9. FINANCIAL INFORMATION

9.1 HISTORICAL FINANCIAL INFORMATION

This Proforma consolidated results has been extracted from the Accountants' Report set out in Section 10 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

The following table sets out a summary of the income statements of the Proforma Group for the past five (5) financial years ended 31 December 2004 and for the three (3) months period ended 31 March 2005 based on their audited financial statements of the companies comprising the Proforma Group. The summarised proforma consolidated financial results are provided for illustrative purposes only, based on the assumption that the Proforma Group has been in existence throughout the years/period under review.

	<========Financial years ended 31 December				=========>	3 months ended 31 March
	2000 (RM'000)	**2001 (RM'000)**	**2002 (RM'000)**	**2003 (RM'000)**	**2004 (RM'000)**	**2005 (RM'000)**
Revenue	12,019	10,051	24,310	30,771	41,133	7,662
Gross Profit	1,636	1,250	3,744	7,034	9,660	1,733
(Loss)/Profit Before Interest, Depreciation and Taxation	(27)	(2,472)	(1,218)	3,073	4,969	582
Interest expense	(26)	(189)	(545)	(493)	(639)	(113)
Depreciation	(31)	(292)	(451)	(866)	(1,097)	(325)
(Loss)/Profit Before Taxation	(84)	(2,953)	(2,214)	1,714	3,233	144
Taxation#	48	384	456	(308)	(459)	(49)
(Loss)/Profit After Taxation	(36)	(2,569)	(1,758)	1,406	2,774	95
No. of ordinary shares of RM 0.10 each to be assumed in issue and sub-divided ('000)	78,920	78,920	78,920	78,920	78,920	78,920
Gross (losses)/earnings per share (RM)	^-	(0.04)	(0.03)	0.02	0.04	*0.01
Net (losses)/earnings per share (RM)	^-	(0.03)	(0.02)	0.02	0.04	^*-

^ Insignificant
* Annualised
# Taxation charges had been adjusted in accordance with MASB 25 Income Taxes which was adopted by the companies within the Proforma Group in year 2003, as detailed in Section 9.2.4 and Section 10 of this Prospectus.

Notes:-

(1) The financial results of RCI are included in the above income statements only in respect of financial period ended 31 December 2001 to 2004 and three (3) months ended 31 March 2005 as RCI was only incorporated on 5 September 2000. The financial results of RCC are included in the above statements only in respect of financial period ended 31 March 2005 as it was only incorporated in 24 December 2004.

(2) The increase in revenue in year 2000 was mainly due to the substantial increase in sales of cables to NS Tech Co., a company in which a director of CCPL formerly had interest.

(3) Despite the increase in revenue, the Proforma Group incurred losses in 2000 due to the high initial set up cost for CCSB during its first year of operation.

(4) Drop in revenue in 2001 arises from adverse effect on the Singapore IT industry arising from declining economic conditions in Singapore; Internet bubble burst which started around mid-2000 as well as persistent slack in the global economy.

(5) The loss incurred by the Proforma Group in 2001 mainly arises as RCI had just commenced operation and did not operate at its optimum capacity. In addition, the adverse economic conditions, as mentioned in note (4) above, had also contributed to the loss.

(6) Improvement in revenue in 2002 and 2003 arises from strong demand from HNS and the Proforma Group's aggressive marketing strategy to penetrate its niche market.

(7) The loss incurred by the Proforma Group in 2002 mainly arises from increase in operating expenses by CCSB and CCPL, that is primarily attributed to inventory and bad debts written off.

(8) The high revenue and profit before taxation in year 2004 were contributed by CCPL and RCI. The increase in revenue of CCPL was due to increase in sales volume for USB cables and medical cables to the newly secured customers and RCI has managed to secure a major customer, Thomson, Inc.

(9) The higher effective tax rate for year 2000 was due to the reversal of overprovision of deferred taxation of CCPL in prior years and certain income not subject to tax.

The effective tax rates for the years 2001 to 2004 were lower than the statutory tax rate mainly because CCPL and RCI were subject to lower tax rate in the respective countries and certain expenses of the companies within the Proforma Group were disallowed for taxation purposes.

The higher effective tax rate for year 2005 was due to certain expenses of the companies within the Proforma Group were disallowed for taxation purposes.

