 31 December 2003 and 30 June 2004, audited financial statements of TIS for the financial year ended 31 December 1999, the audited financial statements of TIS and AS for the financial year ended 31 December 2000, and the audited consolidated financial statements of TIS for the financial years ended 2001, 2002 and 2003, and the financial period ended 30 June 2004.

	← Year ended 31 December →					Period from 1.1.2004 to 30.6.2004 RM
	1999 RM	2000 RM	2001 RM	2002 RM	2003 RM	
Revenue	1,663,673	2,435,393	2,540,401	3,716,898	4,137,796	2,053,632
Profit/(loss) before depreciation and interest expense	171,335	159,414	(312,470)	833,326	1,106,770	409,712
Depreciation	(43,881)	(50,532)	(54,902)	(39,319)	(78,908)	(43,519)
Interest expense	-	-	(7,270)	(29,864)	(49,260)	(52,641)
Profit/(loss) before taxation	127,454	108,882	(374,642)	764,143	978,602	313,552
Taxation charge	-	-	(5,570)	(147,727)	(198,997)	(54,675)
Profit/(loss) after taxation	127,454	108,882	(380,212)	616,416	779,605	258,877
Minority interest	-	-	1,984	11,795	21,601	9,909
Profit/(loss) after taxation and minority interest	127,454	108,882	(378,228)	628,211	801,206	268,786
No. of ordinary shares of RM0.10 each in issue in AB**	28,000,000	28,000,000	28,000,000	28,000,000	28,000,000	28,000,000
Gross earnings/(loss) per ordinary share of RM0.10 each in AB (sen)	0.46	0.39	(1.34)	2.73	3.50	2.24*
Net earnings/(loss) per ordinary share of RM0.10 each in AB (sen)	0.46	0.39	(1.35)	2.24	2.86	1.92*

\* Annualised for illustration purpose only

\*\* Issued and paid-up share capital after Acquisition and Rights Issue but before Public Issue

**12. ACCOUNTANTS' REPORT (Cont'd)**



AF: 0039

**6.1 Proforma Group – Cont'd.**

Notes:-

- (1) The financial results of AB are included in the above income statements in respect of financial periods ended 31 December 2003 and 30 June 2004 as the Company was only incorporated on 27 August 2002.
- (2) The audited financial statements of TIS and AS are expressed in SGD and have been converted to RM at the exchange rate of SGD1 to RM2.1631 for the purpose of presentation in this Report.
- (3) Taxation of the Proforma Group during the periods under review refers to taxation of TIS and/or AS. Please refer to Sections 6.4 and 6.5 for the commentaries on taxation of TIS and AS respectively.
- (4) There were no extraordinary items in the relevant periods under review.
- (5) The gross earnings/(loss) per ordinary share is calculated based on the profit/(loss) before taxation and on the share capital of 28,000,000 ordinary shares of RM0.10 each in AB after Acquisition and Rights Issue but before Public Issue.
- (6) The net earnings/(loss) per ordinary share is calculated based on the profit/(loss) after taxation and minority interest and on the share capital of 28,000,000 ordinary shares of RM0.10 each in AB after Acquisition and Rights Issue but before Public Issue.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**6.2 AB (Company Level)**

The summarised income statements of AB set out below are based on the audited financial statements of AB for the relevant periods under review.

	←—Period from—→	
	27.8.2002 to <u>31.12.2003</u> RM	1.1.2004 to <u>30.6.2004</u> RM
Revenue	-	-
Loss before depreciation and interest expense	(2,900)	(1,000)
Depreciation	-	-
Interest expense	-	-
Loss before taxation	(2,900)	(1,000)
Taxation charge	-	-
Loss after taxation	<u>(2,900)</u>	<u>(1,000)</u>
No. of ordinary shares of RM0.10 each in issue in AB	<u>20</u>	<u>20</u>
Gross loss per ordinary share of RM0.10 each in issue in AB	<u>(145)</u>	<u>(100)*</u>
Net loss per ordinary share of RM0.10 each in issue in AB	<u>(145)</u>	<u>(100)*</u>

\* Annualised for illustration purpose only

**Notes:-**

- (1) AB was incorporated on 27 August 2002. Accordingly, the first audited financial statements cover the period from 27 August 2002 to 31 December 2003.
- (2) There were no extraordinary items in the relevant periods under review.
- (3) The gross loss per ordinary share is calculated based on the loss before taxation and on the number of ordinary shares of RM0.10 each in issue in AB in the relevant periods under review.
- (4) The net loss per ordinary share is calculated based on the loss after taxation and on the number of ordinary shares of RM0.10 each in issue in AB in the relevant periods under review.

