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13 **DIRECTORS' REPORT**  
(Prepared for the inclusion in this Prospectus)

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**JHM Consolidation Berhad** (Co. No. 686148-A)  
A95 & A96, Jalan 2A-3, Kawasan Perusahaan MIEL, Sungai Lalang,  
08000 Sungai Petani, Kedah Darul Aman, Malaysia.  
T: +604.442 7820 F: +6-4.442 8088

8 June 2006

51-8-B Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Pulau Pinang

The Shareholders of JHM Consolidation Berhad

Dear Sir/ Madam,

On behalf of the Board of Directors of JHM Consolidation Berhad ("JHM"), I report after due enquiry that during the period from 31 December 2005 (being the date of the last audited financial statements of JHM and its subsidiaries were made) to 8 June 2006 (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):-

- (a) the business of our Company and its subsidiaries ("Group") have, in the opinion of our Directors, been satisfactorily maintained;
- (b) in the opinion of our Directors, no circumstances have arisen subsequent to the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) the current assets of our Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by our Group;
- (e) in the opinion of our Directors, we are not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings since the last audited financial statements of our Group; and
- (f) save as disclosed in the Accountants' Report and proforma financial information in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group.

Yours faithfully  
For and on behalf of the Board of Directors  
**JHM Consolidation Berhad**

  
**DATO' TAN KING SENG**  
Executive Chairman & Managing Director

**14 ACCOUNTANTS' REPORT**  
(Prepared for the inclusion in this Prospectus)

**JB LAU & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

AF: 0042

■ 51-8-A, Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang, Malaysia.

■ Phone: (04) 2287828 (6 Lines)  
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E-mail: enquiry@jblau.com.my

19 May 2006

**The Board of Directors**  
**JHM Consolidation Berhad**  
**51-8-B Menara BHL Bank**  
**Jalan Sultan Ahmad Shah**  
**10050 Penang**

Dear Sirs,

**1. INTRODUCTION**

This report has been prepared by JB Lau & Associates, an approved company auditor, for inclusion in the Prospectus to be dated 19 June 2006 in connection with the Public Issue of 21,140,000 new ordinary shares of RM0.10 each in JHM Consolidation Berhad (hereinafter referred to as "JHM" or "Company") at an issue price of RM0.50 per ordinary share of RM0.10 each and the listing and quotation of its entire issued and paid-up share capital of 82,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

**2. LISTING SCHEME**

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of JHM on the MESDAQ Market of Bursa Malaysia, the Company undertook the following listing scheme which was approved by the Ministry of International Trade and Industry ("MITI"), the Foreign Investment Committee ("FIC") and the Securities Commission ("SC") on the dates set out below :

<u>Authority</u>	<u>Date of approval</u>
MITI	9 September 2005
FIC/SC	10 March 2006 & 17 May 2006

- (i) The payment of net interim dividends on 30 March 2006 by Morrissey and JH Tech of RM1,000,000 and RM501,120 respectively.
- (ii) A split of the par value of ordinary shares of JHM from RM1.00 to RM0.10 per ordinary share, which accordingly increased the enlarged share capital from 2 ordinary shares of RM1.00 each to 20 ordinary shares of RM0.10 each.
- (iii) Acquisition of the entire share capital of Morrissey Technology Sdn. Bhd. ("Morrissey") comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM4,380,173 satisfied by the issue of 43,797,952 new JHM ordinary shares of RM0.10 each at an issue price of approximately RM0.1000086 per ordinary share,
- (iv) Acquisition of the entire share capital of Jingheng Electronic Precision Technology Sdn. Bhd. ("JH Tech") comprising 200,000 ordinary shares of RM1.00 each for a total consideration of RM1,706,350 satisfied by the issue of 17,062,028 new JHM ordinary shares of RM0.10 each at an issue price of approximately RM0.1000086 per ordinary share,

*Anniversary*  
**20**

1985 to 2005

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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- (v) A Public Issue of 21,140,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share of RM0.10 each ("Public Issue"), and
- (vi) An Employee Share Option Scheme of 16,400,000 new ordinary shares of RM0.10, being equivalent to 20% of the enlarged share capital of 82,000,000 ordinary shares of RM0.10 each at an assumed exercise price of RM0.50 per ordinary share of RM0.10 each ("ESOS").

### 3. GENERAL INFORMATION

#### 3.1 Background

JHM Consolidation Berhad was incorporated on 26 March 2005 as a public limited company.

The principal activity of the Company is that of investment holding.

#### 3.2 Share Capital

At the date of incorporation, the authorised share capital of the Company was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and its issued and paid-up share capital was RM2.00 comprising 2 ordinary shares of RM1.00 each. The par value of RM1.00 was subdivided into RM0.10 pursuant to the members' circular resolution dated 10 April 2006.

Its authorised share capital was increased to RM25,000,000 on 10 April 2006 by the creation of an additional 249,000,000 ordinary shares of RM0.10 each.

The changes in the Company's issued and fully paid-up share capital are summarised below :

<u>Date of allotment/payment</u>	<u>Consideration</u>	<u>No. of ordinary shares of RM1.00 * / RM0.10 each allotted</u>	<u>Total issued and paid-up share capital</u> RM
26 March 2005	Subscribers' shares	* 2	2
10 April 2006	Subdivision of RM1.00 into RM0.10	20	2
12 April 2006	Allotment in consideration for the acquisition of 100% equity interest in Morrissey	43,797,952	4,379,797
12 April 2006	Allotment in consideration for the acquisition of 100% equity interest in JH Tech	17,062,028	6,086,000

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**3.3 Subsidiary Companies**

The details of the subsidiary companies of JHM are as follows :

<u>Name of company</u>	<u>Date / Place of incorporation</u>	<u>Issued and paid-up share capital as at 31 December 2005</u>	<u>Equity interest</u>	<u>Principal activities</u>
Morrissey	5 September 2000 Malaysia	RM1,000,000	100%	Design and manufacturing of precision miniature engineering metal parts and components
JH Tech	5 September 2001 Malaysia	RM200,000	100%	Original design manufacturing of semiconductor light emitting diodes and such activities are outsourced to reliable and reputable third parties

**3.4 Basis of Accounting and Accounting Policies**

This report is based on the audited financial statements which have been prepared in accordance with applicable approved international accounting standards and/or applicable approved accounting standards issued by the Malaysian Accounting Standards Board where appropriate and is presented on a basis consistent with the accounting policies normally adopted by JHM and its subsidiary companies, namely Morrissey and JH Tech ("JHM Group" or "Group").

