

## 5. FINANCIAL INFORMATION

Sections 5.1 to 5.3 below set out a summary of the pro-forma consolidated financial information of the Greenyard Group for the three (3) financial years ended 31 July 2003 to 2005 and the audited consolidated financial information for the eight (8) months ended 31 March 2006. The pro-forma consolidated financial information as contained in these pro-forma consolidated financial statements is presented for illustrative purposes only and on the assumption that the Greenyard Group's current structure had been in existence throughout the financial years/period under review.

The pro-forma consolidated financial information has been properly compiled on a basis consistent with the accounting policies adopted by the Greenyard Group which are set out in Section 5.16 "Accountants' Report". The financial statements used in the preparation of the pro-forma consolidated financial statements were prepared in accordance with approved accounting standards in Malaysia. The adjustments, which were dealt with when preparing the pro-forma consolidated financial statements, have been highlighted and disclosed in Section 5.1 "Pro-forma Consolidated Income Statements" of this Prospectus.

The audited financial statements of the Company and its subsidiaries for the past three (3) financial years ended 31 July 2003 to 2005 and for the eight (8) months ended 31 March 2006 have not been subjected to any auditors' qualification.

### 5.1 Pro-forma Consolidated Income Statements

Presented below is a summary of the Group's pro-forma consolidated income statements for the past three (3) financial years ended 31 July 2003 to 2005 and audited consolidated income statement for the eight (8) months ended 31 March 2006. The information presented below should be read together with Section 5.6 "Analysis and Commentary on Financial Information".

	<-----Year Ended 31 July ----->			Eight (8) Months Ended 31 March 2006
	2003	2004	2005	
	RM'000	RM'000	RM'000	RM'000
Revenue	14,339	13,180	14,802	8,280
Gross profit	6,354	6,118	7,519	3,582
Profit before directors' remuneration and other emoluments, R&D expense, interest, depreciation, amortisation and taxation	4,773	5,073	5,809	2,061
Directors' remuneration and other emoluments	(610)	(753)	(729)	(496)
R&D expense	(139)	(144)	(321)	(255)
EBIDTA – earnings before interest, depreciation, amortisation and taxation	4,024	4,176	4,759	1,310
Depreciation	(672)	(692)	(712)	(494)
Amortisation	(28)	(29)	(29)	(21)
Interest expense	(290)	(272)	(238)	(150)
Interest income	12	20	7	2
PBT	3,046	3,203	3,787	647

**5. FINANCIAL INFORMATION (CONT'D)**

	<-----Year Ended 31 July ----->			Eight (8) Months Ended 31 March 2006
	2003	2004	2005	
	RM'000	RM'000	RM'000	RM'000
Tax expense	(888)	(937)	(1,107)	(263)
PAT	2,158	2,266	2,680	384
Gross profit margin (%)	44.3	46.4	50.8	43.3
PBT margin (%)	21.2	24.3	25.6	7.8
PAT margin (%)	15.0	17.2	18.1	4.6
Effective tax rate (%)	29.2	29.3	29.2	40.6
Total borrowings (RM'000)	4,520	3,704	3,070	2,794
Gearing (times)	0.48	0.32	0.21	0.17
Interest cover (times)	11.5	12.7	16.9	5.3
No. of Shares assumed in issue ('000) <sup>(5)</sup>	122,740	122,740	122,740	122,740
Basic net EPS (sen)	1.76	1.85	2.18	0.31
No. of Shares assumed in issue upon listing ('000) <sup>(6)</sup>	165,000	165,000	165,000	165,000
Basic net EPS (sen)	1.31	1.37	1.62	0.23
No. of Shares in issue upon listing and full exercise of ESOS ('000) <sup>(7)</sup>	180,000	180,000	180,000	180,000
Basic net EPS (sen)	1.20	1.26	1.49	0.21

**Notes:-**

- (1) *The Group's pro-forma consolidated financial results were prepared based on the audited consolidated financial statements for the financial year ended 31 July 2005 after making relevant adjustments deemed necessary under the circumstances, the details of which are as set out below.*
- (2) *The Group's pro-forma consolidated financial results for the financial years ended 31 July 2003 and 2004 are prepared for illustrative purposes only and on the assumption that the acquisitions of GISB, Gimflow, GTSSB and RCP (wholly owned subsidiaries of Greenyard) were completed on 1 August 2002. The actual date of completion of the acquisitions of GISB, Gimflow, GTSSB and RCP was 11 March 2005.*
- (3) *The fair value adjustment of land and building which took place in March 2005 is presumed to have occurred prior to the financial year ended 31 December 2003. Accordingly, the annual amortisation of the revalued land and building has been incorporated into the pro-forma consolidated financial results for the years ended 31 July 2003 and 2004.*
- (4) *There are no extraordinary items, exceptional items and minority interests for the financial years/period under review.*
- (5) *Based on the existing issued and paid-up capital of 122,740,000 Shares as at the date of this Prospectus.*
- (6) *Based on the issued and paid-up capital of 165,000,000 Shares immediately after the completion of the Issue.*

**5. FINANCIAL INFORMATION (CONT'D)**

- (7) *Based on the enlarged issued and paid-up capital of 180,000,000 Shares immediately after the completion of the Issue and assuming the total number of Shares to be issued pursuant to the ESOS is 15,000,000 Shares.*

**Adjustments to the Pro-forma Consolidated Income Statement**

Adjustments have been made to include the full year results of the subsidiaries of Greenyard, which were acquired in March 2005, in the pro-forma consolidated financial results for the year ended 31 July 2005, and to incorporate the amortisation of the revalued leasehold land and building in the pro-forma consolidated financial results for the years ended 31 July 2003 and 2004. The effect of the adjustments to the consolidated income statement for the financial year ended 31 July 2005 is as follows:-

Financial Year Ended 31 July 2005	As per Audited Consolidated Income Statement RM'000	Pro-forma RM'000
Revenue	8,303	14,802
Gross profit	4,998	7,519
PBT	4,548	3,787
PAT	3,782	2,680

No adjustments were made to the audited consolidated results of Greenyard for the eight (8) months ended 31 March 2006.

There were no audit qualifications in the years / period under review.

**5.2 Pro-forma Consolidated Balance Sheets**

The following table presents the Greenyard Group's pro-forma consolidated balance sheets which have been prepared for illustrative purposes only, based on the audited consolidated balance sheet as at 31 March 2006, to show the effects of the Issue and the ESOS and the use of the proceeds arising from the Issue on the assumption that the Issue was completed and all the Options were exercised on 31 March 2006.

	Audited Consolidated Balance Sheet at 31.3.2006 RM'000	Pro-forma Consolidated Balance Sheet after Stage 1 RM'000	Pro-forma Consolidated Balance Sheet after Stage 2 RM'000
Property, plant and equipment	12,271	14,421	14,421
Development expenditure	-	1,500	1,500
Intangible assets	22	22	22
<b>Current assets</b>			
Inventories	2,857	2,857	2,857
Trade and other receivables	8,584	8,584	8,584
Cash and cash equivalents	857	3,080	6,230
	12,298	14,521	17,671

**5. FINANCIAL INFORMATION (CONT'D)**

	<b>Audited Consolidated Balance Sheet at 31.3.2006 RM'000</b>	<b>Pro-forma Consolidated Balance Sheet after Stage 1 RM'000</b>	<b>Pro-forma Consolidated Balance Sheet after Stage 2 RM'000</b>
<b>Current liabilities</b>			
Trade and other payables	4,197	4,197	4,197
Borrowings	1,461	822	822
	5,658	5,019	5,019
<b>Net current assets</b>			
	6,640	9,502	12,652
	18,933	25,445	28,595
<b>Financed by: Capital and reserves</b>			
Share capital	12,274	16,500	18,000
Share premium	-	3,147	4,797
Reserves	4,145	4,145	4,145
	16,419	23,792	26,942
<b>Long term and deferred liabilities</b>			
Borrowings	1,333	472	472
Deferred tax liabilities	1,181	1,181	1,181
	2,514	1,653	1,653
	18,933	25,445	28,595
NTA per Share (RM)	0.13	0.14	0.15
No. of Shares in issue ('000)	122,740	165,000	180,000

The pro-forma consolidated balance sheets of the Greenyield Group are based on the audited financial statements of Greenyield and its subsidiaries as at 31 March 2006. The accounting policies, basis and assumptions used in the preparation of the pro-forma consolidated balance sheets are consistent with those previously adopted by the Greenyield Group in the preparation of its audited financial statements.

The pro-forma consolidated balance sheets are prepared for illustrative purposes only and incorporate the Issue and ESOS as though they were effected on 31 March 2006.

- (a) Pro-forma 1 – After the Issue and utilisation of proceeds

The details of the Issue are set out in Section 3 “Details of the Issue” of this Prospectus.

- (b) Pro-forma 2 – After Pro-forma 1 and ESOS

The details of the ESOS are set out in Section 9.5.2 “ESOS” of this Prospectus.

## 5. FINANCIAL INFORMATION (CONT'D)

Based on the enlarged issued and paid-up capital of 165,000,000 Shares immediately after the completion of the Issue, the total number of Shares to be issued pursuant to the ESOS is 15,000,000 Shares. As Greenyard is implementing the ESOS in conjunction with its initial public offering, an exercise price of RM0.21 per Share is assumed for the 15,000,000 Shares.

### Statement of Assets and Liabilities

The statement of assets and liabilities of the Greenyard Group as at 31 March 2006 is as follows:-

		31.3.2006
	<i>Note</i>	RM'000
<b>Property, plant and equipment</b>	5.2.1	12,271
<b>Intangible assets</b>	5.2.2	22
<b>Current assets</b>		
Inventories	5.2.3	2,857
Trade and other receivables	5.2.4	8,584
Cash and cash equivalents	5.2.5	857
		12,298
<b>Current liabilities</b>		
Trade and other payables	5.2.6	4,197
Borrowings	5.2.7	1,461
		5,658
<b>Net current assets</b>		6,640
		18,933
<b>Financed by:</b>		
<b>Capital and reserves</b>		
Share capital	5.2.8	12,274
Reserves	5.2.9	4,145
		16,419
<b>Long term and deferred liabilities</b>		
Borrowings	5.2.7	1,333
Deferred tax liabilities	5.2.10	1,181
		2,514
		18,933

## 5. FINANCIAL INFORMATION (CONT'D)

The accounting policies used in the preparation of the statement of assets and liabilities are set out in Section 5.16 "Accountants' Report".

The statement of assets and liabilities was prepared in accordance with approved accounting standards in Malaysia.