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**6.3 TIS (Group Level)**

The summarised consolidated income statements of TIS set out below are based on the audited financial statements of TIS for the relevant periods under review.

	← Year ended 31 December →					Period from 1.1.2004 to 30.6.2004 RM
	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2002</u> RM	<u>2003</u> RM	
Revenue	1,663,673	2,435,393	2,540,401	3,716,898	4,137,796	2,053,632
Profit/(loss) before depreciation and interest expense	171,335	159,414	(312,470)	833,326	1,109,670	410,712
Depreciation	(43,881)	(50,532)	(54,902)	(39,319)	(78,908)	(43,519)
Interest expense	-	-	(7,270)	(29,864)	(49,260)	(52,641)
Profit/(loss) before taxation	127,454	108,882	(374,642)	764,143	981,502	314,552
Taxation charge	-	-	(5,570)	(147,727)	(198,997)	(54,675)
Profit/(loss) after taxation	127,454	108,882	(380,212)	616,416	782,505	259,877
Minority interest	-	-	1,984	11,795	21,601	9,909
Profit/(loss) after taxation and minority interest	127,454	108,882	(378,228)	628,211	804,106	269,786
No. of ordinary shares of SGD1 each in issue in TIS	350,000	350,000	350,000	350,000	600,000	600,000
Gross earnings/(loss) per ordinary share of SGD1 each in TIS	0.36	0.31	(1.07)	2.18	1.64	1.05*
Net earnings/(loss) per ordinary share of SGD1 each in TIS	0.36	0.31	(1.08)	1.79	1.34	0.90*

\* Annualised for illustration purpose only

**Notes:-**

- (1) The audited financial statements of TIS are expressed in SGD and have been converted to RM at the exchange rate of SGD1 to RM2.1631 for the purpose of presentation in this Report.
- (2) Taxation of the TIS (Group Level) during the periods under review refers to taxation of TIS and/or AS. Please refer to Sections 6.4 and 6.5 for the commentaries on taxation of TIS and AS respectively.

**12. ACCOUNTANTS' REPORT (Cont'd)**

---



AF: 0039

**6.3 TIS (Group Level) – Cont'd.**

- (3) There were no extraordinary items in the relevant periods under review.
- (4) The gross earnings/(loss) per ordinary share is calculated based on the profit/(loss) before taxation and on the number of ordinary shares of SGD1 each in issue in TIS in the relevant periods under review.
- (5) The net earnings/(loss) per ordinary share is calculated based on the profit/(loss) after taxation and minority interest and on the number of ordinary shares of SGD1 each in issue in TIS in the relevant periods under review.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**6.4 TIS (Company Level)**

The summarised income statements of TIS set out below are based on the audited financial statements of TIS for the relevant periods under review.

	← Year ended 31 December →					Period from 1.1.2004 to 30.6.2004 RM
	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2002</u> RM	<u>2003</u> RM	
Revenue	1,663,673	2,435,393	3,144,948	3,714,136	4,066,464	2,053,485
Profit before depreciation and interest expense	171,335	159,414	305,486	998,789	757,940	206,989
Depreciation	(43,881)	(50,532)	(51,767)	(33,842)	(57,063)	(34,484)
Interest expense	-	-	(7,270)	(29,795)	(21,720)	(25,021)
Profit before taxation	127,454	108,882	246,449	935,152	679,157	147,484
Taxation charge	-	-	(2,974)	(147,727)	(198,897)	(54,674)
Profit after taxation	127,454	108,882	243,475	787,425	480,260	92,810
No. of ordinary shares of SGD1 each in issue in TIS	350,000	350,000	350,000	350,000	600,000	600,000
Gross earnings per ordinary share of SGD1 each in TIS	0.36	0.31	0.70	2.67	1.13	0.49*
Net earnings per ordinary share of SGD1 each in TIS	0.36	0.31	0.70	2.25	0.80	0.31*

\* Annualised for illustration purpose only

**Notes:-**

- (1) The audited financial statements of TIS are expressed in SGD and have been converted to RM at the exchange rate of SGD1 to RM2.1631 for the purpose of presentation in this Report.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**



AF: 0039

**6.4 TIS (Company Level) – Cont'd.**

- (2) There is no taxation for the year 1999 due to the utilisation of unabsorbed capital allowances and tax losses brought forward.

There is no taxation for the year 2000 due to the utilisation of unabsorbed tax losses brought forward.