**3.5 Financial Statements and Auditors**

We have been the auditors of JHM since its date of incorporation. We have been the auditors of Morrissey and JH Tech since the financial period/year ended 31 December 2004. Prior to this they were audited by Messrs Tan & Loh.

The financial statements of all the companies within the Group for all the financial years/period under review have been reported without any audit qualification and modification.

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**4. DIVIDENDS**

Save as disclosed below, no other dividends have been paid or declared by the JHM Group for the financial years/period under review.

<u>Year ended 31 December</u>	<u>Issued and paid-up capital</u> RM	<u>Dividend rate</u> %	<u>Type of dividend</u>	<u>Net amount of dividend paid</u> RM'000
<b>Morrissey</b>				
2005	1,000,000	100	Interim #	1,000
<b>JH Tech</b>				
2005	200,000	348	Interim *	501

# tax exempt

\* less tax of 28%

The above interim dividends were paid on 30 March 2006.

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**5. SUMMARISED INCOME STATEMENTS**

We set out below the audited results of JHM, Morrissey and JH Tech for the relevant periods/years under review and have been prepared based on their audited financial statements:-

**5.1 JHM**

	<b>26.3.05</b> <b>to</b> <b><u>31.12.05</u></b> <b>RM'000</b>
Revenue	-
Cost of sales	<u>-</u>
Gross profit	-
Other operating income	-
Administrative expenses excluding depreciation and amortization	<u>(5)</u>
Loss before interest, depreciation, taxation and amortization	(5)
Interest expense	-
Depreciation	-
Amortisation	<u>-</u>
Operating loss	(5)
Exceptional item	-
Share of profits and losses of associated corporations and joint ventures	<u>-</u>
Loss before taxation	(5)
Taxation	<u>-</u>
Loss from ordinary activities	(5)
Extraordinary items	-
Minority interest	<u>-</u>
Net loss	<u><u>(5)</u></u>
Weighted average no. of ordinary shares of RM1.00 each	2
Gross loss per share (RM)	(2,500)
Net loss per share (RM)	(2,500)

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**5.2 MORRISSEY**

	For the year ended 31 August		16 months 1.9.04 to 31.12.05
	2003 RM'000	2004 RM'000	RM'000
Revenue	9,009	9,379	12,191
Cost of sales	(6,868)	(7,090)	(9,116)
Gross profit	2,141	2,289	3,075
Other operating income	310	452	733
Administrative expenses excluding depreciation and amortization	(276)	(479)	(836)
Earnings before interest, depreciation, taxation and amortization	2,175	2,262	2,972
Interest expense	(184)	(56)	(45)
Depreciation	(538)	(552)	(816)
Amortisation	-	(52)	(20)
Operating profit	1,453	1,602	2,091
Exceptional item	-	-	-
Share of profits and losses of associated corporations and joint ventures	-	-	-
Profit before taxation	1,453	1,602	2,091
Taxation	(236)	(302)	(109)
Profit from ordinary activities	1,217	1,300	1,982
Extraordinary items	-	-	-
Minority interest	-	-	-
Net profit	1,217	1,300	1,982
Weighted average no. of ordinary shares of RM1.00 each ('000)	1,000	1,000	1,000
Gross earnings per share (RM)	1.45	1.60	* 1.57
Net earnings per share (RM)	1.22	1.30	* 1.49
Gross profit margin (%)	23.77	24.41	25.22
Net profit margin (%)	13.51	13.86	16.26

\* Annualised

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**NOTES :**

- (i) Reclassification

	For the year ended 31 August		16 months 1.9.04 to 31.12.05
	2003 RM'000	2004 RM'000	RM'000
<u>Revenue</u>			
Per audited financial statements	9,306	9,830	12,191
Reclassification to other operating income	(297)	(451)	-
As restated	<u>9,009</u>	<u>9,379</u>	<u>12,191</u>
<u>Other operating income</u>			
Per audited financial statements	13	1	733
Reclassification from revenue	297	451	-
As restated	<u>310</u>	<u>452</u>	<u>733</u>

Scrap sales have been reclassified from revenue to other operating income.

- (ii) Morrissey changed its financial year end from 31 August 2005 to 31 December 2005.
- (iii) There has been no change in the company's accounting policies, which may materially affect its income and financial position for the financial years/period under review other than as disclosed below.

In the financial year ended 31 August 2003, Morrissey changed its accounting policy on income taxes. Under MASB 25 – Income Taxes, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialize in the foreseeable future. In addition, the company has commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

However, the adoption of the abovementioned accounting policy had no material effect on the income and financial position of the company.



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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**5.3 JH TECH**

	For the year ended 31 December		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
	RM'000	RM'000	RM'000
Revenue	9,026	13,574	14,648
Cost of sales	(8,161)	(11,097)	(11,884)
	<hr/>	<hr/>	<hr/>
Gross profit	865	2,477	2,764
Other operating income	4	67	-
Administrative expenses excluding depreciation and amortization	(338)	(734)	(817)
	<hr/>	<hr/>	<hr/>
Earnings before interest, depreciation, taxation and amortization	531	1,810	1,947
Interest expense	(6)	(4)	(3)
Depreciation	(15)	(15)	(20)
Amortisation	-	-	(75)
	<hr/>	<hr/>	<hr/>
Operating profit	510	1,791	1,849
Exceptional item	-	-	-
Share of profits and losses of associated corporations and joint ventures	-	-	-
	<hr/>	<hr/>	<hr/>
Profit before taxation	510	1,791	1,849
Taxation	(70)	(468)	(517)
	<hr/>	<hr/>	<hr/>
Profit from ordinary activities	440	1,323	1,332
Extraordinary items	-	-	-
Minority interest	-	-	-
	<hr/>	<hr/>	<hr/>
Net profit	440	1,323	1,332
	<hr/>	<hr/>	<hr/>
Weighted average no. of ordinary shares of RM1.00 each ('000)	200	200	200
Gross earnings per share (RM)	2.55	8.96	9.25
Net earnings per share (RM)	2.20	6.62	6.66
Gross profit margin (%)	9.58	18.25	18.87
Net profit margin (%)	4.87	9.75	9.09

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**NOTE :**

- (i) There has been no change in the company's accounting policies, which may materially affect its income and financial position for the financial period/years under review other than as disclosed below.