### 5.2.1 Property, plant and equipment

	Cost / Valuation RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land and building	1,490	-	1,490
Leasehold land	1,578	25	1,553
Leasehold buildings	4,922	110	4,812
Plant and machinery	1,519	183	1,336
Motor vehicles	1,413	189	1,224
Computer	65	3	62
Renovation	414	42	372
Furniture and fittings, office equipment, air-conditioner, empty cyclinders and electrical installation	1,602	180	1,422
	13,003	732	12,271
	13,003	732	12,271

The cost and carrying value of freehold land is not segregated from building as the required records are not available.

#### **Revaluation**

Land and buildings of the Group were stated at Directors' valuation based on professional valuations made by Sr Elvin Fernandez, a registered valuer in Khong & Jaafar Sdn Bhd, an independent firm of professional valuers on the open market basis conducted in June 2004.

Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at 31 March 2006 would be as follows:

	RM'000
Freehold land and buildings	1,402
Leasehold land	800
Leasehold buildings	3,347
	5,549
At 31 March 2006	5,549

#### **Security**

Freehold and leasehold land and buildings are charged to a financial institution as security for credit facilities granted to the Group as disclosed in Note 5.2.7.

#### **Asset under lease**

Included in property, plant and equipment of the Group are motor vehicles acquired under lease agreements with a net book value of RM922,593.

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**5. FINANCIAL INFORMATION (CONT'D)**


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**5.2.2 Intangible assets****Trade marks**

	RM'000
<b>Cost</b>	
At 1 August 2005	23
Additions	2
	<hr/>
At 31 March 2006	25
	=====
<b>Amortisation</b>	
At 1 August 2005	1
Amortisation charge for the period	2
	<hr/>
At 31 March 2006	3
	=====
<b>Net book value</b>	
At 31 March 2006	22
	=====

**5.2.3 Inventories**

	RM'000
At cost:	
Raw materials	1,023
Work-in-progress	650
Finished goods	348
Agricultural parts	373
Packaging materials	117
Trading stocks	352
	<hr/>
	2,863
Less: Allowance for obsolete inventories	(6)
	<hr/>
	2,857
	=====

**5.2.4 Trade and other receivables**

	RM'000
Trade receivables	6,914
Less: Allowance for doubtful debts	(28)
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	6,886
Other receivables, deposits and prepayments	1,021
Tax recoverable	554
Amount due from ultimate holding company	123
	<hr/>
	8,584
	=====

The amount due from ultimate holding company is non-trade in nature, unsecured, interest free and has no fixed terms of repayment. The amount was fully settled subsequent to 31 March 2006.

## 5. FINANCIAL INFORMATION (CONT'D)

### 5.2.5 Cash and cash equivalents

	RM'000
Deposits with licensed bank	215
Cash and bank balances	642
	<hr/>
	857
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Fixed deposits amounting to RM86,004 are pledged for credit facilities granted to the Group.

### 5.2.6 Trade and other payables

	RM'000
Trade payables	2,564
Other payables and accruals	1,058
Amount due to Directors	575
	<hr/>
	4,197
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### 5.2.7 Borrowings

	RM'000
Current	
Term loan - secured	639
Bank overdraft - secured	432
Bills payable - secured	295
Hire purchase liabilities	95
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	1,461
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Non-current	
Term loan - secured	1,152
Hire purchase liabilities	181
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	1,333
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#### *Terms and debt repayment schedule*

	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000
Term loan - secured			
- variable at 1.75% above BLR	352	61	291
- fixed at 6%	1,439	578	861
Bank overdraft - secured			
- variable at 2% above Bank Negara Malaysia's funding rate	432	432	-
Bills payable			
- variable at 3.5% to 7.75%	295	295	-
Hire purchase liabilities			
- flat at 3.0% to 3.7%	276	95	181
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**5. FINANCIAL INFORMATION (CONT'D)**

The Group's term loans are secured by way of a fixed charge over the Group's freehold and leasehold land and buildings (Note 5.2.1) and are jointly and severally guaranteed by the Directors of the Group.

**Hire purchase liabilities**

Hire purchase liabilities are payable as follows:

	Payments RM'000	Interest RM'000	Principal RM'000
Less than one year	107	(12)	95
Between one and five years	194	(13)	181
	301	(25)	276
	301	(25)	276

**5.2.8 Share capital**

	RM'000
Ordinary shares of RM0.10 each:	
Authorised	25,000
	25,000
Issued and fully paid	12,274
	12,274
	12,274

**5.2.9 Reserves**

	Retained profits RM'000
<b>At 1 August 2005</b>	3,761
Net profit for the period	384
	4,145
<b>At 31 March 2006</b>	4,145
	4,145
	4,145

**5.2.10 Deferred tax liabilities**

The recognised deferred tax liabilities are as follows:-

	RM'000
Property, plant and equipment	
- capital allowances	574
- revaluation	607
	1,181
	1,181

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**5. FINANCIAL INFORMATION (CONT'D)**


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**5.3 Consolidated Cash Flow Statement**

The consolidated cash flow statement of the Greenyard Group for the last financial period ended 31 March 2006 is set out below. The information presented below should be read together with Section 5.6 "Analysis and Commentary on Financial Information".

	RM'000
<b>Cash flows from operating activities</b>	
Profit before taxation	647
Adjustments for:	
Depreciation	494
Amortisation of trade mark	3
Gain on disposal of property, plant and equipment	(10)
Allowance for doubtful debt	1
Loss on disposal of property, plant and equipment	1
Interest expense	150
Interest income	(2)
Operating profit before working capital changes	1,284
Increase in inventories	(234)
Decrease in trade and other receivables	2,523
Decrease in trade and other payables	(1,109)
Cash generated from operations	2,464
Tax paid	(853)
Tax refunded	181
<b>Net cash generated from operating activities</b>	<u>1,792</u>
<b>Cash flows from investing activities</b>	
Decrease in pledged deposits placed with licensed banks	42
Purchase of property, plant and equipment	(794)
Renewal of trade marks	(2)
Proceeds from disposal of property, plant and equipment	101
Interest received	2
<b>Net cash used in investing activities</b>	<u>(651)</u>
<b>Cash flows from financing activities</b>	
Proceeds from term loan and other borrowings	295
Repayment of term loan and other borrowings	(512)
Repayment of hire purchase liabilities	(164)
Interest paid	(150)
<b>Net cash used in financing activities</b>	<u>(531)</u>
<b>Net increase in cash and cash equivalents</b>	610
<b>Cash and cash equivalents at beginning of period</b>	(271)
<b>Cash and cash equivalents at end of period</b>	<u><u>339</u></u>

**5. FINANCIAL INFORMATION (CONT'D)****5.4 Pro-forma Consolidated Income Statement for the Eight (8) Months ended 31 March 2005 (Based on Management Accounts)**

	Eight (8) Months Ended 31.03.2005 RM'000
Revenue	6,909
Gross profit	2,583
Profit before directors' remuneration and other emoluments, R&D expense, interest, depreciation, amortisation and taxation	1,656
Directors' remuneration and other emoluments	(487)
R&D expense	(214)
EBIDTA – earnings before interest, depreciation, amortisation and taxation	955
Depreciation	(458)
Amortisation	(1)
Interest expense	(175)
Interest income	3
PBT	324
Tax expense	(198)
PAT	126
Weighted average no. of Shares in issue ('000)	122,740
Net EPS (sen)	0.10
Gross profit margin (%)	37.4
PBT margin (%)	4.7
PAT margin (%)	1.8
Effective tax rate (%)	<sup>a</sup> 61.2
Total borrowings (RM'000)	3,584
Gearing (times)	0.15
Interest cover (times)	2.9

**Note:-**

- a Losses incurred by GISB during the period were not available to offset the profits registered by Gimflow, GTSSB and RCP as the companies were not entitled to group relief in Malaysia.

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## 5. FINANCIAL INFORMATION (CONT'D)

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### 5.5 Reporting Accountants' Letter on the Pro-forma Consolidated Financial Information

(Prepared for inclusion in the Prospectus)



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The Board of Directors  
Greenfield Berhad  
21&23 Jalan Seksyen 3/7  
Taman Kajang Utama  
43000 Kajang  
Selangor Darul Ehsan

30 August 2006

Dear Sirs

#### **Greenfield Berhad**

#### **Reporting accountants' letter on the proforma consolidated financial information**

We report on the proforma consolidated financial information of Greenfield Berhad and its subsidiaries ("Greenfield Group") as set out in Paragraph 5.1 to 5.3 of the Prospectus to be dated 27 September 2006 ("the Prospectus"). The proforma consolidated financial information have been prepared for illustrative purposes only on the basis of assumptions as set out on the attachment and after making certain adjustments to show what:

- i) the financial results of Greenfield Group for the financial years ended 31 July 2003, 2004, 2005 and 8 months period ended 31 March 2006 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the periods being reported on;
- ii) the financial position of Greenfield Group as of 31 March 2006 would have been if the group structure as of the date of the Prospectus had been in place on that date, adjusted for the proceeds of the proposed public issue, proposed utilisation of funds and employees' share option scheme; and
- iii) the cashflows of Greenfield Group for the 8 months period ended 31 March 2006 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial period ended 31 March 2006.

The proforma consolidated financial information, because of its nature, may not give a true picture of Greenfield Group's actual financial results, financial position and cashflows.

It is the responsibility solely of the Board of Directors of Greenfield to prepare the proforma consolidated financial information. Our responsibility is to form an opinion on the proforma consolidated financial information and to report our opinion to you based on our work.

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**5. FINANCIAL INFORMATION (CONT'D)**

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*Greenyield Berhad*

*Reporting accountants' letter on the proforma consolidated financial information*

*30 August 2006*

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information to the audited financial statements of Greenyield Berhad and its subsidiaries for the years ended 31 July 2003, 2004, 2005 and 8 months period ended 31 March 2006 and considering the evidence supporting the adjustments, and discussing the proforma consolidated financial information with the Directors of Greenyield Berhad.

In our opinion,

- i) the proforma consolidated financial information have been properly prepared from the audited financial statements of Greenyield Berhad and its subsidiaries, which were prepared in accordance with approved accounting standards in Malaysia;
- ii) such basis is consistent with the accounting policies adopted by Greenyield Group (as set out in Section 5.16 of the Prospectus);
- iii) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information; and
- iv) the proforma consolidated financial information have been properly prepared on the basis of assumptions stated in the attachment.

