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## 10. SUMMARY OF BUSINESS DEVELOPMENT PLAN

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The following is a summary of the business plan prepared by the Board of NVB for the purpose of inclusion in this Prospectus:

### Group Vision and Mission

The vision of the NVB Group is to be a leader and world-class specialist and manufacturer of high precision components for the HDD, consumer electronics & electrical, semiconductor, plastic and automotive industries, and a provider of auxiliary services using state-of-the-art high precision technology.

The mission of the NVB Group is to be known as an internationally renowned one-stop precision components and tools manufacturer with multiple capabilities and competencies.

The Group aims to achieve its mission by:

- Delivering products of the highest quality;
- Providing leading edge technology;
- Possessing high-capacity and consistent high-quality manufacturing capabilities;
- Being flexible in customization capabilities;
- Offering competitive pricing;
- Being a leader in time-to-market, time-to volume and time-to-quality;
- Offering excellent service and support;
- Focusing on quality improvement activities of its manufacturing and engineering processes; and
- Continuing to enhance its current R&D facilities and resources, and keeping abreast with the latest technology advancements to meet customer demands in new and improved product specifications.

### Business Strategy

The Group has outlined the following growth strategies for the next 5 years, which is to be at the technological forefront in the provision of high precision components, tools, moulds and dies for its targeted industries:

#### *Types of Strategy*

#### *Action Plan*

- | <i>Types of Strategy</i> | <i>Action Plan</i>  |
|--------------------------|---|
| Core Business Growth     | <ol style="list-style-type: none"> <li>1. Increase export sales of its current HDD component products to current MNC clients who have expanded their HDD business to new geographical areas as well as to target other MNC HDD manufacturers with overseas production facilities and other existing high precision components and products for the consumer electronic and electrical industry, and the industrial mechanical industry.</li> <li>2. Product diversification by way of broadening product mix flexibility for the HDD/Data Storage industry and for the consumer electronics industry by leveraging on its current core competencies and technologies.</li> <li>3. Increase production capacity to meet anticipated buoyant growth for the HDD and consumer electronics industries.</li> <li>4. Expansion and diversification into the CNC auto-lathe high precision machining technology for very high precision micro components through KPSB.</li> <li>5. Expansion and diversification into the progressive die stamping technology to produce three-dimensional stamped parts and components through SISB.</li> </ol> |

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## 10. SUMMARY OF BUSINESS DEVELOPMENT PLAN (Cont'd)

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|---|---|
| Strategic Growth                                    | <ol style="list-style-type: none"> <li>6. Extending and increasing its scope of business into precision tools, moulds and die and jigs and fixtures via its subsidiaries, NTSB, IPSB and DTSB.</li> <li>1. Proactively engaging in the research and product development of small HDD form factor – 2.5”, 1.8”, 1” and 0.85” by sharing best practices, product design, production processes and problems with potential and targeted customers in order to reduce their time-to-market.</li> <li>2. Forging close relationships with key suppliers for production efficiency and quality control, which will translate to better pricing and higher quality end-products for customers.</li> <li>3. Consolidation of its production facilities and capabilities to achieve operational, manufacturing, inbound/outbound logistics and marketing and sales efficiencies.</li> <li>4. Regional expansion in particular to Thailand in view of the country’s position as a major HDD, consumer electronics and automotive components hub.</li> <li>5. Expansion of customer base in its current market segments and applications and by entering new market areas and industries.</li> </ol> |
| Value Growth  | <ol style="list-style-type: none"> <li>1. Image building, commercialising technology know-how and intelligent property through patents.</li> <li>2. R&amp;D and continuous process improvement capability for product improvement and new product development</li> <li>3. Investing in Human Resource development and expansion.</li> </ol>   |
| Growth Through Joint Ventures Or Smart Partnerships | <ol style="list-style-type: none"> <li>1. Form joint ventures and smart partnerships with technology companies to develop new product mix and to rapidly move forward to offer volume manufacturing of these high precision components. Synergies to be derived from the formation of smart partnerships will be the overall improvements in operating costs from scalability and ability to harness new markets and products.</li> </ol>   |

### Conclusion

The Directors of NVB believe that the Group’s strength lies in its strong and far-sighted management, skilled employees, ability of in-house R&D team to produce value-added products and processes to complement the Group’s ultra-precision machining and engineering technologies, proven track record with established and reputable MNC clients and leadership in time-to-market, time-to-response, time-to-volume, time-to-quality and time-to-retool performance.

Based on the above premise, the Group believes that it is able to capitalise on its strengths and take advantage of the growth of the HDD, consumer electronics and automotive components industries in Malaysia as well as opportunities in the regional and global markets in realising the Group’s vision.

## 11. ACCOUNTANTS' REPORT

*(Prepared for inclusion in this Prospectus)*



3 May 2005

The Board of Directors  
**Notion VTec Berhad**  
Lot 5028, Jalan Teratai  
Batu 5½, Jalan Meru  
41050 Klang  
Selangor Darul Ehsan

**Horwath** AF No 1018  
**Kuala Lumpur Office**  
Chartered Accountants

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Dear Sirs/Madams

### **NOTION VTEC BERHAD ACCOUNTANTS' REPORT**

#### **1. PURPOSE OF REPORT**

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of Notion VTec Berhad ("the Company" or "NVB") to be dated 11 May 2005 in connection with the Public Issue of 75,000,000 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.63 per share and the listing and quotation for the entire enlarged issued and paid-up share capital of NVB of RM29,315,976 comprising 293,159,760 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities").

#### **2. DETAILS OF NVB AND ITS SUBSIDIARIES**

##### **2.1 THE COMPANY**

The Company was incorporated on 19 December 2003 in Malaysia as a public limited company under the Malaysian Companies Act, 1965. Its principal activity is that of investment holding.

##### **2.2 LISTING SCHEME**

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and fully paid-up ordinary share capital of NVB on the MESDAQ Market of the Bursa Securities, the Company undertook/will undertake the following transactions which was approved by the relevant authorities:-

- (i) Acquisition of the entire equity interest of Notion Venture Sdn. Bhd. ("NVSB") comprising 6,115,920 ordinary shares of RM1.00 each for RM21,659,055 to be satisfied by NVB through the issuance of 216,590,550 new ordinary shares at an issue price of RM0.10 per share in NVB;
- (ii) Acquisition of 10% of the equity interest in NV Technology Sdn. Bhd. ("NTSB") represented by 125,367 ordinary shares of RM1.00 each a total purchase consideration of RM137,746 to be satisfied by NVB through the issuance of 1,377,460 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 each per share; and
- (iii) Acquisition of 10% of the equity interest in Kaiten Precision (M) Sdn. Bhd. ("KPSB") represented by 20,000 ordinary shares of RM1.00 each for a total purchase consideration of RM19,173 to be satisfied by NVB through the issuance of 191,730 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.10 per share.

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 2.2 LISTING SCHEME (CONT'D)

The above-mentioned acquisitions of NVSB, NTSB, and KPSB by NVB (hereinafter referred to as "Acquisitions") were completed on 31 January 2005. NVB, together with its subsidiaries, are hereinafter referred to as "the Group" or "NVB Group".

- (iv) Public Issue of 75,000,000 new ordinary shares of RM0.10 each in NVB at an issue price of RM0.63 per ordinary share comprising:-
- (a) 6,000,000 new ordinary shares of RM0.10 each representing approximately 2.05% of the enlarged share capital will be reserved for application by Malaysian citizens, companies, co-operatives, societies and institutions;
  - (b) 8,000,000 new ordinary shares of RM0.10 representing approximately 2.72% of the enlarged share capital will be reserved for eligible employees and business associates of the Group; and
  - (c) 61,000,000 new ordinary shares of RM0.10 each representing approximately 20.81% of the enlarged share capital will be placed to investors by the placement agent.