The low effective tax charge for the year 2001 is principally attributed to the utilisation of unabsorbed tax losses brought forward.

The low effective tax charge for the year 2002 is mainly due to the utilisation of the unabsorbed tax losses of the subsidiary company, AS, pursuant to the group relief system, and certain non-taxable income.

The high effective tax charges for the year 2003 and period ended 30 June 2004 are principally attributed to the ineligibility for tax deduction of certain expenses.

- (3) There were no extraordinary items in the relevant periods under review.
- (4) The gross earnings per ordinary share is calculated based on the profit before taxation and on the number of ordinary shares of SGD1 each in issue in TIS in the relevant periods under review.
- (5) The net earnings per ordinary share is calculated based on the profit after taxation and on the number of ordinary shares of SGD1 each in issue in TIS in the relevant periods under review.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**6.5 AS (Company Level)**

The summarised income statements of AS set out below are based on the audited financial statements of AS for the relevant periods under review.

	Period from 3.4.2000 to 31.12.2000 RM	Year ended 31 December			Period from 1.1.2004 to 30.6.2004 RM
		2001 RM	2002 RM	2003 RM	
Revenue	-	308,512	148,027	185,066	147
Profit/(loss) before depreciation, amortisation and interest expense	-	30,973	(21,990)	(229,211)	(104,285)
Depreciation and amortisation	-	(68,027)	(68,027)	(68,027)	(32,447)
Interest expense	-	-	-	(134)	-
Loss before taxation	-	(37,054)	(90,017)	(297,372)	(136,732)
Taxation charge	-	(2,596)	-	(100)	-
Loss after taxation	-	(39,650)	(90,017)	(297,472)	(136,732)
No. of ordinary shares of SGD1 each in issue in AS	2	400,000	400,000	400,000	400,000
Gross loss per ordinary share of SGD1 each in AS	-	(0.09)	(0.23)	(0.74)	(0.68)*
Net loss per ordinary share of SGD1 each in AS	-	(0.10)	(0.23)	(0.74)	(0.68)*

\* Annualised for illustration purpose only

**Notes:-**

- (1) AS was incorporated on 3 April 2000. Accordingly, the first audited financial statements cover the period from 3 April 2000 to 31 December 2000.
- (2) The audited financial statements of AS are expressed in SGD and have been converted to RM at the exchange rate of SGD1 to RM2.1631 for the purpose of presentation in this Report.
- (3) The taxation in the year 2001 is principally attributed to the ineligibility for tax deduction of certain expenses.

The taxation in the year 2003 is in respect of under provision of taxation in prior year.

- (4) There were no extraordinary items in the relevant periods under review.

**12. ACCOUNTANTS' REPORT (Cont'd)**



AF: 0039

**6.5 AS (Company Level) – Cont'd.**

- (5) The gross loss per ordinary share is calculated based on the loss before taxation and on the number of ordinary shares of SGD1 each in issue in AS in the relevant periods under review.
- (6) The net loss per ordinary share is calculated based on the loss after taxation and on the number of ordinary shares of SGD1 each in issue in AS in the relevant periods under review.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**6.6 ASSL (Company Level)**

The summarised income statements of ASSL set out below are based on the audited financial statements of ASSL for the relevant periods under review.

	Period from 18.0.2001 to 31.12.2002 RM	Year ended 31 December 2003 RM	Period from 1.1.2004 to 30.6.2004 RM
Revenue	3,964	26	11
Loss before depreciation and interest expense	(143,541)	(115,814)	(52,719)
Depreciation	(2,343)	(18,711)	(9,035)
Interest expense	-	-	-
Loss before taxation	(145,884)	(134,525)	(61,754)
Taxation charge	-	-	-
Loss after taxation	(145,884)	(134,525)	(61,754)

## Notes:-

- (1) ASSL was established on 18 September 2001. Accordingly, the first audited financial statements cover the period from 18 September 2001 to 31 December 2002.
- (2) The audited financial statements of ASSL are expressed in RMB and have been converted to SGD for inclusion in the audited consolidated financial statements of TIS. For the purpose of presentation in this Report, SGD amounts have been converted to RM at the exchange rate of SGD1 to RM2.1631.
- (3) There were no extraordinary items in the relevant periods under review.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**7.0 DIVIDENDS**

No dividend has been paid or declared by AB, TIS, AS or ASSL during the relevant periods under review.

