

12. ACCOUNTANTS' REPORT

12. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2004

(Prepared for the inclusion in this Prospectus)



No. 49-4, The Highway Centre,
Jalan 51/205, 46050 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.
Tel: (03)7781 8286
Fax: (03)7782 0886

18 April 2005

The Board of Directors
Ruby Quest Berhad
Lot 15, Jalan Gudang 16/9, Section 16,
40200 Shah Alam
Selangor Darul Ehsan

Dear Sirs,

ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared by Yong & Leonard (formerly known as K. K. Yong & Co.), an approved company auditors, for inclusion in the Prospectus of Ruby Quest Berhad (hereinafter referred to as "Quest" or "the Company") to be dated 27 April 2005 in connection with the issue of 26,180,000 new ordinary shares of RM0.10 each at an indicative issue price of RM0.38 per share by way of a Public Issue and the listing and quotation of the entire enlarged issued and paid-up share capital of Quest comprising 97,980,000 ordinary shares of RM0.10 each on the Malaysian Exchange of Securities Dealing And Automated Quotation ("MESDAQ") Market.

2. GENERAL INFORMATION

2.1 The Company

The Company was incorporated on 4 December 1996 in Malaysia as a private limited company under the name of Ruby Quest Sdn. Bhd. The Company was converted into a public limited company and changed its name to Ruby Quest Berhad on 19 March 2004.

2.2 Principal Activities

The principal activities of Quest are investment holding and the provision of management services. The details of its subsidiaries are stated in Section 3 to this report.

2.3 Changes in Share Capital

Quest was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and the issued and fully paid-up share capital of RM2 comprising 2 ordinary shares of RM1.00 each.

On 21 January 1997, Quest increased its authorised share capital from RM100,000 to RM500,000, all of which comprising ordinary shares of RM1.00 each.

On 6 January 2005, Quest increased its authorised share capital from RM500,000 to RM25,000,000, comprising 24,933,334 ordinary shares of RM1.00 each and 66,666 CRPS of RM1.00 each.

On the same date, 66,666 CRPS was converted into ordinary share of RM1.00 each on one to one basis.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

2. GENERAL INFORMATION (CONT'D)

2.3 Changes in Share Capital (Cont'd)

The details of change in the issued and fully paid-up share capital of Quest since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
4 December 1996	2	Subscribers' shares	2
26 February 1997	270,010	Cash	270,012
18 February 2004	78,000	Cash	348,012
6 January 2005	76,567	Entire equity interest of ETSB and EMECS	424,579
	66,666	Conversion of 66,666 3% CRPS	491,245
	6,688,755	Bonus issue	7,180,000
	71,800,000	Share split	7,180,000

Date of Allotment	No. of 3% CRPS Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
5 April 2004	66,666	Cash	66,666
6 January 2005	(66,666)	Conversion of 66,666 into ordinary shares	-

2.4 Acquisition of Subsidiary Companies

In conjunction with and as an integral part of the listing and quotation of the entire enlarged issued and paid-up ordinary shares of Quest on the MESDAQ Market, the Company acquires the entire issued and fully paid-up share capital of Envair Technology Sdn. Bhd. ("ETSB") and Envair MECS Engineering Sdn. Bhd. ("EMECS") for a purchase consideration of RM2,016,006 to be satisfied by the issuance of 76,567 new ordinary shares of RM1.00 at RM26.33 each in Quest, as set out below:

Company	Par Value RM	No. of Ordinary Shares Acquired	Issued and Fully Paid-up Share Capital Acquired	Purchase Consideration RM	No. of New Ordinary Shares of RM1.00 Each to be Issued
ETSB	1	250,000	250,000	1,444,004	54,843
EMECS	1	100,000	100,000	572,002	21,724
Total				2,016,006	76,567

The purchase considerations were based on net tangible assets of ETSB and EMECS as at 31 December 2003.

12. ACCOUNTANTS' REPORT (cont'd)YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)**2. GENERAL INFORMATION (CONT'D)****2.5 Public Issue**

The Public Issue of 26,180,000 new ordinary shares of RM0.10 each in Quest at an indicative issue price of RM0.38 per share payable in full on application comprises the following:

- 2.5.1 5,000,000 new ordinary shares of RM0.10 each are available for application by the Malaysian Public;
- 2.5.2 1,180,000 new ordinary shares of RM0.10 each are available for application by the eligible directors and employees of Quest and its subsidiaries; and
- 2.5.3 20,000,000 new ordinary shares of RM0.10 each are by way of private placement.

