

9 APPROVALS AND CONDITIONS

9.1 CONDITIONS TO THE APPROVALS AND COMPLIANCE THEREOF

The SC has granted its approval (including the approval of FIC under the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests) to the Public Issue and Listing on 23 August 2006 and the MITI has granted its approval on 23 May 2006. No equity conditions were imposed on TTB under the FIC's Guidelines on Acquisitions of Interests, Mergers and Take-overs by Local and Foreign Interests, in relation to the Listing as the Company has obtained MSC status on 25 July 2005. The conditions imposed by the aforesaid authorities and the status of compliance are set out as follows:-

Conditions imposed by SC		Status of compliance
Letter dated 23 August 2006-1.2(i)	TSB to get the necessary approval from Majlis Perbandaran Seberang Perai for operating in the premise for Lot No 667 and 668, Jalan Sungai Juru, Juru Industrial Estate, 14100 Bukit Mertajam ("Properties") before the issuance of Prospectus and to disclose in the Company's Prospectus the summary of the valuation from Raine & Horne on the said Properties. In addition, the Company to provide confirmation to the SC that the purchase of the said Properties is not a related party transaction and the same to be disclosed in the Company's Prospectus;	Complied. Please refer to Section 11.1 of this Prospectus. TSB has obtained approval from Majlis Perbandaran Seberang Perai via its letter dated 19 October 2006 which is renewable on an annual basis after 31 December 2006. The said business licence has been renewed on 4 January 2007 and will now expire by 31 December 2007. The Company had via its letter dated 15 December 2006 confirmed to the SC that the purchase of the said Properties are not a related party transaction and this had been disclosed in the notes of Section 11.1 accordingly.
(ii)	<p>TTB to disclose in the Company Prospectus the following:</p> <p>(a) Inventories aging analysis and to explain the reason(s) for long inventories turnover, and the increasing inventories turnover period over the past 3 financial years;</p> <p>(b) The reason(s) for increasing gross profit margins over the past 3 financial years, and expected gross profit margins going forward;</p> <p>(c) The debtors aging analysis based on the Group's latest audited trade receivables including measures taken to recover the long overdue balances and other credit control measures undertaken to mitigate the risk of bad and doubtful debts;</p> <p>(d) TTB to make full provisions for the trade receivables outstanding that has exceed the normal credit period granted, unless it can be justified that the outstanding amount can be collected. The said justification must</p>	<p>Complied. Please refer to respective sections stated in this Prospectus as follows:</p> <p>(a) Section 6.2.10</p> <p>(b) Section 6.2.2 and Section 6.6</p> <p>(c) Section 6.2.11</p> <p>(d) Complied. Please refer to Section 6.2.10 of this Prospectus. The Company had on 15 December 2006 and 15 January 2007 submitted to the SC the Reporting Accountants' opinion letters dated 15 December 2006 and 15 January 2007</p>

9 APPROVALS AND CONDITIONS (Cont'd)

Conditions imposed by SC	Status of compliance
	<p>be disclosed in the Prospectus supported by an independent opinion from the Reporting Accountants; and</p> <p>(e) TTB to collect or make full provision for all trade receivables that have been outstanding more than 180days.</p>
(iii)	<p>Directors of TTB Group to confirm to the SC that adequate provision has been made for the slow moving and obsolete stocks and the same to be disclosed in the Company's Prospectus. In addition, the said justification must be supported by an independent opinion from the Reporting Accountants;</p>
(iv)	<p>KIBB / TTB to inform SC when the proposed flotation on MESDAQ Market is completed;</p>
(v)	<p>Approvals to be obtained from other relevant authorities, if any; and</p> <p>Complied. Approvals have been obtained from the following other relevant authorities: (a) FIC; (b) MITI; and (c) Bursa Securities.</p> <p>The approval-in-principle from Bursa Securities was obtained on 11 January 2007 for the admission of our Company to the Official List and for the listing of and quotation for:- (i) our entire enlarged issued and paid-up share capital on the MESDAQ Market; and (ii) such new number of additional new TTB Shares representing up to 15% of our issued and paid-up share capital to be issued pursuant to the exercise of the Options under our ESOS.</p>
(vi)	<p>Full compliance with all the relevant requirements as specified by the SC's Guidelines for Initial Public Offering and Listings on the MESDAQ Market ("MMLR").</p> <p>Complied and will be complied, where applicable.</p>
2	<p>With respect to the waiver from having to comply with paragraph 3.16.4 of the MMLR by allowing the</p> <p>Complied. KIBB had via its letter dated 15 December 2006 informed the SC on the revised moratorium. Please refer to</p>

