

9. ACCOUNTANTS' REPORT



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The Board of Directors  
**Technodex Bhd.**  
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Dear Sirs

**TECHNODEX BHD. ("THE COMPANY" OR "TECHNODEX")  
ACCOUNTANTS' REPORT**

**1. PURPOSE OF REPORT**

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of TECHNODEx to be dated 31 July 2006 in connection with the Public Issue (details of which are set out on paragraph 2 of this report) of 23,000,000 new ordinary shares of RM0.10 each in TECHNODEx at an issue price of RM0.40 per share and the listing of and quotation for the entire enlarged issued and paid-up share capital of TECHNODEx comprising 88,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Malaysia Securities Berhad ("Bursa Securities").

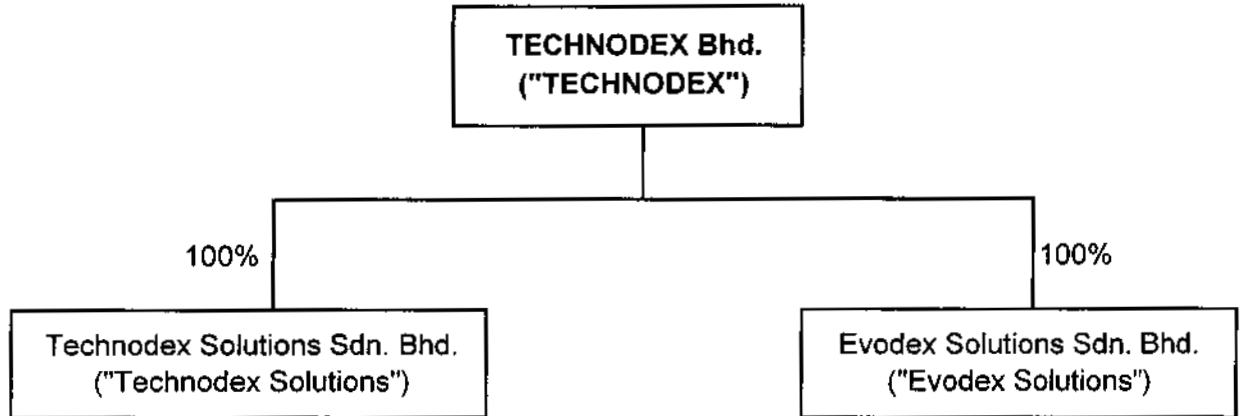
**2. LISTING SCHEME**

In conjunction with and as an integral part of the listing of TECHNODEx on the MESDAQ Market of the Bursa Securities, the Company will be undertaking the following transactions which have been approved by the relevant authorities:-

- (a) public issue of 23,000,000 new ordinary shares of RM0.10 each in TECHNODEx at an issue price of RM0.40 per share ("Public Issue");
- (b) employees' shares option scheme to the eligible directors and employees of TECHNODEx Group of up to 10% of the enlarged issued and paid-up share capital of TECHNODEx ("ESOS"); and
- (c) listing of and quotation for the entire enlarged issued and paid-up share capital of TECHNODEx on the MESDAQ Market of the Bursa Securities ("Listing").



3. GROUP STRUCTURE



**9. ACCOUNTANTS' REPORT (CONT'D)****4. RELEVANT FINANCIAL PERIOD AND AUDITORS**

The relevant financial period for the purpose of this report ("Relevant Financial Period") and the auditors of the respective companies for the Relevant Financial Period are set out below: -

<b>Company</b>	<b>Relevant Financial Period</b>	<b>Auditors</b>	<b>Auditors' Report</b>
TECHNODEX	- Financial period from 10 September 2003 (date of incorporation) to 30 June 2004 ("FPE 2004")	Y.F. Ng & Associates	N/A
	- Financial year ended 30 June 2005 ("FYE 2005")	Horwath	Appendix I
	- Financial period from 1 July 2005 to 31 January 2006 ("FPE 2006")	Horwath	Appendix II
TechnoDex Solutions	- Financial year ended 30 June 2003 ("FYE 2003")	Y.F. Ng & Associates	N/A
	- Financial year ended 30 June 2004 ("FYE 2004")	Y.F. Ng & Associates	N/A
	- Financial year ended 30 June 2005 ("FYE 2005")	Horwath	N/A
	- Financial period from 1 July 2005 to 31 January 2006 ("FPE 2006")	Horwath	N/A
EvoDex Solutions	- Financial period from 11 August 2004 (date of incorporation) to 30 June 2005 ("FPE 2005")	Horwath	N/A
	- Financial period from 1 July 2005 to 31 January 2006 ("FPE 2006")	Horwath	N/A

The audited financial statements for TECHNODEX, Technodex Solutions and Evodex Solutions for the Relevant Financial Period were reported upon without any qualification.



## **5. ACCOUNTING STANDARDS AND POLICIES**

### **5.1 BASIS OF PREPARATION**

The financial statements of TECHNODEx Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies below. The financial statements comply with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 for the relevant Financial Period.

The MASB standards nomenclature has been changed to Financial Reporting Standards ("FRS") nomenclature for financial periods beginning on or after 1 January 2005. This change to the new nomenclature did not result in any significant change in the accounting policies adopted by the Technodex Group and has no financial effects on the financial statements for the financial period ended 31 January 2006.

### **5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 January 2006.

A subsidiary is defined as a company in which the Group has the power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries 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 subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

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

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Financial Instruments**

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

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

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

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

**(c) Investments In Subsidiaries**

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

**(d) Goodwill on Consolidation**

Goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiaries at the date of acquisition.

The carrying amount of goodwill is reviewed annually, and is written down for impairment where it is considered necessary. The impairment value of goodwill written off is taken to the income statement.

**9. ACCOUNTANTS' REPORT (CONT'D)****5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(e) Equipment**

Equipment is stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Furniture and fittings	10%
Office equipment	10%
Computer equipment	20%
Motor vehicles	10%
Renovation	20%

**(f) Impairment of Assets**

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

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

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

**9. ACCOUNTANTS' REPORT (CONT'D)****5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(g) Research and Development Costs**

Research expenditure is written off to the income statement when incurred. Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure capitalised comprises costs incurred for development including direct and attributable indirect costs. Development costs initially recognised as an expense are not recognised as assets in the subsequent period.

Development costs that have been capitalised are amortised on a straight-line basis over the period of their expected benefit, but not exceeding 5 years, from the commencement of the commercial production of the products.

**(h) Receivables**

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

**(i) Payables**

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

**(j) Assets Under Hire Purchase**

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

**(k) Interest-bearing Borrowings**

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

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



## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

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

#### (l) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings and treated as a separate component of equity. Upon the approval of the proposed dividend, it will be accounted for as a liability.

#### (m) Cash and Cash Equivalents

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

#### (n) Employee Benefits

##### (i) Short-term Benefits

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

##### (ii) Defined Contribution Plans

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

#### (o) Revenue Recognition

##### (i) Sale Of Goods and Services Rendered

Revenue from the sales of goods is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

Revenue from rendering of services are recognised when the services is completed.

##### (ii) Interest Income

Interest income is recognised on an accrual basis.



**9. ACCOUNTANTS' REPORT (CONT'D)****5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(p) Taxation**

Taxation for the period comprises current and deferred tax.

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

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

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

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

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

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

**5.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES**

There were no changes in the significant accounting policies adopted by TECHNODEx Group during the Relevant Financial Period.



## 6. AUDITED FINANCIAL STATEMENTS

The following are the audited financial statements of TECHNODEX, TECHNODEX Group and Technodex Solutions for the Relevant Financial Period.

The audited financial statements of TECHNODEX for FPE 2004 are shown at company level whilst for FYE 2005 and FPE 2006, the audited financial statements of TECHNODEX are consolidated in TECHNODEX Group.

TECHNODEX Group only existed in FYE 2005, hence there are no group financial statements for FYE 2003 and FYE 2004.

The audited financial statements of the subsidiary, Evodex Solutions for the Relevant Financial Period are not shown separately as they are consolidated in TECHNODEX Group for the respective financial years/period.

The financial statements of TECHNODEX, TECHNODEX Group and Technodex Solutions as presented in Section 6.1 and 6.2 are based on the audited financial statements unless otherwise stated, modified as appropriate, for the purpose of this report.