**8.0 SUMMARISED BALANCE SHEETS****8.1 Proforma Group**

The summarised balance sheets of the Proforma Group set out below have been presented on the basis that TIS, AS and ASSL were held by AB throughout the relevant periods under review and are based on the audited financial statements of AB for the financial periods ended 31 December 2003 and 30 June 2004, the audited financial statements of TIS for the financial year ended 31 December 1999, the audited financial statements of TIS and AS for the financial year ended 31 December 2000, and the audited consolidated financial statements of TIS for the financial years ended 31 December 2001, 2002 and 2003, and the financial period ended 30 June 2004.

	← As at 31 December →					As at
	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2002</u> RM	<u>2003</u> RM	<u>30.6.2004</u> RM
Property, plant and equipment	69,407	65,756	45,075	869,365	1,085,829	1,103,908
Intangible assets	-	5,300	32,276	-	-	-
Current assets	603,752	664,600	893,885	1,547,436	2,547,020	3,002,625
Current liabilities	292,168	245,779	779,570	1,181,221	937,375	1,157,373
Net current assets	311,584	418,821	114,315	366,215	1,609,645	1,845,252
	<u>380,991</u>	<u>489,877</u>	<u>191,666</u>	<u>1,235,580</u>	<u>2,695,474</u>	<u>2,949,160</u>
Share capital	1,453,000	1,453,000	1,453,000	1,453,000	1,453,000	1,453,000
Reserves	(1,072,009)	(963,123)	(1,308,957)	(713,843)	620,518	892,283
	380,991	489,877	144,043	739,157	2,073,518	2,345,283
Minority interests	-	-	47,623	58,313	36,316	26,563
Long term liabilities	-	-	-	438,110	585,640	577,314
	<u>380,991</u>	<u>489,877</u>	<u>191,666</u>	<u>1,235,580</u>	<u>2,695,474</u>	<u>2,949,160</u>
No. of ordinary shares of RM0.10 each in issue in AB*	<u>14,530,000</u>	<u>14,530,000</u>	<u>14,530,000</u>	<u>14,530,000</u>	<u>14,530,000</u>	<u>14,530,000</u>
Net tangible assets per ordinary share (sen)	2.62	3.34	0.77	5.09	14.27	16.14

\* Issued and paid-up share capital after Acquisition but before Rights Issue and Public Issue

---

**12. ACCOUNTANTS' REPORT (Cont'd)**

---



AF: 0039

**8.1 Proforma Group – Cont'd**

Notes:-

- (1) The audited financial statements of TIS and AS are expressed in SGD and have been converted to RM at the exchange rate of SGD1 to RM2.1631 for the purpose of presentation in this Report.

---

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

---

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**8.2 AB (Company Level)**

The summarised balance sheets of AB set out below are based on the audited financial statements of AB for the relevant periods under review.

	← As at →	
	<u>31.12.2003</u>	<u>30.6.2004</u>
	RM	RM
Current assets	8,947	6,932
Current liabilities	11,845	10,830
Net current liabilities	<u>(2,898)</u>	<u>(3,898)</u>
	<u>(2,898)</u>	<u>(3,898)</u>
Share capital	2	2
Reserves	<u>(2,900)</u>	<u>(3,900)</u>
	<u>(2,898)</u>	<u>(3,898)</u>
No. of ordinary shares of RM0.10 each in issue in Asdion	<u>20</u>	<u>20</u>
Net tangible liabilities per ordinary share of RM0.10 each in Asdion	<u>(145)</u>	<u>(195)</u>

Notes:-

- (1) AB was incorporated on 27 August 2002. Accordingly, the first audited financial statements cover the period from 27 August 2002 to 31 December 2003.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**8.3 TIS (Group Level)**

The summarised consolidated balance sheets of TIS set out below are based on the audited financial statements of TIS for the relevant periods under review.

	← As at 31 December →					As at
	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2002</u> RM	<u>2003</u> RM	<u>30.6.2004</u> RM
Property, plant and equipment	69,407	65,756	45,075	869,365	1,085,829	1,103,908
Intangible assets	-	5,300	32,276	-	-	-
Current assets	603,752	664,600	893,885	1,547,436	2,538,073	2,995,693
Current liabilities	292,168	245,779	779,570	1,181,221	925,530	1,146,543
Net current assets	311,584	418,821	114,315	366,215	1,612,543	1,849,150
	<u>380,991</u>	<u>489,877</u>	<u>191,666</u>	<u>1,235,580</u>	<u>2,698,372</u>	<u>2,953,058</u>
Share capital	757,085	757,085	757,085	757,085	1,297,860	1,297,860
Reserves	(376,094)	(267,208)	(613,042)	(17,928)	778,556	1,051,321
	380,991	489,877	144,043	739,157	2,076,416	2,349,181
Minority interests	-	-	47,623	58,313	36,316	26,563
Long term liabilities	-	-	-	438,110	585,640	577,314
	<u>380,991</u>	<u>489,877</u>	<u>191,666</u>	<u>1,235,580</u>	<u>2,698,372</u>	<u>2,953,058</u>
No. of ordinary shares of SGD1 each in issue in TIS	350,000	350,000	350,000	350,000	600,000	600,000
Net tangible assets per ordinary share of SGD1 each in TIS	1.09	1.38	0.32	2.11	3.46	3.92