Yours faithfully

**KPMG**  
Firm No. AF 0758  
Chartered Accountants

**Foong Mun Kong**  
Partner  
Approval Number: 2613/12/06(J)

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**5. FINANCIAL INFORMATION (CONT'D)**

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**GREENYIELD BERHAD (“Greenyield”)  
AND ITS SUBSIDIARIES (“Greenyield Group”)**

**NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION  
FOR THE YEARS ENDED 31 JULY 2003, 2004, 2005 AND 8 MONTHS  
PERIOD ENDED 31 MARCH 2006**

**1. Basis of preparation of proforma consolidated financial information**

1.1 The proforma consolidated financial information have been prepared to illustrate what:

- a) the financial results of Greenyield Group for the financial years ended 31 July 2003, 2004, 2005 and 8 months period ended 31 March 2006 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the periods being reported on;
- b) the financial position of Greenyield Group as of 31 March 2006 would have been if the group structure as of the date of the Prospectus had been in place on that date, adjusted for the proceeds of the proposed public issue, proposed utilisation of funds and employees’ share option scheme; and
- c) the cashflows of Greenyield Group for the 8 months period ended 31 March 2006 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial period ended 31 March 2006.

1.2 The proforma consolidated financial information have been prepared based on the audited financial information of Greenyield Group for the financial years ended 31 July 2003, 2004, 2005 and 8 months period ended 31 March 2006 and using the bases and the accounting principles consistent with those adopted in the audited consolidated financial information, after giving effect to the proforma adjustments considered appropriate.

1.3 For illustrative purposes, it was assumed that the acquisition of Greenyield Industries (M) Sdn Bhd, Gimflow Sdn Bhd, Gim Triple Seven Sdn Bhd and RCP Technologies Sdn Bhd (which occurred during the financial year ended 31 July 2005) took place prior to 1 August 2002 in arriving at the proforma consolidated income statement for the years ended 31 July 2003, 2004 and 2005.

1.4 The proforma consolidated financial information have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results of operations and cash flows of the Greenyield Group.

1.5 The statutory audited financial information of Greenyield Group for the financial years ended 31 July 2003, 2004, 2005 and 8 months period ended 31 March 2006 were prepared in accordance with approved accounting standards in Malaysia.

## 5. FINANCIAL INFORMATION (CONT'D)

### 5.6 Analysis and Commentary on Financial Information

#### (a) Revenue Contribution

The revenue of the Group is mainly derived from the manufacturing and marketing of agricultural-related systems and products. The Group, through GISB, also derives some of its revenue from the sale of plastic-related and wood-related products principally to export markets.

For the last three (3) financial years ended 31 July 2003 to 2005 and the eight (8) months ended 31 March 2006, the revenue of the Group has been mainly contributed by Gimflow and GTSSB. The contribution of each company in the Group to the Group's revenue is set out in the following table:-

#### Revenue Contribution by Company

	←-----Year Ended 31 July-----→			8 Months
	2003 RM'000	2004 RM'000	2005 RM'000	Ended 31.03.2006 RM'000
Greenyield	N/A	N/A	N/A	N/A
Gimflow	7,517	7,021	5,988	3,053
GTSSB	6,601	7,094	7,503	5,074
GISB	5,464	3,659	5,880	2,233
RCP	862	942	1,459	1,187
	20,444	18,716	20,830	11,547
Elimination of inter-company sales	(6,105)	(5,536)	(6,028)	(3,267)
Pro-forma Group / Group	14,339	13,180	14,802	8,280
Growth rate (%)	12.2	(8.1)	12.3	<sup>a</sup> (16.1)

#### **Notes:-**

N/A Not applicable

a Annualised

The Group recorded a revenue growth of 12.2% in 2003 mainly due to the fact that the Government of Malaysia had, through the Ministry of Rural Development and the Ministry of Primary Industries, allocated a total of RM180 million in financial assistance to fund the usage of the LITS in 2001. The financial assistance was allocated in the following manner:-

- (a) RM100 million to the Ministry of Rural Development, which was responsible to allocate the grant to plantations which measured four (4) hectares and below; and
- (b) RM80 million to the Ministry of Primary Industries, which was responsible to allocate the funds (70% grant 30% loan) to plantations which measured four (4) hectares and above.

The growth in revenue was also due to the increase in export sales of agricultural-related systems and products to countries such as Indonesia, Thailand and Papua New Guinea.

The decline of 8.1% in revenue in 2004 was mainly due to the Group's efforts to streamline its sales of plastic-related and wood-related products under GISB, to concentrate on the development and manufacture of agricultural-related products.

## 5. FINANCIAL INFORMATION (CONT'D)

However, with the introduction of the grant and quasi-loan by the Government, the initiative has kick-started a positive response from the smallholders and estate owners to use the RRIMFLOW system. As the smallholders and estate owners began to realise the effectiveness and higher yields brought about by the RRIMFLOW system, this has generated recurring demand and further sales of the RRIMFLOW system.

In the financial year ended 31 July 2005, the Group's revenue rose 12.3% as compared to the previous year. The increase was mainly attributable to the increase in export sales of agricultural-related systems and products by GTSSB, GISB and RCP. Gimflow, however, experienced a 14.7% drop in its revenue, as the local rubber smallholders had not used up the agricultural-related systems and products they had purchased over the last financial year.

For the eight (8) months ended 31 March 2006, the Group's revenue declined by 16.1% on an annualised basis largely due to the adverse seasonal weather conditions during the second half of the year 2005. The long rainy season had affected the ability of rubber smallholders and tappers to tap rubber trees and use stimulation systems, due to wet panels or trunks following heavy late evening or early morning rains. The erratic weather had impaired the tapping of latex in Thailand and Malaysia. The inability to use stimulation systems on rubber trees due to adverse seasonal weather conditions, had resulted in a decline in orders for agricultural-related systems and products, particularly the RRIMFLOW system, even though the gaseous stimulation system is able to stimulate the rubber trees to produce a significant increase in latex yield whenever the rubber trees are tapped. In addition, the Group's revenue was affected by the wintering season in Malaysia and Thailand during the early part of the year 2006, which further hindered rubber tapping activities.

The Board of Directors of Greenyield has taken pre-emptive steps to mitigate the slow-down in demand from Thailand and Malaysia during the rainy season and wintering season by increasing the Group's marketing efforts in other major natural rubber producing countries such as Vietnam, Cambodia, Indonesia and China.

The Group's revenue can also be segmented by way of products and markets as set out in the tables below:-

### Revenue Contribution by Product

	←-----Year Ended 31 July-----→						Eight (8) Months Ended 31.03.2006	
	2003		2004		2005		RM'000	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Plantation</b>								
RRIMFLOW-related products	7,944	55	6,384	48	9,294	63	2,582	31
Ethephon Plus	859	6	1,009	8	1,627	11	1,379	17
Other plantation-related products	603	4	2,528	19	1,139	8	2,091	25
Rubber latex cups and tapping utensils	1,514	11	1,644	13	950	6	531	6
	10,920	76	11,565	88	13,010	88	6,583	79
<b>Non-plantation</b>	3,419	24	1,615	12	1,792	12	1,697	21
<b>Total Revenue</b>	<b>14,339</b>	<b>100</b>	<b>13,180</b>	<b>100</b>	<b>14,802</b>	<b>100</b>	<b>8,280</b>	<b>100</b>



## 5. FINANCIAL INFORMATION (CONT'D)

### Revenue Contribution by Market

	←-----Year Ended 31 July-----→						Eight (8) Months Ended 31.03.2006	
	2003		2004		2005		RM'000	%
	RM'000	%	RM'000	%	RM'000	%		
<b>Plantation</b>								
- Local	8,670	60	6,677	51	5,690	38	3,213	39
- Export	2,250	16	4,888	37	7,320	50	3,370	41
<b>Non-Plantation</b>								
- Local	6	-	303	2	266	2	128	1
- Export	3,413	24	1,312	10	1,526	10	1,569	19
	<b>14,339</b>	<b>100</b>	<b>13,180</b>	<b>100</b>	<b>14,802</b>	<b>100</b>	<b>8,280</b>	<b>100</b>

Revenue from plantation products consists of sales of agricultural products such as the RRIMFLOW system and the components thereof, agricultural chemicals such as Ethephon Plus, and various agricultural accessories. The Group's export sales from the plantation sector is gradually increasing due to the rising demand for agro-technology based products from major natural rubber producing countries such as Indonesia, Thailand, Vietnam, Cambodia and China.

Revenue from non-plantation products consists of sales of plastic-related and wood-related products. These products are primarily exported to countries such as the USA, Europe and Japan.

### (b) Profit Contribution

	←-----Year Ended 31 July-----→			8 Months Ended 31.03.2006
	2003 RM'000	2004 RM'000	2005 RM'000	RM'000
<b>PBT</b>				
Greenyield	(8)	(13)	(12)	(14)
Gimflow	610	196	396	(70)
GTSSB	2,292	2,543	2,819	1,155
GISB	12	366	368	(523)
RCP	167	138	243	118
	<b>3,073</b>	<b>3,230</b>	<b>3,814</b>	<b>666</b>
Taxation	(896)	(945)	(1,115)	(267)
Pro-forma adjustments	(19)	(19)	(19)	(15)
Pro-forma Group / Group PAT	<b>2,158</b>	<b>2,266</b>	<b>2,680</b>	<b>384</b>
<b>PBT margin (%)</b>	<b>21.2</b>	<b>24.3</b>	<b>25.6</b>	<b>7.8</b>

For the financial year ended 31 July 2003, the Group's PBT margin was 21.2%, which was lower than the PBT margin in the previous year, mainly due to a decrease in Gimflow's PBT, as there was an increase in directors' and staff salaries arising from the recruitment of two (2) senior management employees during the year.

In the financial year ended 31 July 2004, the Group experienced an increase in its PBT margin to 24.3%. The improvement was mainly attributable to the better PBT margin recorded by GTSSB and GISB. Gimflow registered a lower PBT margin as a result of its maiden royalty payment to RIMCORP for sales of the RRIMFLOW system, and an increase in directors' remuneration, and salaries and wages.

For the financial year ended 31 July 2005, the Group's PBT margin improved to 25.6%, as a result of the better PBT margin registered by Gimflow and GTSSB. The improvement was mainly due to effective cost control measures.

## 5. FINANCIAL INFORMATION (CONT'D)

For the eight (8) months ended 31 March 2006, the Group's PBT margin dropped to 7.8%. The decline was largely due to the overall decline in revenue as well as the decline in the percentage contribution of gaseous stimulation systems which have a higher margin, due to the adverse seasonal weather conditions.

### (c) Impact of Foreign Exchange and Interest Rates on Operating Profits

#### (i) Foreign Exchange Transactions and Translation

Total export sales for both plantation and non-plantation products ranged between 40% and 60% for the financial years ended 31 July 2003 to 2005 and the eight (8) months ended 31 March 2006. GTSSB exports plantation products to major customers in Indonesia, Thailand, Vietnam, Cambodia, Papua New Guinea, Africa and China, whilst GISB, which sells mainly wood and plastic products, exports to the USA and Japan.