(10) There were no extraordinary or exceptional items in all the financial years/period under review.

(11) There were no minority interests in all the financial years/period under review.

(12) The gross earnings/(losses) per share has been calculated based on the profit/(loss) before taxation divided by the number of ordinary shares assumed to be in issue and sub-divided before the rights and public issue.

(13) The net earnings/(losses) per share has been calculated based on the profit/(loss) after taxation divided by the number of ordinary shares assumed to be in issue and sub-divided before the rights and public issue.

The financial statements of the CCHB Group for all the years/period under review were not subject to any qualification or modification that would have an impact on any of the financial years/period under review.

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9.2 ANALYSIS OF HISTORICAL FINANCIAL INFORMATION

9.2.1 Segmental Analysis of Revenue and Profit/(Loss) Before Taxation

Analysis of Revenue by companies comprising the Proforma Group:-

The analysis of revenue by companies within the Proforma Group for the five (5) financial years ended 31 December 2004 and three (3) months ended 31 March 2005 are set out below:-

	<============Financial Years Ended 31 December============>					3 months ended 31 March
	2000 (RM'000)	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)
CCHB	-	-	-	-	-	-
CCPL	12,111	8,421	8,262	1,747	3,313	1,695
RCI	-	5,077	19,505	23,626	33,910	5,328
CCSB	1,089	1,791	3,847	5,423	3,933	639
RCC	-	-	-	-	-	-
	13,200	15,289	31,614	30,796	41,156	7,662
Consolidated adjustments	(1,181)	(5,238)	(7,304)	(25)	(23)	-
Proforma Consolidated Revenue	12,019	10,051	24,310	30,771	41,133	7,662

Analysis of Revenue By companies comprising the Proforma Group in Foreign Currency: -

		<=======Financial Years Ended 31 December=======>					3 months ended 31 March
		2000	2001	2002	2003	2004	2005
CCPL	(SGD'000)	5,403	3,969	3,894	791	1,461	732
RCI	(USD'000)	-	1,336	5,133	6,217	8,924	1,402
Exchange rate[1]	SGD	2.2416	2.1216	2.1217	2.2091	2.2681	2.3161
	USD	-	3.80	3.80	3.80	3.80	3.80

Note:-
1. Translated at average rates prevailing in the respective period/years.

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Analysis of Profit/(Loss) Before Taxation by companies comprising the Proforma Group: -

	<==========Financial Years Ended 31 December==========>					3 months ended 31 March
	2000 (RM'000)	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)
CCHB	-	-	-	(6)	(29)	(10)
CCPL	65	(392)	(529)	(32)	794	213
RCI	-	(2,013)	285	1,698	2,793	167
CCSB	(149)	(548)	(1,970)	54	(325)	(199)
RCC	-	-	-	-	-	(27)
	(84)	(2,953)	(2,214)	1,714	3,233	144
Consolidated adjustments	-	-	-	-	-	-
Proforma (LBT)/PBT	(84)	(2,953)	(2,214)	1,714	3,233	144

Analysis of Profit/(Loss) Before Taxation by companies comprising the Proforma Group in Foreign Currencies: -

		<=======Financial Years Ended 31 December=======>					3 months ended 31 March
		2000	2001	2002	2003	2004	2005
CCPL	(SGD'000)	29	(185)	(250)	(15)	350	92
RCI	(USD'000)	-	(530)	75	447	735	44
RCC	(RMB '000)	-	-	-	-	-	(58)
Exchange rate[1]	SGD	2.2416	2.1216	2.1217	2.2091	2.2681	2.3161
	USD	-	3.80	3.80	3.80	3.80	3.80
	RMB	-	-	-	-	-	0.4591

Note:-

1. Translated at average rates prevailing in the respective period/years

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Analysis of Revenue by Products: -