Note:

- (1) The audited financial statements of TIS are expressed in SGD and have been converted to RM at the exchange rate of SGD1 to RM2.1631 for the purpose of presentation in this Report.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**8.4 TIS (Company Level)**

The summarised balance sheets of TIS set out below are based on the audited financial statements of TIS for the relevant periods under review.

	← As at 31 December →					As at
	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2002</u> RM	<u>2003</u> RM	<u>30.6.2004</u> RM
Property, plant and equipment	69,407	65,756	38,806	732,027	971,792	991,679
Subsidiary companies	-	-	821,978	1,063,722	728,350	476,436
Current assets	603,752	664,600	664,387	1,280,878	2,317,775	2,860,518
Current liabilities	292,168	240,483	791,824	1,117,743	890,468	1,116,700
Net current (liabilities)/assets	311,584	424,117	(127,437)	163,135	1,427,307	1,743,818
	<u>380,991</u>	<u>489,873</u>	<u>733,347</u>	<u>1,958,884</u>	<u>3,127,449</u>	<u>3,211,933</u>
Share capital	757,085	757,085	757,085	757,085	1,297,860	1,297,860
Reserves	(376,094)	(267,212)	(23,738)	763,689	1,243,949	1,336,759
	380,991	489,873	733,347	1,520,774	2,541,809	2,634,619
Long term liabilities	-	-	-	438,110	585,640	577,314
	<u>380,991</u>	<u>489,873</u>	<u>733,347</u>	<u>1,958,884</u>	<u>3,127,449</u>	<u>3,211,933</u>
No. of ordinary shares of SGD1 each in issue in TIS	350,000	350,000	350,000	350,000	600,000	600,000
Net tangible assets per ordinary share of SGD1 each in TIS	1.09	1.40	2.10	4.35	4.24	4.39

Notes:-

- (1) The audited financial statements of TIS are expressed in SGD and have been converted to RM at the exchange rate of SGD1 to RM2.1631 for the purpose of presentation in this Report.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**8.5 AS (Company Level)**

The summarised balance sheets of AS set out below are based on the audited financial statements of AS for the relevant periods under review.

	← As at 31 December →				As at
	2000 RM	2001 RM	2002 RM	2003 RM	30.6.2004 RM
Property, plant and equipment	-	6,269	3,134	-	-
Subsidiary companies	-	88,135	548,504	242,555	186,325
Intangible assets	5,300	584,037	519,144	454,251	421,805
Current assets	-	293,251	65,750	85,120	53,504
Current liabilities	5,296	102,840	357,697	300,563	317,002
Net current (liabilities)/assets	(5,296)	190,411	(291,947)	(215,443)	(263,498)
	4	868,852	778,835	481,363	344,632
Share capital	4	865,240	865,240	865,240	865,240
Reserves	-	3,612	(86,405)	(383,877)	(520,608)
	4	868,852	778,835	481,363	344,632
No. of ordinary shares of SGD1 each in issue in AS	2	400,000	400,000	400,000	400,000
Net tangible (liabilities)/assets per ordinary share of SGD1 each in AS	(2,648.00)	0.71	0.65	0.07	(0.19)

## Notes:-

- (1) AS was incorporated on 3 April 2000. Accordingly, the first audited financial statements cover the period from 3 April 2000 to 31 December 2000.
- (2) The audited financial statements of AS are expressed in SGD and have been converted to RM at the exchange rate of SGD1 to RM2.1631 for the purpose of presentation in this Report.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**8.6 ASSL (Company Level)**

The summarised balance sheets of ASSL set out below are based on the audited financial statements of ASSL for the relevant periods under review.