The Group transacts its foreign sales in USD, which are translated to RM at the rates of exchange prevailing on the dates of the transactions. The Group's audited foreign exchange differences for the three (3) financial years ended 31 July 2003 to 2005 and the eight (8) months ended 31 March 2006 are as follows:-

	←-----Year Ended 31 July-----→			8 Months Ended
	2003 RM'000	2004 RM'000	2005 RM'000	31.03.2006 RM'000
Foreign exchange translation gain / (loss)	(13)	5	20	(29)
% of operating profits	(0.4)	0.1	0.5	(3.7)

Where the Group considers appropriate, it will manage its exposure to foreign currencies through forward contracts.

#### (ii) Hire Purchase Interest Rate

The terms for the Group's hire purchase facilities range from two (2) to four (4) years. The effective interest rates for the facilities range from 4.57% to 7.38% per annum. Interest rates are fixed at the inception of the facilities.

#### (iii) Term Loan Interest Rate

Currently, GTSSB's term loan bears interest at the base lending rate plus 1.50% per annum. Prior to March 2005, the said term loan had an interest rate of base lending rate plus 1.75% per annum. Thus, the average effective interest rate was 7.65% per annum for the financial year ended 31 July 2005, and 7.63% per annum for the eight (8) months ended 31 March 2006.

Currently, GISB's term loan bears interest at the Bank Negara Malaysia Funding Rate plus 2.0% per annum. Prior to January 2006, the said term loan had an interest rate of 6.00% per annum. Thus, the average effective interest rate was 6.00% per annum for the financial year ended 31 July 2005, and 6.88% per annum for the eight (8) months ended 31 March 2006.

#### (iv) Bank Overdraft Interest

The Group has a bank overdraft facility taken by GISB. This facility currently bears interest at the Bank Negara Malaysia Funding Rate plus 2.0% per annum. Prior to January 2006, the said facility had an interest rate of 6.00% per annum. Thus, the average effective interest rate was 6.00% per annum for the financial year ended 31 July 2005, and 6.88% per annum for the eight (8) months ended 31 March 2006.

## 5. FINANCIAL INFORMATION (CONT'D)

### (d) Income Tax Expense

The effective tax rates for the financial years ended 31 July 2003 to 2005 were higher than the statutory tax rate of 28% as certain expenses were not deductible for tax purposes.

For the eight (8) months ended 31 March 2006, the Group's effective tax rate was higher than the statutory tax rate of 28% as Gimflow and GISB had incurred losses during the period which were not available for set-off as the companies were not entitled to group relief in Malaysia.

### (e) Exceptional and Extraordinary Items

There were no exceptional or extraordinary items for the financial years / period under review.

### (f) Trade Receivables

Based on the audited consolidated balance sheet of the Greenfield Group as at 31 March 2006, total trade receivables amounted to RM6.887 million. The normal credit period granted to customers is 60 to 90 days. The ageing analysis for the trade receivables as at 31 March 2006 is as follows:-

Ageing (Days)	1 - 30	31 - 60	61 - 90	91 - 120	121 - 150	151 - 180	181-365	> 1 year	> 2 years	Total
Amount (RM'000)	2,124	389	289	303	131	4	1,959	1,574	114	6,887
%	30.8	5.6	4.2	4.4	1.9	0.1	28.4	22.9	1.7	100.0

As at 31 March 2006, the total trade receivables that exceeded the credit period of 90 days amounted to approximately RM4.085 million or 59.3% of the total trade receivables. As at 31 July 2006, the Group had collected RM2.050 million or 50.2% of the trade receivables that exceeded the credit period as at 31 March 2006. The remaining RM2.035 million which was uncollected as at 31 July 2006 is covered by the Bank Guarantee of RM2.055 million, which has been called upon in full.

The trade receivables position as at 31 July 2006 and the Board's rationale for not providing for bad and doubtful debts has been set out in Section 4.5 "Risk Factors – Collection of Trade Receivables".

To mitigate the risk of bad and doubtful debts, the Group performs credit checks prior to granting credit to its customers. For existing customers whose debts are overdue, the Group will send reminders and follow up with the customers to ensure that payments are made.

Should the debts be long overdue, the Group will formulate repayment plans with its customers to ensure that repayments are received. Should these actions still fail to ensure collection, the Group may pursue legal action as a last resort.

The trade receivables turnover periods of the Group are tabulated below:-

	←-----Year Ended 31 July-----→			8 Months Ended
	2003	2004	2005	31.03.2006
Trade receivables turnover (days)	85	151	237	<sup>a</sup> 200

#### **Note:-**

a Annualised

## 5. FINANCIAL INFORMATION (CONT'D)

During the financial year ended 31 July 2003, trade receivables turnover was 85 days, which was an improvement from the previous year. The improvement was largely attributable to payments received during the year from trade debtors outstanding as at 31 July 2002. A continued decline in non-agricultural product sales that are normally transacted on tight credit terms, and an increase in sales of agricultural products contributed to the increase in trade receivables turnover during the financial year ended 31 July 2004 to 151 days.

During the financial year ended 31 July 2005, an increase in long outstanding trade receivables had caused the trade receivables turnover period to increase to 237 days. However, during the eight (8) months ended 31 March 2006, the Group stepped up its collection of trade receivables, resulting in its trade receivables turnover period being reduced to 200 days on an annualised basis.

### (g) Trade Payables

The normal credit periods granted by trade creditors range from 60 to 90 days. The trade payables turnover periods of the Group are tabulated below:-

	←-----Year Ended 31 July-----→			8 Months Ended
	2003	2004	2005	31.03.2006
Trade payables turnover (days)	75	78	181	<sup>a</sup> 131

**Note:-**

*a Annualised.*

For the financial year ended 31 July 2003, there was an improvement in trade receivables turnover as a result of payments received during the year from trade debtors outstanding as at 31 July 2002, which enabled timely payments to be made to creditors. The improvement in cash flow enabled the Group to achieve a trade payables turnover period of 75 days. Despite an increase in trade receivables turnover during the financial year ended 31 July 2004, trade payables turnover only increased marginally to 78 days.

Despite the further increase in the trade receivables turnover period during the financial year ended 31 July 2005, the strong working relationships that the Group had with its suppliers enabled the trade payables turnover period to lengthen to 181 days. The improvement in the trade receivables turnover period for the eight (8) months ended 31 March 2006 enabled the Group to reduce its trade payables turnover period to 131 days on an annualised basis.

### 5.7 Trend Information

In view of the prevailing firm natural rubber prices underpinned by expectations of continued firm demand for natural rubber, demand for agro-technology, plantation consultancy and technical support services to increase the yield of rubber trees will continue to rise. This is especially in view that the new planting of rubber trees will take between 5 and 7 years before the trees start producing latex. The strong demand for such agricultural-related systems and products has enabled Greenyield to expand its customer base to many major natural rubber producing countries such as Indonesia, Thailand, Vietnam, Cambodia, China, Papua New Guinea, Myanmar, Cameroon, Malawi, the Philippines and Guatemala.

The Group's export revenue from plantation products made up approximately 50% of its total revenue for the financial year ended 31 July 2005, and approximately 41% of its total revenue for the eight (8) months ended 31 March 2006. The Group is confident that sales to export markets will continue to gather strength, as many rubber plantations around the world have yet to adopt the proven RRIMFLOW system.

## 5. FINANCIAL INFORMATION (CONT'D)

The listing of Greenyield would provide the Group with the much needed capital to increase its production capacity to meet the expected increase in demand for agricultural-related systems and products, and the working capital to expand its customer base in existing markets and to venture into new markets. The proceeds from the listing of Greenyield would also provide the much needed capital for Greenyield to intensify its R&D efforts in developing more agro-technology based products to cater to the market.

The Group is reviewing its selling prices to both the domestic and export markets, in view of the rising production costs largely due to high crude oil prices and rising salaries and wages. The Group is also continuously seeking better and cheaper materials for its production, in order to maintain its gross margin.

As at 18 August 2006, being the latest practicable date prior to the printing of this Prospectus, the Group had approximately RM2.15 million of outstanding purchase orders from its customers.

### 5.8 Liquidity and Capital Resources

The Group's business growth has been financed through a combination of internally generated funds as well as externally sourced funds comprising mainly borrowings from financial institutions, capital contribution by shareholders, and credit extended by suppliers.

As at 31 March 2006, the Group had consolidated cash and cash equivalents of approximately RM0.34 million, and undrawn committed borrowing facilities granted by financial institutions of approximately RM0.07 million. The Board is of the opinion that after taking into consideration the cash flow position including the proceeds of the Issue and the banking facilities available, the Group will have adequate working capital to meet its requirements for the next twelve (12) months from the date of issue of this Prospectus.

The following are condensed summaries of Greenyield's pro-forma consolidated cash flow statement for the financial year ended 31 July 2005 and audited consolidated cash flow statement for the eight (8) months ended 31 March 2006, which should be read in conjunction with Sections 6.1.3, 6.2.5, 6.3.3, 6.4.5 and 6.5.5 of the Accountants' Report:-

<b>Financial Year ended 31 July 2005</b>	<b>RM'000</b>
Net cash generated from / (used in) operating activities	701
Net cash generated from / (used in) investing activities	(217)
Net cash generated from / (used in) financing activities	(871)
Net increase / (decrease) in cash and cash equivalents	(387)
Cash and cash equivalents as at 1 August 2004	116
Cash and cash equivalents as at 31 July 2005	(271)

For the financial year ended 31 July 2005, net cash flows from operating activities comprised cash generated from operations of RM1.74 million and tax paid of RM1.04 million. Cash flows from investing activities mainly comprised net outflows of RM0.095 million for the purchase of fixed assets and an increase of RM0.13 million in pledged deposits. Cash flows from financing activities mainly comprised outflows for the repayment of hire purchase liabilities of RM0.63 million and payment of interest of RM0.24 million.

<b>Eight (8) Months ended 31 March 2006</b>	<b>RM'000</b>
Net cash generated from / (used in) operating activities	1,792
Net cash generated from / (used in) investing activities	(651)
Net cash generated from / (used in) financing activities	(531)
Net increase / (decrease) in cash and cash equivalents	610
Cash and cash equivalents as at 1 August 2005	(271)
Cash and cash equivalents as at 31 March 2006	339

## 5. FINANCIAL INFORMATION (CONT'D)

For the eight (8) months ended 31 March 2006, net cash generated from operating activities was RM1.79 million where cash derived from operations was RM2.46 million while net income tax paid was RM0.67 million. Net cash used in investing activities was RM0.65 million, mainly as a result of the net purchase of plant and equipment. Net cash used in financing activities was RM0.53 million, largely due to the repayment of borrowings and payment of interest. Cash and cash equivalents as at 31 March 2006 was RM0.34 million where cash, bank balances and deposits with a licensed bank amounted to RM0.86 million, and the bank overdraft and deposits pledged amounted to RM0.52 million.