All information is extracted from the audited financial statements except those in italics which are prepared based on calculation, representation and explanation provided by the management.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP

## 6.1.1 Income Statements

The income statements of TECHNODEX and TECHNODEX Group based on its audited financial statements unless otherwise stated, after incorporating the effects of the revision in cost of sales as explained in Note (f) of Paragraph 6.1.1 for the Relevant Financial Period are set out below:-

		TECHNODEX Financial Period From 10 September 2003 (date of incorporation) To 30 June 2004 ("FPE 2004") RM'000	← TECHNODEX GROUP →		Financial Period From 1 July 2005 To 31 January 2006 ("FPE 2006") RM'000
	NOTE		Financial Year Ended 30 June 2005 ("FYE 2005") RM'000	Financial Period From 1 July 2004 To 31 January 2005 ("FPE 2005")* RM'000 (Unaudited)	
Revenue	6.1.5	-	3,068	1,539	3,669
Cost of sales		-	(664)	(444)	(178)
Gross profit ("GP")		-	2,404	1,095	3,491
Other operating income		-	22	23	43
		-	2,426	1,118	3,534
Administrative expenses		(3)	(877)	(582)	(839)
Selling and distribution expenses		-	(11)	(8)	(15)
Other operating expenses		-	(70)	(41)	(170)
(Loss)/Profit from operations		(3)	1,468	487	2,510
Finance costs		-	(32)	(21)	(14)
(Loss)/Profit before taxation ("LBT)/PBT")		(3)	1,436	466	2,496
Amortisation		-	64	28	97
Depreciation		-	58	29	57
Interest expense		-	31	20	13
Interest income		-	(22)	(4)	(43)
(Loss)/Earnings before interest, depreciation, tax and amortisation ("LBIDTA)/EBIDTA")		(3)	1,567	539	2,620
Amortisation		-	(64)	(28)	(97)
Depreciation		-	(58)	(29)	(57)
Interest expense		-	(31)	(20)	(13)
Interest income		-	22	4	43
LBT/PBT	6.1.6	(3)	1,436	466	2,496
Taxation	6.1.7	-	(4)	-	(10)
(Loss)/Profit after taxation ("LAT)/PAT")		(3)	1,432	466	2,486
Pre-acquisition loss		-	44	44	-
(Loss)/Profit attributable to shareholders		(3)	1,476	510	2,486

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEx AND TECHNODEx GROUP (CONT'D)

## 6.1.1 Income Statements (Cont'd)

NOTE	TECHNODEx	TECHNODEx GROUP		
	FPE 2004	FYE 2005	FPE 2005 *	FPE 2006
GP margin (%)	N/A	78.4	71.2	95.1
LBT/PBT margin (%)	N/A	46.8	30.3	68.0
LAT/PAT margin (%)	N/A	46.7	30.3	67.8
Effective tax rate (%)	N/A	0.3	N/A	0.4
Interest coverage (times)	N/A	47.3	24.3	193.0
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	@	2,436	1,959	5,700
Gross(loss)/earnings per share ("LPS)/EPS") (sen)^	(150,000)	58.9	23.7	43.8
Net LPS/EPS (sen) ^	(150,000)	60.6	26.0	43.6
Net dividend rate	N/A	N/A	N/A	N/A

## Notes:-

@ - 2 ordinary shares of RM1.00 each.

\* - The Consolidated Income Statements for the 7 months financial period ended 31 January 2005 are unaudited and are included for comparison purposes only.

^ - The gross and net LPS/EPS for the FPE 2004, 2005 and 2006 calculated were not annualised.

## Commentary:-

- There were no extraordinary or exceptional items, share of profits and losses of associated corporations and joint ventures during the FYE 2005 and FPE 2006. TECHNODEx Group does not have any associated corporations or joint venture arrangements as at the date of this Report.
- The gross LPS/EPS is computed by dividing the (loss)/profit before taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.
- The net LPS/EPS is computed by dividing the (loss)profit attributable to shareholders by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.
- All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.
- The consolidated income statements for the Relevant Financial Period have been prepared based on accounting policies consistent with those adopted in the preparation of the audited financial statements of the TECHNODEx Group.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.1 Income Statements (Cont'd)

Commentary (Cont'd):-

- (f) Estimates for cost of sales were made to match costs against income recognised during the financial year/period. In the FYE 2005, a reversal was made for the over-accrual of cost of sales of RM251,000 relating to FYE 2003 and FYE 2004.

The effects of the revision which have been made retrospectively in the preparation of the consolidated income statements on the results for the relevant financial year/period are as follows:-

	TECHNODEX GROUP	
	FYE 2005	FPE 2005 *
	RM'000	RM'000 (Unaudited)
<b><u>Income Statement</u></b>		
<i>Profit before taxation</i>		
As per audited/unaudited financial statements	1,687	717
Effect of revision	(251)	(251)
As per this report	1,436	466
<i>Profit after taxation</i>		
As per audited/unaudited financial statements	1,683	717
Effect of revision	(251)	(251)
As per this report	1,432	466
<i>Pre-acquisition (profit)/loss</i>		
As per audited/unaudited financial statements	(207)	(207)
Effect of revision	251	251
As per this report	44	44

Note:-

\* - Not audited and is included for comparison purposes only.

- (g) The LBT incurred by TECHNODEX in FPE 2004 was mainly due to legal and professional fees. Other expenses were attributed to administrative expenses incurred such as preliminary expenses, audit fee, secretarial fee, printing and stationery and travelling expenses which are not significant.
- (h) The commentary on other relevant income statements items is explained in Paragraph 6.2 under Technodex Solutions.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.2 Balance Sheets

The balance sheets of TECHNODEX and TECHNODEX Group based on its audited financial statements after incorporating the effects of the revision in cost of sales as explained in Note (f) of Paragraph 6.1.1 as at the end of the Relevant Financial Period are as follows:-

	NOTE	TECHNODEX At 30.6.2004 RM'000	TECHNODEX GROUP At 30.6.2005 RM'000	At 31.1.2006 RM'000
<b>NON-CURRENT ASSETS</b>				
Equipment	6.1.8	-	442	771
Development costs	6.1.9	-	462	1,214
Goodwill on consolidation	6.1.10	-	1,559	1,559
		-	2,463	3,544
<b>CURRENT ASSETS</b>				
Inventories	6.1.11	-	-	9
Trade receivables	6.1.12	-	2,065	4,149
Other receivables, deposits and prepayments		-	333	551
Tax recoverable		-	9	5
Fixed deposits with a licensed bank	6.1.13	-	2,327	2,119
Cash and bank balances		*	344	30
		*	5,078	6,863
<b>CURRENT LIABILITIES</b>				
Trade payables	6.1.14	-	15	-
Other payables and accruals		2	103	248
Amount owing to a subsidiary	6.1.15	1	-	-
Amount owing to a director	6.1.16	*	-	-
Provision for taxation		-	-	4
Hire purchase payables	6.1.17	-	32	35
Term loan	6.1.18	-	51	40
Bank overdraft	6.1.19	-	-	292
		3	201	619
<b>NET CURRENT (LIABILITY)/ ASSETS</b>				
		(3)	4,877	6,244
		(3)	7,340	9,788

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.2 Balance Sheets (Cont'd)

	NOTE	TECHNODEX At 30.6.2004 RM'000	TECHNODEX GROUP At 30.6.2005 RM'000	At 31.1.2006 RM'000
<b>FINANCED BY:-</b>				
Share capital	6.1.20	#	5,700	5,700
(Accumulated loss)/ Retained profits		(3)	1,473	3,959
<b>SHAREHOLDERS' EQUITY</b>		<b>(3)</b>	<b>7,173</b>	<b>9,659</b>
<b>NON-CURRENT LIABILITIES</b>				
Hire purchase payables	6.1.17	-	149	129
Term loan	6.1.18	-	18	-
		<b>(3)</b>	<b>7,340</b>	<b>9,788</b>
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>		@	5,700	5,700
<i>Net tangible (liability)/assets ("NTL/NTA") per share (RM)</i>		(1,500)	0.90	1.21
<i>Trade receivables turnover period (days)</i>		N/A	246	243
<i>Trade payables turnover period (days)</i>		N/A	8	N/A
<i>Gearing ratio (times)</i>		N/A	0.03	0.05

## Notes:-

\* - Negligible, less than RM1,000.

# - RM2.

@ - 2 ordinary shares of RM1.00 each.

No consolidated balance sheets as at 30 June 2004 are presented as the acquisition of subsidiaries was completed in FYE 2005.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.3 Cash Flow Statements

The cash flow statements of TECHNODEX and TECHNODEX Group based on its audited financial statements unless otherwise stated, after incorporating the effects of the revision in cost of sales as explained in Note (f) of Paragraph 6.1.1 for the Relevant Financial Period are set out below: -

NOTE	TECHNODEX	TECHNODEX GROUP		
	FPE 2004 RM'000	FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
<b>Cash Flows From Operating Activities</b>				
(Loss)/Profit before taxation	(3)	1,436	466	2,496
Adjustments for:-				
Amortisation of development costs	-	64	28	97
Bad debts written off	-	12	12	112
Depreciation of equipment	-	58	29	57
Interest expense	-	31	20	13
Interest income	-	(22)	(4)	(43)
Pre-acquisition loss	-	44	44	-
Operating (loss)/profit before working capital changes	(3)	1,623	595	2,732
Increase in inventories	-	-	-	(9)
Increase in trade and other receivables	-	(1,127)	(226)	(2,413)
Increase/(Decrease) in trade and other payables	3	(352)	31	130
<b>Cash flows from operations</b>	#	144	400	440
Interest paid	-	(31)	(20)	(13)
Income tax paid	-	(3)	(2)	(2)
<b>Net Cash From Operating Activities</b>	#	110	378	425
<b>Cash Flows For Investing Activities</b>				
Acquisition of subsidiaries, net of cash acquired	6.1.21	-	128	-
Development costs incurred	-	(336)	(95)	(849)
Purchase of equipment	-	(159)	(48)	(386)
Interest received	-	22	4	43
Repayment to a shareholder	-	(42)	(330)	-
Repayment to a director	-	(1)	-	-
<b>Net Cash For Investing Activities</b>	-	(388)	(341)	(1,192)
Balance carried forward	#	(278)	37	(767)



## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.3 Cash Flow Statements (Cont'd)

NOTE	TECHNODEX	← TECHNODEX GROUP →		
	FPE 2004 RM'000	FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
Balance brought forward	#	(278)	37	(767)
<b>Cash Flows From/(For) Financing Activities</b>				
Proceeds from issuance of shares	^	3,000	-	-
Repayment of hire purchase obligations	-	(24)	(9)	(18)
Repayment of term loan	-	(27)	(7)	(29)
<b>Net Cash From/(For) Financing Activities</b>	^	2,949	(16)	(47)
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	#	2,671	21	(814)
<b>Cash And Cash Equivalents At Beginning Of The Financial Period/Year</b>	-	#	#	2,671
<b>Cash And Cash Equivalents At End Of The Financial Period/Year</b>	6.1.22 #	2,671	21	1,857

*Notes:*

\* - The Consolidated Cash Flow Statements for the 7 months financial period ended 31 January 2005 are unaudited and are included for comparison purposes only.