	<==========Financial Years Ended 31 December========>					3 months ended 31 March
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
CCPL:						
Molded Cables	7,770	5,532	6,118	134	2,723	1,616
Connectors	4,125	2,790	2,102	1,613	590	79
Header	216	99	42	-	-	-
Printed circuit boards	-	-	-	-	-	-
Plastic casing	-	-	-	-	-	-
	12,111	8,421	8,262	1,747	3,313	1,695
RCI:						
Flat ribbon cables	-	2,344	5,406	2,751	2,310	588
Molded cables	-	371	5,800	13,405	20,508	2,102
Wire harness	-	855	1,319	1,655	2,030	623
Connectors	-	1,202	5,099	2,821	2,988	587
Plastic parts	-	305	1,881	2,994	6,074	1,428
	-	5,077	19,505	23,626	33,910	5,328
CCSB:						
Flat ribbon cables	789	884	1,358	-	2	-
Moulded cables	-	807	1,833	3,246	2,264	362
Wire harness	300	2	-	-	11	-
Connectors	-	98	248	-	15	-
PCBA	-	-	230	989	1,199	247
Floppy disk assembly	-	-	178	1,188	442	30
	1,089	1,791	3,847	5,423	3,933	639
	13,200	15,289	31,614	30,796	41,156	7,662
Consolidation adjustment (for inter-companies transactions)	(1,181)	(5,238)	(7,304)	(25)	(23)	-
Total revenue	12,019	10,051	24,310	30,771	41,133	7,662

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9.2.2 OVERVIEW OF REVENUE AND PROFIT/(LOSS) BEFORE TAXATION

Revenue

CCPL

Revenue for CCPL for the financial year ended 31 December 2000 increased by SGD2.18 million or 67.6% as compared to the previous financial year. The increase was due mainly to higher sales of cables, that was primarily attributable to sales to its newly acquired subsidiary, namely CCSB and also to a company in which a director of CCPL formerly had interest i.e., NS Tech Inc.

In the financial year ended 31 December 2001, CCPL's revenue decreased significantly by SGD1.4 million or 26.5% from SGD5.40 million in the previous financial year. This arose as the Singapore IT industry was adversely affected by declining economic conditions in Singapore and the Internet bubble burst which started around mid-2000. The persistent slack in the global electronic sector and the terrorist attack in the United States of America on 11 September 2001 affected the global economic outlook, which further aggravated the economic situation in Singapore.

Revenue for the financial year ended 31 December 2002 decreased marginally as compared to the previous financial year was primarily due to the lower revenue derived from the sales of connectors.

The decrease in revenue of 79.7% in year 2003 was due to minimal sales made to CCSB and RCI as they were no longer dependant on CCPL for the procurement of raw materials and had started to import the raw materials directly from China.

Revenue increased by 84.7% in year 2004 mainly due to increase in sales volume for Universal Serial Bus ("USB") cables and medical cables to the newly secured customers, namely Creative Technology Ltd ("CTL") and Senzpak Pte Ltd. ("SPL"). Approximately 64.8% of the revenue was derived from these two customers in year 2004.

The annualised sales for the period ended 31 March 2005 showed an increase of 100.4% from year 2004 due to continued strong sales demand from CTL and SPL.

RCI

RCI commenced operations in April 2001 and the first financial period reflects the result of RCI's operations for 9 months only. During its first year of operation, RCI managed to secure several major customers for the IDC flat ribbon, namely Mackie, Inc. and Gateway, Inc., which led to RCI recording a revenue of USD1.34 million, of which approximately 56.8% was contributed by these customers.

Revenue for the financial year ended 31 December 2002 surged by 284.2% to USD5.13 million as compared to USD1.34 million in the previous financial period. The robust growth in revenue was due to the following:-

- Increase in sales of moulded cables due to procurement of a new customer during the year, Hughes Network Systems, Inc., USA.
- Increase in sales of connectors that mainly arose from higher sales of connectors and audio jacks to Mackie, Inc.

- More aggressive penetration of its niche market through representative channel strategy and design in partner and solution provider strategy. RCI appointed professional sales representatives to penetrate various states in USA. In addition, the growth in the customer base and the sales volume was also attributable to the ability of RCI to design, develop and manufacture interconnect, provide value-added products/services and quality of RCI's products.

The revenue for year 2003 showed an increase of 21.1% from year 2002 due to the continued strong sales demand from HNS.

The remarkable growth in revenue of 43.5% in year 2004 mainly due to RCI secured a new customer, namely Thomson, Inc. which had contributed to 38.0% of the revenue for year 2004. It was also due to the continued strong sales demand from HNS which contributed to approximately 22.8% of the revenue for year 2004.