The gross proceeds from the Public Issue totaling RM9,948,400 will be utilised as follows:

Utilisation	RM
Research and development	500,000
Capital expenditure	2,000,000
Working capital	5,948,400
Estimated listing expenses	1,500,000
Total	9,948,400

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

3. BACKGROUND OF THE SUBSIDIARY COMPANIES

3.1 Quest Technology Sdn. Bhd. ("QT")

QT was incorporated on 6 October 1989 in Malaysia as a private limited company under the name of Quest Technology Sdn. Bhd.

As at the date of this report, the authorised and issued and fully paid-up share capital of QT are RM500,000 and RM250,000 respectively. They comprise 500,000 ordinary shares of RM1.00 each and 250,000 ordinary shares of RM1.00 each respectively. Quest holds 100% of the issued and fully paid-up share capital of QT.

The movements in the issued and fully paid-up share capital of QT since incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
6 October 1989	3	Subscribers' shares	3
19 October 1991	99,999	Cash	100,002
11 August 1995	149,998	Cash	250,000

The principal activities of QT are installation of cleanroom systems and provision of technical and management services and sale of cleanroom filters and equipment.

3.2 Vokes Air (M) Sdn. Bhd. ("VAM")

VAM was incorporated on 25 July 1990 in Malaysia as a private limited company under the name of Quest Industries Sdn. Bhd. VAM changed its name to Vokes Air (M) Sdn. Bhd. on 6 March 2002.

As at the date of this report, VAM has an authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each and issued and fully paid-up share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each. Quest holds 100% of the issued and fully paid-up share capital of VAM.

The movements in the issued and fully paid-up share capital of VAM since incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
25 July 1990	10	Subscribers' shares	10
8 June 1992	9,990	Cash	10,000
12 July 2004	490,000	Capitalisation of amount due to holding company	500,000

The principal activities of VAM are distribution and manufacturing of air filters. The Company had been inactive since 31 December 1998 and resumed business in June 2002.

12. ACCOUNTANTS' REPORT (cont'd)YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)**3. BACKGROUND OF THE SUBSIDIARY COMPANIES (CONT'D)****3.3 Quest Liquid Separation Sdn. Bhd. ("QLS")**

QLS was incorporated on 28 November 1994 in Malaysia as a private limited company under the name of Verifi Inc. Sdn. Bhd. On 13 April 1995, it changed name to Verifi Sdn. Bhd. before assumed the present name on 6 June 2001.

As at the date of this report, QLS has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issued and its fully paid-up share capital stands at RM25,000, comprising 25,000 ordinary shares of RM1.00 each. Quest holds 100% of the issued and fully paid-up share capital of QLS.

The movements in the issued and fully paid-up share capital of QLS since incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
28 November 1994	2	Subscribers' shares	2
27 June 2001	24,998	Cash	25,000

The principal activities of QLS are selling, installation, maintenance, servicing of water treatment equipment and provision of water treatment services.

3.4 Quest Equipment & Services Sdn. Bhd. ("QES")

QES was incorporated on 11 October 1989 in Malaysia as a private limited company under the name of Pembinaan Mayang Sakti Sdn. Bhd. and changed its name to Quest Equipment & Services Sdn. Bhd. on 18 September 1992.

As at the date of this report, QES's authorised and issued and fully paid-up share capital stand at RM25,000 each, all of which comprising 25,000 ordinary shares of RM1.00 each. Quest holds 100% of the issued and fully paid-up share capital of QES.

The movements in the issued and fully paid-up share capital of QES since incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
11 October 1989	3	Subscribers' shares	3
16 December 1992	9,997	Cash	10,000
18 January 2001	15,000	Bonus issue	25,000

The principal activities of QES are that installation of cleanroom systems and sale of cleanroom filters and equipment.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

3. BACKGROUND OF THE SUBSIDIARY COMPANIES (CONT'D)

3.5 Envair Technology Sdn. Bhd. ("ETSB")

ETSB was incorporated on 12 December 1998 in Malaysia as a private limited company under the name of Envair Technology Sdn. Bhd.

As at the date of this report, ETSB has authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each and issued and fully paid-up share capital of RM250,000 comprising 250,000 ordinary shares of RM1.00 each. Quest holds 100% of the issued and fully paid-up share capital of ETSB.

The movements in the issued and fully paid-up share capital of ETSB since incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
12 December 1998	100	Subscribers' shares	100
23 September 1999	44,900	Cash	45,000
25 March 2000	55,000	Cash	100,000
11 November 2002	150,000	Cash	250,000

The principal activities of ETSB are installation of cleanroom and sale of cleanroom filters and equipment.