The gross proceeds from the Public Issue will be utilised as follows:

	<b>RM'000</b>
Purchase of new machinery/equipment	12,000
Purchase of land and construction of new factory	20,000
Working capital	8,950
Research and development training and facilities	800
Repayment of bank borrowings	3,000
Estimated listing expenses	2,500
<b>Total</b>	<b>47,250</b>

- (v) Listing of and quotation for the entire enlarged issued and paid-up share capital of NVB of RM29,315,976 comprising 293,159,760 NVB shares on the MESDAQ Market of the Bursa Securities.

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 2.3 DETAILS OF THE SUBSIDIARIES

A summary of the details of the subsidiaries of NVB is as follows:-

Name	Date and Country of incorporation	Issued and paid-up share capital RM'000	Effective interest %	Principal activities
NVSB	22 September 1995 / Malaysia	6,115,920	100	Design and volume production of high precision metal machining of hard disk drive, computer, consumer electronic and electrical and automotive industries' components, and related research and development ("R&D") activities.
NTSB	20 June 2002 / Malaysia	1,253,675	90	Design, development and modification of cutting tool geometry, regrind or re-sharpening of special cutting tools using computer numerical control ("CNC") tool and cutter grinder and other grinding operations and marketing of diamond abrasive grinding wheels, polycrystalline diamond and polycrystalline cubic boron nitride inserts.
KPSB	25 January 2000 / Malaysia	200,000	90	Design and development leading to the mass production of high precision microparts and related R&D activities.
IPSB*	17 July 2000 / Malaysia	100,000	100	Design, development, manufacture and marketing of precision jigs and fixtures, tools and dies for stamping, precision mould parts for plastic injection, trim and form tools for semiconductor industry and precision machine parts for the automotive and other high-value added industries.
DTSB**	10 December 2003 / Malaysia	50,000	80	R&D activities leading to the design and production of air chuck assembly system for soft clamping, tool-holders, gauges, dies, collects and lathe chucks for use by CNC machining applications.
SISB***	16 June 2004 / Malaysia	300,000	60	Design of tooling and volume manufacturing of high precision appearance parts using progressive die stamping for digital cameras, motion picture experts group, audio layer 3 ("MP3") players and other consumer electronic devices.

Notes:-

- \* - *Intech Precision Sdn. Bhd.*
- \*\* - *Diaphragm Tech Sdn. Bhd.*
- \*\*\* - *Swiss Impression Sdn. Bhd.*

NVB does not have any associates.

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 3. SHARE CAPITAL

The authorised share capital of NVB is RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each.

The issued and paid-up share capital of NVB as at the date of this report is RM21,815,976 comprising 218,159,760 ordinary shares of RM0.10 each.

The changes in the issued and paid-up share capital of the Company since the date of incorporation are as follows:-

Date of Incorporation	Number of Ordinary shares allotted	Par Value RM	Consideration/Type of issue	Cumulative total issued and paid-up share capital RM
19 December 2003	2	1.00	Subscribers shares	2
15 February 2004	20	0.10	Sub-division of shares on the basis of 1 ordinary share of RM1.00 each into 10 ordinary shares of RM0.10 each	2
31 January 2005	218,159,740	0.10	Shares issued pursuant to the Acquisitions by NVB	21,815,976

Subsequent to the public issue of 75,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.63 each, the issued and paid-up share capital of NVB would be increased from RM21,815,976 comprising 218,159,760 ordinary shares of RM0.10 each to RM29,315,976 comprising 293,159,760 ordinary shares of RM0.10 each.

### 4. RELEVANT FINANCIAL PERIODS

The relevant financial periods for the purpose of this report ("Relevant Financial Periods") are as follows:-

Company	Relevant Financial Periods
NVB	19 December 2003 (date of incorporation) to 30 September 2004 and financial period from 1 October 2004 to 31 December 2004.
NVSB	Financial years ended 30 September 2000, 2001, 2002, 2003 and 2004 and financial period from 1 October 2004 to 31 December 2004.
NTSB	Financial period from 20 June 2002 (date of incorporation) to 30 September 2003, financial year ended 30 September 2004 and financial period from 1 October 2004 to 31 December 2004.
IPSB	Financial period from 17 July 2000 (date of incorporation) to 30 September 2001, financial years ended 30 September 2002, 2003 and 2004 and financial period from 1 October 2004 to 31 December 2004.
KPSB*	Financial period from 25 January 2000 (date of incorporation) to 31 March 2001 (included in financial year ended 30 September 2001) and 1 April 2001 to 30 September 2002 (included in financial year ended 30 September 2002), financial years ended 30 September 2003 and 2004 and financial period from 1 October 2004 to 31 December 2004.

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## 11. ACCOUNTANTS' REPORT (Cont'd)

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### 4. RELEVANT FINANCIAL PERIODS (CONT'D)

DTSB 10 December 2003 (date of incorporation) to 30 September 2004 and financial period from 1 October 2004 to 31 December 2004.

SISB 16 June 2004 (date of incorporation) to 30 September 2004 and financial period from 1 October 2004 to 31 December 2004.

\* - *the results for the financial period ended 31 March 2001 and 30 September 2002 of KPSB were not coterminous with the proforma NVB Group. However, the effect of the financial periods of KPSB not being coterminous with the proforma income statements of the NVB Group is not material as KPSB was dormant during the Relevant Financial Periods.*

### 5. ACCOUNTING STANDARDS AND POLICIES

#### 5.1 BASIS OF PREPARATION

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved accounting standards in Malaysia.

#### 5.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of this report are as follows:-

##### (a) Basis of Consolidation

The proforma group income statements and statement of assets and liabilities incorporate the financial statements of the Company and its subsidiaries using the acquisition method. The results of the subsidiaries acquired or disposed of are consolidated from or up to the effective date of acquisition or disposal.

A subsidiary is defined as a company in which the parent company holds directly or indirectly more than 50% of the equity and has control over the financial and operating policies.

In the event where the cost of investment is lower than the fair value of net assets acquired, this represents a discount on acquisition which is credited to the negative goodwill on consolidation account. In the event where the cost of investment is higher than the value of net assets acquired, the excess consideration paid represents goodwill. Goodwill arising on acquisition of subsidiaries is set off against the negative goodwill on consolidation account. Negative goodwill on consolidation is amortised in the consolidated income statement on a straight line over a period of 10 years.

Intragroup transactions, balances and unrealised gains on transactions are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

#### (c) Property, Plant and Equipment

Property, plant and equipment other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost and is not depreciated. Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Factory buildings	2%
Factory equipment and machinery	10%
Furniture, fittings and office equipment	10% - 30%
Motor vehicles	20%
Renovation	20%

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.

#### (d) Impairment of Assets

The carrying amounts of assets, other than those to which MASB Standard 23 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.



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

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**5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Impairment of Assets (Cont'd)**

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

**(e) Assets Under Hire Purchase**

Plant and equipment acquired under hire purchase are capitalised in the financial statements and are depreciated in accordance with the policy set out in paragraph 5.2(c) above. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Finance charges are allocated to the income statement over the period of the respective hire purchase agreements.

**(f) Assets Under Finance Leases**

Leases of plant and equipment where substantially all the benefit and risks of ownership are transferred to the Group are classified as finance leases.