# - Negligible, less than RM1,000.

^ - RM2.

No consolidated cash flow statements for the FPE 2004 are presented as the acquisition of subsidiaries was completed in FYE 2005.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.4 Statement Of Changes In Equity

The statement of changes in equity of TECHNODEX and TECHNODEX Group based on its audited financial statements unless otherwise stated, after incorporating the effects of the revision in cost of sales as explained in Note (f) of Paragraph 6.1.1 for the Relevant Financial Period are set out below: -

	Share Capital RM'000	(Accumulated Loss)/ Retained Profits RM'000	Total RM'000
<b>TECHNODEX</b>			
Balance at 10.9.2003 (date of incorporation)	#	-	#
Loss after taxation for the financial period	-	(3)	(3)
Balance at 30.6.2004/1.7.2004	#	(3)	(3)
<b>TECHNODEX GROUP</b>			
Balance at 1.7.2004	#	(3)	(3)
Allotment of shares	2,700	-	2,700
Profit attributable to shareholders for the financial period	-	510	510
Balance at 31.1.2005/1.2.2005 *	2,700	507	3,207
Balance at 1.7.2004	#	(3)	(3)
Allotment of shares	5,700	-	5,700
Profit attributable to shareholders for the financial year	-	1,476	1,476
Balance at 30.6.2005/1.7.2005	5,700	1,473	7,173
Profit attributable to shareholders for the financial period	-	2,486	2,486
Balance at 31.1.2006	5,700	3,959	9,659

Notes:

# - RM2.

\* - Not audited and is included for comparison purposes only.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.5 Revenue

Revenue of TECHNODEX Group represents the invoiced value of goods sold and services rendered less trade discounts.

## 6.1.6 (Loss)/Profit Before Taxation

	TECHNODEX FPE 2004 RM'000	← TECHNODEX GROUP →		
		FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
(Loss)/Profit before taxation is arrived at after charging/ (crediting):-				
Audit fee - statutory				
- for the financial period/year	1	7	-	-
- underprovision in the previous financial year	-	-	-	2
Audit fee - non-statutory	-	-	-	4
Amortisation of development costs	-	64	28	97
Bad debts written off	-	12	12	112
Depreciation of equipment	-	58	29	57
Directors' non-fee emoluments	-	224	110	184
Interest expense:				
- bank overdraft	-	14	10	5
- hire purchase	-	11	6	6
- term loan	-	6	4	2
Rental of premises	-	33	8	33
Rental of server	-	13	5	17
Staff costs	-	509	314	382
Interest income	-	(22)	(4)	(43)

Note:

\* - Not audited and is included for comparison purposes only.

## 6.1.7 Taxation

	TECHNODEX FPE 2004 RM'000	← TECHNODEX GROUP →		
		FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
Income tax for the financial period/year	-	4	-	10

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.7 Taxation (Cont'd)

A subsidiary, Technodex Solutions, was granted the Multimedia Super Corridor Status on 6 November 2002 and Pioneer Status on 11 August 2003, which qualifies Technodex Solutions for the Pioneer Status incentive under the Promotion of Investments Act, 1986. Under this incentive, the statutory income from pioneer activities for a period of five years, from 26 March 2003 to 25 March 2008 will be partly exempted from income tax.

A reconciliation of the income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of TECHNODEX and TECHNODEX Group is as follows:-

	TECHNODEX FPE 2004 RM'000	← TECHNODEX GROUP → FYE 2005    FPE 2005 *    FPE 2006 RM'000    RM'000    RM'000 (Unaudited)		
(Loss)/Profit before taxation	(3)	1,436	466	2,496
Tax at the statutory tax rate	(1)	402	130	699
Tax effects of:-				
Non-deductible expenses	1	63	63	138
Tax-exempted income under pioneer status	-	(452)	(184)	(813)
Deferred tax assets/(liabilities) not recognised during the financial year/period	-	6	6	(4)
Differential in tax rates	-	(8)	(8)	(8)
Others	-	(7)	(7)	(2)
Tax for the financial period/year	-	4	-	10

Note:

\* - Not audited and is included for comparison purposes only.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.8 Equipment

Net Book Value	At 1.7.2004 RM'000	Acquisitions of Subsidiaries RM'000	Additions RM'000	Depreciation Charge RM'000	At 30.6.2005 RM'000
Furniture and fittings	-	12	15	(2)	25
Office equipment	-	30	20	(4)	46
Computer equipment	-	35	45	(13)	67
Motor vehicles	-	249	-	(27)	222
Renovation	-	15	79	(12)	82
	-	341	159	(58)	442

At 30.6.2005	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Furniture and fittings	29	(4)	25
Office equipment	55	(9)	46
Computer equipment	98	(31)	67
Motor vehicles	264	(42)	222
Renovation	94	(12)	82
	540	(98)	442

Net Book Value	At 1.7.2005 RM'000	Additions RM'000	Depreciation Charge RM'000	At 31.1.2006 RM'000
Furniture and fittings	25	40	(3)	62
Office equipment	46	2	(4)	44
Computer equipment	67	315	(22)	360
Motor vehicles	222	-	(15)	207
Renovation	82	29	(13)	98
	442	386	(57)	771

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 TECHNODEx AND TECHNODEx GROUP (CONT'D)****6.1.8 Equipment (Cont'd)**

At 31.1.2006	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Furniture and fittings	69	(7)	62
Office equipment	57	(13)	44
Computer equipment	414	(54)	360
Motor vehicles	264	(57)	207
Renovation	122	(24)	98
	926	(155)	771

The motor vehicles were acquired under hire purchase terms.

The net book value of motor vehicle held in trust by a director is as follows:-

	<b>TECHNODEx GROUP</b>	
	<b>30.6.2005</b> RM'000	<b>31.1.2006</b> RM'000
Net book value of motor vehicle held in trust by a director	98	91

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)****6.1.9 Development Costs**

	<b>TECHNODEX GROUP</b>	
	<b>30.6.2005</b>	<b>31.1.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Development costs	526	1,375
Accumulated amortisation	(64)	(161)
	462	1,214
Accumulated amortisation:		
At 1.7.2004/2005	-	64
Amortisation during the financial year/period	64	97
At 30.6.2005/31.1.2006	64	161
Staff costs incurred as development costs during the financial year/period	481	434

**6.1.10 Goodwill On Consolidation**

	<b>TECHNODEX GROUP</b>	
	<b>30.6.2005</b>	<b>31.1.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1.7.2004/2005	-	1,559
Goodwill arising from the acquisition of subsidiaries	1,559	-
At 30.6.2005/31.1.2006	1,559	1,559

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 TECHNODEx AND TECHNODEx GROUP (CONT'D)****6.1.11 Inventories**

	<b>TECHNODEx GROUP</b>	
	<b>30.6.2005</b>	<b>31.1.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Consumables, at cost	-	9

None of the inventories is carried at net realisable value.

**6.1.12 Trade Receivables**

Included in trade receivables is the following:-

	<b>TECHNODEx GROUP</b>	
	<b>30.6.2005</b>	<b>31.1.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount owing by companies in which a director has substantial financial interests	118	217

The above amount is subject to normal trade credit terms granted.

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

	<b>TECHNODEx GROUP</b>	
	<b>30.6.2005</b>	<b>31.1.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Brunei Dollar	189	217

TECHNODEx Group's normal trade credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.