3.6 Envair MECS Engineering Sdn. Bhd. ("EMECS")

EMECS was incorporated on 18 January 2000 in Malaysia as a private limited company under the name of Envair MECS Engineering Sdn. Bhd.

As at the date of this report, EMECS's authorised and issued and fully paid-up share capital stand at RM100,000 each, comprising 100,000 ordinary shares of RM1.00 each. Quest holds 100% of the issued and fully paid-up share capital of EMECS.

The movements in the issued and fully paid-up share capital of EMECS since incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
18 January 2000	50,000	Subscribers' shares	50,000
18 July 2000	50,000	Cash	100,000

The principal activities of EMECS are mechanical and electrical systems for air filtration.

12. ACCOUNTANTS' REPORT (cont'd)YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)**3. BACKGROUND OF THE SUBSIDIARY COMPANIES (CONT'D)****3.7 Envair MECS Engineering (Penang) Sdn. Bhd. ("EMECS (Penang)")**

EMECS (Penang) was incorporated on 8 June 2001 in Malaysia as a private limited company under the name of Envair MECS Engineering (Penang) Sdn. Bhd.

As at the date of this report, EMECS (Penang)'s authorised and issued and fully paid-up share capital stand at RM100,000 each, comprising 100,000 ordinary shares of RM1.00 each. Quest holds 100% of the issued and fully paid-up share capital of EMECS (Penang).

The movements in the issued and fully paid-up share capital of EMECS (Penang) since incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
8 June 2001	100	Subscribers' shares	100
3 September 2002	99,900	Cash	100,000

The principal activities of EMECS (Penang) are mechanical, electrical contracting services and engineering works.

3.8 Quest System & Engineering Sdn. Bhd. ("QSE")

QSE was incorporated on 27 August 1993 in Malaysia as a private limited company under the name of Cambridge Filter (M) Sdn. Bhd. On 28 May 2003, it changed name to Quest System & Engineering Sdn. Bhd.

As at the date of this report, QSE has authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each and issued and fully paid up share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. Quest holds 100% of the issued and fully paid-up share capital of QSE.

The movements in the issued and fully paid-up share capital of QSE since incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
27 August 1993	2	Subscribers' shares	2
28 May 2003	99,998	Cash	100,000

The principal activities of QSE are selling, installation, maintenance and servicing of water equipment and sale of cleanroom filters and equipment.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

3. BACKGROUND OF THE SUBSIDIARY COMPANIES (CONT'D)

3.9 Quest Filter Sdn. Bhd. ("QF")

QF was incorporated on 28 November 1994 in Malaysia as a private limited company under the name of Modulaire Sdn. Bhd. On 19 April 1996, it changed name to Quest Filter Sdn. Bhd.

As at the date of this report, QF's authorised, and issued and fully paid up share capital stand at RM100,000 and RM2 respectively. They comprise 100,000 ordinary shares of RM1.00 each and 2 ordinary shares of RM1.00 each respectively. Quest holds 100% of the issued and fully paid-up share capital of QF.

The movements in the issued and fully paid-up share capital of QF since incorporation are as follows:

Date of Allotment	No. of Ordinary Shares of RM1.00 Each Allotted	Consideration / Type of Issue	Resultant Issued and Fully Paid-up Share Capital RM
28 November 1994	2	Subscribers' shares	2

The principal activity of QF is trading of filters and cleanroom equipment. However, it ceased operation in year 2000 and has not recommenced business activities as at the date of this report.

4. RESTRUCTURING AND LISTING EXERCISE

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on MESDAQ, the Company undertook the following restructuring and listing scheme:

(i) Acquisitions:

(a) Acquisition of ETSB

The acquisition of the entire issued and paid-up share capital of ETSB comprising 250,000 ordinary shares of RM1.00 each for a purchase consideration of RM1,444,004 to be satisfied by the issuance of 54,843 new ordinary shares of RM1.00 each in Quest at an issue price of approximately RM26.33 each.

The acquisition was completed on 6 January 2005.

(b) Acquisition of EMECS

Acquisition of the entire issued and paid-up share capital of EMECS comprising 100,000 ordinary shares of RM1.00 each for a purchase consideration of RM572,002 to be satisfied by the issuance of 21,724 new ordinary shares of RM1.00 each in Quest at an issue price of approximately RM26.33 each.