In the financial year ended 31 December 2003, JH Tech changed its accounting policy on income taxes. Under MASB 25 – Income Taxes, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialize in the foreseeable future. In addition, the company has commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation. However the adoption of the abovementioned accounting policy had no material effect on its income and financial position of the company.

**6. SUMMARISED BALANCE SHEETS**

We set out below the audited balance sheets of JHM, Morrissey and JH Tech as at the end of the financial periods/years under review and have been prepared based on their audited financial statements:-

**6.1 JHM**

	<b>As at 31.12.05 RM'000</b>
Current assets	368
Current liabilities	(373)
Net current liabilities	<u>(5)</u>
	<u>(5)</u>
Financed by :	
Share capital	*
Retained profits	<u>(5)</u>
Shareholders' funds	<u>(5)</u>
Net tangible liabilities per share (RM)	(2,500)

\* Represents 2 shares of RM1 each

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**6.2 MORRISSEY**

	<u>As at 31 August</u> <u>2003</u>	<u>2004</u>	<u>As at</u> <u>31.12.05</u>
	RM'000	RM'000	RM'000
Property, plant and equipment	3,559	3,094	5,064
Research and development costs	-	208	392
Current assets	2,249	2,750	3,636
Current liabilities	(2,409)	(1,654)	(1,875)
Net current (liabilities)/assets	(160)	1,096	1,761
	<u>3,399</u>	<u>4,398</u>	<u>7,217</u>
Financed by :			
Share capital	1,000	1,000	1,000
Retained profits	1,702	3,002	4,984
Shareholders' funds	2,702	4,002	5,984
Deferred taxation	274	297	313
Long term liabilities	423	99	920
	<u>3,399</u>	<u>4,398</u>	<u>7,217</u>
Net tangible assets per share (RM)	2.70	4.00	5.98
Inventories turnover period (months)	0.53	0.39	* 0.88
Trade receivables turnover period (months)	1.35	1.50	* 2.19
Trade payables turnover period (months)	2.31	1.77	* 1.25

**NOTE :**

\* Annualised

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**6.3 JH TECH**

	----- As at 31 December -----		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
	RM'000	RM'000	RM'000
Property, plant and equipment	48	34	36
Research and development costs	-	376	712
Current assets	2,624	4,094	5,273
Current liabilities	(2,249)	(2,726)	(2,961)
Net current assets	375	1,368	2,312
	423	1,778	3,060
Financed by :			
Share capital	200	200	200
Retained profits	183	1,506	2,838
Shareholders' funds	383	1,706	3,038
Deferred taxation	2	40	-
Long term liabilities	38	32	22
	423	1,778	3,060
Net tangible assets per share (RM)	1.92	8.53	15.19
Inventories turnover period (months)	2.51	2.47	0.52
Trade receivables turnover period (months)	1.15	1.36	2.76
Trade payables turnover period (months)	2.19	1.80	3.36

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**7. SUMMARISED STATEMENT OF CHANGES IN EQUITY**

We set out below the audited statement of changes in equity of JHM, Morrissey and JH Tech for the relevant periods/years under review and have been prepared based on their audited financial statements:-

**7.1 JHM**

	Share capital RM'000	Retained profits RM'000	Total RM'000
Balance as at 26.3.05	*	-	*
Net loss for the period	-	(5)	(5)
Balance as at 31.12.05	*	(5)	(5)

\* Represents RM2

**7.2 MORRISSEY**

	Share capital RM'000	Retained profits RM'000	Total RM'000
Balance as at 1.9.02	1,000	485	1,485
Net profit for the year	-	1,217	1,217
Balance as at 31.8.03	1,000	1,702	2,702
Net profit for the year	-	1,300	1,300
Balance as at 31.8.04	1,000	3,002	4,002
Net profit for the period	-	1,982	1,982
Balance as at 31.12.05	1,000	4,984	5,984

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**7.3 JH TECH**

	Share capital RM'000	(Loss) / Retained profits RM'000	Total RM'000
Balance as at 1.1.03	200	(257)	(57)
Net profit for the year	-	440	440
Balance as at 31.12.03	200	183	383
Net profit for the year	-	1,323	1,323
Balance as at 31.12.04	200	1,506	1,706
Net profit for the year	-	1,332	1,332
Balance as at 31.12.05	200	2,838	3,038

**8. SUMMARISED CASH FLOW STATEMENT**

We set out below the audited cash flow statement of JHM, Morrissey and JH Tech for the relevant periods/years under review and have been prepared based on their audited financial statements:-

**8.1 JHM**

	<b>26.3.05</b>
	to
	<b><u>31.12.05</u></b>
	<b>RM'000</b>
Cash flow from operating activities	-
Cash flow from financing activities	*
Cash at end	*

\* Represents RM2

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**14 ACCOUNTANTS' REPORT (Cont'd)**  
 (Prepared for the inclusion in this Prospectus)
 

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**8.2 MORRISSEY**

	<b>For the year ended 31 August</b>		<b>16 months 1.9.04 to 31.12.05</b>
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>31.12.05</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash flow from operating activities	1,049	1,380	1,663
Cash flow from investing activities	(89)	(346)	(1,588)
Cash flows from financing activities	(524)	(674)	(397)
Net increase/(decrease) in cash	436	360	(322)
Cash at beginning	258	694	1,054
Cash at end	694	1,054	732

**NOTES :**

## Reclassification

Cash flow from operating activities

Per audited financial statements	1,049	1,158	1,663
Reclassified to cash flows from financing activities	-	222	-
As restated	1,049	1,380	1,663

Cash flow from financing activities

Per audited financial statements	(524)	(452)	(397)
Reclassified from cash flows from operating activities	-	(222)	-
As restated	(524)	(674)	(397)

Cash flow movements in director's account have been reclassified from cash flow from operating activities to cash flow from financing activities.