The decrease in annualised sales for the three (3) months period ended 31 March 2005, was due to the decrease in sales orders from HNS and Thomson. The decrease in sales orders was due to the phase out of the Direct TV set-up box – Apollo and the phase in of the new Direct TV set-up box – Jupiter towards the end of financial year 2004. The sales demand from RCI has dropped during the transitional period.

CCSB

CCSB commenced operation in July 2000. The revenue for the first year of operation amounted to RM1.09 million which was contributed mainly by the sales of Insulation Displacement Connector flat ribbon cables.

Revenue for the financial year ended 31 December 2001 was RM1.79 million, an increase of 9.6% as compared to that of the previous financial period on an annualised basis. The increase in revenue was due to increased sales order from several of its existing customers.

Revenue increased to RM3.85 million in year 2002 from RM1.79 million in year 2001. The increase in the revenue during the year was primarily brought about by the increased sales volumes of flat ribbon cables and moulded cables. In addition, CCSB signed up a Business Agreement with Teac Electronic (M) Sdn Bhd ("TEM") on 31 July 2002, to provide PCB assembly service to TEM at an agreed assembly cost per piece.

The revenue for year 2003 showed an increase of 41.0% from year 2002 due to the increase in sales orders received from its existing anchor customer, namely TEM as a result of the set up of additional PCB assembly line and increase of demand for USB cables during the year.

The decrease in revenue of 27.5% in year 2004 mainly due to decrease in sales orders received from TEM. Approximately 95.7% of the revenue of CCSB was derived from this customer.

The annualised sales for the period ended 31 March 2005 has shown a decrease of 35.0% from year 2004 due to the decrease in sales order received from TEM.

Profit/(Loss) Before Taxation

The Proforma Group incurred losses in year 2000 until 2002 mainly due to the reasons as detailed below;

CCPL

PBT margin remained consistent for the financial year ended 31 December 2000 as compared with the previous financial year.

In view of the adverse economic conditions in the Singapore IT industry, the drop in revenue led to CCPL posting a loss before tax of SGD185,000 in the financial year ended 31 December 2001. Lower gross margin was also recorded due to sales to RCI at lower margin as CCPL merely acted as a procurement office for this subsidiary for its purchases and price adjustment to retain its major customers.

In the financial year 31 December 2002, despite marginal decrease in revenue, CCPL posted a higher losses before taxation of SGD250,000 as compared to SGD185,000 for the previous financial year. This was due primarily to the increase in operating expenses of CCPL arising mainly from bad debts written off and unrealised exchange losses.

The loss before taxation in year 2003 was due to the decrease in revenue of CCPL. In line with the increase in revenue of CCPL in year/period 2004 and 2005, CCPL was able to post a profit before taxation of SGD350,000 and SGD92,000 respectively.

RCI

The losses recorded by RCI in 2001 arose as RCI had just commenced its operations and it did not operate at its optimum capacity.

For the financial year ended 31 December 2002, PBT improved to USD75,000 given the much improved revenue and better gross profit margin arising from shifting of its core business in the Personal Computer ("PC") industry to "Beyond the PC Industry", such as entertainment and telecommunication industry. The improvement in PBT was also attributed to the benefit of economies of scale enjoyed by RCI as the increasing sales volume resulted in better utilisation of the existing production capacity.

In line with the increase in revenue as well as increase in gross profit margin and the decrease in operating expenses, the profit before tax for year 2003 and 2004 have increased to USD447,000 and USD735,000 respectively. The profit before taxation for the three months ended 31 March 2005 has decreased to USD 87,000 due to the decrease in revenue.

CCSB

CCSB posted a loss before taxation of RM149,000 for its first year of operation in 2000, mainly arising from high initial set up costs.

For the financial year ended 31 December 2001, CCSB incurred higher operating expenses that was due mainly to training related expenses as a result of training given by RCI engineers to CCSB under the inter-company technology transfer program to Malaysia to transfer the automation technology, knowledge and technical know-how. CCSB also employed additional engineers to implement the automation process. High travelling and transportation costs were also incurred due mainly to the reimbursement of travelling expenses by the management of CCPL to oversee CCSB's operations. As a result, CCSB posted a loss before tax of RM548,000 for the financial year ended 31 December 2001.