As at 31 July 2006, the Group's total borrowings comprising bank overdraft, hire purchase liabilities, term loan and post-shipment loan, all of which are interest-bearing, amounted to approximately RM2.30 million. Further details on the Group's borrowings are provided in Section 5.10 "Working Capital, Material Litigation, Capital Commitments, Borrowings and Contingent Liabilities" of this Prospectus.

### 5.9 Factors Affecting the Financial Performance, Position and Operations of the Group

Save as disclosed in Section 4 "Risk Factors", Section 5.6 "Analysis and Commentary on Financial Information", Section 5.7 "Trend Information" and Section 5.8 "Liquidity and Capital Resources" of this Prospectus, the Board is of the view that the financial performance, position and operations of the Group are not materially affected by any of the following:-

- (a) Known trends, demands, commitments, events or uncertainties that have had, or that Greenyard reasonably expects to have, a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (b) Material capital expenditure commitments;
- (c) Unusual or infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group;
- (d) Any substantial increase in revenue attributable to selling prices, the volume of sales, or the introduction of new products and services; and
- (e) Known trends, demands, commitments, events or uncertainties reasonably likely to cause the historical financial statements to be not necessarily indicative of future financial performance and position.

### 5.10 Working Capital, Material Litigation, Capital Commitments, Borrowings and Contingent Liabilities

#### (a) Working Capital

The Board is of the opinion that after taking into consideration the cash flow position of the Group including the proceeds of the Issue and banking facilities available, the Group will have adequate working capital to meet its requirements for the next twelve (12) months from the date of issue of this Prospectus.

#### (b) Material Litigation

As at 15 August 2006, being the latest practicable date prior to the printing of this Prospectus, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may materially affect the financial position or business of the Group, and the Board does not know of any proceedings pending or threatened or any facts likely to give rise to any proceedings which may materially affect the financial position or business of the Group.

**5. FINANCIAL INFORMATION (CONT'D)****(c) Capital Commitments**

As at 15 August 2006, being the latest practicable date prior to the printing of this Prospectus, the Board is not aware of any capital commitments which may materially affect the financial position or business of the Group.

**(d) Borrowings**

As at 31 July 2006, being the latest practicable date prior to the printing of this Prospectus, the total borrowings of the Group amounted to approximately RM2.30 million, as tabulated below, and the Group's gearing ratio was 0.13 times:-

<b>Interest-Bearing Borrowings</b>	<b>Repayable within 12 Months RM'000</b>	<b>Repayable after 12 Months RM'000</b>
Bank overdraft	441	-
Hire purchase liabilities	77	156
Term loan	668	751
Post-shipment loan	210	-

Save and except for the hire purchase liabilities, the Group's bank borrowings are secured by the following:-

- (i) By a first party first legal charge of RM3.0 million over the factories and land at Olak Lempit Furniture Village held under H.S. (M) 5725, Lot PT 4055, Mukim Tanjung Dua Belas, Tempat Olak Lempit, Daerah Kuala Langat, Selangor Darul Ehsan;
- (ii) By a first party second legal charge of RM1.2 million over the factories and land at Olak Lempit Furniture Village held under H.S. (M) 5725, Lot PT 4055, Mukim Tanjung Dua Belas, Tempat Olak Lempit, Daerah Kuala Langat, Selangor Darul Ehsan;
- (iii) A first party first legal charge of RM655,388 over all the two (2) units of four (4)-storey shop offices held under Geran 80929 and 80930, Lot 37811 and 37810, Seksyen 10, Bandar Kajang, Daerah Ulu Langat, Selangor Darul Ehsan; and
- (iv) Joint and several guarantees by all the directors of GISB and GTSSB.

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## 5. FINANCIAL INFORMATION (CONT'D)

Covenants under borrowing facility agreements which limit the Group's operating and financial flexibilities are as follows:-

No.	Date	Parties	Nature of Contract	Covenants										
1.	4 June 1997	Malayan Banking Berhad ("MBB") and GTSSB	Term Loan of RM655,388 to purchase two (2) units of 4-storey shop office for own business use ("Property")	<p>GTSSB will not without the prior consent of MBB in writing terminate or agree to terminate the Sale and Purchase Agreement ("SPA") or agree to any variation of the terms of the SPA or assign or create or suffer to be created any assignment of his right and title to and interest whatsoever in the Property including all his rights and interest under the SPA.</p> <p>GTSSB will not assign, transfer, sell, charge or otherwise howsoever deal with GTSSB's rights, title and interest under the SPA or the Property or any part thereof or any interest therein or make the same subject to any charge, encumbrance, liability or lien whatsoever or rescind, remove or amend any condition or restriction affecting the Property without the written consent of MBB first had and obtained.</p> <p>GTSSB will not lease, let out, or grant any licence or otherwise howsoever part with the possession or make or accept the surrender of any lease whatsoever of or in respect of the Property or any fixture, structure or any part thereof to any person, firm or company without the consent in writing of MBB first had and obtained and which consent may be given or refused without assigning any reason therefore either absolutely or on such terms and conditions as MBB deems fit and the decision of MBB shall be final and conclusive.</p> <p>GTSSB shall maintain its tangible net worth of not less than RM7 million during the duration of the facility.</p>										
2.	26 April 2004	MBB and GTSSB	Trust Receipt – RM200,000	<p>MBB is to be immediately informed should there be any change in the residential status of GTSSB.</p> <p>GTSSB shall maintain its tangible net worth of not less than RM7 million during the duration of the facility.</p>										
3.	19 October 1999	MBB and GISB	<table border="1"> <thead> <tr> <th>Facility</th> <th>Amount (RM)</th> </tr> </thead> <tbody> <tr> <td>Term Loan</td> <td>3,000,000</td> </tr> <tr> <td>Overdraft</td> <td>500,000</td> </tr> <tr> <td>Export Credit Refinancing (Pre &amp; Post)</td> <td></td> </tr> <tr> <td>Letter of Credit (Sight / 90 days)</td> <td>670,000</td> </tr> </tbody> </table>	Facility	Amount (RM)	Term Loan	3,000,000	Overdraft	500,000	Export Credit Refinancing (Pre & Post)		Letter of Credit (Sight / 90 days)	670,000	<p>GISB will not allow any change in the majority shareholders or the majority shareholders' shareholding without the prior written consent of MBB. MBB reserves the right to recall the facility if there is any such change.</p> <p>MBB is to be immediately informed should there be any change in the residential status of GISB.</p> <p>GISB had on 13 May 2004 obtained MBB's written consent to the changes in GISB's shareholding structure arising from the</p>
Facility	Amount (RM)													
Term Loan	3,000,000													
Overdraft	500,000													
Export Credit Refinancing (Pre & Post)														
Letter of Credit (Sight / 90 days)	670,000													



**5. FINANCIAL INFORMATION (CONT'D)**

No.	Date	Parties	Nature of Contract	Covenants
			Trust Receipt (90 days)	restructuring and subsequent listing of Greenyard on the MESDAQ Market subject to the current shareholders undertaking not to dilute their imminent indirect shareholding in GISB to less than 51% through Greenyard without MBB's written consent.
			Banker's Acceptance (90 days)	
			Foreign Exchange Contract (Spot & Forward)	
				30,000

The Board confirms that the Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the financial year ended 31 July 2006 and the period ended 15 August 2006, being the latest practicable date prior to the printing of this Prospectus.

Save as disclosed above, the Group does not have any other capital outstanding or loan capital created but unissued or mortgages or charges outstanding on that date.

**(e) Contingent Liabilities**

As at 15 August 2006, being the latest practicable date prior to the printing of this Prospectus, the Group does not have any contingent liabilities.

**5.11 Consolidated Profit Forecasts**

The Board forecasts that, barring unforeseen circumstances, the Group's consolidated results for the financial year ended 31 July 2006 and the financial year ending 31 July 2007 will be as follows:-

<b>Financial Year Ended / Ending 31 July</b>	<b>Forecast 2006 RM'000</b>	<b>Forecast 2007 RM'000</b>
Revenue	20,244	23,681
Consolidated PBT	5,060	6,326
Tax expense	(1,417)	(1,771)
Consolidated PAT before minority interest	3,643	4,555
Minority interest	-	-
Consolidated PAT after minority interest	3,643	4,555
Number of Shares in issue ('000) <sup>a</sup>	122,740	165,000
Weighted average number of Shares in issue ('000)	122,740	161,478
Net EPS based on weighted average number of Shares (sen)	2.97	2.82
Net PE Multiple based on Issue Price of RM0.21 per Share (times)	7.07	7.45

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**5. FINANCIAL INFORMATION (CONT'D)**

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**Note:-**

- a        *The ESOS has no dilutive effect on the net EPS as the fair value of the Shares (the Issue Price) equates the exercise price of the Options.*

The consolidated profit forecasts have been prepared on bases and accounting principles consistent with those previously adopted in the preparation of the Group's audited financial statements.

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**5. FINANCIAL INFORMATION (CONT'D)**


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**5.12 Reporting Accountants' Letter on the Consolidated Profit Forecasts**

**KPMG (Firm No. AF 0758)**  
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The Board of Directors  
 Greenyield Berhad  
 21 & 23, Jalan Seksyen 3/7  
 Taman Kajang Utama  
 43000 Kajang  
 Selangor Darul Ehsan

30 August 2006

Dear Sirs,

**Reporting accountant's letter on the consolidated profit forecasts for the years ended/ending 31 July 2006 and 2007**

We have reviewed the consolidated profit forecasts of Greenyield Berhad ("GYB") and its subsidiaries ("GYB Group") for the financial years ended/ending 31 July 2006 and 2007 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Malaysian Approved Standards on Auditing (AI 810) applicable to the review of forecasts. The consolidated profit forecasts have been prepared in connection with the following proposals ("Proposed Scheme") for inclusion in the Prospectus to be dated 27 September 2006 and should not be relied on for any other purposes.

- i. Proposed private placement of 35,260,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per ordinary share to selected investors.
- ii. Proposed public issue of 7,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per ordinary share to the general public, eligible employees and directors of the Group and other persons who have contributed to the success of the Group.
- iii. Proposed listing of and quotation for the entire enlarged issued and paid up share capital of GYB of RM16,500,000 comprising 165,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Malaysia Securities Berhad.
- iv. In conjunction with its proposed listing, GYB proposes to implement an Employee Share Option Scheme ("ESOS") involving up to 15,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per ordinary share, to be issued pursuant to the exercise of the options to be granted under the Proposed ESOS to the eligible employees and directors of the Group.