**14 ACCOUNTANTS' REPORT (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

**8.3 JH TECH**

	For the year ended 31 December		
	<u>2003</u> RM'000	<u>2004</u> RM'000	<u>2005</u> RM'000
Cash flow from operating activities	50	607	967
Cash flow from investing activities	(12)	(376)	(434)
Cash flows from financing activities	(4)	(7)	(8)
Net increase in cash	34	224	525
Cash at beginning	13	47	271
Cash at end	47	271	796

**9. EVENT SUBSEQUENT TO BALANCE SHEET DATE OF 31 DECEMBER 2005**

Other than the completion of the share split and Acquisitions as referred to in Section 2(ii) to (iv) and the payment of interim dividends as referred to in Section 4, no other event has arisen subsequent to the balance sheet date which requires disclosure in this Report.

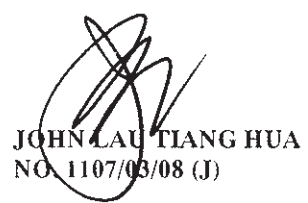
**10. FINANCIAL STATEMENTS**

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2005.

Yours faithfully,



JB LAU & ASSOCIATES ( AF: 0042 )  
CHARTERED ACCOUNTANTS



JOHN LAU TIANG HUA  
NO. 1107/03/08 (J)



**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON**  
(Prepared for the inclusion in this Prospectus)

**JB LAU & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

AF: 0042

■ 51-8-A, Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang, Malaysia.

■ Phone: (04) 2287828 (6 Lines)  
Fax: (04) 2279828  
E-mail: enquiry@jblau.com.my

19 May 2006

The Board of Directors  
JHM Consolidation Berhad  
51-8-B Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang

Dear Sirs,

**PROFORMA FINANCIAL INFORMATION**

We have reviewed the presentation of the Proforma Financial Information of JHM Consolidation Berhad ("JHM") comprising the proforma consolidated income statements for the three (3) financial years ended 31 December 2005, proforma consolidated balance sheets as at 31 December 2005 together with the notes and assumptions thereon, detailed statement of assets and liabilities as at 31 December 2005 and proforma consolidated cash flow statement for the period ended 31 December 2005, for which the Directors are solely responsible, as set out in the accompanying notes which we have stamped for the purpose of identification. The Proforma Financial Information have been prepared for purposes of inclusion in the Prospectus to be dated 19 June 2006 issued in connection with the public issue of 21,140,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share pursuant to the listing of and quotation for its entire issued and fully paid-up share capital on the MESDAQ Market of Bursa Malaysia Securities Berhad.

In our opinion, the above mentioned Proforma Financial Information as set out in the accompanying notes which are provided for illustrative purposes only, have been prepared in accordance with applicable approved international accounting standards and/or applicable approved accounting standards issued by the Malaysian Accounting Standards Board where appropriate and is presented on a basis consistent with the accounting policies normally adopted by JHM and its subsidiary companies, namely Morrissey Technology Sdn. Bhd. ("Morrissey") and Jingheng Electronic Precision Technology Sdn. Bhd. ("JH Tech"), collectively referred to as the "JHM Group" or "Group" and after taking into account adjustments appropriate for the purposes of the Proforma Financial Information.

Yours faithfully,



JB LAU & ASSOCIATES  
NO. AF : 0042  
CHARTERED ACCOUNTANTS



JOHN LAU TIANG HUA  
NO. 1107/03/08(J)



1985 to 2005

**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

**JHM CONSOLIDATION BERHAD**

**PROFORMA FINANCIAL INFORMATION**

**I. PROFORMA CONSOLIDATED INCOME STATEMENTS**

The summarised proforma consolidated income statements of JHM Group for the past three (3) financial years ended 31 December 2005 have been prepared based on the audited financial statements of the companies in the JHM Group for illustrative purposes after making such adjustments that we considered necessary and assuming that the JHM Group had been in existence throughout the years under review.

	For the year ended 31 December		
	<u>2003</u> RM'000	<u>2004</u> RM'000	<u>2005</u> RM'000
Revenue	18,158	20,504	24,126
Cost of sales	(15,103)	(15,931)	(18,857)
Gross profit	3,055	4,573	5,269
Other operating income	361	527	574
Administrative expenses excluding depreciation and amortization	(682)	(1,185)	(1,526)
Earnings before interest, depreciation, taxation and amortization	2,734	3,915	4,317
Interest expense	(147)	(55)	(34)
Depreciation	(558)	(571)	(648)
Amortisation	(17)	(55)	(75)
Operating profit	2,012	3,234	3,560
Exceptional item	-	-	-
Share of profits and losses of associated corporations and joint ventures	-	-	-
Profit before taxation	2,012	3,234	3,560
Taxation	(328)	(666)	(629)
Profit from ordinary activities	1,684	2,568	2,931
Extraordinary items	-	-	-
Minority interest	-	-	-
Net profit	1,684	2,568	2,931
No. of ordinary shares of RM0.10 in issue ('000)	60,860	60,860	60,860
Gross earnings per share (sen)	3.31	5.31	5.85
Net earnings per share (sen)	2.77	4.22	4.82
Gross profit margin (%)	16.82	22.30	21.84
Net profit margin (%)	9.27	12.52	12.15

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**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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**NOTES :**