For the financial year ended 31 December 2002, CCSB recorded a loss before tax of RM1.97 million as a result of increase in operating expenses due to inventory written off, coupled with a deterioration in gross profit margin. These include, inter alia, substantial rework and modification costs in order to meet changes in customers' specifications, increase in direct labour cost due to the setting up of floppy disk assembly lines and higher maintenance cost of plant and machinery. The spare parts for AutoTerm and Rotary machines can only be purchased from the USA.

For the financial year ended 31 December 2003, with the technical support extended by its anchor customer, namely TEM and the quality system practiced by CCSB on the PCB assembly and floppy disk assembly lines during the year under review, it has resulted in the production efficiencies and enhanced monitoring and control process which contributed to savings in material wastage. In line with the increase in revenue coupled with the improved gross profit margin and the decrease of operating expenses, CCSB recorded a profit before taxation of RM54,000.

The gross profit margin for year 2004 has decreased to 7.4% as compared to 15.6% in year 2003 due to higher depreciation expense and rental of factory during the year. CCSB has recorded loss before taxation of RM 325,000 as a result of the decrease in gross profit margin and the increase in operating expenses for year 2004.

CCSB posted a gross loss margin of 1.4% for period ended 31 March 2005 due to the significant decrease in sales coupled with the high fixed production overhead, such as depreciation, maintenance of plant and equipment and rental of factory. With these, CCSB recorded a loss before taxation of RM 199,000 for the 3 months period ended 31 March 2005.

9.2.3 IMPACT OF FOREIGN EXCHANGE / INTEREST RATES / COMMODITY PRICES ON OPERATING PROFITS

There is no material impact of foreign exchange, interest rates or commodity prices on the Group's historical profits for the past five (5) financial years ended 31 December 2004 and the three (3) months ended 31 March 2005.

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9.2.4 TAXATION

Taxation charges had been adjusted in accordance with MASB 25 Income Taxes which was adopted by the companies within the Proforma Group in year 2003. The amounts adjusted to taxation charge and the restated taxation for the respective period/years are as follows:-

	<------- Financial year ended 31 December 2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000 ------->	2004 RM'000	3 months ended 31 March 2005 RM'000
As per audited financial statements	(16)	(258)	91	308	459	49
Adjustment	(32)	(126)	(547)	-	-	-
As restated	(48)	(384)	(456)	308	459	49

The higher effective tax rate for year 2000 was due to the reversal of overprovision of deferred taxation of CCPL in prior years and certain income not subject to tax.

The effective tax rate for the years 2001 to 2004 were lower than the statutory tax rate of 28% in Malaysia mainly because CCPL and RCI were subject to lower tax rate in the respective countries and certain expenses of the Proforma Group were disallowed for taxation purposes.

The higher effective tax rate for year 2005 was due to certain expenses of the companies within the Proforma Group were disallowed for taxation purposes.

9.2.5 EXCEPTIONAL AND EXTRAORDINARY ITEMS

There were no exceptional and extraordinary items for the past five (5) financial years ended 31 December 2004 and three (3) months ended 31 March 2005.

9.3 FINANCIAL PERFORMANCE, POSITION AND OPERATIONS

Save as disclosed in Sections 9.2.2 and 9.4 of this Prospectus, the Directors are of the view that the financial performance, position and operations of the Group are not affected by any of the following: -

(i) Any known trends, demands, commitments, events or uncertainties that have had, or that the corporation reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the corporation/Group;

(ii) Any material capital expenditure commitments, the purpose of such commitments and the anticipated source of funds;

(iii) Any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the corporation/Group; and the extent to which the financial performance, position and operations of the corporation/group was so affected;

(iv) Where there has been a substantial increase in revenue, state the extent to which such increase is attributable to prices, volume of goods/services being sold, the introduction of new products/services or any other factors; and

(v) Any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

9.4 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENT AND MATERIAL LITIGATION

(i) Working Capital

The Directors of CCHB are of the opinion that, after taking into account the cashflow position, the banking facilities available and the net proceeds from the Public Issue, the Group will have adequate working capital for a period not less than twelve (12) months from the date of issue of this Prospectus.