**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)****6.1.13 Fixed Deposits With A Licensed Bank**

Included in fixed deposits with a licensed bank is the following:-

	<b>TECHNODEX GROUP</b>	
	<b>30.6.2005</b>	<b>31.1.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Pledged to a licensed bank for banking facilities granted to TECHNODEX Group	208	222
Held in trust by the directors of TECHNODEX Group	400	430
	<hr/>	<hr/>
Effective interest rate (%) per annum	2.76	2.81
Maturity periods (months)	1 to 12	1 to 12
	<hr/>	<hr/>

**6.1.14 Trade Payables**

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

**6.1.15 Amount Owing To A Subsidiary**

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

**6.1.16 Amount Owing To A Director**

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

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)

## 6.1.17 Hire Purchase Payables

	TECHNODEX GROUP	
	30.6.2005	31.1.2006
	RM'000	RM'000
Minimum hire purchase payments:		
- not later than one year	43	43
- later than one year and not later than five years	173	150
	216	193
Less: Future finance charges	(35)	(29)
Present value of hire purchase payables	181	164
The net hire purchase payables are repayable as follows:		
Current:		
- not later than one year	32	35
Non-current:		
- later than one year and not later than five years	149	129
	181	164
Outstanding payable of hire purchase contracted under the name of a director	84	74
Effective interest rate (%) per annum	5.56 to 6.15	

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 TECHNODEx AND TECHNODEx GROUP (CONT'D)****6.1.18 Term Loan**

	<b>TECHNODEx GROUP</b>	
	<b>30.6.2005</b>	<b>31.1.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Current portion		
- repayable within one year	51	40
Non-current portion		
- repayable between one to two years	18	-
	69	40
	69	40

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

	Number Of Monthly Instalments	Monthly Instalment RM	Effective Date Of Commencement Of Repayments
Term loan	24	4,523	1 November 2004

The term loan bore an effective interest rate of 8.25% (30.6.2005 - 8.00%) per annum and is secured by way of:-

- (i) a pledge of fixed deposits of the Group;
- (ii) a corporate guarantee from one of its corporate shareholder; and
- (iii) a joint and several guarantee of the directors of the Group.

**6.1.19 Bank Overdraft**

The bank overdraft bore an effective interest rate of 8.25% (30.6.2005 - Nil) per annum at the balance sheet date and is secured in the same manner as disclosed in paragraph 6.1.18 above.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEx AND TECHNODEx GROUP (CONT'D)

## 6.1.20 Share Capital

	←	TECHNODEx Number of shares	→
	Par value RM	'000	RM'000
<b>AUTHORISED:-</b>			
At 10.9.2003 (date of incorporation)/ 30.6.2004/1.7.2004	1.00	100	100
Increase during the financial year	1.00	9,900	9,900
At 30.6.2005/31.1.2006	1.00	<u>10,000</u>	<u>10,000</u>
<b>ISSUED AND FULLY PAID-UP:-</b>			
At 10.9.2003 (date of incorporation)/ 30.6.2004/1.7.2004	1.00	*	#
Increase during the financial year	1.00	5,700	5,700
At 30.6.2005/31.1.2006	1.00	<u>5,700</u>	<u>5,700</u>

Note:

\* - 2 ordinary shares of RM1.00 each.

# - RM2.

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**9. ACCOUNTANTS' REPORT (CONT'D)**


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**6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)****6.1.21 Acquisition of Subsidiaries, Net Of Cash Acquired**

The effects of the acquisition of Technodex Solutions and Evodex Solutions on the financial results of TECHNODEX Group in the FYE 2005 were as follows:-

	<b>RM'000</b>
Revenue	3,068
Cost of sales	(664)
Gross profit	<u>2,404</u>
Other operating income	23
	<u>2,427</u>
Operating costs	(951)
Profit before taxation	<u>1,476</u>
Taxation	(4)
Profit after taxation	<u>1,472</u>
Pre-acquisition loss	44
Increase in net profit of the Group	<u><u>1,516</u></u>

The effects of the acquisition of Technodex Solutions and Evodex Solutions on the financial position of the Group at the end of the FYE 2005 were as follows:-

	<b>RM'000</b>
Equipment	442
Development costs	462
Trade receivables	2,065
Other receivables, deposits and prepayments	37
Fixed deposits with licensed banks	2,326
Tax refundable	9
Cash and bank balances	263
Trade payables	(15)
Other payables and accruals	(45)
Hire purchase payables	(182)
Term loan	(69)
	<u>5,293</u>
Increase in net assets of the Group	<u><u>5,293</u></u>

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)****6.1.21 Acquisition of Subsidiaries, Net Of Cash Acquired (Cont'd)**

The details of net assets acquired and cash flow arising from the acquisition of Technodex Solutions and Evodex Solutions were as follows:-

	<b>RM'000</b>
Equipment	341
Development costs	190
Trade receivables	1,173
Other receivables, deposits and prepayments	110
Fixed deposits	504
Tax refundable	11
Cash and bank balances	8
Trade payables	(6)
Amount owing to a shareholder	(43)
Other payables and accruals	(462)
Hire purchase payables	(206)
Term loan	(95)
Bank overdraft	(384)
	<hr/>
Fair value of net assets acquired	1,141
Goodwill on consolidation	1,559
	<hr/>
Total purchase consideration	2,700
Satisfied by issuance of shares	(2,700)
	<hr/>
Cash outflow for acquisition of subsidiaries	-
Cash and cash equivalents of subsidiaries acquired	(128)
	<hr/>
Net cash inflow of acquisition of subsidiaries	(128)
	<hr/>

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 TECHNODEx AND TECHNODEx GROUP (CONT'D)

## 6.1.22 Cash And Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise the following:-

	TECHNODEx	← TECHNODEx GROUP →		
	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2005 * RM'000 (Unaudited)	31.1.2006 RM'000
Fixed deposits with a licensed bank	-	2,327	508	2,119
Cash and bank balances	#	344	6	30
Bank overdraft	-	-	(493)	(292)
	#	2,671	21	1,857

## Notes:

\* - Not audited and is included for comparison purposes only.

# - Negligible, less than RM1,000.

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 TECHNODEX AND TECHNODEX GROUP (CONT'D)****6.1.23 Significant Related Party Transactions**

	← TECHNODEX GROUP →		
	FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
Sales to related parties:			
- Vital Focus Transportation Sdn. Bhd.	236	135	117
- VF Capital Sdn. Bhd.	-	-	3

*Note:*

\* - Not audited and is included for comparison purposes only.

Related parties refer to companies in which a director has substantial financial interests.

**6.1.24 Number Of Employees**

	TECHNODEX GROUP	
	30.6.2005	31.1.2006
Number of employees at the balance sheet date	29	27

**6.1.25 Foreign Exchange Rate**

The principal closing foreign exchange rate used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of the foreign currency balance at the balance sheet date is as follows:-

	TECHNODEX GROUP	
	30.6.2005	31.1.2006
Brunei Dollar	2.23	2.20





## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

### 6.1 TECHNODEx AND TECHNODEx GROUP (CONT'D)

#### 6.1.26 Fair Values Of Financial Assets And Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

**(a) Bank Balances and Other Liquid and Short Term Receivables**

The carrying amounts approximated their fair values due to the relatively short term maturity of these instruments.

**(b) Short Term Borrowings and Other Current Liabilities**

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

**(c) Amounts Owing To A Subsidiary/Director**

It is not practicable to estimate the fair values of the amounts owing to a subsidiary/director due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be settled.

**(d) Hire Purchase Payables**

The fair value of hire purchase payables is determined by discounting the relevant cash flow using current interest rates for similar instruments at the balance sheet date.

**(e) Long Term Bank Loan**

The carrying amount approximates its fair value as this instrument bears interest at market rates.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS

## 6.2.1 Income Statements

The income statements of Technodex Solutions based on its audited financial statements unless otherwise stated, after incorporating the effects of the revision in cost of sales as explained in Note (e) of Paragraph 6.2.1 of Technodex Solutions for the Relevant Financial Period are set out below:-

	NOTE	Financial Year Ended 30 June			Financial Period From	Financial Period From
		2003 ("FYE 2003") RM'000	2004 ("FYE 2004") RM'000	2005 ("FYE 2005") RM'000	1 July 2004 To 31 January 2005 ("FPE 2005") * RM'000 (Unaudited)	1 July 2005 To 31 January 2006 ("FPE 2006") RM'000
Revenue	6.2.5	591	2,134	2,969	1,530	3,668
Cost of sales		(255)	(643)	(660)	(444)	(159)
Gross profit ("GP")		336	1,491	2,309	1,086	3,509
Other operating income		-	4	22	23	43
		336	1,495	2,331	1,109	3,552
Administrative expenses		(282)	(394)	(675)	(434)	(454)
Selling and distribution expenses		(5)	-	(11)	(8)	(15)
Other operating expenses		(27)	(60)	(70)	(41)	(126)
Profit from operations		22	1,041	1,575	626	2,957
Finance costs		(7)	(26)	(32)	(21)	(14)
PBT		15	1,015	1,543	605	2,943
Amortisation		-	-	64	28	93
Depreciation		6	29	58	29	54
Interest expense		6	24	31	20	13
Interest income		-	(4)	(22)	(4)	(43)
EBIDTA		27	1,064	1,674	678	3,060
Amortisation		-	-	(64)	(28)	(93)
Depreciation		(6)	(29)	(58)	(29)	(54)
Interest expense		(6)	(24)	(31)	(20)	(13)
Interest income		-	4	22	4	43
PBT	6.2.6	15	1,015	1,543	605	2,943
Taxation	6.2.7	-	(1)	(4)	-	(10)
PAT		15	1,014	1,539	605	2,933

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.1 Income Statements (Cont'd)

NOTE	FYE 2003 RM'000	FYE 2004 RM'000	FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
	56.9	69.9	77.8	71.0	95.7
GP margin (%)	2.5	47.6	52.0	39.5	80.2
PBT margin (%)	2.5	47.5	51.8	39.5	80.0
PAT margin (%)	N/A	0.1	0.3	N/A	0.3
Effective tax rate (%)	3.5	43.3	50.8	31.3	227.4
Interest coverage (times)					
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	40	171	335	400	400
Gross earnings per share ("EPS") ^(RM)	0.4	5.9	4.6	1.51	7.4
Net EPS ^(RM)	0.4	5.9	4.6	1.51	7.3
Net dividend rate	N/A	N/A	5.0 #	450.0	450.0

## Notes:-

\* - The Income Statements for the 7 months financial period ended 31 January 2005 are unaudited and are included for comparison purposes only.