- (i) The proforma consolidated income statements for the three (3) years ended 31 December 2005 have been prepared on the basis that the JHM Group has been in place throughout the years under review and on a time apportionment basis for Morrissey as it has a different financial year end. The proforma consolidated income statements have been prepared based on the audited income statements of Morrissey and JH Tech.
- (ii) The JHM Group proforma income statements have been prepared based on accounting policies consistent with those currently adopted in the preparation of the audited financial statements of the JHM Group.
- (iii) All significant inter-company transactions have been eliminated from the Group results.
- (iv) For the financial year ended 31 December 2003, revenue increased by 121.14% to RM18.16 million mainly due to the commercial production of components related to LED. Sale of components related to LED increased by 734.92% to RM9.39 million mainly due to the increased demand from a customer in Thailand.
- Accordingly, profit before taxation increased by 258.65% to RM2.01 million.
- (v) For the financial year ended 31 December 2004, revenue increased by 12.92% to RM20.50 million due to the increase in sales of components related to LED.
- However, profit before taxation increased by 60.74% to RM3.23 million due to the increase in revenue and higher profit margin achieved from the savings in handling and forwarding charges and lower tooling charges as a result of economies of scale.
- (vi) For the financial year ended 31 December 2005, revenue increased by 17.66% as a result of continuous growth in the demand for components related to LED and delivery of its design and fabrication of toolings for fine pitch connector pins.
- Accordingly, profit before taxation increased by 10.08% to RM3.56 million due to the increase in revenue and higher profit margin derived from the design and fabrication of toolings for fine pitch connector pins.
- (vii) The lower effective tax charge for the financial year ended 31 December 2003 was due to the utilization of unabsorbed tax loss from the previous financial period for JH Tech and the claim for reinvestment allowance by Morrissey.
- The lower effective tax charge for the financial years ended 31 December 2004 was due to the reduced tax rate on the first RM0.50 million of chargeable income, claim for reinvestment allowance and an over provision in previous years by Morrissey.
- The lower effective tax charge for the financial year ended 31 December 2005 was due to the reduced tax rate on the first RM0.50 million of chargeable income and claim for reinvestment allowance by Morrissey.
- (ix) Gross/Net earnings per share is calculated based on the profit before taxation/net profit and on the number of ordinary shares of RM0.10 each issued for the acquisition of Morrissey and JH Tech.

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**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS'  
LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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- (x)      There has been no change in the Group's accounting policies, which may materially affect its income and financial position for the financial period/years under review other than as disclosed below.

In the financial year ended 31 December 2003, the JHM Group changed its accounting policy on income taxes. Under FRS 112 (formerly known as MASB 25) – Income Taxes, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialize in the foreseeable future. In addition, the Group has commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation. However, the adoption of the abovementioned accounting policy had no material effect on its income and financial position of the Group.

**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

**2. PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005**

The Proforma Consolidated Balance Sheets as set out below are provided for illustrative purposes only to show the effects on the audited balance sheets of JHM, Morrissey and JH Tech as at 31 December 2005 had the Acquisitions, Public Issue, utilisation of proceeds and ESOS been completed on that date.

	(I)	(II)	(III)	(IV)	
		After (I)	After (II)	After (III)	
Audited	After	and	and	and	
JHM	the	Public	Utilisation	Employee	
as at	Acquisitions	Issue	of Proceeds	Share Option	
31.12.05	RM'000	RM'000	RM'000	Scheme	
RM'000	RM'000	RM'000	RM'000	RM'000	
<b>PROPERTY, PLANT AND EQUIPMENT</b>	-	5,100	5,100	9,140	9,140
<b>RESEARCH &amp; DEVELOPMENT COSTS</b>	-	1,105	1,105	2,505	2,505
<b>CURRENT ASSETS</b>					
Inventories	-	1,022	1,022	1,022	1,022
Trade receivables	-	5,033	5,033	5,033	5,033
Other receivables, deposits and prepayments	368	1,522	1,522	1,522	1,522
Tax recoverable	-	148	148	148	148
Margin deposits with a licensed bank	-	14	14	14	14
Cash and bank balances	*	27	10,597	3,657	11,857
	368	7,766	18,336	11,396	19,596
<b>CURRENT LIABILITIES</b>					
Trade payables	-	3,135	3,135	3,135	3,135
Other payables and accruals	373	1,876	1,876	1,876	1,876
Amount due to a director	-	89	89	89	89
Provision for taxation	-	99	99	99	99
	373	5,199	5,199	5,199	5,199
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	(5)	2,567	13,137	6,197	14,397
	(5)	8,772	19,342	17,842	26,042
<b>FINANCED BY :</b>					
<b>SHARE CAPITAL</b>	**	6,086	8,200	8,200	9,840
<b>SHARE PREMIUM</b>	-	1	8,457	6,957	13,517
<b>RETAINED PROFIT</b>	(5)	1,430	1,430	1,430	1,430
<b>SHAREHOLDERS' FUNDS</b>	(5)	7,517	18,087	16,587	24,787
<b>HIRE PURCHASE PAYABLE</b>	-	942	942	942	942
<b>DEFERRED TAXATION</b>	-	313	313	313	313
	(5)	8,772	19,342	17,842	26,042
<b>Net Tangible (Liabilities)/Assets (RM'000)</b>	(5)	6,412	16,982	14,082	22,282
<b>No. of ordinary shares of RM0.10 each ('000)</b>	**	60,860	82,000	82,000	98,400
<b>Net Tangible (Liabilities)/Assets per share (RM)</b>	(2,500.00)	0.11	0.21	0.17	0.23

\* Represents RM2

\*\* Represents RM2 comprising 2 shares of RM1.00 each

**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

**2.1 NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2005**

1. The Proforma Consolidated Balance Sheets of JHM have been prepared for illustrative purposes based on the audited financial statements of JHM, Morrissey and JH Tech as at 31 December 2005 and on the assumption that the following were effected on that date:

- (a) The payment of net interim dividends on 30 March 2006 by Morrissey and JH Tech of RM1,000,000 and RM501,120 respectively.
- (b) A split of the par value of ordinary shares of JHM from RM1.00 to RM0.10 per ordinary share, which accordingly increased the enlarged share capital from 2 ordinary shares of RM1.00 each to 20 ordinary shares of RM0.10 each.
- (c) The Acquisition of 100% equity interest in Morrissey and JH Tech based on their audited shareholders' funds as at 31 December 2004, satisfied by the issuance of new JHM ordinary shares of RM0.10 each valued at approximately RM0.1000086 per share.