(ii) Borrowings

As at 31 August 2005 (being the last practicable date prior to the printing of the Prospectus) the total borrowings in the form of term loans, overdraft, factoring, letter of credit and hire purchase financing amounted to approximately RM1,683,000. The borrowings can be analysed further as follows: -

Borrowings	**Amount (RM '000)**
Long Term borrowings	
• Interest bearing	233
Short Term borrowings	
• Interest bearing	1,450
Total Borrowings	**1,683**

Based on the latest management accounts as at 31 August 2005, the Group has no foreign currency borrowings, save and except for SGD190,280 and USD88,145 which represents approximately 26% and 20% of the Group's total borrowing respectively.

Based on the record of the Group, there has been no default on payment of either interest and/or the principal sums in respect of its borrowings throughout the past financial year end and subsequent financial period immediately preceding the date of this prospectus.

(iii) Contingent Liabilities

The Directors of CCHB declare that, as at 31 August 2005, being the last practicable date prior to the printing of the Prospectus, the Group does not have any loan capital or convertible debt securities outstanding or created but unissued nor any mortgages or charges outstanding.

(iv) Material Commitment

As at 31 August 2005 (being the latest practicable date prior to the printing of the Prospectus), the Group has no material commitments.

(v) Material Litigation

As at 31 August 2005 (being the latest practicable date prior to the printing of the Prospectus), save as disclosed below, the Company and its subsidiary companies are not engaged in any material litigation, claim and arbitration, whether as plaintiff or defendant, and the Board of Directors of CCHB have no knowledge of any proceeding pending or threatened against the Company and its subsidiary companies.

In December 2001, a suit was instituted by Michael C. Murphree (Plaintiff) on RCI (Defendant).

The Defendant is represented by the Law Offices of Alex J.Llorente, California, USA.

The Plaintiff's claim is that he is due commission on sales transactions between NS-Tech, Inc. and Gateway Computers. The Plaintiff claims unpaid commissions of approximately USD400,000. Initially, the Defendant was based on agency principles: that it was either a "master" or "servant" of NS-Tech, Inc., a company in which a director of CCHB had interest. Defendant, answered the complaint, denying Plaintiff's allegations.

The Plaintiff later amended their complaint, directly naming RCI as Defendant and pursuing the allegation that the Defendant was the alter ego of NS-Tech, Inc. or, in the alternative that RCI had assumed Plaintiff's contracts with NS-Tech, Inc.

Subsequently, the Plaintiff file a second amended complaint with new allegations that the Plaintiff damages are caused by the intentional wrongful interference by the Defendant.

On 12 December 2003, the Court of Alemada county granted Plaintiff permission to file a third amended complaint. This complaint simply includes allegations for intentional interference with an existing contract and related causes of action.

The Court set the case for a non-binding arbitration hearing on 28 October 2004 and 13 December 2004. The Superior Court of California, county of Alameda, Judicial Arbitration proceeding has denied the Plaintiff's claim based on the findings of the Judicial Arbitrator that:

(i) the Plaintiff has failed to demonstrate that any of the other defendants were the "alter ego" of N-S Tech, Inc.;

(ii) the Plaintiff has failed to make the necessary links to extend the contractual responsibility of N-S Tech, Inc. to Mr Hidirlar or his company RCI; and

(iii) the Plaintiff has failed to show a business tort that would otherwise entitle him to damages.

The arbitrator has also taken in context with the terminable nature of the contract between N-S Tech, Inc., the changes in product lines manufactured and sold, and the Plaintiff's failure to include in his contract with N-S Tech, Inc. protections for his proprietary relationships with his clients.

On 17 January 2005 the Defendant Counsel received a copy of the Plaintiff's Request for Trial De Novo. The court has set the matter for a one week trial commencing on 1 July 2005.

On 16 May 2005, the Defendant Counsel received an order from the Court denying a motion by the Plaintiff Counsel to be relieved as counsel.
On 9 June 2005, the motion was subsequently re-filed and heard.

Prior to the hearing, the Plaintiff had filed for a Chapter 7 Bankruptcy in the United States Bankruptcy Court-District of Georgia.