Plant and equipment acquired under finance leases are capitalised as long term assets, based on the lower of the fair value of the leased plant and equipment or present value of the minimum lease payments at the inception of the lease.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding obligations due under the finance lease after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statement over the period of the respective lease agreements.

Plant and equipment acquired under finance leases are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Company, the assets are depreciated over the shorter of the lease terms and their useful lives.

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## 11. ACCOUNTANTS' REPORT *(Cont'd)*

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### 5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**(g) Investments**

Investments in subsidiaries are stated at cost in the balance sheet of a subsidiary, and are reviewed for impairment at the end of the financial year if events or changes in circumstances indicate that their carrying values may not be recoverable.

**(h) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, direct labour and an appropriate proportion of production overheads.

**(i) Receivables**

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

**(j) Payables**

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

**(k) Interest-bearing Borrowings**

The interest-bearing bank overdrafts, hire purchase and lease payables, term loans and bills payables are recorded at the amount of proceeds received, net of transaction costs.

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

**(l) Equity Instruments**

Ordinary shares are classified as equity.

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## 11. ACCOUNTANTS' REPORT *(Cont'd)*

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### 5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (m) Taxation

Taxation for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable differences other than those that arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

#### (n) Asset Recognition

An asset is recognised when it is probable that such an asset will generate future economic benefits to the Group and when the amount can be measured reliably. Unutilised reinvestment allowances which are deemed to meet the aforesaid criteria of an asset, are recognised accordingly by way of a credit to the income statement, to the extent of the amount of the deferred liability recognised pursuant to MASB 25 - Income Taxes. When there is a reversal of a deferred tax liability, the deferred asset previously recognised will be correspondingly reversed, in part or in full, by way of a debit to the income statement to the extent of the deferred tax liability reversed.

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## 11. ACCOUNTANTS' REPORT *(Cont'd)*

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### 5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**(o) Foreign Currencies**

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates ruling as of that date. All exchange differences are taken to the income statement.

**(p) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdraft and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(q) Dividends**

Dividends on ordinary shares are recognised as liabilities in the period in which they have been approved for payment. Dividends in respect of the current financial year, if declared subsequent to the balance sheet date or subject to approval subsequent to the balance sheet date; are recognised as an appropriation from retained earnings and are treated as a separate component of equity.

**(r) Employee Benefits**

**(i) Short-term benefits**

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

**(ii) Defined Contribution Plans**

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further liabilities in respect of the defined contribution plans.

**(s) Revenue Recognition**

**(i)** Sales are recognised upon the delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

**(ii)** Interest is recognised on an accrual basis.

## 11. ACCOUNTANTS' REPORT (Cont'd)



### 5.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES

There were no changes in the significant accounting policies adopted by the Group during the Relevant Financial Periods except for the adoption of MASB 25 - Income Taxes in the financial year ended 30 September 2003 and adjustments to correct the exclusion of inventories from the financial statements of NVSB for the financial years ended 30 September 2000 to 2002. The said change in accounting policy and the adjustments to correct the exclusion of inventories from the financial statements of NVSB has been accounted for retrospectively and the effects on prior years have been adjusted in the respective years as follows:-

	{--Financial Year Ended 30 September --}		
	2000 RM'000	2001 RM'000	2002 RM'000
Profit/(loss) after tax per audited financial statements of NVSB	4,449	3,625	(588)
After tax effect of the adjustment to correct exclusion of inventories	191	71	115
Effect of adopting MASB 25 - Income Taxes	443	(175)	(767)
Total adjustment	634	(104)	(652)
Profit/(loss) after tax of NVSB - restated	5,083	3,521	(1,240)

## 6. AUDITORS AND AUDIT REPORTS

### 6.1 AUDITORS

We have acted as the auditors of each company within the Group for the Relevant Financial Periods as stated in paragraph 4 above from financial period/year ended 30 September 2003. The financial statements for the Relevant Financial Periods of the subsidiaries in the Group prior to financial periods/years ended 30 September 2003 were audited by another firm of Chartered Accountants.

### 6.2 AUDIT REPORTS

The financial statements of each company within the Group for the Relevant Financial Periods were audited and reported on without any qualification by the auditors.



## 11. ACCOUNTANTS' REPORT (Cont'd)



### 7. INCOME STATEMENTS FOR THE RELEVANT FINANCIAL PERIODS

#### 7.1 PROFORMA CONSOLIDATED RESULTS OF NVB GROUP

The summarised proforma consolidated results of the NVB Group for the Relevant Financial Periods have been prepared for illustrative purposes only on the assumption that the NVB Group had been in existence throughout the Relevant Financial Periods under review.

The proforma consolidated income statements should be read in conjunction with the notes hereto:-

	Financial Year ("FY") Ended 30 September					3 month period ended 31 December
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Turnover	17,312	17,135	13,951	27,801	57,219	19,611
Cost of sales	(10,959)	(11,553)	(12,992)	(20,825)	(39,740)	(12,721)
Gross profit	6,353	5,582	959	6,976	17,479	6,890
Other operating income	302	70	124	77	624	373
Marketing and distribution cost	(154)	(214)	(331)	(369)	(386)	(147)
Administrative and other operating expenses	(754)	(1,157)	(1,372)	(1,911)	(2,799)	(946)
Finance expense	(372)	(582)	(592)	(848)	(516)	(254)
Profit/(Loss) before taxation ("PBT")/("LBT")	5,375	3,699	(1,212)	3,925	14,402	5,916
Depreciation	1,980	2,289	3,347	3,247	4,304	1,372
Interest expense	356	568	580	813	476	229
Interest income	-	(12)	(2)	(2)	(19)	(16)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	7,711	6,544	2,713	7,983	19,163	7,501
Less : Depreciation	(1,980)	(2,289)	(3,347)	(3,247)	(4,304)	(1,372)
Interest expense	(356)	(568)	(580)	(813)	(476)	(229)
Add : Interest income	-	12	2	2	19	16
PBT/(LBT)	5,375	3,699	(1,212)	3,925	14,402	5,916
Taxation	(292)	(184)	(9)	22	(2,584)	(1,541)
Profit/(Loss) after taxation ("PAT")/("LAT")	5,083	3,515	(1,221)	3,947	11,818	4,375
Minority interests ("MI")	-	-	-	(12)	(72)	(2)
PAT/(LAT) after MI	5,083	3,515	(1,221)	3,935	11,746	4,373
Assumed number of ordinary shares of RM0.10 each in issue ('000)*	218,160	218,160	218,160	218,160	218,160	218,160
Gross earnings/(loss) per share ("EPS")/("LPS") (sen)	2.46	1.70	(0.56)	1.80	6.60	^2.71
Net EPS/(LPS) (sen)	2.33	1.61	(0.56)	1.80	5.38	^2.00

\* - The number of ordinary shares assumed in issue is based on the issued and paid-up share capital of NVB after the Acquisitions but before the Public Issue.