^ - The gross and net EPS for the FPE 2005 and 2006 calculated were not annualised.

# - Preference dividend.

N/A - Not applicable.

## Commentary:-

- (a) There were no exceptional and extraordinary items during the Relevant Financial Period under review.
- (b) The gross EPS is computed by dividing the profit before taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.
- (c) The net EPS is computed by dividing the profit after taxation by the weighted average number of ordinary shares in issue, for the respective Relevant Financial Period under review.
- (d) TechnoDex Solutions is principally engaged in the business of developing and providing Open Source Based business software and conducting relevant research and development activities.
- (e) Estimates for cost of sales were made to match costs against income recognised during the financial years/period. In the FYE 2005, a reversal was made of the over-accrual of cost of sales of RM251,000 relating to FYE 2003 and FYE 2004.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.1 Income Statements (Cont'd)

Commentary (Cont'd):-

- (e) *The effects of the revision which have been made retrospectively in the preparation of the income statements on the results for the relevant financial years/period are as follows:-*

	FYE 2003	FYE 2004	FYE 2005	FPE 2005 *
	RM'000	RM'000	RM'000	RM'000
				(Unaudited)
<b><u>Income Statement</u></b>				
<i>Gross profit</i>				
As per audited/unaudited financial statements	300	1,276	2,309	1,086
Effect of revision	36	215	-	-
As per this report	336	1,491	2,309	1,086
<i>Profit before taxation</i>				
As per audited/unaudited financial statements	(21)	800	1,794	856
Effect of revision	36	215	(251)	(251)
As per this report	15	1,015	1,543	605
<i>Profit after taxation</i>				
As per audited/unaudited financial statements	(21)	799	1,790	856
Effect of revision	36	215	(251)	(251)
As per this report	15	1,014	1,539	605

Note:

\* - Not audited and is included for comparison purposes only.

- (f) *On a pro-rated basis, the revenue in FYE 2003 dropped by approximately 47.0% compared to FPE 2002. This was mainly due to the concentration of TechnoDex Solutions to develop Edudex<sup>SM</sup> and Transdex<sup>SM</sup> as well as to continue to improve TechnoDex<sup>®</sup> Platform in the FYE 2003. TechnoDex Solutions recorded a lower profit before taxation of RM15,000 due mainly to the higher expenses for the 12 months.*
- (g) *Revenue increased substantially by approximately RM1,543,000 or 261.1% in FYE 2004 mainly due to the contract with Commerce Dot Com Sdn. Bhd. ("CDC") which contributed approximately 82.7% of total revenue for the FYE 2004. Profit before taxation in FYE 2004 increased in line with the improved revenue and gross profit.*

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 TECHNODEX SOLUTIONS (CONT'D)****6.2.1 Income Statements (Cont'd)**

*Commentary (Cont'd):-*

- (h) *Revenue increased by approximately RM835,000 or 39.1% in the FYE 2005 compared to FYE 2004. The increase was mainly due to the launch of a new product, namely EvoDex<sup>SM</sup> as well as improvement to the TechnoDex<sup>®</sup> Platform and other vertical solutions developed by Technodex Solutions. The increase was also contributed by the higher revenue reported from the CDC Project and contract with Yayasan Albukhary. The overall gross profit margin improved from 69.9% in the FYE 2004 to 77.8% in the FYE 2005. Profit before taxation improved in tandem with the increase in the revenue and gross profit margin.*
- (i) *On an annualised basis, the revenue increased by approximately RM3,319,000 or 111.79% in the FPE 2006 as Technodex Solutions secured and executed new projects with Ocean Bridge Sdn. Bhd. in respect of IT outsourcing services, additional contract secured with CDC as well as new project executed with HK Comp Software Standards (M) Sdn. Bhd. The overall gross profit margin improved from 77.8% in the FYE 2005 to 95.7% in the FPE 2006. As a result of the significant increase in revenue and improved gross profit margin, profit before taxation improved significantly in FPE 2006.*
- (j) *TechnoDex Solutions was not subject to tax for the FYE 2003 (prior to the reversal of over-accrual of cost of sales) as it was in a tax loss position.*
- (k) *TechnoDex Solutions was granted the Multimedia Super Corridor ("MSC") Status on 6 November 2002, and the Pioneer Status under the Promotion of Investments Act, 1986 on 11 August 2003. With these tax incentives, income from its pioneer activities are exempted from tax for a period of 5 years from 26 March 2003 to 25 March 2008.*

*Therefore, no provision for tax has been made on the profit from the pioneer activities for the FYE 2004, 2005 and FPE 2006. The tax expense for FYE 2004, 2005 and FPE 2006 was in respect of interest income.*

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.2 Balance Sheet

The balance sheets of TechnoDex Solutions based on its audited financial statements after incorporating the effects of the revision in cost of sales as explained in Note (e) of Paragraph 6.2.1 as at the end of the Relevant Financial Period are as follows:-

	NOTE	At 30.6 2003 RM'000	At 30.6 2004 RM'000	At 30.6 2005 RM'000	At 31.1.2006 RM'000
<b>NON-CURRENT ASSETS</b>					
Equipment	6.2.8	26	196	442	703
Development costs	6.2.9	-	-	462	985
		26	196	904	1,688
<b>CURRENT ASSETS</b>					
Trade receivables	6.2.10	154	1,150	1,989	4,116
Other receivables, deposits and prepayments		3	9	36	19
Amount owing by a shareholder	6.2.11	-	3	-	-
Amount owing by holding company	6.2.12	-	1	-	-
Amount owing by a related company	6.2.13	-	-	156	262
Tax recoverable		12	11	7	-
Fixed deposits with a licensed bank	6.2.14	100	504	2,326	2,119
Cash and bank balances		112	1	243	3
		381	1,679	4,757	6,519
<b>CURRENT LIABILITIES</b>					
Trade payables	6.2.15	1	-	15	-
Other payables and accruals		97	91	34	139
Amount owing to holding company	6.2.12	-	-	2,637	1,910
Amount owing to directors	6.2.16	5	51	-	-
Provision for taxation		-	-	-	4
Dividend payable		-	9	-	-
Hire purchase payables	6.2.17	-	14	32	35
Term loan	6.2.18	-	-	51	40
Bank overdraft	6.2.19	173	175	-	292
Current liabilities		276	340	2,769	2,420
<b>NET CURRENT ASSETS</b>		105	1,339	1,988	4,099
		131	1,535	2,892	5,787

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.2 Balance Sheet (Cont'd)

	NOTE	At 30.6.2003 RM'000	At 30.6.2004 RM'000	At 30.6.2005 RM'000	At 31.1.2006 RM'000
<b>FINANCED BY:-</b>					
Ordinary share capital	6.2.20	100	100	400	400
Redeemable Convertible Cumulative Preference Shares ("RCCPS")	6.2.21	-	300	-	-
Share premium	6.2.22	-	-	200	200
Retained profits	6.2.23	31	1,036	2,125	5,058
<b>SHAREHOLDERS' EQUITY</b>		<b>131</b>	<b>1,436</b>	<b>2,725</b>	<b>5,658</b>
<b>NON-CURRENT LIABILITIES</b>					
Hire purchase payables	6.2.17	-	99	149	129
Term loan	6.2.18	-	-	18	-
		<b>131</b>	<b>1,535</b>	<b>2,892</b>	<b>5,787</b>
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>		100	100	400	400
<i>NTA per ordinary share (RM)</i>		1.31	14.36	5.66	11.68
<i>Trade receivables turnover period (days)</i>		95	197	245	241
<i>Trade payables turnover period (days)</i>		1	N/A	8	N/A
<i>Gearing ratio (times)</i>		1.3	0.2	0.1	0.1

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEx SOLUTIONS (CONT'D)

## 6.2.3 Cash Flow Statement

The cash flow statements of Technodex Solutions based on its audited financial statements unless otherwise stated, after incorporating the effects of the revision in cost of sales as explained in Note (e) of Paragraph 6.2.1 for the Relevant Financial Period are set out below: -