	← As at 31 December →		As at
	<u>2002</u>	<u>2003</u>	<u>30.6.2004</u>
	RM	RM	RM
Property, plant and equipment	134,206	114,036	106,604
Intangible assets	-	-	5,624
Current assets	260,072	135,179	81,670
Current liabilities	6,787	4,272	7,575
Net current assets	253,285	130,907	74,095
	<u>387,491</u>	<u>244,943</u>	<u>186,323</u>
Share capital	548,504	548,504	548,504
Reserves	(161,013)	(303,561)	(362,181)
	<u>387,491</u>	<u>244,943</u>	<u>186,323</u>

## Notes:-

- (1) ASSL was established on 18 September 2001. Accordingly, the first audited financial statements cover the period from 18 September 2001 to 31 December 2002.
- (2) The audited financial statements of ASSL are expressed in RMB and have been converted to SGD for inclusion in the audited consolidated financial statements of TIS. For the purpose of presentation in this Report, SGD amounts have been converted to RM at the exchange rate of SGD1 to RM2.1631.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**9.0 PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The Proforma Statement of Assets and Liabilities set out below are provided for illustrative purposes only and have been prepared based on the audited balance sheet of the Company and the audited consolidated balance sheet of TIS as at 30 June 2004 to show the effects of the Flotation Scheme had it been effected on 30 June 2004.

	Note	COMPANY	← PROFORMA GROUP →		
		Audited as at 30.6.2004 RM	After Acquisition RM	After Rights Issue RM	After Public Issue RM
PROPERTY, PLANT AND EQUIPMENT	B	-	1,103,908	1,103,908	4,503,908
CURRENT ASSETS					
Inventories		-	331,411	331,411	331,411
Trade receivables	C	-	1,481,829	1,481,829	1,481,829
Other receivables	D	-	739,670	739,670	739,670
Fixed deposit with bank		-	356,092	1,703,092	3,103,092
Cash and bank balances		6,932	93,623	93,623	93,623
		6,932	3,002,625	4,349,625	5,749,625
CURRENT LIABILITIES					
Trade payables		-	555,715	555,715	555,715
Other payables	E	2,000	114,133	114,133	114,133
Amounts due to directors	F	8,830	19,596	19,596	19,596
Provision for taxation		-	238,123	238,123	238,123
Bank term loan		-	43,262	43,262	43,262
Bank overdraft	G	-	186,544	186,544	186,544
		10,830	1,157,373	1,157,373	1,157,373
NET CURRENT (LIABILITIES) / ASSETS		(3,898)	1,845,252	3,192,252	4,592,252
		(3,898)	2,949,160	4,296,160	9,096,160
SHARE CAPITAL RESERVES	H I	2 (3,900)	1,453,000 892,283	2,800,000 892,283	4,000,000 4,492,283
		(3,898)	2,345,283	3,692,283	8,492,283
MINORITY INTERESTS		-	26,563	26,563	26,563
BANK TERM LOAN	G	-	562,172	562,172	562,172
DEFERRED TAX		-	15,142	15,142	15,142
		(3,898)	2,949,160	4,296,160	9,096,160
NO. OF ORDINARY SHARES OF RM0.10 EACH IN ISSUE		20	14,530,000	28,000,000	40,000,000
NET TANGIBLE (LIABILITIES) / ASSETS PER ORDINARY SHARE (SEN)		(19,490)	16	13	21

**12. ACCOUNTANTS' REPORT (Cont'd)**



AF: 0039

**10.0 NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

**A. SIGNIFICANT ACCOUNTING POLICIES**

(a) **Basis of Preparation**

The financial statements of the Proforma Group have been prepared under the historical cost convention and comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

(b) **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Proforma Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

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 year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Proforma Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements 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.

(c) **Investment in Subsidiary Companies**

The Company's investment in subsidiary companies is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note (k).

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**A. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****(d) Property, Plant and Equipment**

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

Depreciation is calculated on the straight line method to write of the cost of property, plant and equipment over their estimated useful lives as follows:-

Office equipment	5 years
Computer	3 years
Office furniture and fitting	5 years
Machinery	5 years
Renovation	3 years
Leasehold property (remaining life of lease)	54 years

**(e) Inventories**

Inventories are stated at the lower of cost (determined on a first-in-first out basis) and net realisable value. Cost includes the purchase price of goods and attributable expenditure. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

**(f) Trade and Other Receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts.

**(g) Trade and Other Payables**

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed.

**(h) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and in banks, deposits and short-term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(i) Taxation**

Deferred taxation is provided for, using the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

12. ACCOUNTANTS' REPORT (Cont'd)



AF: 0039

A. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(j) Foreign Currencies

(i) Foreign Currency Transactions

Transactions in foreign currencies are initially converted at rates of exchange ruling at the transaction dates, or where settlements have not taken place by the year end at the approximate rates ruling at that date. All exchange rate differences are taken to the income statement.