^ - Not annualised

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## 11. ACCOUNTANTS' REPORT (Cont'd)

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### 7.1 PROFORMA CONSOLIDATED RESULTS OF NVB GROUP (CONT'D)

*Notes to the proforma consolidated income statements of NVB Group:-*

- (a) *The proforma consolidated income statements are presented for illustrative purposes only and are prepared based on the audited financial statements of the Company, NVSB, NTSB, IPSB, KPSB, DTSB and SISB for the Relevant Financial Periods. The proforma consolidated income statements are prepared on the basis that the Acquisitions had been in effect throughout the Relevant Financial Periods.*
- (b) *The proforma consolidated income statements have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the subsidiaries except for the adoption of MASB 25 - Income Taxes and adjustments to correct the exclusion of inventories from the financial statements of a subsidiary - NVSB for FY2000 to FY2002 as disclosed in paragraph 5.3 above.*
- (c) *The difference between the effective tax rate and the statutory tax rate is explained in the notes to the income statements of each individual company.*
- (d) *There were no extraordinary and exceptional items during the Relevant Financial Periods under review.*
- (e) *The proforma gross and net EPS/(LPS) were computed based on PBT/(LBT) and PAT/(LAT) for the Relevant Financial Periods, after minority interests and divided by the number of ordinary shares assumed in issue of 218,159,760 ordinary shares of RM0.10 each after the Acquisitions but before the Public Issue.*
- (f) *All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*

## 11. ACCOUNTANTS' REPORT (Cont'd)



### 7.2 INCOME STATEMENTS OF NVB

The summary of the results of NVB based on its audited financial statements for the Relevant Financial Periods is set out below:-

	Financial Period from 19.12.2003 to 30.9.2004 RM'000	3 month period ended 31 December 2004 RM'000
Turnover	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative and other operating expenses	(20)	(2)
(LBT)	(20)	(2)
Taxation	-	-
(LAT)	(20)	(2)
No. of ordinary shares of RM0.10 each in issue	20	20
Gross (LPS) (RM)	^(1.00)	^(0.10)
Net (LPS) (RM)	^(1.00)	^(0.10)

<sup>^</sup> - The Gross LPS and Net LPS were computed by dividing the LBT and LAT respectively for the financial period from 19 December 2003 (date of incorporation) to 30 September 2004 and financial period from 1 October 2004 to 31 December 2004 by the number of ordinary shares in issue during the financial periods. The Gross LPS and Net LPS computed were not annualised.

Notes to the income statements of NVB:-

- (a) NVB was dormant during the financial periods under review.
- (b) The loss incurred by NVB in the financial periods was mainly due to preliminary expenses, pre-operating expenses, directors' non-fee emoluments and professional fees.

## 11. ACCOUNTANTS' REPORT (Cont'd)



### 7.3 INCOME STATEMENTS OF NVSB

The summary of the results of NVSB based on its audited financial statements for the Relevant Financial Periods is set out below:-

	{-----Financial Year Ended 30 September ("FY")-----}					3 month period ended 31 December
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2004 RM'000
Turnover	17,312	17,135	13,802	25,538	54,791	18,641
Cost of sales	(10,959)	(11,553)	(12,900)	(19,323)	(39,034)	(12,257)
Gross profit	6,353	5,582	902	6,215	15,757	6,384
Other operating income	302	70	124	76	621	372
Marketing and distribution cost	(154)	(214)	(331)	(369)	(386)	(147)
Administrative and other operating expenses	(754)	(1,151)	(1,343)	(1,382)	(1,924)	(625)
Finance expense	(372)	(582)	(592)	(844)	(482)	(234)
PBT/(LBT)	5,375	3,705	(1,240)	3,696	13,586	5,750
Depreciation	1,980	2,289	3,347	3,221	4,138	1,291
Interest expense	356	568	580	812	447	214
Interest income	-	(12)	(2)	(2)	(19)	(16)
EBITDA	7,711	6,550	2,685	7,727	18,152	7,239
Less: Depreciation	(1,980)	(2,289)	(3,347)	(3,221)	(4,138)	(1,291)
Interest expense	(356)	(568)	(580)	(812)	(447)	(214)
Add : Interest income	-	12	2	2	19	16
PBT/(LBT)	5,375	3,705	(1,240)	3,696	13,586	5,750
Taxation	(292)	(184)	-	78	(2,452)	(1,490)
PAT/(LAT)	5,083	3,521	(1,240)	3,774	11,134	4,260
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	932	1,500	1,594	2,200	4,856	6,116
Gross EPS/(LPS) (RM)	5.77	2.47	(0.78)	1.68	2.80	<sup>^</sup> 0.94
Net EPS/(LPS) (RM)	5.45	2.35	(0.78)	1.72	2.29	<sup>^</sup> 0.70

<sup>^</sup> - Not annualised

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 7.3 INCOME STATEMENTS OF NVSB (CONT'D)

Notes to the income statements of NVSB:-

(a) *The significant decrease in turnover in FY2002 was due to reduced orders as a result of the general slump in the world economy and excess inventories of HDDs in the market in FY2002. Turnover in FY2003 improved significantly mainly due to the improved demand for NVSB's products and services owing to the overall recovery in the world economy. The increase in turnover in FY2004 from FY2003 is mainly due to significant increase in sales of HDD components to two customers.*

(b) *PBT improved in FY2003 in line with the increase in turnover from the previous financial year and came about mainly from the improvement in the gross profit arising from better productivity owing to higher volumes produced in FY2003.*

*PBT decreased in FY2001 mainly due to lower gross profit arising from a change of product mix and higher direct labour cost, and increase in administrative and operating expenses mainly due to an increase in depreciation arising from purchases of non-factory related equipment.*

*The LBT recorded in FY2002 was mainly due to the large decline in gross profit arising from the substantial initial start up cost incurred to commence production of a computer component in which sales failed to materialise and increase in depreciation of factory plant and machinery arising from purchase additional machinery in FY2002. The above-mentioned factors, coupled with lower production volumes due to reduced orders as mentioned in (a) resulted in the LBT recorded in FY2002.*

*PBT in FY2003 and FY2004 improved from the LBT in FY2002 and PBT in FY2003 largely due to better gross profits arising from the higher volumes of components produced in FY2003 and FY2004 as compared to the previous financial years.*

(c) *The effective tax rate for FY2000, FY2001 and FY2004 were lower than the applicable corporate tax rates mainly due to the utilisation of reinvestment allowances.*

*There is no tax charge for FY2002 due to the loss suffered during the financial year.*

*There was no tax charge in FY2003 due to the utilisation of unabsorbed capital allowances and reinvestment allowances. The tax credit of approximately RM78,000 in FY2003 is in respect of overprovision of taxation in prior financial years.*

(d) *There were no extraordinary and exceptional items during the Relevant Financial Periods under review.*

(e) *The gross and net EPS/(LPS) were computed by dividing the PBT/(LBT) and PAT/(LAT) by the weighted average number of ordinary shares in issue for the respective financial years under review.*

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 7.4 INCOME STATEMENTS OF NTSB

The summary of results of NTSB based on its audited financial statements for the Relevant Financial Periods is set out below:-

	Financial Period From 20.6.2002 to 30.9.2003 ("FP") RM'000	Financial Year Ended 30 September 2004 ("FY") RM'000	3 month period ended 31 December 2004 ("FP") RM'000
Turnover	2,173	2,376	723
Cost of sales	(1,572)	(1,742)	(560)
Gross profit	601	634	163
Other operating income	1	-	1
Administrative and other operating expenses	(430)	(481)	(126)
Finance expenses	(4)	(19)	(9)
PBT	168	134	29
Depreciation	24	75	21
Interest expense	1	14	4
EBITDA	193	223	54
Less: Depreciation	(24)	(75)	(21)
Interest expense	(1)	(14)	(4)
PBT	168	134	29
Taxation	(44)	24	(20)
PAT	124	158	9
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	58	900	1,254
Gross EPS (RM)	^2.90	0.15	^0.02
Net EPS (RM)	^2.14	0.18	^0.01