The acquisition was completed on 6 January 2005.

(c) Call Options on QSE

Two (2) call options to be exercised to purchase the remaining 80% issued and paid-up share capital of QSE for a purchase consideration of RM80,000 to be satisfied by cash.

The acquisition was completed on 6 January 2005.

12. ACCOUNTANTS' REPORT (cont'd)YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)**4. RESTRUCTURING AND LISTING EXERCISE (CONT'D)****(ii) Conversion of 3% Convertible Redeemable Preference Shares ("CRPS")**

66,666 of 3% Convertible Redeemable Preference Shares of RM1.00 each with a premium of RM29.00 each by way of cash was issued on 5 April 2004. The CRPS was converted into ordinary shares of Quest on the basis of one (1) CRPS for one (1) ordinary share of RM1.00 each upon the approval of the Bursa Securities and the Securities Commission.

The conversion of CRPS into ordinary shares was completed on 6 January 2005.

(iii) Bonus issue

A revaluation of subsidiaries based on the net assets of the subsidiaries as at 31 October 2004 was carried at Company's level.

Bonus issue of 6,688,755 ordinary shares of RM1.00 each was capitalised through the utilisation of Revaluation Reserve and Share Premium Account based on the audited financial statements as at 31 October 2004.

The bonus issue was completed on 6 January 2005.

(iv) Share split

Share split on the entire issued and paid up share capital of Quest after (iii) above on the basis of one (1) ordinary share of RM1.00 each to ten (10) ordinary shares of RM0.10 each.

The share split was completed on 6 January 2005.

(v) Public Issue

Public Issue of 26,180,000 new ordinary shares of RM0.10 each in Quest at an indicative issue price of RM0.38 per share payable in full on application comprising:

- (a) 5,000,000 new ordinary shares of RM0.10 each available for application by the Malaysian Public;
- (b) 1,180,000 new ordinary shares of RM0.10 each available for application by eligible directors and employees of Quest and its subsidiaries; and
- (c) 20,000,000 new ordinary shares of RM0.10 each by way of private placement.

(vi) Listing

Quest will seek the listing of and quotation for the entire enlarged issued and paid-up share capital of Quest comprising 97,980,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

(vii) Employees' Share Option Scheme ("ESOS")

On or after Listing, Quest will implement the ESOS for eligible employees and directors of Quest Group up to 20% of the enlarged issued and paid-up share capital of Quest upon listing of Quest on the MESDAQ Market of Bursa Securities.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

4. RESTRUCTURING AND LISTING EXERCISE (CONT'D)

The above-mentioned exercise had been approved by the Securities Commission ("SC") and Bursa Malaysia Securities Berhad ("Bursa Securities") on the dates set out below:

Authority	Date of approval
SC	23 December 2004
Bursa Securities	27 December 2004

5. AUDITORS AND AUDITED FINANCIAL STATEMENTS

We were the auditors of Quest, QT, VAM, QES, QLS & QF for the financial years / period covered in this Accountants' Report except for the financial year ended 31 December 1999.

We have been the auditors for QSE since the financial year ended 31 July 2001.

The auditors of ETSB, EMECS and EMECS (Penang) for the financial years ended 31 December 1999 to 2003 and financial period ended 31 October 2004 were Tay & Associates.

All the audited financial statements mentioned above for the relevant financial years / period were reported without any audit qualification.

6. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This report is based on audited financial statements which have been prepared in accordance with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB") as well as generally accepted accounting principles in Malaysia and is presented on a basis consistent with the accounting policies normally adopted by the Group.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

7. SUMMARISED INCOME STATEMENTS

7.1 The Proforma Group

The summarised proforma consolidated income statements of Quest Group ("the Group") for the five years ended 31 December 1999, 2000, 2001, 2002 and 2003 and period ended 31 October 2004 are provided for illustrative purposes only, on the assumption that the Group had been in existence throughout the period under review and after making such adjustments considered necessary.