(ii) Foreign Entities

Financial statements of a foreign subsidiary company are translated at year end exchange rates with respect to the assets and liabilities, and at average exchange rates for the period with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

(k) Impairment of Assets

At each balance sheet date, the Proforma Group reviews the carrying amounts of its assets, other than inventories, assets arising from employee benefits and financial assets, to determine whether there is any indication 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 not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal 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.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**



**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**B. PROPERTY, PLANT AND EQUIPMENT****PROFORMA GROUP****- After Acquisition, Rights Issue and Public Issue**

	<u>Cost</u> RM	<u>Accumulated</u> <u>Depreciation</u> RM	<u>Net</u> <u>Book Value</u> RM
Motor vehicles	758,000	-	758,000
Office equipment	114,868	34,763	80,105
Computer	2,714,702	290,954	2,423,748
Office furniture and fittings	147,469	8,401	139,068
Machinery	11,646	11,406	240
Renovation	117,663	27,573	90,090
Leasehold property	1,038,675	26,018	1,012,657
	<u>4,903,023</u>	<u>399,115</u>	<u>4,503,908</u>

The leasehold property is mortgaged to a bank for banking facilities granted to TIS.

**C. TRADE RECEIVABLES**

Included in trade receivables is an amount of RM707,846 owing from an affiliated company to the Proforma Group. An affiliated company refers to a company in which certain directors have a substantial interest and are able to exercise significant influence over the operating and financial decisions.

**D. OTHER RECEIVABLES**

	COMPANY Audited as at <u>30.6.2004</u> RM	← PROFORMA GROUP →		
		<u>After</u> <u>Acquisition</u> RM	<u>After</u> <u>Rights Issue</u> RM	<u>After</u> <u>Public Issue</u> RM
Sundry deposits	-	23,846	23,846	23,846
Prepayment	-	2,237	2,237	2,237
GST receivable	-	82	82	82
Other receivables	-	713,505	713,505	713,505
	-	<u>739,670</u>	<u>739,670</u>	<u>739,670</u>

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**E. OTHER PAYABLES**

	COMPANY Audited as at <u>30.6.2004</u> RM	← PROFORMA GROUP →		
		After <u>Acquisition</u> RM	After <u>Rights Issue</u> RM	After <u>Public Issue</u> RM
Accrued operating expenses	-	107,595	107,595	107,595
Other payables	2,000	6,538	6,538	6,538
	2,000	114,133	114,133	114,133

**F. AMOUNTS DUE TO DIRECTORS**

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

**G. BANK TERM LOAN**

	COMPANY Audited as at <u>30.6.2004</u> RM	← PROFORMA GROUP →		
		After <u>Acquisition</u> RM	After <u>Rights Issue</u> RM	After <u>Public Issue</u> RM
Included in current liabilities	-	43,262	43,262	43,262
Included in non-current liabilities	-	562,172	562,172	562,172
Maturity of borrowings:				
Within 1 year	-	43,262	43,262	43,262
After 1 year but within 5 years	-	173,048	173,048	173,048
After 5 years	-	389,124	389,124	389,124
	-	605,434	605,434	605,434

The bank term loan is secured by a legal mortgage over the leasehold property and guaranteed by certain directors of a subsidiary company.

The bank term loan will be repaid by 180 monthly instalments and bears interest for the first year at 0.75% per annum below base lending rate ("BLR"), second year at 0.25% per annum below BLR and for the subsequent years at 0.25% per annum above BLR.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**H. SHARE CAPITAL**

	COMPANY Audited as at <u>30.6.2004</u> RM	←— PROFORMA GROUP —→		
		After <u>Acquisition</u> RM	After <u>Rights Issue</u> RM	After <u>Public Issue</u> RM
Authorised: Ordinary shares of RM0.10 each	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully-paid: Ordinary shares of RM0.10 each	2	1,453,000	2,800,000	4,000,000

**I. RESERVES**

Analysis of movements in reserves is as follows:-

	<u>Share Premium</u> RM	<u>Reserve on Consolidation</u> RM	<u>Accumulated Loss</u> RM	<u>Total</u> RM
Company – Audited as at 30 June 2004	-	-	(3,900)	(3,900)
Arising on Acquisition	136	896,047	-	896,183
<b>After Acquisition / After Rights Issue</b>	136	896,047	(3,900)	892,283
Arising on Public Issue	4,800,000	-	-	4,800,000
Estimated expenses relating to the Flotation Scheme	(1,200,000)	-	-	(1,200,000)
<b>After Public Issue</b>	3,600,136	896,047	(3,900)	4,492,283