	<b>Audited shareholders' funds at 31.12.2004 RM</b>	<b>New JHM shares to be issued</b>
Morrissey	4,380,173	43,797,952
JH Tech	1,706,350	17,062,028
	<u>6,086,523</u>	<u>60,859,980</u>

- (d) Public Issue of 21,140,000 new ordinary shares of RM0.10 each at an indicative issue price of RM0.50 per ordinary share of RM0.10 each, and
- (e) Employee Share Option Scheme of 16,400,000 new ordinary shares of RM0.10 each being equivalent to 20% of the enlarged share capital of 82,000,000 ordinary shares of RM0.10 each at an assumed exercise price of RM0.50 per ordinary share ("ESOS").
- (f) The movements in share capital for the Proforma Balance Sheets are as follows :

**RM'000**

Issued and fully paid :  
Ordinary shares of RM0.10 each

As at 31 December 2005	*
Acquisitions	6,086
Public Issue	2,114
ESOS	1,640
	<u>9,840</u>

\* Represents RM2

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**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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

	<b>RM'000</b>
Purchase of property, plant and equipment	4,040
Research and development expenses	1,400
Working capital	3,630
Listing expenses	1,500
	10,570

(h) Listing expenses of RM1,500,000 will be written off against the share premium account.

	<b>RM'000</b>
Share premium from the Acquisitions	
– RM0.0000086 x 60,859,980	1
Share premium from Public Issue	
– RM0.40 x 21,140,000	8,456
Listing expenses	(1,500)
Share premium from ESOS – RM0.40 x 16,400,000	6,560
	13,517

2. The Proforma Consolidated Balance Sheets of JHM and its subsidiary companies have been prepared under the acquisition method of consolidation and on the bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements.

**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

**3. DETAILED STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2005**

The statements of assets and liabilities of JHM and the JHM Group are provided for illustrative purposes only and are prepared based on the audited financial statements of JHM, Morrissey and JH Tech as at 31 December 2005 and on the assumption that the listing scheme as mentioned in Section 2.1.1 was effected on 31 December 2005.

		(I)	(II)	(III)	(IV)
	Audited		After (I)	After (II)	After (III)
	JHM	After	and	and	and
	as at	the	Public	Utilisation	Employee
Note	<u>31.12.05</u>	<u>Acquisitions</u>	<u>Issue</u>	<u>of Proceeds</u>	<u>Share Option</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3.2	-	5,100	5,100	9,140
<b>RESEARCH &amp; DEVELOPMENT COSTS</b>	3.3	-	1,105	1,105	2,505
<b>CURRENT ASSETS</b>					
Inventories	3.4	-	1,022	1,022	1,022
Trade receivables		-	5,033	5,033	5,033
Other receivables, deposits and prepayments		368	1,522	1,522	1,522
Tax recoverable		-	148	148	148
Margin deposits with a licensed bank	3.5	-	14	14	14
Cash and bank balances	3.6	*	27	10,597	11,857
		368	7,766	18,336	19,596
<b>CURRENT LIABILITIES</b>					
Trade payables		-	3,135	3,135	3,135
Other payables and accruals		373	1,876	1,876	1,876
Amount due to a director	3.7	-	89	89	89
Provision for taxation		-	99	99	99
		373	5,199	5,199	5,199
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		(5)	2,567	13,137	14,397
		(5)	8,772	19,342	26,042
<b>FINANCED BY :</b>					
<b>SHARE CAPITAL</b>	3.8	**	6,086	8,200	9,840
<b>SHARE PREMIUM</b>	3.9	-	1	8,457	13,517
<b>RETAINED PROFIT</b>	3.10	(5)	1,430	1,430	1,430
<b>SHAREHOLDERS' FUNDS</b>		(5)	7,517	18,087	24,787
<b>HIRE PURCHASE PAYABLE</b>	3.11	-	942	942	942
<b>DEFERRED TAXATION</b>	3.12	-	313	313	313
		(5)	8,772	19,342	26,042
<b>Net Tangible (Liabilities)/Assets (RM'000)</b>		(5)	6,412	16,982	22,282
<b>No. of ordinary shares of RM0.10 each ('000)</b>		**	60,860	82,000	98,400
<b>Net Tangible (Liabilities)/Assets per share (RM)</b>		(2,500.00)	0.11	0.21	0.23

\* Represents RM2

\*\* Represents RM2 comprising 2 shares of RM1.00 each



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**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS'  
LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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**NOTES TO THE DETAILED STATEMENT OF ASSETS AND LIABILITIES AS AT 31  
DECEMBER 2005**

**3.1      SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies adopted by the Group are consistent with those adopted in the previous financial years.

(a)      **Accounting Convention**

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b)      **Basis of Consolidation**

The financial statements of the Group include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating activities so as to obtain benefits therefrom. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference of the cost of acquisition over the fair value of the Group's share of the subsidiary companies' identifiable net assets at the date of acquisition is reflected either as goodwill or reserve on consolidation, as appropriate. Goodwill on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary. Reserve on consolidation is written off immediately in the income statement.

Inter-company balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Where necessary, adjustments are made to the financial statements of the subsidiary companies to ensure consistency of accounting policies with those of the Group.

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

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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note (k) below.

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**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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Property, plant and equipment are depreciated over their estimated useful lives on the straight line method at the following annual rates :

Plant and machinery	10% - 20%
Office equipment, furniture and fixtures	10% - 20%
Electrical installation	10%
Renovation	10%
Motor vehicles	20%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(d)      **Research and Development**

Research and development costs comprise direct expenses and overheads incurred in product development. Research costs are expensed in the period of when incurred. Development costs are capitalised if they relate to the design and testing of new or improved products which will generated future economic benefits.

Development costs capitalised is amortised on a straight line basis over a period of five years commencing from the year of commercial production. The carrying amounts are reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

(e)      **Inventories**

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

Net realisable value represents the estimated selling price less all estimated costs to completion and estimated costs to be incurred in marketing, selling and distribution.

(f)      **Receivables**

Receivables are stated at their anticipated realisable values.

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

(g)      **Payables**

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

(h)      **Provisions for Liabilities**

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS’  
LETTER THEREON (Cont’d)**  
(Prepared for the inclusion in this Prospectus)

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(i)      **Hire Purchase**

Property, plant and equipment financed under hire purchase are capitalised in the financial statements and are depreciated in accordance with the accounting policy as set out in Note (c) above. Outstanding obligations due under hire purchase after deducting finance costs are included as liabilities in the financial statements. The finance costs are charged to the income statement over the period of the respective agreements using the “Sum-of-the-Digits” method to give a constant periodic rate of charge on the remaining hire purchase liabilities.