	Financial year ended 31 December					Period
	1999	2000	2001	2002	2003	ended 31
	RM'000	RM'000	RM'000	RM'000	RM'000	October
						2004
						RM'000
Revenue	14,997	12,393	10,423	12,189	17,305	17,258
Earnings before interest, depreciation, taxation and amortisation	2,221	948	623	406	2,908	3,522
Interest income	10	27	27	9	8	40
Interest expense	(7)	(14)	(49)	(66)	(80)	(103)
Depreciation	(157)	(204)	(217)	(220)	(227)	(237)
Amortisation	(8)	(8)	(8)	(8)	(8)	(7)
Gain / (Loss) on disposal of associates	-	-	271	-	(31)	-
Share of loss of associates	(226)	(44)	(8)	(43)	(5)	(2)
Profit before taxation and minority interest	1,833	705	639	78	2,565	3,213
Taxation	-	(254)	(125)	(178)	(607)	(712)
Profit / (Loss) after taxation but before minority interest	1,833	451	514	(100)	1,958	2,501
Minority interest	-	-	(25)	(5)	(29)	-
Profit / (Loss) for the year / period	1,833	451	489	(105)	1,929	2,501

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.1 The Proforma Group (Cont'd)

The above results are arrived at after making such adjustments, as we considered appropriate including elimination of all inter-company transactions.

There were no extraordinary or exceptional items in all the financial years and financial period under review.

For the purpose of this proforma consolidated income statements, the results of ETSB have been proportionated in every financial years above (prior to 31 December 2002) as it has differing financial years end. It is assumed that the result of ETSB accrued evenly throughout the year.

	Financial year ended 31 December					Period
	1999	2000	2001	2002	2003	ended 31 October 2004
Number of ordinary shares in issue (000)	270	270	270	270	270	348
Gross earnings per share (RM)	6.79	2.61	2.37	0.29	9.50	^ 9.57
Net earnings per share (RM)	6.79	1.67	1.81	(0.39)	7.14	^ 7.44
Gross dividend per share (RM)	-	-	-	-	8.38	-

^ Based on weighted average number of share capital of 335,737 issued during the period.

For comparison purpose, we present the following ratios based on enlarged share capital of Quest after taking into consideration of the issuance of 78,000 ordinary shares of RM1.00 each to certain Quest's directors in February 2004 together with 54,843 and 21,724 new ordinary shares issued in respect of the acquisitions of ETSB and EMECS respectively.

Enlarged number of ordinary shares in issue (000)	425	425	425	425	425	425
Gross earnings per share (RM)	4.31	1.66	1.50	0.18	6.04	7.56
Net earnings per share (RM)	4.31	1.06	1.15	(0.25)	4.54	5.88
Gross dividend per share (RM)	-	-	-	-	8.38	-

12. ACCOUNTANTS' REPORT (cont'd)YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)**7. SUMMARISED INCOME STATEMENTS (CONT'D)****7.1 The Proforma Group (Cont'd)****Notes to the proforma consolidated results**

- The revenue of the Group is derived from installation of cleanroom and sales of cleanroom filters and equipment, maintenance and servicing of water treatment as well as provision of mechanical and engineering services.
- The decline in revenue for year 2000 and 2001 was mainly due to the effect of economy slowdown and reduction of foreign investment in the semiconductor and electronic industries.
- Revenue for year 2002 increased by RM1.7 million as compared to year 2001. This was mainly attributable to the economy recovery and its successful diversifying marketing strategy to gain access into pharmaceutical, chemical and healthcare industries.
- The revenue for year 2003 was RM5.1 million higher than the corresponding year of 2002 which was mainly derived from installation of cleanroom and sales of cleanroom filters and equipment in pharmaceutical industry.
- The decline in profit before tax in year 2002 was mainly due to gestation loss incurred by VAM in its first year of operation to manufacture air filters.
- The increase in the profit before taxation in year 2003 was due to better cost control policy on project implementation and cheaper source of filter materials purchased.
- Profit before taxation for the period 2004 has improved further by RM648,000 largely due to the higher profit margin projects secured and better cost control policy on project implementation.
- No provision for taxation has been made in 1999 even though there was a reported profit as the taxation payable was waived in accordance with the provisions of the Income Tax (Amendment) Act 1999.
- The effective tax rate of the Group was higher than statutory tax rate for the financial years ended 31 December 2000 and 2002 was due to certain expenses were not deductible for taxation purpose.
- The effective tax rate of the Group was lower than the statutory tax rate for the financial year ended 31 December 2001 mainly because the capital gain on disposal of associate was not subject to income tax.
- Effective tax rate in 2002 was higher than the statutory rate because there was no group relief available to set off tax losses against the profits of other companies in the Group.
- The low effective tax rate of the Group for financial year ended 31 December 2003 is attributed to the utilisation of unabsorbed tax losses brought forward coupled with the reduction of tax as a result of 8% tax saving on the first RM100,000 chargeable income of Quest's subsidiaries with a paid up share capital of RM2,500,000 and below.
- The effective tax rate of the Group was lower than the statutory tax rate for the financial period ended 31 October 2004 is mainly due to the pioneer status obtained by one of its subsidiary where tax exemption up to 70% of statutory income is permitted. Beside this, the reduction of tax as a result of 8% tax saving on the first RM500,000 chargeable income of Quest's subsidiaries also help to improve the Group's tax payable.
- There were no extraordinary or exceptional items noted during the financial years/period under review.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