NOTE	FYE 2003 RM'000	FYE 2004 RM'000	FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
<b>Cash Flows (For)/From Operating Activities</b>					
Profit before taxation	15	1,015	1,543	605	2,943
Adjustments for:-					
Amortisation of development costs	-	-	64	28	93
Bad debts written off	21	31	12	12	71
Depreciation of equipment	6	29	58	29	54
Interest expense	6	24	31	20	13
Interest income		(4)	(22)	(4)	(43)
Operating profit before working capital changes	48	1,095	1,686	690	3,131
Increase in trade and other receivables	(124)	(1,033)	(878)	(329)	(2,181)
(Decrease)/Increase in trade and other payables	(53)	(7)	(42)	60	91
<b>Cash flows (for)/from operations</b>	<b>(129)</b>	<b>55</b>	<b>766</b>	<b>421</b>	<b>1,041</b>
Interest paid	(6)	(24)	(31)	(20)	(13)
Income tax paid	(8)	-	-	-	-
<b>Net Cash (For)/From Operating Activities</b>	<b>(143)</b>	<b>31</b>	<b>735</b>	<b>401</b>	<b>1,028</b>
<b>Cash Flows (For)/From Investing Activities</b>					
Development costs incurred	-	-	(526)	(285)	(616)
Purchase of equipment	(1)	(79)	(201)	(91)	(315)
Interest received	-	4	22	4	43
(Advances to)/Repayment from/Advances from a shareholder	-	(3)	3	46	-
(Repayment to)/Advances from holding company	-	(1)	2,638	(43)	(727)
Advances to a related company	-	-	(156)	(98)	(106)
Advances from/ (Repayment to) directors	-	46	(51)	(52)	-
<b>Net Cash (For) /From Investing Activities</b>	<b>(1)</b>	<b>(33)</b>	<b>1,729</b>	<b>(519)</b>	<b>(1,721)</b>
Balance carried forward	(144)	(2)	2,464	(118)	(693)



## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODX SOLUTIONS (CONT'D)

## 6.2.3 Cash Flow Statement (Cont'd)

NOTE	FYE 2003 RM'000	FYE 2004 RM'000	FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
Balance brought forward	(144)	(2)	2,464	(118)	(693)
<b>Cash Flows From/(For) Financing Activities</b>					
Proceeds from issuance of shares	60	300	200	200	-
Dividends paid	-	-	(459)	(459)	-
Repayment of hire purchase obligations	-	(7)	(35)	(20)	(17)
Drawdown of term loan	-	-	100	100	-
Repayment of term loan	-	-	(31)	(12)	(29)
<b>Net Cash From/(For) Financing Activities</b>	<b>60</b>	<b>293</b>	<b>(225)</b>	<b>(191)</b>	<b>(46)</b>
<b>Net (Decrease)/Increase In Cash And Cash Equivalents</b>	<b>(84)</b>	<b>291</b>	<b>2,239</b>	<b>(309)</b>	<b>(739)</b>
<b>Cash And Cash Equivalents At Beginning Of The Financial Year/Period</b>	<b>123</b>	<b>39</b>	<b>330</b>	<b>330</b>	<b>2,569</b>
<b>Cash And Cash Equivalents At End Of The Financial Year/Period</b>	6.2.25 <b>39</b>	<b>330</b>	<b>2,569</b>	<b>21</b>	<b>1,830</b>

*Note:*

\* - The Cash Flow Statements for the 7 months financial period ended 31 January 2005 are unaudited and are included for comparison purposes only.

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 TECHNODEx SOLUTIONS (CONT'D)****6.2.4 Statement Of Changes In Equity**

The statements of changes in equity of Technodex Solutions based on its audited financial statements unless otherwise stated, after incorporating the effects of the revision in cost of sales as explained in Note (e) of Paragraph 6.2.1 for the Relevant Financial Period are set out below: -

	Share Capital RM'000	RCCPS RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000
Balance at 30.6.2002/1.7.2002	40	-	-	16	56
Allotment of ordinary shares	60	-	-	-	60
Loss for the financial year	-	-	-	15	15
Balance at 30.6.2003/1.7.2003	100	-	-	31	131
Allotment of RCCPS	-	300	-	-	300
Profit for the financial year	-	-	-	1,014	1,014
Dividends paid	-	-	-	(9)	(9)
Balance at 30.6.2004/1.7.2004	100	300	-	1,036	1,436
Conversion of RCCPS to ordinary shares	100	(300)	200	-	-
Allotment of ordinary shares	200	-	-	-	200
Profit for the financial period	-	-	-	605	605
Dividends paid	-	-	-	(450)	(450)
Balance at 31.1.2005/1.2.2005 *	400	-	200	1,191	1,791
Balance at 30.6.2004/1.7.2004	100	300	-	1,036	1,436
Conversion of RCCPS to ordinary shares	100	(300)	200	-	-
Allotment of ordinary shares	200	-	-	-	200
Profit for the financial year	-	-	-	1,539	1,539
Dividends paid	-	-	-	(450)	(450)
Balance at 30.6.2005/1.7.2005	400	-	200	2,125	2,725
Profit for the financial period	-	-	-	2,933	2,933
Balance at 31.1.2006	400	-	200	5,058	5,658

**Note:**

\* - Not audited and is included for comparison purposes only.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.5 Revenue

Revenue of Technodex Solutions represents the invoiced value of goods sold and services rendered less trade discounts.

## 6.2.6 Profit Before Taxation

	FYE 2003 RM'000	FYE 2004 RM'000	FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
Profit before taxation is arrived at after charging/(crediting):-					
Audit fee - statutory	2	3	5	-	-
Audit fee - non-statutory	-	-	-	-	3
Amortisation of development costs	-	-	64	28	93
Bad debts written off	21	31	12	12	71
Depreciation of equipment	6	29	58	29	54
Directors' non-fee emoluments	95	174	224	110	-
Interest expense:					
- bank overdraft	6	20	14	10	4
- hire purchase	-	4	11	6	6
- term loan	-	-	6	4	3
Rental of premises	13	14	29	6	30
Rental of server	-	-	5	1	11
Staff costs	117	371	410	263	292
Interest income	-	(4)	(22)	(4)	(43)

Note:

\* - Not audited and is included for comparison purposes only.

## 6.2.7 Taxation

	FYE 2003 RM'000	FYE 2004 RM'000	FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
Income tax for the financial year/period	-	1	4	-	10

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.7 Taxation (Cont'd)

Technodex Solutions was granted the Multimedia Super Corridor Status on 6 November 2002 and Pioneer Status on 11 August 2003, which qualifies Technodex Solutions for the Pioneer Status incentive under the Promotion of Investments Act, 1986. Under this incentive, the statutory income from pioneer activities for a period of five years, from 26 March 2003 to 25 March 2008 will be partly exempted from income tax.

A reconciliation of the income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of Technodex Solutions is as follows:-

	FYE 2003 RM'000	FYE 2004 RM'000	FYE 2005 RM'000	FPE 2005 * RM'000 (Unaudited)	FPE 2006 RM'000
Profit before taxation	15	1,015	1,543	605	2,943
Tax at the statutory tax rate	4	284	432	169	824
Tax effects of:-					
Non-deductible expenses	-	3	39	35	33
Tax-exempted income under pioneer status	(4)	(281)	(452)	(189)	(812)
Deferred tax liabilities not recognised during the financial year/period	-	-	-	-	(25)
Differential in tax rates	-	-	(8)	(8)	(8)
Others	-	(5)	(7)	(7)	(2)
Tax for the financial year/period	-	1	4	-	10

Note:

\* - Not audited and is included for comparison purposes only.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.8 Equipment

<b>Net Book Value</b>	<b>At 1.7.2002 RM'000</b>	<b>Additions RM'000</b>	<b>Depreciation Charge RM'000</b>	<b>At 30.6.2003 RM'000</b>
Furniture and fittings	5	1	(1)	5
Office equipment	8	-	(1)	7
Computer equipment	18	-	(4)	14
	31	1	(6)	26

<b>At 30.6.2003</b>	<b>Cost RM'000</b>	<b>Accumulated Depreciation RM'000</b>	<b>Net Book Value RM'000</b>
Furniture and fittings	6	(1)	5
Office equipment	9	(2)	7
Computer equipment	23	(9)	14
	38	(12)	26

<b>Net Book Value</b>	<b>At 1.7.2003 RM'000</b>	<b>Additions RM'000</b>	<b>Depreciation Charge RM'000</b>	<b>At 30.6.2004 RM'000</b>
Furniture and fittings	5	5	(2)	8
Office equipment	7	17	(2)	22
Computer equipment	14	21	(9)	26
Motor vehicles	-	156	(16)	140
	26	199	(29)	196

<b>At 30.6.2004</b>	<b>Cost RM'000</b>	<b>Accumulated Depreciation RM'000</b>	<b>Net Book Value RM'000</b>
Furniture and fittings	10	(2)	8
Office equipment	26	(4)	22
Computer equipment	44	(18)	26
Motor vehicles	156	(16)	140
	236	(40)	196

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.8 Equipment (Cont'd)

<b>Net Book Value</b>	<b>At 1.7.2004 RM'000</b>	<b>Additions RM'000</b>	<b>Depreciation Charge RM'000</b>	<b>At 30.6.2005 RM'000</b>
Furniture and fittings	8	19	(2)	25
Office equipment	22	29	(5)	46
Computer equipment	26	54	(13)	67
Motor vehicles	140	108	(26)	222
Renovation	-	94	(12)	82
	196	304	(58)	442
<b>At 30.6.2005</b>	<b>Cost RM'000</b>	<b>Accumulated Depreciation RM'000</b>		<b>Net Book Value RM'000</b>
Furniture and fittings	29	(4)		25
Office equipment	55	(9)		46
Computer equipment	98	(31)		67
Motor vehicles	264	(42)		222
Renovation	94	(12)		82
	540	(98)		442
<b>Net Book Value</b>	<b>At 1.7.2005 RM'000</b>	<b>Additions RM'000</b>	<b>Depreciation Charge RM'000</b>	<b>At 31.1.2006 RM'000</b>
Furniture and fittings	25	3	(2)	26
Office equipment	46	-	(3)	43
Computer equipment	67	312	(22)	357
Motor vehicles	222	-	(15)	207
Renovation	82	-	(12)	70
	442	315	(54)	703
<b>At 31.1.2006</b>	<b>Cost RM'000</b>	<b>Accumulated Depreciation RM'000</b>		<b>Net Book Value RM'000</b>
Furniture and fittings	32	(6)		26
Office equipment	56	(13)		43
Computer equipment	411	(54)		357
Motor vehicles	264	(57)		207
Renovation	93	(23)		70
	856	(153)		703

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEx SOLUTIONS (CONT'D)

## 6.2.8 Equipment (Cont'd)

The motor vehicles were acquired under hire purchase terms.