**5. FINANCIAL INFORMATION (CONT'D)**

*Greenfield Berhad*  
*Reporting accountant's letter on the consolidated profit*  
*forecasts for financial years ended/ending 31 July 2006 and 2007*  
*30 August 2006*

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecasts are, in all material respects, properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by GYB Group in its audited financial statements for the financial period ended 31 March 2006 and in accordance with the financial reporting standards required to be adopted by the GYB Group effective 1 August 2006 (by the Malaysian Accounting Standards Board). The Directors of GYB are solely responsible for the preparation and presentation of the consolidated profit forecasts and the assumptions on which the consolidated profit forecasts are based.

Forecasts, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecasts are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecasts since anticipated events frequently do not occur as expected and the variation could be material.

GYB Group forecasts to earn and record revenue of approximately RM24 million for the year ending 31 July 2007, with export sales contributing 60% of the revenue. We draw your attention to Assumptions 1, 2, 3 and 4 of the principal bases and assumptions of the consolidated profit forecasts whereby it is assumed that there will not be significant changes in the prevailing economic and political conditions as well as legislation and governmental regulations, no material fluctuations in foreign currency exchange rates and that there will be no new substitute products and services in the market that will significantly impact GYB Group's sales. The actual future events may differ from the anticipated assumptions and the variation could be material.

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecasts; and
- (ii) in our opinion, the consolidated profit forecasts, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the GYB Group in its audited financial statements for the financial period ended 31 March 2006 and in accordance with the financial reporting standards required to be adopted by the GYB Group effective 1 August 2006 (by the Malaysian Accounting Standards Board).

Yours faithfully

**KPMG**

Firm Number: AF 0758

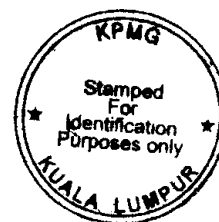
Chartered Accountants

**5. FINANCIAL INFORMATION (CONT'D)****GREENYIELD BERHAD  
AND ITS SUBSIDIARIES ("GYB GROUP")****CONSOLIDATED PROFIT FORECASTS  
FOR THE YEARS ENDED/ENDING 31 JULY 2006 AND 2007**

Barring unforeseen circumstances and on the principal bases and assumptions set out below, the Directors forecast that the GYB Group's consolidated profit forecasts for the years ended/ending 31 July 2006 and 2007 will be as follows:

	Year ended/ending 31 July	
	Forecast 2006 RM'000	Forecast 2007 RM'000
Revenue	20,244 =====	23,681 =====
Consolidated profit before tax	5,060	6,326
Tax expense	(1,417)	(1,771)
Consolidated profit after tax but before minority interest	3,643	4,555
Minority interest	-	-
Consolidated profit after tax and minority interest	3,643 =====	4,555 =====
* Number of shares in issue of RM0.10 each ('000 units)	122,740	165,000
Weighted average number of shares in issue of RM0.10 each ('000 units)	122,740	161,478
Net earnings per ordinary share based on weighted average number of shares (sen)	2.97	2.82
Net price-earnings multiple based on the issue price of RM0.21 per share	7.07	7.45

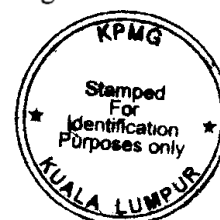
\* *The Employee Share Option Scheme ("ESOS") has no dilutive effect on the net earnings per ordinary share as the fair value of the ordinary shares (the public issue price) equates the exercise price of the options.*



**5. FINANCIAL INFORMATION (CONT'D)**

The principal bases and assumptions upon which the above consolidated profit forecasts have been made are as follows:

1. There will be no significant changes in the prevailing economic and political conditions that will adversely affect the activities and performance of GYB Group.
2. There will be no significant changes in the present legislation and governmental regulations which will adversely affect the operations of GYB Group or the markets in which it operates.
3. There will be no material fluctuations in foreign currency exchange rates including the exchange rate of RM3.63 to United States Dollar ("USD") 1.00 (in 2006) and RM3.60 to USD1.00 (in 2007).
4. There will be no new substitute products and services in the market that significantly impact GYB Group's sales.
5. There will be no significant changes in the rate and basis of taxation.
6. There will be no significant changes in the principal activities, composition and structure of GYB Group.
7. There will be no significant changes in the existing senior management and existing accounting, management and operational policies which will adversely affect the Group.
8. Existing financing facilities will remain available to GYB Group and interest rates will not change significantly from those presently prevailing. In addition, GYB Group will be able to obtain financing facilities at the present prevailing interest rates.
9. There will be no industrial disputes or any other abnormal factors or changes that will significantly affect GYB Group's operations or disrupt its planned operations.
10. Capital expenditure will be incurred as planned.
11. There will be no significant changes in the prices of major raw materials, labour and other operating costs other than as planned.
12. There will be no significant changes in the pricing of GYB Group's products and sales of products other than as planned.
13. There will be no significant disruptions in the operations and supply of raw materials or any unfavorable conditions that will adversely affect the activities of GYB Group.
14. Interest and inflation rates will remain at current levels.
15. There will be no significant incidence of bad and doubtful debts.
16. Proposed listing expenses estimated at RM1,502,000 will be set off against the share premium account.



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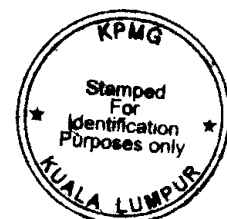
**5. FINANCIAL INFORMATION (CONT'D)**


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17. The gross proceeds of RM8,874,600 from the proposed private placement and public issue will be received by the second quarter of financial year ending 2007 and utilised as follows :

	RM'000
Research and development	1,500
Capital expenditure	1,850
Setting up of marketing and technical support service centers	300
Repayment of borrowings	1,500
Working capital	2,223
Listing expenses	1,502
	<hr/>
	8,875
	<hr/> <hr/>

18. The weighted average number of shares for the year ending 31 July 2007 is calculated based on the assumption that public issue will be completed by the second quarter of financial year ending 2007.



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**5. FINANCIAL INFORMATION (CONT'D)**

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**5.13 Directors' Commentary on the Consolidated Profit Estimate and Forecast**

The Reporting Accountants, KPMG, who have commenced the audit for the financial year ended 31 July 2006, have in their letter dated 18 September 2006, confirmed that the consolidated profit forecast of RM3.64 million for the financial year ended 31 July 2006 has been met. Notwithstanding the audited consolidated PAT of RM0.384 million for the eight (8) months ended 31 March 2006, the forecast PAT of RM3.64 million was achieved on the back of significant export sales to Vietnam, Cambodia and China as well as domestic sales to Felcra Agro Industry Sdn Bhd during the period 1 April 2006 to 31 July 2006.

The revenue forecast for the financial year ending 31 July 2007 is based on existing orders as well as orders expected to be placed by existing customers in Malaysia and overseas markets. The achievability of the revenue forecast is further enhanced after in-depth discussion between Greenyield and the senior management of the customers, and an analysis of the need for Greenyield's agricultural-related systems and products by the Group's technical personnel in the plantations of the customers, both in and outside of Malaysia. The revenue forecast is further supported by the written forecasts of certain major customers.

The achievability of the consolidated profit forecast for the financial year ending 31 July 2007 would be affected if a material proportion of the Group's customers were affected by factors that prevent them from tapping rubber and using stimulation systems. Examples of such factors are unusual adverse climatic conditions such as an unusually long raining season or drought, and an outbreak of disease in the rubber trees. The Board believes that the probability of such incidents happening is low as the Group's major customers are located in different regions of the world while the Group is expanding its customer base to new markets.

The Board has reviewed and analysed the bases and assumptions used in arriving at the Group's consolidated profit forecast for the financial year ending 31 July 2007. The Board is of the opinion that the consolidated profit forecast is fair and reasonable in the light of the future prospects of the industry, the future plans, strategies and prospects of the Group as set out in Section 6 "Business Overview" of this Prospectus, and after taking into consideration the forecast gearing levels, liquidity and working capital requirements of the Group, as well as the revenue from secured orders.

Nevertheless, these bases and assumptions cover a future period for which there are inherent risks, and should therefore be treated with caution. These bases and assumptions are subject to significant uncertainties and contingencies, which are often outside the control of the Group. Therefore, certain assumptions used in the preparation of the consolidated profit forecast may differ significantly from the actual situation after the date of this profit forecast.

**5.14 Sensitivity Analysis**

The following sensitivity analysis is prepared based on the forecast assumptions set out in Section 5.12 "Reporting Accountants' Letter on the Consolidated Profit Forecasts" of this Prospectus, and attempts to show the impact on the forecast consolidated profits for the financial year ending 31 July 2007 assuming all other things remain unchanged except for 5% and 10% upward and downward variations in the volume of sales, selling prices, cost of sales, and operating and administrative expenses. In the case of variations in the volume of sales, it is assumed that the gross profit margin will remain constant.

Notwithstanding the impact of the variations in the volume of sales, selling prices, cost of sales, and operating and administrative expenses, there may exist other factors which have not been taken into account, variations of which may have a significant positive or negative impact on the financial performance of the Group.



**5. FINANCIAL INFORMATION (CONT'D)**

The sensitivity analysis is as follows:-

**(a) Variation in Volume of Sales**

	PBT (RM'000)	PAT (RM'000)
As forecasted	6,326	4,555
Increase by 5%	6,890	4,961
Increase by 10%	7,455	5,368
Decrease by 5%	5,761	4,148
Decrease by 10%	5,197	3,742

**(b) Variation in Selling Prices**

	PBT (RM'000)	PAT (RM'000)
As forecasted	6,326	4,555
Increase by 5%	7,510	5,407
Increase by 10%	8,694	6,260
Decrease by 5%	5,142	3,702
Decrease by 10%	3,958	2,850

**(c) Variation in Cost of Sales**

	PBT (RM'000)	PAT (RM'000)
As forecasted	6,326	4,555
Increase by 5%	5,707	4,109
Increase by 10%	5,087	3,663
Decrease by 5%	6,946	5,001
Decrease by 10%	7,565	5,447

**(d) Variation in Operating and Administrative Expenses**

	PBT (RM'000)	PAT (RM'000)
As forecasted	6,326	4,555
Increase by 5%	6,078	4,376
Increase by 10%	5,829	4,197
Decrease by 5%	6,574	4,733
Decrease by 10%	6,822	4,912

The Board has assessed the sensitivity of the Group's profit forecast taking into consideration the fluctuations in major variables as set out above. The Board is of the view that the sensitivity analysis of the Group's profit forecast is fair and reasonable.

**5.15 Dividend Forecast**

The Board intends to pursue a dividend policy in line with the Group's profitability which would allow shareholders to participate in the Group's profits while at the same time leaving sufficient reserves for the Group's future growth.

However, the Board is of the opinion that it would be more beneficial for the Group to conserve any excess cash flow for its expansion and accordingly, the Board does not intend to declare any dividend for the financial year ended 31 July 2006 and the financial year ending 31 July 2007.