^ - Not annualised

Notes to the income statements of NTSB:-

- NTSB only began operations on 2 September 2002.
- The effective tax rate for FP2003 is higher than the statutory tax rate due to certain expenses being disallowed for taxation purpose. The tax credit of approximately RM24,000 in FY2004 is mainly due to an overprovision of taxation of approximately RM34,000 in the previous financial period. Discounting the effect of the reversal of overprovision of tax of RM34,000 in FY2004, the effective tax rate in FY2004 is lower than the statutory tax rate due to the utilisation of reinvestment allowances.
- There were no exceptional and extraordinary items during the Relevant Financial Periods under review.
- The gross and net EPS were computed by dividing the PBT and PAT by the weighted average number of ordinary shares in issue for the financial period/year under review

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 7.5 INCOME STATEMENTS OF IPSB

The summary of the results of IPSB based on its audited financial statements for the Relevant Financial Periods is set out below:-

	Financial Period from 17.10.2000 to 30.9.2001 ("FP")	{--Financial Year ended 30 September ("FY")--}			3 month period ended 31 December 2004
	RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
Turnover	-	149	458	895	435
Cost of sales	-	(92)	(298)	(699)	(369)
Gross profit	-	57	160	196	66
Other operating income	-	-	-	3	-
Administrative and other Operating expenses	(3)	(26)	(97)	(162)	(36)
Finance expenses	-	-	-	(1)	(1)
(LBT)/PBT	(3)	31	63	36	29
Depreciation	-	-	2	13	8
Interest expense	-	-	-	1	1
(Loss before interest, tax, depreciation and amortisation) ("LBITDA")/ EBITDA	(3)	31	65	50	38
Less: Depreciation	-	-	(2)	(13)	(8)
Interest expense	-	-	-	(1)	(1)
(LBT)/PBT	(3)	31	63	36	29
Taxation	-	(9)	(12)	(5)	(6)
(LAT)/PAT	(3)	22	51	31	23
Weighted average number Of ordinary shares of RM1.00 each in issue ('000)	*	*	22	100	100
Gross (LPS)/EPS (RM)	^(1,500)	15,500	2.86	0.36	^0.29
Net (LPS)/EPS (RM)	^(1,500)	11,000	2.32	0.31	^0.23

\* - 2 ordinary shares

^ - Not annualised

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## 11. ACCOUNTANTS' REPORT *(Cont'd)*

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### 7.5 INCOME STATEMENTS OF IPSB (CONT'D)

*Notes to the income statements of IPSB:-*

- (a) IPSB was dormant in FP2001 and only began operations on 1 January 2002 (FY2002).*
- (b) The increase in turnover from FY2002 to FY2004 is mainly due to new customers obtained by IPSB and increase in sales to existing customers.*
- (c) The lower gross profit margin of 22% and PBT of 4% in FY2004 as compared to FY2003 of 35% and 14% respectively is mainly due to an increase in direct labour cost incurred by the IPSB in FY2004.*
- (d) The effective tax rate for FY2002 is higher than the statutory tax rate due to certain expenses being disallowed for taxation purpose. The effective tax rate for FY2003 as disclosed in the audited financial statements for FY2003 approximated the statutory tax rate. Discounting the effects of an over-provision of taxation in respect of FY2003 which was taken up in FY2004 of approximately RM3,000, the effective tax rate in FY2004 approximated the statutory tax rate.*
- (e) There were no exceptional and extraordinary items during the Relevant Financial Periods under review.*
- (f) The gross and net EPS/(LPS) were computed by dividing the PBT/(LBT) and PAT/(LAT) by the weighted average number of ordinary shares in issue for the respective financial years/period under review.*

## 11. ACCOUNTANTS' REPORT (Cont'd)



### 7.6 INCOME STATEMENTS OF KPSB

The summary of the results of KPSB based on its audited financial statements for the Relevant Financial Periods is set out below:-

	Financial Period from 25.1.2000 to 31.3.2001 RM'000	Financial Period from 1.4.2001 to 30.9.2002 RM'000	{-----Financial Year Ended 30 September ("FY")-----} 2003 RM'000		2004 RM'000	3 month period ended 31 December 2004 RM'000
Turnover	-	-	-	933		269
Cost of sales	-	-	-	(330)		(136)
Gross profit	-	-	-	603		133
Administrative and other operating expenses	(3)	(3)	(2)	(96)		(53)
Finance expenses	-	-	-	(14)		(10)
(LBT)/PBT	(3)	(3)	(2)	493		70
Depreciation	-	-	-	72		39
Interest expense	-	-	-	14		10
(LBITDA)/EBITDA	(3)	(3)	(2)	579		119
Less: Depreciation	-	-	-	(72)		(39)
Interest expense	-	-	-	(14)		(10)
(LBT)/PBT	(3)	(3)	(2)	493		70
Taxation	-	-	-	(108)		(6)
(LAT)/PAT	(3)	(3)	(2)	385		64
Weighted average no. of ordinary shares of RM1.00 each in issue	*	*	*	136		200
Gross (LPS)/EPS (RM)	^(1,500)	^(1,500)	(1,000)	3.63		^0.35
Net (LPS)/EPS (RM)	^(1,500)	^(1,500)	(1,000)	2.83		^0.32

\* - 2 ordinary shares

^ - Not annualised

#### Notes to the income statements of KPSB:-

- KPSB only began operations on 14 January 2004 and was dormant for the FP2001, FP2002 and FY2003.
- The losses incurred for the FP2001, FP2002 and FY2003 were mainly due to preliminary expenses, pre-operating expenses and professional fees.
- There were no exceptional and extraordinary items during the Relevant Financial Periods under review.
- The gross and net EPS/(LPS) were computed by dividing the PBT/(LBT) and PAT/(LAT) by the weighted average number of ordinary shares in issue for the respective financial years/period under review.

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## 11. ACCOUNTANTS' REPORT *(Cont'd)*



### 7.7 INCOME STATEMENTS OF DTSB

The summary of results of DTSB based on its audited financial statements for the Relevant Financial Periods is set out below:-

	Financial Period From 10.12.2003 to 30.9.2004 RM'000	3 month period ended 31 December 2004 RM'000
Turnover	888	354
Cost of sales	(581)	(227)
Gross profit	307	127
Administrative and other operating expenses	(93)	(40)
PBT	214	87
Depreciation	6	8
Interest expense	-	-
EBITDA	220	95
Less: Depreciation	(6)	(8)
Interest expense	-	-
PBT	214	87
Taxation	(43)	(19)
PAT	171	68
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	38	50
Gross EPS (RM)	^5.63	^1.74
Net EPS (RM)	^4.50	^1.36

^ - Not annualised

Notes to the income statements of DTSB:-

- (a) DTSB began operations on 11 December 2003.
- (b) There were no exceptional and extraordinary items during the Relevant Financial Periods under review.
- (c) The gross and net EPS were computed by dividing the PBT and PAT by the weighted average number of ordinary shares in issue for the financial periods under review.