Under the United States Bankruptcy Code, upon the filing of a bankruptcy petition, all debtor's assets are deemed to belong to the Chapter 7 trustee. This includes any pending civil claims, such as this case. Thus, the trustee is empowered to settle this case.

The trustee has the power to:-

(i) refer pending litigation to outside counsel to see if it had any value to the debtor's estate;

(ii) abandon the cause of action back to the debtor, if the trustee could not find an independent counsel to accept the litigation, then the litigation would be deemed to be worthless;

(iii) dismiss the action.

The Defendant Counsel is of the opinion that the trustee would have no incentive to simply dismiss the action if the Defendant did not offer some pecuniary benefit to the bankruptcy estate and thus the trustee would be likely to abandon the case back to the Plaintiff.

The Defendant Counsel had contacted the trustee and offered pecuniary benefit to the bankruptcy estate so that the trustee would not abandon the case back to the Plaintiff. If the case proceeds to trial, the cost to the Defendant, irregardless of the outcome, will exceed the pecuniary benefit offered to the bankruptcy estate.

Alternatively if the trustee has abandoned the claim to the Plaintiff, the Defendant Counsel intent to move the Bankruptcy Court to lift the automatic stay so that the case can proceed to trial. The Defendant Counsel will also bring a motion to the Court to have the Plaintiff's case dismissed for lack of prosecution.

9.5 TRADE PAYABLES

As at 31 March 2005, approximately 36% or RM 2.58 million of the trade payables of RM7.123 million exceeded the normal credit terms of 90 days. The reasons for the high outstanding trade payables balances were due to the following

		RM '000
i)	Payment withheld by the Proforma Group pending the satisfactory resolution of the quality issue on the products supplied by a supplier.	534
ii)	Extended repayment terms granted from a few suppliers.	1,476
iii)	Payment withheld due to a supplier, which is currently placed under judicial management in Taiwan.	570
	Total	2,580

Operationally, the Group has ceased obtaining supplies from all the suppliers save except for one supplier for 3 main reasons: -

a) The supplier in (i) above does not meet the Group's quality requirements.
b) The supplier in (iii) above is under judicial management and its whole operation has ceased.
c) The other suppliers were not able to supply the new range of products desired by the Group.

The Group has since secured new alternative suppliers.

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9.6 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2005

(Prepared for inclusion in the Prospectus)

ERNST & YOUNG
AF 0039

Chartered Accountants
Suite 11.2, Level 11,
Menara Pelangi,
2, Jalan Kuning, Taman Pelangi
80400 Johor Bahru,
Johor Darul Ta'zim, Malaysia.

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REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED BALANCE SHEETS
(Prepared for inclusion in the Prospectus to be dated 30 September 2005)

22 SEP 2005

The Board of Directors
ConnectCounty Holdings Berhad
Suite 5.3A, Level 5
Menara Pelangi
No.2, Jalan Kuning
Taman Pelangi
80400 Johor Bahru

Dear Sirs

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2005

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of ConnectCounty Holdings Berhad ("CCHB") and its subsidiaries ("CCHB Group") as at 31 March 2005 together with the accompanying notes thereto (which we have stamped for the purpose of identification), for which the Directors of CCHB are solely responsible, as set out in the Prospectus to be dated 30 September 2005 in connection with the proposed listing exercise of the shares in CCHB on the Malaysian Exchange of Securities Dealing & Automated Quotation ("MESDAQ") Market of the Bursa Malaysia Securities Berhad.

In our opinion :

(i) the Proforma Consolidated Balance Sheets (which are provided for illustrative purposes only) have been properly compiled on the bases stated; and

(ii) such bases are consistent with the accounting policies of the CCHB and its subsidiaries as disclosed in their latest audited financial statements; and

(iii) the adjustments to the Proforma Consolidated Balance Sheets as explained in the notes thereto are appropriate for the purposes of the Proforma Consolidated Balance Sheets.

ERNST & YOUNG

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The accompanying proforma balance sheets and this letter have been prepared solely for the purposes stated above, in connection with the aforementioned transactions. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

ERNST & YOUNG
AF:0039
Chartered Accountants

ABRAHAM VERGHESE A/L T.V. ABRAHAM
No. 1664/10/06 (J)
Partner