(j)      **Revenue Recognition**

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(k)      **Impairment of Assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(l)      **Employee Benefits**

**Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**Defined contribution plans**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the income statement as incurred.

(m)      **Foreign Currency Translations**

Foreign currency assets and liabilities are translated into Ringgit Malaysia at the rates of exchange ruling on the balance sheet date. Transactions during the year in foreign currencies have been converted into Ringgit Malaysia at rates ruling on the transaction dates. Gains and losses on exchange are included in the income statement.

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**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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The closing rates of exchange used in the preparation of the financial statements are as follows :

	<b>RM</b>
1 Singapore Dollar	<b>2.27</b>
1 US Dollar	<b>3.80</b>
100 Yen	<b>3.23</b>

**(n)      Income Taxes**

Current tax expense is determined according to the Malaysian tax laws and include all taxes based upon the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

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

Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred tax.

**(o)      Cash and Cash Equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

**(p)      Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group and the Company have become a party to the contractual provisions of the instrument.

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 the 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.

The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

**3.2 PROPERTY, PLANT AND EQUIPMENT**

----- JHM GROUP -----			
----- At cost -----			
	After the <u>Acquisitions</u> RM'000	<u>Additions</u> RM'000	After the Acquisitions, Public Issue and <u>Utilisation</u> RM'000
Plant and machinery	6,370	4,040	10,410
Office equipment, furniture and fittings	518		518
Electrical installation	121	-	121
Renovation	488	-	488
Motor vehicles	334	-	334
	<u>7,831</u>	<u>4,040</u>	<u>11,871</u>
----- Accumulated depreciation-----			
Plant and machinery	2,142		2,142
Office equipment, furniture and fittings	169		169
Electrical installation	32		32
Renovation	123		123
Motor vehicles	265		265
	<u>2,731</u>		<u>2,731</u>
----- Net book value -----			
Plant and machinery	4,228		8,268
Office equipment, furniture and fittings	349		349
Electrical installation	89		89
Renovation	365		365
Motor vehicles	69		69
	<u>5,100</u>		<u>9,140</u>

The net book value of property, plant and equipment acquired under hire purchase loans are as follows :

	RM'000
Plant and machinery	1,460
Motor vehicles	13
	<u>1,473</u>

**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

**3.3 RESEARCH AND DEVELOPMENT COSTS**

	----- JHM GROUP -----		
	<u>After the Acquisitions</u> RM'000	<u>Additions</u> RM'000	<u>After the Acquisitions, Public Issue and Utilisation</u> RM'000
Development costs, at cost	1,180	1,400	2,580
Accumulated amortisation	(75)	-	(75)
	<u>1,105</u>	<u>1,400</u>	<u>2,505</u>

**3.4 INVENTORIES**

	<u>JHM GROUP</u> RM'000
<u>At cost</u>	
Raw materials	91
Work-in-progress	383
Finished goods	548
	<u>1,022</u>

**3.5 MARGIN DEPOSITS WITH A LICENSED BANKS**

JHM GROUP

The margin deposits which are non interest bearing are pledged to a licensed bank as security for bank guarantees granted to a subsidiary company.

The maturity of the margin deposits is 18 months.

**3.6 CASH AND BANK BALANCES**

	<u>JHM GROUP</u> RM'000
Balance as at 31 December 2005	*
After the Acquisitions	27
Proceeds from Public Issue	10,570
After the Acquisitions and Public Issue	10,597
Purchase of property, plant and equipment	(4,040)
Research and development expenses	(1,400)
Payment of listing expenses	(1,500)
After the Acquisitions, Public Issue and utilisation of proceeds	3,657
Proceeds from ESOS	8,200
After the Acquisitions, Public Issue, utilisation of proceeds and ESOS	<u>11,857</u>

\* Represents RM2

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**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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**3.7      AMOUNT DUE TO A DIRECTOR**JHM GROUP

The amount due to a director, Dato' Tan King Seng, is non-trade related, unsecured, interest free and has no fixed terms of repayment.

**3.8      SHARE CAPITAL**

	<u>JHM</u>	
	Number of ordinary shares '000	Amount RM'000
Authorised Ordinary shares of RM0.10 each	* 250,000	* 25,000
Issued and fully paid : Ordinary shares of RM0.10 each		
As at 31 December 2005	@	#
Issued as consideration for the Acquisitions	60,860	6,086
Public Issue	21,140	2,114
After the Acquisitions, Public Issue and utilisation of proceeds	82,000	8,200
ESOS	16,400	1,640
After the Acquisitions, Public Issue, utilisation of proceeds and ESOS	98,400	9,840

\* The authorised share capital was increased to RM25 million comprising of 250,000,000 ordinary shares of RM0.10 each. on 10 April 2006

# Represents RM2

@ Represents 20 ordinary shares of RM0.10 each (the par value of RM1.00 was subdivided into RM0.10 on 10 April 2006)

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**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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**3.9      SHARE PREMIUM**

	JHM GROUP RM'000
Share premium arising from the Acquisitions at approximately RM0.0000086 per share	1
Share premium from Public issue of 21,140,000 ordinary shares of RM0.10 each at RM0.40 per share	8,456
Less : Estimated listing expenses	(1,500)
Share premium from ESOS of 16,400,000 ordinary shares of RM0.10 each at RM0.40 per share	<u>6,560</u>
After the Acquisitions, Public Issue, utilisation of proceeds and ESOS	<u>13,517</u>

**3.10      RETAINED PROFIT**

	JHM GROUP RM'000
Loss of JHM for the financial period ended 31 December 2005	(5)
Reserve on consolidation written off *	<u>1,435</u>
After the Acquisitions, Public Issue, utilisation of proceeds and ESOS	<u>1,430</u>

\* Reserve on consolidation is calculated as follows:

	RM'000
Profit after taxation for the financial year ended 31 December 2005 :	
- Morrissey	1,604
- JH Tech	1,332
Less : Interim dividends paid on 30 March 2006	<u>(1501)</u>
Reserve on consolidation	<u>1,435</u>



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**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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**3.11      HIRE PURCHASE PAYABLE**

	JHM GROUP RM'000
Amount payable	1,584
Less : Interest in suspense	<u>(126)</u>
	1,458
Payable within twelve months included under other payables and accruals	<u>(516)</u>
Payable within a period of more than one year and less than five years	<u>942</u>

The effective interest rate of the hire purchase loan at balance sheet date is **4.85%** per annum.