The net book value of motor vehicle held in trust by a director is as follows:-

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2006 RM'000
Net book value of motor vehicle held in trust by a director	-	-	98	91

## 6.2.9 Development Costs

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2006 RM'000
Development costs	-	-	526	1,142
Accumulated amortisation	-	-	(64)	(157)
	-	-	462	985
Accumulated amortisation: At 1.7.2002/2003/2004/2005	-	-	-	64
Amortisation during the financial year/period	-	-	64	93
At 30.6.2003/2004/2005/31.1.2006	-	-	64	157
Staff costs incurred as development costs during the financial year/period	-	-	481	214

## 6.2.10 Trade Receivables

Included in trade receivables is the following:-

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2006 RM'000
Amount owing by companies in which a director has substantial financial interests	-	-	118	217

The above amount is subject to normal trade credit terms granted.

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 TECHNODEx SOLUTIONS (CONT'D)****6.2.10 Trade Receivables (Cont'd)**

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

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2006 RM'000
Brunei Dollar	-	-	189	217

Technodex Solutions' normal trade credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

**6.2.11 Amount Owning By A Shareholder**

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

**6.2.12 Amount Owning By/(To) Holding Company**

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

**6.2.13 Amount Owning By A Related Company**

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

**6.2.14 Fixed Deposits With A Licensed Bank**

Included in fixed deposits with a licensed bank are the following:-

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2006 RM'000
Pledged to a licensed bank for banking facilities granted to Technodex Solutions	-	204	208	222
Held in trust by the directors of Technodex Solutions	-	400	400	430
Effective interest rate (%) per annum	3.70	3.70	2.76	2.81
Maturity periods (months)	1 to 12	1 to 12	1 to 12	1 to 12



## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.15 Trade Payables

The normal trade credit terms granted to Technodex Solutions range from 30 to 60 days.

## 6.2.16 Amount Owing To Directors

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

## 6.2.17 Hire Purchase Payables

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2006 RM'000
Minimum hire purchase payments:				
- not later than one year	-	21	43	43
- later than one year and not later than five years	-	116	173	150
	-	137	216	193
Less: Future finance charges	-	(24)	(35)	(29)
Present value of hire purchase payables	-	113	181	164
The net hire purchase payables are repayable as follows:				
Current:				
- not later than one year	-	14	32	35
Non-current:				
- later than one year and not later than five years	-	99	149	129
	-	113	181	164
Outstanding payable of hire purchase contracted under the name of a director	-	-	84	74
Effective interest rate (%)	N/A	6.15	← 5.56 to 6.15 →	

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEX SOLUTIONS (CONT'D)

## 6.2.18 Term Loan

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2006 RM'000
Current portion - repayable within one year	-	-	51	40
Non-current portion - repayable between one to two years	-	-	18	-
	-	-	69	40

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

	Number Of Monthly Instalments	Monthly Instalment RM	Effective Date Of Commencement Of Repayments
Term loan	24	4,523	1 November 2004

The term loan bore an effective interest rate of 8.25% (30.6.2005 - 8.00%) per annum and is secured by way of:-

- (iv) a pledge of fixed deposits of Technodex Solutions;
- (v) a corporate guarantee from one of its corporate shareholder; and
- (vi) a joint and several guarantee of the directors of Technodex Solutions.

## 6.2.19 Bank Overdraft

	30.6.2003	30.6.2004	30.6.2005	31.1.2006
Effective interest rate (%) per annum	8.00	8.00	-	8.25

The bank overdraft is secured in the manner as disclosed in paragraph 6.2.18 above.

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODX SOLUTIONS (CONT'D)

## 6.2.20 Ordinary Share Capital

	Par value RM	Number of shares '000	RM'000
<b>AUTHORISED:-</b>			
At 1.7.2002/2003	1.00	100	100
Increase during the financial year	1.00	100	100
At 30.6.2004/1.7.2004	1.00	200	200
Reclassification of RCCPS	1.00	300	300
At 30.6.2005/31.1.2006	1.00	500	500
<b>ISSUED AND FULLY PAID-UP:-</b>			
At 1.7.2002	1.00	40	40
Allotment during the financial year	1.00	60	60
At 30.6.2003/30.6.2004/1.7.2004	1.00	100	100
Allotment during the financial year	1.00	200	200
Conversion of RCCPS	1.00	100	100
At 30.6.2005/31.1.2006	1.00	400	400

## 6.2.21 RCCPS

	Par value RM	Number of shares '000	RM'000
<b>AUTHORISED:-</b>			
At 1.7.2002/2003	1.00	-	-
Increase during the financial year	1.00	300	300
At 30.6.2004/1.7.2004	1.00	300	300
Reclassification of RCCPS	1.00	(300)	(300)
At 30.6.2005/31.1.2006	1.00	-	-
<b>ISSUED AND FULLY PAID-UP:-</b>			
At 1.7.2002/2003	1.00	-	-
Allotment during the financial year	1.00	300	300
At 30.6.2004/1.7.2004	1.00	300	300
Conversion of RCCPS	1.00	(300)	(300)
At 30.6.2005/31.1.2006	1.00	-	-

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 TECHNODEx SOLUTIONS (CONT'D)

## 6.2.22 Share Premium

The share premium relates to the premium arising from the shares issued pursuant to the conversion of the RCCPS. The share premium is not distributable by way of dividends.

## 6.2.23 Retained Profits

Subject to agreement with the tax authorities, Technodex Solutions has the following tax exempt income for the purpose of paying tax-exempt dividends out of retained profits without incurring additional tax liabilities. The balance of retained earnings, if distributed as dividends, will incur additional tax payments:-

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2006 RM'000
Tax-exempt income	-	791	1,619	3,905

## 6.2.24 Purchase Of Equipment

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2005 * RM'000 (Unaudited)	31.1.2006 RM'000
Cost of equipment	1	199	304	194	315
Amount finance through hire purchase	-	(120)	(103)	(103)	-
Cash disbursed for purchase of equipment	1	79	201	91	315

Note:

\* - Not audited and is included for comparison purposes only.

## 6.2.25 Cash And Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:-

	30.6.2003 RM'000	30.6.2004 RM'000	30.6.2005 RM'000	31.1.2005 * RM'000 (Unaudited)	31.1.2006 RM'000
Cash and bank balances	112	1	243	6	3
Fixed deposits with a licensed bank	100	504	2,326	508	2,119
Bank overdraft	(173)	(175)	-	(493)	(292)
	39	330	2,569	21	1,830

Note:

\* - Not audited and is included for comparison purposes only.

**9. ACCOUNTANTS' REPORT (CONT'D)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 TECHNODEx SOLUTIONS (CONT'D)****6.2.26 Significant Related Party Transactions**

	FYE 2003 RM'000	FYE 2004 RM'000	FYE 2005 RM'000	FPE 2005 * RM'000	FPE 2006 RM'000
Sales to related parties:					
- Vital Focus Transportation Sdn. Bhd.	53	128	236	135	117
- VF Capital Sdn. Bhd.	-	-	-	-	3

*Note:*

\* - Not audited and is included for comparison purposes only.

Related parties refer to companies in which a director has substantial financial interests.

**6.2.27 Number Of Employees**

	30.6.2003	30.6.2004	30.6.2005	31.1.2006
Number of employees at the balance sheet date	4	15	27	18

**6.2.28 Foreign Exchange Rate**

The principal closing foreign exchange rate used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of the foreign currency balance at the balance sheet date is as follows:-

	30.6.2003	30.6.2004	30.6.2005	31.1.2006
Brunei Dollar	N/A	N/A	2.23	2.20



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

### 6.2 TECHNODX SOLUTIONS (CONT'D)

#### 6.2.29 Fair Values Of Financial Assets And Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

**(a) Bank Balances and Other Liquid and Short Term Receivables**

The carrying amounts approximated their fair values due to the relatively short term maturity of these instruments.

**(b) Short Term Borrowings and Other Current Liabilities**

The carrying amounts approximated their fair values because of the short period to maturity of these instruments.