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 7.8 INCOME STATEMENTS OF SISB

The summary of results of SISB based on its audited financial statements for the Relevant Financial Periods is set out below:-

	Financial Period From 16.6.2004 to 30.9.2004 RM'000	3 month period ended 31 December 2004 RM'000
Turnover	-	116
Cost of sales	(18)	(99)
Gross (loss)/ profit	(18)	17
Administrative and other operating expenses	(23)	(64)
(LBT)	(41)	(47)
Depreciation	-	5
Interest expense	-	-
LBITDA	(41)	(42)
Less: Depreciation	-	(5)
Interest expense	-	-
(LBT)	(41)	(47)
Taxation	-	-
(LAT)	(41)	(47)
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	31	300
Gross (LPS) (RM)	^(1.32)	^(0.16)
Net (LPS) (RM)	^(1.32)	^(0.16)

^ - Not annualised

#### Notes to the income statements of SISB:-

- SISB did not make any sales during the financial period from 16 June 2004 to 30 September 2004 under review as it was in the process of preparing itself to begin operations.
- The cost of sales incurred in financial period from 16 June 2004 to 30 September 2004 relates mainly to cost of preparing factory to begin operations and rental of factory whilst the administrative and other operating expenses is mainly made up of directors' non-fee emoluments, preliminary and pre-operating expenses and professional fees.
- There were no exceptional and extraordinary items during the Relevant Financial Period under review.
- The gross and net LPS were computed by dividing the LBT and LAT by the weighted average number of ordinary shares in issue for the financial periods under review.

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## 11. ACCOUNTANTS' REPORT (Cont'd)



## 8. BALANCE SHEETS FOR THE RELEVANT FINANCIAL PERIODS

## 8.1 Proforma Consolidated Balance Sheets of the NVB Group

As the purchase consideration for the Acquisitions is calculated on the adjusted net tangible assets based on the audited financial statements of the subsidiaries as at 30 September 2003, it is impracticable to present the proforma consolidated balance sheets of the NVB Group for financial periods prior to 30 September 2003. The proforma statement of assets and liabilities of the NVB Group in respect of 31 December 2004 is shown in paragraph 10 of this Report.

The summarised proforma consolidated balance sheets of the NVB Group as at 30 September 2003 and 2004 is as follows:-

	At 30 September 2003 RM'000	At 30 September 2004 RM'000
Property, plant and equipment	22,182	32,488
Unquoted investments, at cost	32	-
Deferred asset	2,127	1,154
	<u>24,341</u>	<u>33,642</u>
Current assets	<u>11,989</u>	<u>27,314</u>
Current liabilities	<u>(8,957)</u>	<u>(17,163)</u>
Net current assets	<u>3,032</u>	<u>10,151</u>
	<u>27,373</u>	<u>43,793</u>
Financed by:-		
Share capital	^ 21,816	^21,816
Negative goodwill	-	11,758
Accumulated losses	-	(20)
Shareholders' equity	<u>21,816</u>	<u>33,544</u>
Minority interest	158	359
Non-current liabilities	<u>5,399</u>	<u>9,880</u>
	<u>27,373</u>	<u>43,793</u>
Net Tangible Asset ("NTA") per share (RM)	<u>^^0.10</u>	<u>^^0.15</u>

^ - comprise of 218,159,760 shares of RM0.10 each assumed in issue after the Acquisitions.

^^ - arrived at by dividing the shareholders' equity as at 30 September 2003 and 2004 with the number of shares assumed in issue after the Acquisitions of 218,159,760 shares.

## Note:-

The summarised proforma consolidated balance sheet of the NVB Group as at 30 September 2003 was prepared based on the unaudited balance sheet of NVB as at its date of incorporation and the audited financial statements of NVSB, NTSB, IPSB and KPSB as at 30 September 2003. The summarised proforma consolidated balance sheet of the NVB Group as at 30 September 2004 was prepared based on the audited financial statements of NVB, NVSB, NTSB, IPSB, KPSB, DTSB and SISB as at 30 September 2004. The above is provided for illustrative purposes only on the assumption that the Acquisitions had been completed on 30 September 2003 and 30 September 2004 respectively.

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## 11. ACCOUNTANTS' REPORT *(Cont'd)*



### 8.2 NVB

The summarised balance sheets of NVB based on its audited financial statements as at the end of the Relevant Financial Periods are as follows:-

	At 30 September 2004 RM'000	At 31 December 2004 RM'000
Current assets	403	420
Current liabilities	(423)	(441)
Net current liabilities	(20)	(21)
	(20)	(21)
Financed by:-		
Share capital	*	*
Accumulated losses	(20)	(21)
Shareholders' deficit	(20)	(21)
Net Tangible Liabilities ("NTL") per share (RM)	(1,000)	(1,050)

\* - RM2

## 11. ACCOUNTANTS' REPORT (Cont'd)



### 8.3 NVSB

The summarised balance sheets of NVSB based on its audited financial statements at the end of the Relevant Financial Periods are as follows:-

	At 30 September					At 31
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	December 2004 RM'000
Investment in subsidiaries	-	120	120	230	1,453	1,453
Property, plant and equipment	14,680	15,285	21,314	21,355	30,266	34,166
Unquoted investments, at cost	-	-	-	32	-	-
Deferred asset	-	-	-	2,127	1,140	149
	14,680	15,405	21,434	23,744	32,859	35,768
Current assets	5,744	6,396	5,054	9,740	24,409	31,034
Current liabilities	(5,964)	(4,378)	(7,999)	(8,648)	(15,559)	(19,325)
Net current (liabilities)/assets	(220)	2,018	(2,945)	1,092	8,850	11,709
	14,460	17,423	18,489	24,836	41,709	47,477
Financed by:-						
Share capital	1,500	1,500	2,200	2,200	6,116	6,116
Share application monies	-	-	-	1,894	-	-
Retained profits	9,349	12,870	11,630	15,404	26,538	30,797
Shareholders' equity	10,849	14,370	13,830	19,498	32,654	36,913
Non-current liabilities	3,611	3,053	4,659	5,338	9,055	10,564
	14,460	17,423	18,489	24,836	41,709	47,477
NTA per share (RM)	7.23	9.58	6.29	8.86	5.34	6.04

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## 11. ACCOUNTANTS' REPORT *(Cont'd)*



### 8.4 NTSB

The summarised balance sheets of NTSB based on its audited financial statements as at the end of the Relevant Financial Periods are as follows:-

	At 30 September 2003 RM'000	2004 RM'000	At 31 December 2004 RM'000
Plant and equipment	301	660	653
Current assets	1,283	1,585	2,819
Current liabilities	(345)	(541)	(1,714)
Net current assets	938	1,044	1,105
	1,239	1,704	1,758
Financed by:-			
Share capital	200	1,254	1,254
Share application monies	854	-	-
Retained profits	123	281	291
Shareholders' equity	1,177	1,535	1,545
Non-current liabilities	62	169	213
	1,239	1,704	1,758
NTA per share (RM)	5.89	1.22	1.23



## 11. ACCOUNTANTS' REPORT (Cont'd)



### 8.5 IPSB

The summarised balance sheets of IPSB based on its audited financial statements as at the end of the Relevant Financial Periods are as follows:-

	{-----At 30 September-----}				At 31
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	December 2004 RM'000
Plant and equipment	-	-	14	152	226
Current assets	*	122	237	297	598
Current liabilities	(3)	(103)	(81)	(225)	(581)
Net current (liabilities)/assets	(3)	19	156	72	17
	(3)	19	170	224	243
Financed by:-					
Share capital	*	*	100	100	100
(Accumulated loss)/retained profits	(3)	19	70	101	123
Shareholders' (deficit)/equity	(3)	19	170	201	223
Non-current liabilities	-	-	-	23	20
	(3)	19	170	224	243
(NTL)/NTA per share (RM)	(1,500)	9,500	1.70	2.01	2.23