**3.12      DEFERRED TAXATION**

	JHM GROUP RM'000
Arising from the acquisition of Morrissey and JH Tech	<u>313</u>

**3.13      CAPITAL COMMITMENTS**

	JHM GROUP RM'000
Contracted but not provided for : - Property, plant and equipment	<u>527</u>

**3.14      COMMITMENTS**

Non-cancellable operating lease commitments

	JHM GROUP RM'000
Future minimum rentals payable: Not later than 1 year	<u>126</u>

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**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS'  
LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

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**3.15      FINANCIAL INSTRUMENTS**

**Financial risk management objectives and policies**

The Group's financial risk management policy seeks to ensure that adequate resources are available for the development of the Group's business whilst managing its credit, interest rate, foreign currency exposure and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

**Credit risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associates to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

As at balance sheet date, the Group has significant exposure of credit risk on two customers which represent 54% of the total amount of trade receivables.

The normal credit terms for trade receivables is 30 - 45 days and payables is 30 – 60 days. Other credit terms for trade receivables are assessed and approved on a case-by-case basis.

**Interest rate risk**

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a current low interest rate environment and achieve a certain level of protection against interest rate hikes. However, the Group is not exposed to interest rate risk as its only borrowing are hire purchase loans at fixed interest rates.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

**Foreign currency risk**

The objectives of the Group's foreign exchange policy are to allow the Group to manage exposures that arise from the manufacturing activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks.

Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group does not hedge its foreign exchange exposure.

**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

The amounts as at balance sheet date that are denominated in currencies other than RM are as follows :

	<u>JHM GROUP</u> RM'000
<u>Trade receivables</u>	
US Dollar	2,014
<u>Trade payables</u>	
US Dollar	2,763
Yen	11
<u>Other payables</u>	
Singapore Dollar	45
Yen	2

**Liquidity risk**

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

**Fair values**

The carrying amounts of financial assets and financial liabilities of the Group as at balance sheet date approximate their fair values.

**3.16 PROFORMA NET TANGIBLE ASSETS PER ORDINARY SHARE**

Based on the proforma statement of assets and liabilities of the JHM Group as at 31 December 2005, the proforma net tangible assets per share is as follows :

	(I)	(II)	(III)	(IV)
	After the <u>Acquisitions</u> RM'000	After (I) and Public <u>Issue</u> RM'000	After (II) and Utilisation <u>of Proceeds</u> RM'000	After (III) and Employee Share Option <u>Scheme</u> RM'000
Proforma net tangible (assets (RM'000))	6,412	16,982	14,082	22,282
Total number of ordinary shares of RM0.10 in issue ('000)	60,860	82,000	82,000	98,400
Proforma net tangible assets per ordinary share of RM0.10 each (RM)	0.11	0.21	0.17	0.23

**15 PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

**4. PROFORMA CONSOLIDATED CASH FLOW STATEMENTS**

The consolidated cash flow statements of the JHM and the JHM Group are provided for illustrative purposes only and are prepared based on the audited financial statements of JHM, Morrissey and JH Tech for the period/year ended 31 December 2005 and on the assumption that the listing scheme as mentioned in Section 2.1.1 was effected on 31 December 2005.

	(I)	(II)	(III)	(IV)
Audited				After (III)
JHM		After (I)	After (II)	and
26.3.05	After	and	and	Employee
to	the	Public	Utilisation	Share Option
31.12.05	Acquisitions	Issue	of Proceeds	Scheme
RM'000	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	(5)	4,995	4,995	4,995
Less : Reserve on consolidation written off	-	(1,435)	(1,435)	(1,435)
Less: Pre-acquisition profit	-	(3,565)	(3,565)	(3,565)
Net movement in cash from operating activities	(5)	(5)	(5)	(5)
Receivables	(368)	(368)	(368)	(368)
Payables	373	373	373	373
Net cash from operating activities	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash flow on acquisition of subsidiary companies *	-	27	27	27
Purchase of property, plant and equipment	-	-	(4,040)	(4,040)
Research and development costs incurred	-	-	(1,400)	(1,400)
Net cash from/(used in) investing activities	-	27	27	(5,413)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of estimated listing expenses	-	-	(1,500)	(1,500)
Proceeds from issuance of subscriber shares	*	-	-	-
Proceeds from Public Issue	-	-	10,570	10,570
Proceeds from ESOS	*	-	-	8,200
Net cash from financing activities	*	-	10,570	9,070
<b>CASH AT END</b>	*	27	10,597	3,657
				11,857

\* Represents RM2

**15      PROFORMA FINANCIAL INFORMATION OF JHM AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**  
(Prepared for the inclusion in this Prospectus)

	(I)	(II)	(III)	(IV)
Audited JHM 26.3.05 to 31.12.05 RM'000	After the Acquisitions RM'000	After (I) and Public Issue RM'000	After (II) and Utilisation of Proceeds RM'000	After (III) and Employee Share Option Scheme RM'000
<b>Cash flow on acquisition of subsidiary companies *</b>				
Property, plant and equipment	-	5,100	5,100	5,100
Research & development costs	-	1,105	1,105	1,105
Inventories	-	1,022	1,022	1,022
Receivables	-	6,335	6,335	6,335
Margin deposits with a licensed bank	-	14	14	14
Cash and bank balances	-	27	27	27
Payables	-	(4,638)	(4,638)	(4,638)
Amount due to a director	-	(89)	(89)	(89)
Provision for taxation	-	(99)	(99)	(99)
Long term liabilities	-	(942)	(942)	(942)
Deferred taxation	-	(313)	(313)	(313)
Share of net assets acquired	-	7,522	7,522	7,522
Less : Reserve on consolidation	-	(1,435)	(1,435)	(1,435)
Add : Cash and cash equivalents acquired	-	27	27	27
Less : Consideration satisfied by shares	-	(6,087)	(6,087)	(6,087)
Cash flow on acquisition of subsidiary companies	-	27	27	27