**(c) Amounts Owning By/(To) A Shareholder/Holding Company/Related Company/ Directors**

It is not practicable to estimate the fair values of the amounts owing by/(to) a shareholder/holding company/related company/directors due principally to the lack of fixed repayment terms. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received/settled.

**(d) Hire Purchase Payables**

The fair value of hire purchase payables is determined by discounting the relevant cash flow using current interest rates for similar instruments at the balance sheet date.

**(e) Long Term Bank Loan**

The carrying amount approximates its fair value as this instrument bears interest at market rates.

**9. ACCOUNTANTS' REPORT (CONT'D)****7. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIOD**

TechnoDex Solutions declared and paid the following dividends during the Relevant Financial Period:-

<b>Name of company</b>	<b>Financial year/ period</b>	<b>Type of dividend</b>	<b>Net dividend RM</b>
TechnoDex Solutions	FYE 2004	First interim tax-exempt of RM0.05 dividend per Redeemable Convertible Cumulative Preference Share ("RCCPS"), in proportion to the number of days of the RCCPS in issue.	9,356
	FYE 2005	Final tax-exempt dividend of RM4.50 per ordinary share	450,000

TECHNODEX and EvoDex Solutions have not paid or declared any dividend during the Relevant Financial Period.

**9. ACCOUNTANTS' REPORT (CONT'D)****8. RESTATEMENTS TO THE AUDITED FINANCIAL STATEMENTS**

In preparing this report, certain restatements/reclassifications were made to ensure consistency of presentation of information for comparison purposes. The details of the restatements/reclassifications made are set out as follows:-

**8.1 Technodex Group**

Estimates for cost of sales were made to match costs against income recognised during the financial year/period. In the FYE 2005, a reversal was made for the over-accrual of cost of sales of RM251,000 relating to FYE 2003 and FYE 2004.

The effects of the revision which have been made retrospectively in the preparation of the consolidated income statements on the results for the relevant financial year/period are as follows:-

	<b>FYE 2005 RM'000</b>	<b>FPE 2006 RM'000</b>
i) Other operating income		
As per audited financial statements	273	43
- revision as per Paragraph 6.1.1(f)	(251)	-
As per Accountants' Report ("AR")	<u>22</u>	<u>43</u>



## 9. ACCOUNTANTS' REPORT (CONT'D)



## 8. RESTATEMENTS TO THE AUDITED FINANCIAL STATEMENTS (CONT'D)

## 8.2 Technodex Solutions

	FYE 2003 RM'000	FYE 2004 RM'000	FYE 2005 RM'000	FPE 2006 RM'000
i) Other receivables				
As per audited financial statements	#	7	36	19
- reclassification (a)	3	3	-	-
- reclassification (b)	-	(1)	-	-
As per AR	<u>3</u>	<u>9</u>	<u>36</u>	<u>19</u>
ii) Amount owing by a shareholder				
As per audited financial statements	3	6	-	-
- reclassification (a)	(3)	(3)	-	-
As per AR	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>
iii) Amount owing by holding company				
As per audited financial statements	-	-	-	-
- reclassifications (b)	-	1	-	-
As per AR	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
iv) Trade payables				
As per audited financial statements	93	298	15	-
- reclassification (c)	(92)	(298)	-	-
As per AR	<u>1</u>	<u>-</u>	<u>15</u>	<u>-</u>
v) Other payables and accruals				
As per audited financial statements	41	44	34	139
- reclassification (c)	92	298	-	-
- revision as per Paragraph 6.2.1(e)	(36)	(251)	-	-
As per AR	<u>97</u>	<u>91</u>	<u>34</u>	<u>139</u>
vi) Administrative expenses				
As per audited financial statements	295	717	675	454
- reclassification (d)	14	29	-	-
- reclassification (e)	(26)	(59)	-	-
- reclassification (f)	(1)	(2)	-	-
- reclassification (g)	-	14	-	-
- reclassification (h)	-	(305)	-	-
As per AR	<u>282</u>	<u>394</u>	<u>675</u>	<u>454</u>

## 9. ACCOUNTANTS' REPORT (CONT'D)



## 8. RESTATEMENTS TO THE AUDITED FINANCIAL STATEMENTS (CONT'D)

## 8.2 Technodex Solutions (Cont'd)

	FYE 2003 RM'000	FYE 2004 RM'000	FYE 2005 RM'000	FPE 2006 RM'000
vii) Selling and distribution expenses				
As per audited financial statements	19	29	11	15
- reclassification (d)	(14)	(29)	-	-
As per AR	<u>5</u>	<u>-</u>	<u>11</u>	<u>15</u>
viii) Other operating expenses				
As per audited financial statements	1	15	70	126
- reclassification (e)	26	59	-	-
- reclassification (g)	-	(14)	-	-
As per AR	<u>27</u>	<u>60</u>	<u>70</u>	<u>126</u>
ix) Finance costs				
As per audited financial statements	6	24	32	14
- reclassification (f)	1	2	-	-
As per AR	<u>7</u>	<u>26</u>	<u>32</u>	<u>14</u>
x) Cost of sales				
As per audited financial statements	291	553	660	159
- reclassification (h)	-	305	-	-
- revision as per Paragraph 6.2.1(e)	(36)	(215)	-	-
As per AR	<u>255</u>	<u>643</u>	<u>660</u>	<u>159</u>
xi) Other operating income				
As per audited financial statements	-	4	273	43
- revision as per Paragraph 6.2.1(e)	-	-	(251)	-
As per AR	<u>-</u>	<u>4</u>	<u>22</u>	<u>43</u>

Note:-

# - Amount equals RM100.

**9. ACCOUNTANTS' REPORT (CONT'D)****8. RESTATEMENTS TO THE AUDITED FINANCIAL STATEMENTS (CONT'D)****8.2 Technodex Solutions (Cont'd)**

## Notes:-

- (a) Deposits of RM3,000 included in the amount owing by a shareholder were in respect of refundable rental deposits. This was reclassified to other receivables to be consistent with the presentation in subsequent financial years/period.
- (b) The amount owing by Technodex Sdn. Bhd. (now known as Technodex Bhd.) of RM1,000 in FYE 2004 included in other receivables was in respect of advances made to TechnoDex Solutions. This was reclassified to the amount owing by the immediate holding company to be consistent with the presentation in subsequent financial years/period.
- (c) Accrual of cost of sales was classified as trade payables. This was reclassified to other payables and accruals to be consistent with the presentation in subsequent financial years/period.
- (d) Travelling expenses were classified as selling and distribution expenses. This was reclassified to administrative expenses to be consistent with the presentation in subsequent financial years/period.
- (e) Depreciation of equipment, allowance for doubtful debts and bad debts written off were classified as administrative expenses. This was reclassified to other operating expenses to be consistent with the presentation in subsequent financial years/period.
- (f) Bank charges were classified as administrative expenses. This was reclassified to finance costs to be consistent with the presentation in subsequent financial years/period.
- (g) Entertainment and general expenses were classified as other operating expenses in FYE 2005. This was reclassified to administrative expenses to be consistent with the presentation in subsequent financial years/period.
- (h) IT staff costs were classified as administrative expenses in FYE 2004. This was reclassified to cost of sales to be consistent with the presentation in subsequent financial years/period.

**9. ACCOUNTANTS' REPORT (CONT'D)**



**9. SUBSEQUENT EVENTS**

Subsequent to the date of the last financial statements used in the preparation of this report, TECHNODEx has reclassified the existing authorised ordinary shares at RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each into 100,000,000 ordinary shares of RM0.10 each. Subsequent thereto, TECHNODEx sub-divided each of the existing issued and fully paid-up 5,700,000 ordinary shares of RM1.00 each into 57,000,000 ordinary shares of RM0.10 each.

**10. AUDITED FINANCIAL STATEMENTS**

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 January 2006 for TECHNODEx Group.

Yours faithfully

A handwritten signature in black ink, appearing to be "J.P.W.", written over a horizontal line.

**Horwath**  
Firm No : AF 1018  
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a horizontal line.

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

**9. ACCOUNTANTS' REPORT (CONT'D)**



**APPENDIX I**

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**Kuala Lumpur Office**  
*Chartered Accountants*

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
TECHNODEX BERHAD**

(Incorporated in Malaysia)  
Company No : 627634 - A

We have audited the financial statements set out on pages 9 to 34. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company at 30 June 2005 and their results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.



**REPORT OF THE AUDITORS TO THE MEMBERS OF  
TECHNODEX BERHAD (CONT'D)**

(Incorporated in Malaysia)  
Company No : 627634 - A

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection(3) of Section 174 of the Companies Act, 1965.

A handwritten signature in black ink, appearing to be "Hoe", written over a horizontal line.

**Horwath**  
Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur

23 DEC 2005

A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a horizontal line.

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

**9. ACCOUNTANTS' REPORT (CONT'D)**



**APPENDIX II**  
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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
TECHNODEX BHD.**

(Incorporated in Malaysia)  
Company No : 627634 - A

We have audited the financial statements set out on pages 3 to 32. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements are properly drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 January 2006 and their results and cash flows for the financial period ended on that date.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

**Horwath**  
Firm No: AF 1018  
Chartered Accountants

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

Kuala Lumpur

24 MAY 2006

Page 2

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