\* - RM2

## 11. ACCOUNTANTS' REPORT (Cont'd)



### 8.6 KPSB

The summarised balance sheets of KPSB based on its audited financial statements as at the end of the Relevant Financial Periods are as follows:-

	As	{-----At 30 September-----}			At 31
	at 31 March 2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	December 2004 RM'000
Plant and equipment	-	-	-	1,242	1,520
Current assets	*	**	***	659	496
Current liabilities	(3)	(7)	(8)	(711)	(684)
Net current liabilities	(3)	(7)	(8)	(52)	(188)
	(3)	(7)	(8)	1,190	1,332
Financed by:-					
Share capital	*	*	*	200	200
(Accumulated losses)/Retained profit	(3)	(7)	(8)	377	441
Shareholders' (deficit)/equity	(3)	(7)	(8)	577	641
Non-current liabilities	-	-	-	613	691
	(3)	(7)	(8)	1,190	1,332
(NTL)/NTA per share (RM)	(1,500)	(3,500)	(4,000)	2.89	3.21

\* - RM2  
 \*\* - RM481  
 \*\*\* - RM461

## 11. ACCOUNTANTS' REPORT *(Cont'd)*



### 8.7 DTSB

The summarised balance sheets of DTSB based on its audited financial statements as at the end of the Relevant Financial Periods are as follows:-

	At 30 September 2004 RM'000	At 31 December 2004 RM'000
Plant and equipment	142	185
Current assets	239	324
Current liabilities	(154)	(210)
Net current assets	85	114
	227	299
Financed by:-		
Share capital	50	50
Retained profits	171	239
Shareholders' equity	221	289
Non-current liabilities	6	10
	227	299
NTA per share (RM)	4.42	5.78

## 11. ACCOUNTANTS' REPORT *(Cont'd)*



### 8.8 SISB

The balance sheets of SISB based on its audited financial statements as at the end of the Relevant Financial Periods are as follows:-

	At 30 September 2004 RM'000	At 31 December 2004 RM'000
Plant and equipment	24	725
Current assets	281	118
Current liabilities	(46)	(273)
Net current assets	235	(155)
	259	570
Financed by:-		
Share capital	300	300
Accumulated losses	(41)	(88)
Shareholders' equity	259	212
Non-current liabilities	-	358
	259	570
NTA per share (RM)	0.86	0.71

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

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**9. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIODS**

The Company and its subsidiaries have not paid or declared any dividend during the Relevant Financial Periods.

**10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The proforma statements of assets and liabilities of the NVB Group as at 31 December 2004 were prepared based on the audited financial statements of NVB, NVSB, NTSB, IPSB, KPSB, DTSB and SISB.

The Proforma Group's statement of assets and liabilities are provided for illustrative purposes on the assumption that the Acquisitions, the Public Issue and the utilisation of proceeds from the Public Issue had been completed on 31 December 2004 and should be read in conjunction with the notes set out below.



## 11. ACCOUNTANTS' REPORT (Cont'd)



## 10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

As at 31 December 2004	Notes	NVB RM'000	Proforma Group RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10.1	-	69,474
Deferred asset	10.2	-	149
		-	69,623
<b>CURRENT ASSETS</b>			
Inventories	10.3	-	2,978
Trade receivables	10.4	-	19,081
Other receivables, prepayments and deposits		420	1,521
Tax refundable		-	8
Fixed deposits with licensed banks	10.5	-	1,434
Cash and bank balances		*	18,175
Total current assets		420	43,197
<b>CURRENT LIABILITIES</b>			
Trade payables	10.6	-	7,817
Other payables and accruals		441	1,372
Amount owing to a director	10.7	-	500
Short term borrowings	10.8	-	6,975
Provision for taxation		-	724
Bank overdraft	10.8	-	555
Total current liabilities		441	17,943
Net current (liabilities)/assets		(21)	25,254
		(21)	94,877
<b>FINANCED BY:-</b>			
Share capital	10.9	*	29,316
Share premium	10.10	-	37,250
Negative goodwill on consolidation		-	16,126
Accumulated loss		(21)	(21)
Shareholders' (deficit)/equity		(21)	82,671
Minority interests		-	361
<b>NON-CURRENT LIABILITIES</b>			
Long term liabilities	10.11	-	9,267
Deferred taxation	10.12	-	2,578
		(21)	94,877
Number of ordinary shares in issue ('000)		**	293,160
(NTL)/NTA (RM) per share	10.13	(1,050)	0.28

\* - RM2

\*\* - 20 ordinary shares of RM0.10 each

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

Notes to the proforma statements of assets and liabilities:-

#### 10.1 PROPERTY, PLANT AND EQUIPMENT

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land	759	-	759
Factory buildings	379	(2)	377
Furniture, fittings and office equipment	1,667	(818)	849
Motor vehicles	2,076	(777)	1,299
Factory equipment and machinery	49,647	(15,969)	33,678
Renovation	993	(481)	512
Audited as at 31 December 2004	55,521	(18,047)	37,474
Capital expenditure pursuant to utilisation of proceeds	32,000	-	32,000
Per Proforma Group	87,521	(18,047)	69,474

Included in property, plant and equipment at the balance sheet date are the following assets acquired under facilities obtained from licensed financial institutions:-

	Proforma Group RM'000
At Net Book Value:-	
<u>Hire purchase and lease</u>	
Motor vehicles	943
Factory equipment and machinery	17,443
<u>Term loans</u>	
Freehold land and factory building	1,136
Factory equipment and machinery	2,949
	22,471

#### 10.2 DEFERRED ASSET

Deferred asset represents the tax benefits that are expected to be received from the utilisation of the unutilised reinvestment allowances in the foreseeable future, based on the prevailing applicable tax rate. The amount that is recognised as an asset is limited to the amount of the deferred tax liability of the Group.

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## 11. ACCOUNTANTS' REPORT *(Cont'd)*

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### 10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

#### 10.3 INVENTORIES

	Proforma Group RM'000
At cost:-	
Raw materials	1,418
Work-in-progress	396
Finished goods	1,164
	<hr/>
	2,978
	<hr/> <hr/>

No inventories were valued at net realisable value as at the balance sheet date.

#### 10.4 TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of trade receivables is as follows:-

	Proforma Group RM'000
Singapore Dollar	602
United States Dollar	11,339
	<hr/> <hr/>

#### 10.5 FIXED DEPOSITS WITH LICENSED BANKS

As at the balance sheet date, the fixed deposits have been pledged to licensed banks as security for banking facilities granted to the Group.

The weighted average interest rate of the fixed deposits at the balance sheet date of the Group was 3.8% per annum.

The fixed deposits of the Group have maturity periods ranging from 1 month to 12 months.

## 11. ACCOUNTANTS' REPORT (Cont'd)



### 10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

#### 10.6 TRADE PAYABLES

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

The foreign currency exposure profile of trade payables is as follows:-

	Proforma Group RM'000
Australia	6
Euro	37
Singapore Dollar	2,325
United States Dollar	1,425
	<u>3,793</u>

#### 10.7 AMOUNT OWING TO A DIRECTOR

The amount is unsecured, interest-free and not subject to fixed terms of repayment.

#### 10.8 SHORT TERM BORROWINGS

The weighted average effective interest rates at the balance sheet date are as follows:-

	Proforma Group %
Bank overdraft	8.5
Bills payable	5.5
Hire purchase and lease payables	7.0
Term loans	<u>7.5</u>

The bank overdraft and bills payable are secured as follows:-

- (a) by a pledge of fixed deposits belonging to NVSB;
- (b) by a joint and several guarantee executed by all the directors of NVSB; and
- (c) by guarantees issued by Credit Guarantee Corporation Malaysia Berhad.