**11.0 ESTIMATED EXPENSES RELATING TO THE FLOTATION SCHEME**

Estimated expenses relating to the Flotation Scheme of RM1.2 million is debited against Share Premium in the Proforma Statement of Assets and Liabilities as at 30 June 2004 as shown in Note 10.0 (1) of this Report.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**12.0 PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

	<b>PROFORMA GROUP Period from 1.1.2004 to <u>30.6.2004</u> RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before taxation	313,552
Adjustment for:-	
Depreciation	43,519
Interest income	(7,753)
Interest expenses	<u>52,641</u>
Operating profit before working capital changes	401,959
Working capital changes:-	
Inventories	(29,232)
Receivables	(495,795)
Payables	<u>1,948</u>
Cash used in operations	(121,120)
Interest received	7,753
Interest paid	(52,641)
Income tax paid	<u>(6,459)</u>
Net cash used in operating activities	<u>(172,467)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property, plant and equipment	(3,461,599)
Receipt from minority interests	<u>158</u>
Net cash used in investing activities	<u>(3,461,441)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayment of term loan	(15,248)
Proceeds from Rights Issue	1,347,000
Proceeds from Public Issue	6,000,000
Estimated expenses relating to the Flotation Scheme	<u>(1,200,000)</u>
Net cash generated from financing activities	<u>6,131,752</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,979
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,497,844
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>509,348</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>3,010,171</u></u>

**12. ACCOUNTANTS' REPORT (Cont'd)**

AF: 0039

**12.0 PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CONT'D.)**

**PROFORMA  
GROUP**  
As at  
30.6.2004  
RM

Cash and cash equivalents as at 30 June 2004 consist of:-

Fixed deposit with bank	3,103,092
Cash and bank balances	93,623
Bank overdraft	<u>(186,544)</u>
	<u>3,010,171</u>

**13.0 PROFORMA NET TANGIBLE ASSETS COVER**

As illustrated in the Proforma Statement of Assets and Liabilities in Section 9.0 of this Report, the net tangible assets per share of the Proforma Group assuming that the Flotation Scheme was completed as at 30 June 2004 is 21 sen.

**14.0 AUDITED FINANCIAL STATEMENTS**

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2004.

Yours faithfully

ERNST & YOUNG  
AF: 0039  
Chartered Accountants

YEO ENG SENG  
1212/12/04(J)  
Partner

Kuala Lumpur, Malaysia

### 13. DIRECTORS' REPORT

*Prepared for inclusion in this Prospectus.*



**Registered Office**  
Wisma Selangor Dredging,  
6th Floor, South Block,  
142-A, Jalan Ampang,  
50450 Kuala Lumpur  
Malaysia

14 DEC 2004

The shareholders of Asdion Berhad

Dear Sir/Madam:

On behalf of the Board of Directors of Asdion Berhad ("AB"), I report that after making due enquiries in relation to the interval between 30 June 2004, being the date to which the last audited financial statements of AB and its subsidiary companies have been made up, and **14 DEC 2004**, being a date not earlier than fourteen (14) days before the issue of this Prospectus:

- (a) the business of AB and its subsidiaries has, in the opinion of the Directors of AB, been satisfactorily maintained;
- (b) in the opinion of the Directors of AB, no circumstances have arisen since the last audited financial statements of AB and its subsidiaries which have adversely affected the trading or the value of the assets of AB or its subsidiary companies;
- (c) the current assets of AB and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantee or indemnity given by AB or its subsidiaries;
- (e) since the last audited financial statements of AB and its subsidiaries, there has been no default, or any known event that could give rise to a default situation, in respect of any payment of either interest and/or principal sums in relation to any borrowings of AB and/or its subsidiaries; and
- (f) save as disclosed in the proforma consolidated balance sheets of AB as at 30 June 2004 in Section 11.6 of this Prospectus and the Accountants' Report in Section 12 of this Prospectus, there have been no material changes to the published reserves or any unusual factors affecting the profits of AB and its subsidiaries since the last audited financial statements of AB and its subsidiaries.

Yours faithfully  
For and on behalf of the Board of Directors  
**ASDION BERHAD**

A handwritten signature in black ink, appearing to read "YAP TAI TEE", is written over the printed name.

**YAP TAI TEE**  
Group Managing Director/Chief Executive Officer