8. SUMMARISED INCOME STATEMENTS (CONT'D)

7.2 The Company

	Financial year ended 31 December					Period
	1999	2000	2001	2002	2003	ended 31
	RM'000	RM'000	RM'000	RM'000	RM'000	October
						2004
						RM'000
Revenue	18	18	-	1,121	1,537	-
Earnings / (Loss) before interest, depreciation, taxation and amortisation	15	13	(8)	1,116	1,532	(6)
Interest income	-	-	-	-	-	32
Interest expense	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Loss on disposals of associates	-	-	(225)	-	-	-
Profit / (Loss) before taxation	15	13	(233)	1,116	1,532	26
Taxation	-	(4)	-	(180)	(29)	(6)
Net profit / (loss)	15	9	(233)	936	1,503	20
No. ordinary shares in issue (000)	270	270	270	270	270	348
Gross earnings per share (RM)	0.06	0.05	(0.86)	4.13	5.67	[^] 0.08
Net earnings per share (RM)	0.06	0.03	(0.86)	3.47	5.57	[^] 0.06
Gross dividend per share (RM)	-	-	-	-	8.38	-

[^] Based on weighted average number of ordinary shares of 335,737.

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

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

7. SUMMARISED INCOME STATEMENTS (CONT'D)

7.2 The Company (Cont'd)

Notes to the results of Quest

- The audited income statement of the Company has been prepared based on accounting policies consistent with those previously adopted in the preparation of the Group's financial statements.
- In financial year ended 2001, the Company incurred a loss of RM225,000 on the disposals of its associate.
- Turnover for year 2002 and 2003 represent the dividend income received from its subsidiaries.
- There was no taxation charge in financial year 1999 as the taxation payable was waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1999. However, the effective tax rate for year 2002 and 2003 were lower than the statutory rate as certain dividend income is tax exempted.
- Effective tax rate in financial period 2004 is lower as a result of the 8% tax saving on the Company's first RM500,000 chargeable income.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

8. SUMMARISED BALANCE SHEETS

8.1 The Company

	← As at 31 December →					As at
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>31.10.2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Interest in associates	750	750	40	40	60	60
Interest in subsidiaries	270	270	285	285	373	863
	1,020	1,020	325	325	433	923
Current assets						
Amount due from associates	500	500	-	-	-	-
Amount due from directors	**	338	1,276	1,284	-	-
Deferred expenditure	-	-	-	-	-	404
Other current assets	1	51	896	910	90	2,100
	501	889	2,172	2,194	90	2,504
Current liabilities						
Amount due to associates	-	-	-	-	100	100
Amount due to subsidiaries	1,229	1,604	2,429	1,516	*	794
Other current liabilities	7	11	7	6	83	94
	1,236	1,615	2,436	1,522	183	988
Net current (liabilities) / assets	(735)	(726)	(264)	672	(93)	1,516
	285	294	61	997	340	2,439
Share capital	270	270	270	270	270	415
Share premium reserve	-	-	-	-	-	1,933
Retained profits/ (Accumulated losses)	15	24	(209)	727	70	91
Shareholders' funds	285	294	61	997	340	2,439
Net tangible assets per ordinary share (RM)	1.06	1.09	0.23	3.69	1.26	^ 6.06
Gross dividend per share (RM)	-	-	-	-	8.38	-

^ Based on weighted average number of ordinary shares of 335,737

* Denotes RM228

** Denotes RM10

Proforma consolidated balance sheets are not available as ETSB had non co-terminous year end prior to 31 December 2002.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