	Proforma Group RM'000
Bills payable	2,003
Hire purchase and lease payables	6,975
Term loans	986
	<u>9,964</u>
Repayment of bank borrowings pursuant to utilisation of proceeds*	<u>(2,989)</u>
	<u>6,975</u>

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

#### 10.8 SHORT TERM BORROWINGS (CONT'D)

- \* - the repayment of bank borrowings of RM3.0 million pursuant to the utilisation of proceeds is based on the assumption that the proceeds are utilised to repay the outstanding bills payable and term loans repayable within one year amounting to approximately RM2.989 million as at 31 December 2004. The balance of the said utilisation of proceeds is assumed to be utilised for the repayment of bank borrowings amounting to approximately RM0.011 million in relation to a portion of term loans repayable after 12 months.

Details of the hire purchase and lease payables outstanding at the balance sheet date are as follows:-

	Proforma Group RM'000
Minimum hire purchase and lease payments:	
- not later than one year	7,729
- later than one year and not later than five years	9,249
	<hr/>
	16,978
Less: Future finance charges	1,552
	<hr/>
Present value of hire purchase and lease liabilities	<u>15,426</u>

The net hire purchase payables are repayable as follows:-

Not later than one year	6,975
Later than one year but not later than five years (shown as a long term liability)	8,451
	<hr/>
	<u>15,426</u>

Details of the term loans outstanding at the balance sheet date are as follows:-

	Number of Monthly Instalments	Monthly Instalment Amount RM	Date of Commencement of Repayment	Proforma Group Amount Outstanding RM'000
Term loan 1	48	23,049	November 2000	-
Term loan 2	48	12,235	May 2001	61
Term loan 3	48	4,871	January 2002	57
Term loan 4	36	17,603	April 2002	-
Term loan 5	36	4,047	May 2002	16
Term loan 6	36	30,279	July 2002	182
Term loan 7	36	15,140	October 2002	134
Term loan 8	60	35,642	January 2001	424
Term loan 9	84	14,714	October 2004	939
				<hr/>
				<u>1,813</u>

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

#### 10.8 SHORT TERM BORROWINGS (CONT'D)

Details of the term loans outstanding are as follows:-

	Amount Outstanding Proforma Group RM'000
Within one year	986
Between one to two years	153
Between three to five years	388
More than five years	286
Sub-total (paragraph 10.11)	827
	<u>1,813</u>

The term loans are secured as follows:-

- (a) by a joint and several guarantee executed by all the directors of NVSB; and
- (b) by a debenture incorporating fixed and floating charges over properties and machinery financed.

#### 10.9 SHARE CAPITAL

	The Company RM	Proforma Group RM
<u>Ordinary shares of RM0.10 each</u>		
Authorised	50,000,000	50,000,000
Issued and fully paid-up:-		
At 31 December 2004	2	2
Shares issued in consideration for Acquisitions	-	21,815,974
Public Issue	-	7,500,000
	<u>2</u>	<u>29,315,976</u>

#### 10.10 SHARE PREMIUM

	Proforma Group RM
As at 31 December 2004	-
Premium arising from the Public Issue	39,750,000
Estimated listing expenses written off	(2,500,000)
	<u>37,250,000</u>

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

#### 10.11 LONG TERM LIABILITIES

	Proforma Group RM'000
Term loans	1,813
- repayable within twelve months (paragraph 10.8)	(986)
- repayable after twelve months (paragraph 10.8)	827
Hire purchase and lease payables (paragraph 10.8)	8,451
	<u>9,278</u>
Repayment of bank borrowings pursuant to utilisation of proceeds (paragraph 10.8)	(11)
	<u>9,267</u>

#### 10.12 DEFERRED TAXATION

The deferred taxation relates to temporary differences between depreciation and capital allowances on qualifying cost of property, plant and equipment.

#### 10.13 NET TANGIBLE ASSETS COVER

The net tangible assets cover of NVB based on the Proforma Group's statement of assets and liabilities as at 31 December 2004 as set out in paragraph 10 above is illustrated below:-

	RM'000
Net tangible assets of NVB Group as at 31 December 2004 before the Public Issue	37,921
Increase in Net tangible assets arising from:- Public Issue	47,250
Less: Listing expenses *	(2,500)
Proforma net tangible assets	<u>82,671</u>

\* - This is the estimated listing expenses payable out of the proceeds of the Public Issue.

Number of ordinary shares of RM0.10 each in NVB that are in issue:-

	Number of ordinary shares
As at 31 December 2004	20
Shares to be issued pursuant to:-	
- Acquisitions	218,159,740
- Public Issue	75,000,000
Enlarged share capital after the Acquisitions and Public Issue	<u>293,159,760</u>
Proforma net tangible assets per share of RM0.10 each after the Acquisitions and Public Issue	<u>28.2 sen</u>

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 11. PROFORMA CONSOLIDATED GROUP CASH FLOW STATEMENT

The proforma cash flow statement of the NVB Group set out below is based on the audited financial statements of NVB and its subsidiaries for the financial period from 1 October 2004 to 31 December 2004, and is presented on the basis that the Acquisitions had been in effect throughout the Relevant Financial Period under review.

	Financial Period from 1 October 2004 to 31 December 2004 RM'000
<b>Proforma Group Consolidated Cash Flow Statement</b>	
<b>Cash Flows (For)/From Operating Activities</b>	
Profit before taxation	5,915
Adjustments for:-	
Depreciation of plant and equipment	1,372
Interest expenses	229
Gain on disposal of plant and equipment	(24)
Interest income	(16)
Operating profit before working capital changes	7,476
Increase in inventories	(439)
Increase in trade and others receivables	(3,229)
Increase in trade and other payables	515
<b>Cash From Operations</b>	4,323
Interest paid	(229)
Tax paid	(334)
<b>Net Cash From Operating Activities</b>	3,760
<b>Cash Flows (For)/From Investing Activities</b>	
Purchase of property, plant and equipment	(917)
Interest received	16
Proceeds from disposal of property, plant and equipment	396
<b>Net Cash For Investing Activities</b>	(505)
<b>Cash Flows From/(For) Financing Activities</b>	
Repayment of hire purchase and lease obligations	(1,383)
Listing expenses	(17)
Advance from a director	500
Repayment of term loan	(457)
<b>Net Cash For Financing Activities</b>	(1,357)
<b>Net Increase In Cash And Cash Equivalents</b>	1,898
<b>Cash And Cash Equivalents At Beginning Of The Financial Period</b>	6,986
<b>Cash And Cash Equivalents At End Of The Financial Period</b>	8,884

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## 11. ACCOUNTANTS' REPORT (Cont'd)



### 11. PROFORMA CONSOLIDATED GROUP CASH FLOW STATEMENT (CONT'D)

	3 month period ended 31 December 2004 RM'000
Represented by:-	
Fixed deposits with licensed banks	1,434
Cash and bank balances	8,005
Bank overdraft	(555)
	8,884
	8,884

### 12. SUBSEQUENT EVENTS

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

### 13. CAPITAL COMMITMENT

	Proforma Group RM'000
Approved and contracted for	6,471
Approved but not contracted for	5,680
	12,151
	12,151

### 14. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2004 for the NVB Group.

Yours faithfully

**Horwath**  
Firm No. : AF1018  
Chartered Accountants

**Onn Kien Hoe**  
Approval No: 1772/11/06 (J/PH)  
Partner