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## 5. FINANCIAL INFORMATION (CONT'D)

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### 5.16 Accountants' Report



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The Board of Directors  
Greenyield Berhad  
No. 21 & 23, Jalan Seksyen 3/7  
Taman Kajang Utama  
43000 Kajang  
Selangor Darul Ehsan

30 August 2006

Dear Sirs,

## Accountants' Report

### 1. Introduction

This report has been prepared by Messrs KPMG, an approved company auditor, for inclusion in the Prospectus of Greenyield Berhad ( "Greenyield" or " Company" ) to be dated 27 September 2006 in connection with the listing of Greenyield on the MESDAQ Market of Bursa Malaysia Securities Berhad ("MESDAQ Market").

### 2. General information

#### 2.1 Background

Greenyield was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 7 June 2002 under the name of Greenyield Sdn. Bhd. The Company was converted into a public limited company on 6 January 2003. Greenyield is principally an investment holding company and its subsidiaries are principally engaged in the manufacturing, trading, marketing and distribution of agricultural related systems and products, providing technical and consultancy services.

## 5. FINANCIAL INFORMATION (CONT'D)



### 2.2 Share capital

At the date of incorporation, Greenyfield's authorised share capital was RM100,000 consisting of 100,000 ordinary shares of RM1.00 each and the issued and fully paid up share capital was RM2 consisting 2 ordinary shares of RM1.00 each.

The movements in the authorised share capital of Greenyfield since its incorporation date to the date of this report are as follows:

Date of increase/creation	Number of ordinary shares of RM1.00 each	Resultant balance RM
Upon incorporation	100,000	100,000
11 March 2005	24,900,000	25,000,000
16 May 2005	250,000,000*	25,000,000

\* On 16 May 2005, the Company divided its ordinary shares of RM1.00 each into ten (10) ordinary shares of RM0.10 each.

The details of the changes in the issued and fully paid up share capital of Greenyfield since its incorporation date to the date of this report are as follows:

Date of issue	Number of ordinary shares	Issue price per ordinary share RM	Purpose	Issued and fully paid-up share capital (Cumulative) RM
7 June 2002	2	1.00	Incorporation	2
11 March 2005	2,485,796	1.00	Acquisition of Gimflow	2,485,798
11 March 2005	5,816,989	1.00	Acquisition of GTSSB	8,302,787
11 March 2005	3,598,359	1.00	Acquisition of GISB	11,901,146
11 March 2005	372,854	1.00	Acquisition of RCP	12,274,000
16 May 2005	-	0.10**	Share split	12,274,000

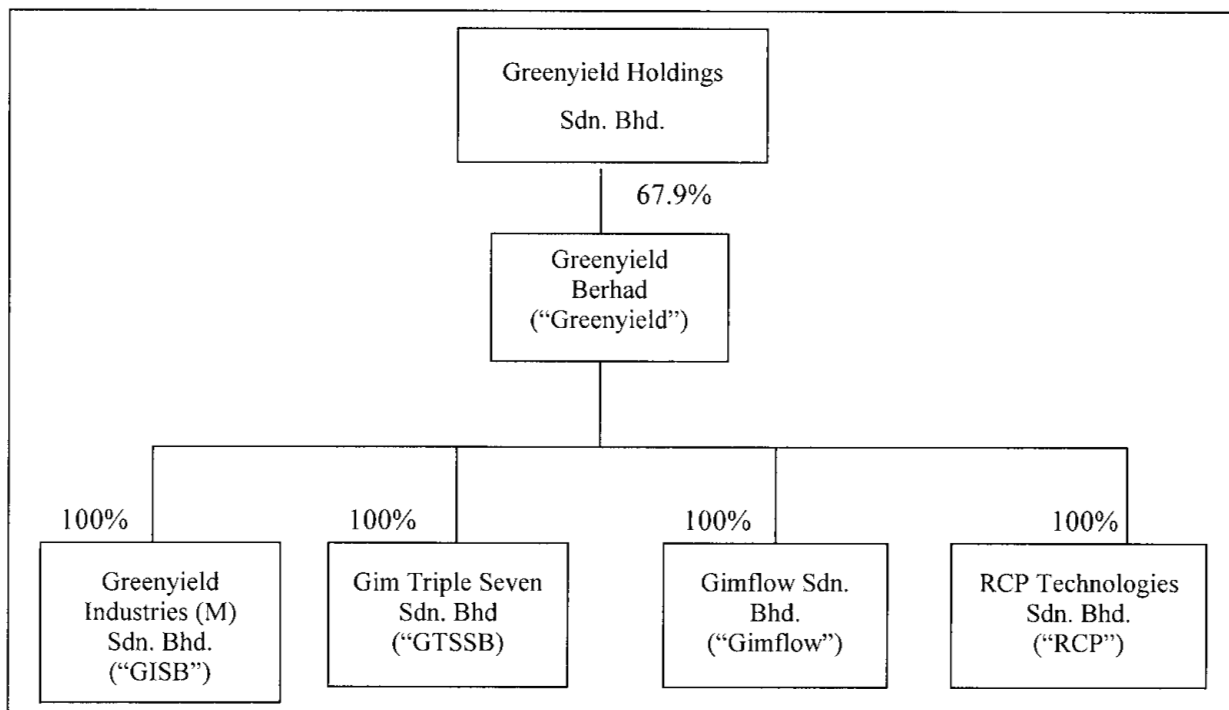
\*\* On 16 May 2005, Greenyfield divided its ordinary shares of RM1.00 each into ten (10) ordinary shares of RM0.10 each. Consequently, Greenyfield's existing number of ordinary shares prior to the share split comprising of 12,274,000 ordinary shares of RM1.00 each was increased to 122,740,000 ordinary shares of RM0.10 each.

## 5. FINANCIAL INFORMATION (CONT'D)



### 2.3 Greenfield Group Structure

The group structure of Greenfield Group is as follows:-



### 3. Listing scheme

In conjunction with the listing of and the quotation for the entire issued and paid up share capital of Greenfield on the MESDAQ Market, Greenfield will undertake the following:-

- a. Public issue of 42,260,000 new Greenfield shares in the following manner:-
  - i. Private placement of 35,260,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per ordinary share to selected investors.
  - ii. Public issue of 7,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per ordinary share to the general public, directors and eligible employees of Greenfield and its subsidiaries and other persons who have contributed to the success of the Group.

- b. Employees share option scheme

In conjunction with its proposed listing, Greenfield proposes to implement an Employee Share Option Scheme ("ESOS") involving up to 15,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per ordinary share to be issued pursuant to the exercise of the options to be granted under the Proposed ESOS to the directors and eligible employees of the Group.

- c. Listing and quotation

Listing of and quotation for the entire enlarged issued and paid up share capital of Greenfield of RM16,500,000 comprising 165,000,000 ordinary shares of RM0.10 each on the MESDAQ Market.

**5. FINANCIAL INFORMATION (CONT'D)****4. Information on subsidiaries**

The wholly-owned subsidiaries of Greenyfield, as at the date of this report and their principal activities are as follows:

Name of company	Date and place of incorporation	Authorised share capital RM	Issue and paid up capital RM	Effective equity interest %	Principal activity
Gim Triple Seven Sdn. Bhd. ("GTSSB")	6 August 1990 Malaysia	500,000	200,000	100	Marketing and distribution of agricultural related systems and products.
Gimflow Sdn. Bhd. ("Gimflow")	9 February 1993 Malaysia	1,000,000	650,000	100	Marketing and distribution of agricultural related systems and products.
Greenyfield Industries (M) Sdn. Bhd. ("GISB")	20 May 1988 Malaysia	5,000,000	1,108,572	100	Manufacture and marketing of agricultural systems and products, and plastic-related and wood-related products.
RCP Technologies Sdn. Bhd. ("RCP")	13 June 1997 Malaysia	500,000	50,000	100	Trading of agricultural and plantation tools and providing technical and consultancy services.

**5. Financial statements and auditors**

The present financial year end of all companies in the Greenyfield Group is 31 July.

KPMG acted as auditors of all the companies in the Greenyfield Group for the period covered in this report:

Name of company	Financial period ("FP")/ Financial year ("FY")
Greenyfield	14 months FP ended 31 July 2003, FY ended 2004 and 2005, and 8 months FP ended 31 March 2006
Gimflow, GTSSB, GISB, RCP	FY ended 31 July 2003 to 2005 and 8 months FP ended 31 March 2006

The auditors' reports of Greenyfield and its subsidiaries for all the relevant financial period/years under review were not subject to any qualification.

## 5. FINANCIAL INFORMATION (CONT'D)



### 5.1 Accounting policies and standards

The accounting policies adopted in the preparation of this report are set out in Section 7 and are consistent with the accounting policies adopted by Greenyield and its subsidiaries in their latest audited financial statements.

The financial information presented in this report is based on the audited financial statements of Greenyield Group, which have been prepared in accordance with applicable approved accounting standards in Malaysia.

There were no changes in the significant accounting policies adopted by the Greenyield Group during the period covered in this report.

### 5.2 Dividends

No dividend has been paid or declared by Greenyield and its subsidiaries during the relevant years/period under review.

## 6. Audited financial statements

Greenyield Group only existed in the financial year ended 31 July 2005, with the acquisition of GISB, GTSSB, Gimflow and RCP by Greenyield on 11 March 2005.

As there are no group financial statements for the financial years ended 31 July 2003 and 2004, and the group financial statements for the year ended 31 July 2005 only showed the Greenyield Group's results for a portion of the financial year, the summarised audited financial statements of the individual companies in the Group are shown in Section 6.1 to 6.5.

### 6.1 Greenyield Berhad

We set out below the summarised results of Greenyield for the fourteen months financial period ended 31 July 2003, financial years ended 31 July 2004 and 2005 and the eight months financial period ended 31 March 2006.

	14 months ended	For the year ended 31 July		8 months ended
	31.7.2003	2004	2005	31.3.2006
	RM'000	RM'000	RM'000	RM'000
Administrative expenses	(8)	(13)	(12)	(14)
<b>Net loss for the year/period</b>	<b>(8)</b>	<b>(13)</b>	<b>(12)</b>	<b>(14)</b>

*\*Greenyield has not paid or declared any dividends since its incorporation.*

## 5. FINANCIAL INFORMATION (CONT'D)



### 6.1.1 Summarised balance sheets

We set out below the summarised balance sheets of Greenyfield as at 31 July 2003 to 2005 and 31 March 2006.