8. SUMMARISED BALANCE SHEETS (CONT'D)

8.2 Subsidiaries

8.2.1 Quest Technology Sdn. Bhd. ("QT")

	← As at 31 December →					As at
	1999	2000	2001	2002	2003	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	296	289	209	198	151	183
Current assets						
Amount due from related companies	592	59	645	1,386	1,640	1,222
Amount due from holding company	1,229	1,604	2,429	1,516	*	794
Other current assets	5,004	2,773	2,126	3,244	2,257	5,235
	6,825	4,436	5,200	6,146	3,897	7,251
Current liabilities						
Amount due to related companies	1,272	1,151	1,334	618	611	696
Amount due to directors	-	-	-	-	6	158
Other current liabilities	2,830	394	773	2,366	1,236	3,866
	4,102	1,545	2,107	2,984	1,853	4,552
Net current assets	2,723	2,891	3,093	3,162	2,044	2,699
	3,019	3,180	3,302	3,360	2,195	2,882
Share capital	250	250	250	250	250	250
Retained profits	2,760	2,930	3,052	3,099	1,934	2,585
Shareholders' funds	3,010	3,180	3,302	3,349	2,184	2,835
Long term and deferred tax liabilities	9	-	-	11	11	47
	3,019	3,180	3,302	3,360	2,195	2,882
Net tangible assets per ordinary share (RM)	12.04	12.72	13.21	13.40	8.74	11.34
Gross dividend per share (RM)	-	-	-	-	6.15	-

* Denotes RM228

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

8. SUMMARISED BALANCE SHEETS (CONT'D)

8.2 Subsidiaries (Cont'd)

8.2.2 Vokes Air (M) Sdn. Bhd. ("VAM")

	← As at 31 December →					As at
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>31.10.2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	-	250	237	197
Deferred tax assets	-	-	-	-	16	7
Current assets						
Amount due from related companies	220	204	203	67	14	56
Other current assets	2	5	5	1,393	1,921	1,770
	<u>222</u>	<u>209</u>	<u>208</u>	<u>1,460</u>	<u>1,935</u>	<u>1,826</u>
Current liabilities						
Amount due to related companies	-	-	-	870	1,292	195
Other current liabilities	12	1	2	1,106	782	744
	<u>12</u>	<u>1</u>	<u>2</u>	<u>1,976</u>	<u>2,074</u>	<u>939</u>
Net current assets/ (liabilities)	210	208	206	(516)	(139)	887
	<u>210</u>	<u>208</u>	<u>206</u>	<u>(266)</u>	<u>114</u>	<u>1,091</u>
Share capital	10	10	10	10	10	500
Retained profits / (Accumulated losses)	200	198	196	(306)	82	575
Shareholders' funds	<u>210</u>	<u>208</u>	<u>206</u>	<u>(296)</u>	<u>92</u>	<u>1,075</u>
Long term and deferred tax liabilities	-	-	-	30	22	16
	<u>210</u>	<u>208</u>	<u>206</u>	<u>(266)</u>	<u>114</u>	<u>1,091</u>
Net tangible assets / (liabilities) per ordinary share (RM)	21.00	20.80	20.60	(29.60)	7.60	^ 5.65
Gross dividend per share (RM)	-	-	-	26.39	-	-

^ Based on weighted average number of ordinary shares of 188,899.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

8. SUMMARISED BALANCE SHEETS (CONT'D)

8.2 Subsidiaries (Cont'd)

8.2.3 Quest Liquid Separation Sdn. Bhd. ("QLS")

	← As at 31 December →					As at
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>31.10.2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	3	2	386	183	139	108
Deferred tax assets	-	-	-	-	3	8
Expenditure carried forward	25	-	-	-	-	-
Current assets						
Amount due from related companies	-	-	*	-	-	26
Other current assets	**	**	727	908	1,077	1,088
	**	**	727	908	1,077	1,114
Current liabilities						
Amount due to related companies	27	28	613	496	324	418
Other current liabilities	1	2	341	476	628	488
	28	30	954	972	952	906
Net current (liabilities) / assets	(28)	(30)	(227)	(64)	125	208
	-	(28)	159	119	267	324
Share capital	**	**	25	25	25	25
Retained profits / (Accumulated losses)	-	(28)	(9)	(11)	166	247
Shareholders' funds	-	(28)	16	14	191	272
Long term and deferred tax liabilities	-	-	143	105	76	52
	**	(28)	159	119	267	324
Net tangible assets per ordinary share (RM)	(12,499)	(14,000)	0.64	0.56	7.52	10.56
Gross dividend per share (RM)	**	-	-	-	-	-

* Denotes RM100

** Denotes RM2

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

8. SUMMARISED BALANCE SHEETS (CONT'D)

8.2 Subsidiaries (Cont'd)

8.2.4 Quest Equipment & Services Sdn. Bhd. ("QES")

	← As at 31 December →					As at
	1999	2000	2001	2002	2003	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	67	48	32	20	11	12
Current assets						
Amount due from related companies	1,052	947	1,131	631	598	538
Other current assets	1,997	726	381	329	424	580
	3,049	1,673	1,512	960	1,022	1,118
Current liabilities						
Amount due to related companies	-	-	*	68	62	58
Other current liabilities	1,966	442	259	300	217	127
	1,966	442	259	368	279	185
Net current assets	1,083	1,231	1,253	592	743	933
	1,150	1,279	1,285	612	754	945
Share capital	10	10	25	25	25	25
Retained profits	1,140	1,269	1,260	587	728	919
Shareholders' funds	1,150	1,279	1,285	612	753	944
Long term and deferred tax liabilities	-	-	-	-	1	1
	1,150	1,279	1,285	612	754	945
Net tangible assets per ordinary share (RM)	115.00	127.90	51.40	24.48	30.12	37.76
Gross dividend per share (RM)	-	-	-	34.28	-	-

* Denotes RM100

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

8. SUMMARISED BALANCE SHEETS (CONT'D)

8.2 Subsidiaries (Cont'd)

8.2.5 Envair Technology Sdn. Bhd. ("ETSB")

	← As at 31 March →			As at	As at	As at
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>31.12.2002</u>	<u>31.12.2003</u>	<u>31.10.2004</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	140	510	472	463	516	505
Interest in associated company	-	63	38	38	-	-
Current assets						
Amount due from related companies *	-	38	17	250	206	221
Other current assets	1,126	783	1,332	2,690	6,159	6,716
	1,126	821	1,349	2,940	6,365	6,937
Current liabilities						
Amount due to related companies *	-	5	637	519	1,412	1,140
Other current liabilities	786	642	497	2,000	3,838	3,713
	786	647	1,134	2,519	5,250	4,853
Net current assets	340	174	215	421	1,115	2,084
	480	747	725	922	1,631	2,589
Share capital	100	100	100	250	250	250
Retained profits	304	361	371	439	1,182	2,136
Shareholders' funds	404	461	471	689	1,432	2,386
Long term and deferred tax liabilities	76	286	254	233	199	203
	480	747	725	922	1,631	2,589
Net tangible assets per ordinary share (RM)	4.04	4.61	4.71	2.76	5.73	9.54
Gross dividend per share (RM)	-	-	-	-	-	-

* These represent trade balance ETSB has with companies within Quest Group, now considered as related companies in the Group in this report.

12. ACCOUNTANTS' REPORT (cont'd)

YONG & LEONARD (AF 0075)
(formerly known as K. K. Yong & Co)

8. SUMMARISED BALANCE SHEETS (CONT'D)

8.2 Subsidiaries (Cont'd)

8.2.6 Envair MECS Engineering Sdn. Bhd. ("EMECS")

	← As at 31 December →				As at 31.10.2004
	<u>2000</u> RM'000	<u>2001</u> RM'000	<u>2002</u> RM'000	<u>2003</u> RM'000	
Property, plant and equipment	159	145	107	74	52
Investment in associates	36	36	36	-	-
Investment in subsidiaries	35	*	70	100	100
Current assets					
Amount due from directors	104	186	72	-	-
Amount due from related companies ^	-	17	349	1,287	675
Amount due from subsidiary	3	45	44	40	-
Other current assets	616	432	259	224	1,188
	<u>723</u>	<u>680</u>	<u>724</u>	<u>1,551</u>	<u>1,863</u>
Current liabilities					
Amount due to related companies ^	-	-	-	26	14
Amount due to subsidiary	-	-	110	110	100
Other current liabilities	606	504	428	1,137	1,336
	<u>606</u>	<u>504</u>	<u>538</u>	<u>1,273</u>	<u>1,450</u>
Net current assets	<u>117</u>	<u>176</u>	<u>186</u>	<u>278</u>	<u>413</u>
	<u>347</u>	<u>357</u>	<u>399</u>	<u>452</u>	<u>565</u>
Share capital	100	100	100	100	100
Retained profits	139	213	271	340	465
Shareholders' funds	<u>239</u>	<u>313</u>	<u>371</u>	<u>440</u>	<u>565</u>
Long term and deferred tax liabilities					
	108	44	28	12	-
	<u>347</u>	<u>357</u>	<u>399</u>	<u>452</u>	<u>565</u>
Net tangible assets per ordinary share (RM)	<u>2.39</u>	<u>3.13</u>	<u>3.71</u>	<u>4.40</u>	<u>5.65</u>
Gross dividend per share (RM)	-	-	-	-	-

* Denotes RM70

^ These represent trade balance EMECS has with companies within Quest Group, now considered as related companies in the Group in this report.