	Note	As at 31 July			31.3.2006
		2003 RM'000	2004 RM'000	2005 RM'000	
Investments in subsidiaries		-	-	12,274	12,274
<b>Current assets</b>					
Other receivables		-	-	235	249
Cash and cash equivalents		-	-	1	1
		-	-	236	250
<b>Current liabilities</b>					
Other payables	6.1.1.1	8	21	269	297
<b>Net current liabilities</b>		(8)	(21)	(33)	(47)
		(8)	(21)	12,241	12,227
<b>Capital and reserves :</b>					
Share capital		*	*	12,274	12,274
Accumulated losses		(8)	(21)	(33)	(47)
		(8)	(21)	12,241	12,227

\* The issued and paid up share capital is RM 2

### Notes to summary balance sheets

#### 6.1.1.1 Other payables

	As at 31 July			31.3.2006
	2003 RM'000	2004 RM'000	2005 RM'000	
Other payables and accruals	8	21	79	73
Amount due to a subsidiary	-	-	190	224
	8	21	269	297

## 5. FINANCIAL INFORMATION (CONT'D)



### 6.1.2 Statements of changes in equity

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
<b>At date of incorporation</b>	*	-	*
Net loss for the period	-	(8)	(8)
<b>At 31 July 2003 / 1 August 2003</b>	*	(8)	(8)
Net loss for the year	-	(13)	(13)
<b>At 31 July 2004 / 1 August 2004</b>	*	(21)	(21)
Issue of shares	12,274	-	12,274
Net loss for the year	-	(12)	(12)
<b>At 31 July 2005 / 1 August 2005</b>	12,274	(33)	12,241
Net loss for the period	-	(14)	(14)
<b>At 31 March 2006</b>	12,274	(47)	12,227

\* Represents RM 2

### 6.1.3 Cash flow statements

	14 months ended 31.7.2003 RM'000	For the year ended 31 July		8 months ended 31.3.2006 RM'000
		2004 RM'000	2005 RM'000	
<b>Cash flows from operating activities</b>				
Net loss for the year/period	(8)	(13)	(12)	(14)
Changes in working capital:				
Other receivables	-	-	(235)	(14)
Other payables	8	13	58	28
<b>Net cash used in operating activities</b>	-	-	(189)	-
<b>Cash flows from financing activities</b>				
Advance from a subsidiary	-	-	189	-
<b>Net cash generated from financing activities</b>	-	-	189	-
<b>Cash and cash equivalents at beginning of year/period</b>	#	#	#	*
<b>Cash and cash equivalents at end of year/period</b>	#	#	*	*

# Represents cash in hand of RM 2

\* Represents cash in hand of RM502



## 5. FINANCIAL INFORMATION (CONT'D)



### 6.2 Gimflow Sdn Bhd

We set out below the summarised results of Gimflow Sdn Bhd for the financial years ended 31 July 2003 to 2005 and eight months financial period ended 31 March 2006.

	Notes	← For the year ended 31 July →			8 months
		2003	2004	2005	ended
		RM'000	RM'000	RM'000	31.3.2006
					RM'000
Revenue		7,517	7,021	5,988	3,053
Cost of sales		(5,388)	(4,997)	(3,780)	(2,262)
Gross profit		2,129	2,024	2,208	791
Distribution costs		-	-	(262)	(172)
Administrative expenses		(1,576)	(1,879)	(1,601)	(688)
Other operating income		78	68	57	-
Operating profit/(loss)		631	213	402	(69)
Interest expense		(21)	(17)	(6)	(1)
Profit/(loss) before taxation		610	196	396	(70)
Tax expense		(202)	(41)	(73)	24
Net profit/(loss) for the year/period		408	155	323	(46)
Effective tax rate (%)	6.2.1	33.11	20.92	18.43	-
Gross margin		28.32	28.83	36.87	25.91
Pre-tax profit margin		8.11	2.79	6.61	-
NTA per ordinary share (RM)		3.57	3.81	4.31	4.24
Current ratio (times)		1.61	1.60	1.35	1.50
Gearing ratio (times)		0.10	0.05	0.01	0.01
Interest coverage ratio (times)		30.05	12.53	67.00	-
Gross dividend rate*		-	-	-	-
After tax return on shareholders' funds (%)		17.56	6.25	11.53	(2.50)**
Weighted average number of ordinary shares ('000)		650	650	650	650
Earnings/(loss) per share (RM)	6.2.2				
-Gross		0.94	0.30	0.61	(0.16)**
-Net		0.63	0.24	0.50	(0.11)**

\* Gimflow has not paid or declared any dividends since its incorporation.

\*\* Annualised

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**5. FINANCIAL INFORMATION (CONT'D)**

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**Notes to summary of results**

**6.2.1 Effective tax rate**

The effective tax rate in 2003 was higher than the statutory tax rate mainly due to certain expenses which are non-deductible for tax purposes. In 2004 and 2005, the effective tax rate was lower than the statutory tax rate mainly due to the overprovision of prior year tax expense.

In 2006, there was a writeback of tax expense overprovided for in prior years.

**6.2.2 Earnings per share**

The basic gross and net earnings per share are calculated based on the profit before and after taxation attributable over the weighted average number of ordinary shares outstanding during the year/period.

## 5. FINANCIAL INFORMATION (CONT'D)



### 6.2.3 Summarised balance sheets

We set out below the summarised balance sheets of Gimflow Sdn Bhd as at 31 July 2003 to 2005 and 31 March 2006.

	Notes	As at 31 July			
		← 2003 RM'000	2004 RM'000	2005 RM'000	→ 31.3.2006 RM'000
<b>Plant and equipment</b>	6.2.3.1	1,094	1,148	993	893
<b>Intangible assets-trademarks</b>		2	2	2	2
<b>Long term receivables</b>		-	-	500	500
<b>Current assets</b>					
Inventories	6.2.3.2	364	190	165	243
Trade and other receivables	6.2.3.3	2,212	3,440	5,070	3,803
Tax recoverable		-	149	244	220
Cash and cash equivalents	6.2.3.4	1,189	74	63	160
		<u>3,765</u>	<u>3,853</u>	<u>5,542</u>	<u>4,426</u>
<b>Current liabilities</b>					
Trade and other payables	6.2.3.5	2,076	2,288	4,076	2,936
Borrowings	6.2.3.6	114	119	36	14
Taxation		145	-	-	-
		<u>2,335</u>	<u>2,407</u>	<u>4,112</u>	<u>2,950</u>
<b>Net current assets</b>		<u>1,430</u>	<u>1,446</u>	<u>1,430</u>	<u>1,476</u>
		<u>2,526</u>	<u>2,596</u>	<u>2,925</u>	<u>2,871</u>
<b>Represented by:</b>					
Share capital		650	650	650	650
Retained profits		1,674	1,829	2,152	2,106
<b>Shareholders' funds</b>		<u>2,324</u>	<u>2,479</u>	<u>2,802</u>	<u>2,756</u>
<b>Long term and deferred liabilities</b>					
Borrowings	6.2.3.6	119	-	3	-
Deferred tax liabilities	6.2.3.7	83	117	120	115
		<u>2,526</u>	<u>2,596</u>	<u>2,925</u>	<u>2,871</u>

**5. FINANCIAL INFORMATION (CONT'D)****Notes to summarised balance sheets****6.2.3.1 Plant and equipment**

	←	As at 31 July		→	
	2003	2004	2005		31.3.2006
	RM'000	RM'000	RM'000		RM'000
Furniture and fittings	5	7	8		7
Office equipment	52	83	81		110
Motor vehicles	429	374	319		284
Renovation	2	6	6		5
Air conditioners	5	6	5		4
Empty cylinders	599	670	573		482
Plant and machinery	2	2	1		1
	1,094	1,148	993		893

**6.2.3.2 Inventories**

	←	As at 31 July		→	
	2003	2004	2005		31.3.2006
	RM'000	RM'000	RM'000		RM'000
At cost:					
Trading stocks	364	190	165		243
	364	190	165		243

**6.2.3.3 Trade and other receivables**

	←	As at 31 July		→	
	2003	2004	2005		31.3.2006
	RM'000	RM'000	RM'000		RM'000
Trade receivables	1,801	2,566	4,522		2,991
Other receivables and prepayments	68	98	117		105
Holding company	-	-	-		4
Related companies	343	776	431		703
	2,212	3,440	5,070		3,803

## 5. FINANCIAL INFORMATION (CONT'D)



### 6.2.3.3 Trade and other receivables (continued)

		As at 31 March 2006						
		← Within credit period →			← Exceeded credit period →			
Credit period		0 – 30 days	31 – 60 days	61 – 90 days	3 – 6 months	6 – 12 months	> 12 months	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	90 days	569	106	138	178	1,377	623	2,991
% of trade receivables		19.02	3.54	4.61	5.95	46.04	20.84	100.00

### 6.2.3.4 Cash and cash equivalents

	As at 31 July			
	2003	2004	2005	31.3.2006
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	303	-	-	-
Cash and bank balances	886	74	63	160
	1,189	74	63	160

### 6.2.3.5 Trade and other payables

	As at 31 July			
	2003	2004	2005	31.3.2006
	RM'000	RM'000	RM'000	RM'000
Trade payables	80	158	261	151
Other payables and accrued expenses	92	70	62	31
Related companies	1,904	2,060	3,753	2,754
	2,076	2,288	4,076	2,936

		As at 31 March 2006						
		← Within credit period →			← Exceeded credit period →			
Credit period		0 – 30 days	31 – 60 days	61 – 90 days	3 – 6 months	6-12 months	> 12 months	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	90 days	89	49	6	7	-	-	151
% of trade payables		58.94	32.45	3.97	4.64	-	-	100.00

## 5. FINANCIAL INFORMATION (CONT'D)



### 6.2.3.6 Borrowings

	← As at 31 July →			→
	2003 RM'000	2004 RM'000	2005 RM'000	
Hire purchase liabilities:				
Current	114	119	36	14
Non-current	119	-	3	-
	233	119	39	14

### 6.2.3.7 Deferred tax liabilities

	← As at 31 July →			→
	2003 RM'000	2004 RM'000	2005 RM'000	
<b>Plant and equipment</b>				
At 1 August	45	83	117	120
(Credited)/charged to income statement	38	34	3	(5)
At 31 July/31 March	83	117	120	115

### 6.2.4 Statements of changes in equity

	Share capital RM'000	Retained profits RM'000	Total RM'000
<b>At 1 August 2002</b>	650	1,266	1,916
Net profit for the year	-	408	408
<b>At 31 July 2003 / 1 August 2003</b>	650	1,674	2,324
Net profit for the year	-	155	155
<b>At 31 July 2004 / 1 August 2004</b>	650	1,829	2,479
Net profit for the year	-	323	323
<b>At 31 July 2005 / 1 August 2005</b>	650	2,152	2,802
Net loss for the period	-	(46)	(46)
<b>At 31 March 2006</b>	650	2,106	2,756