9 APPROVALS AND CONDITIONS (Cont'd)

Conditions imposed by SC		Status of compliance
	imposition of moratorium based on the enlarged share- capital after the proposed public issue, the application for waiver is rejected . As such, the promoters' shareholdings to be placed under moratorium shall amount to 45% of the enlarged issued and paid-up ordinary share capital of TTB assuming full conversion or exercise of options owned by the promoters. KIBB/ TTB is to inform the SC of the revised moratorium to comply with this condition.	Section 9.2 of this Prospectus.
Letter dated 8 December 2006	The SC has taken note on the changes in the financial information.	No conditions imposed.
Letter dated 26 January 2007	The SC has approved the extension of time for 3 months from 22 February 2007 to 22 May 2007 for the implementation of Listing of TTB on the MESDAQ Market.	No conditions imposed.
Conditions imposed by MITI		Status of compliance
Letter dated 23 May 2006-(i)	TTB to obtain SC's approval for the Listing and to comply with the FIC's guidelines on the acquisition of interests, mergers and take-overs by local and foreign interests	Complied. SC and FIC's approvals were both obtained on 23 August 2006.

9.2 MORATORIUM ON SHARES

In line with the MESDAQ IPO Guidelines, 45% of our share capital at the date of admission held by Promoters and/or shareholders, as tabulated below, and any interest therein will not be sold, transferred, assigned or otherwise disposed of, within one (1) year from the date of admission of our Company to the Official List of the MESDAQ Market. Subsequently, they are permitted to sell, transfer, assign or otherwise dispose of up to a maximum of one third per annum on a straight-line basis of their respective shareholdings in our Company, which is under moratorium.

In this respect, we had sought for a waiver from the SC to allow our Promoters & shareholders of TTB to maintain at 73,350,000 TTB Shares (which represents 45% of the nominal issued and paid-up share capital of TTB assuming none of the ESOS options is exercised) as opposed to 74,700,000 TTB Shares (which represents 45% of the nominal enlarged issued and paid-up share capital in our Company assuming full exercise of the ESOS options allocated to our promoters/ shareholders of TTB) as moratorium shares.

However, in its letter dated 23 August 2006, the SC has rejected the waiver (as per paragraph 2 therein) and reverted with the condition that the promoters' shareholdings to be placed under moratorium shall be 45% of the enlarged issued and paid-up share capital of TTB assuming full conversion or exercise of ESOS options owned by the promoters.

9 APPROVALS AND CONDITIONS (Cont'd)

As such, the TTB Shares held by our Promoters and/or shareholders which are under moratorium are as follows:-

	After Public Issue		After Public Issue and assuming full exercise of ESOS options allocated to the Promoters & Shareholders				
Issue and paid-up Share Capital (No. TTB Shares)	163,000,000		166,000,000				
Name	No. of TTB Shares to be held	%	Maximum ESOS Options to be allocated to Directors (see note below)	No. of TTB Shares to be held	%	No. of TTB Shares to be held under moratorium	%
Direct Interest							
Komsama	30,882,810	18.95	0	30,882,810	18.60	18,921,024	11.40
Chan Ah Ba	31,300,340	19.20	500,000	31,800,340	19.16	19,483,170	11.74
Teoh Geok Cheng	15,048,920	9.23	500,000	15,548,920	9.37	9,526,384	5.74
Ooi Chai Huat	16,682,940	10.23	500,000	17,182,940	10.35	10,527,501	6.34
Fong Sai Chong	6,558,000	4.02	500,000	7,058,000	4.25	4,324,237	2.60
Chan Boon Seng	13,233,450	8.12	250,000	13,483,450	8.12	8,260,929	4.98
Ewe Liew San	1,597,490	0.98	250,000	1,847,490	1.11	1,131,905	0.68
Teoh Tun Ching	997,850	0.61	250,000	1,247,850	0.75	764,522	0.46
Quah Teck Beng	2,623,200	1.61	250,000	2,873,200	1.73	1,760,328	1.06
TOTAL	118,925,000	72.96	3,000,000	121,925,000	73.45	74,700,000	45.00

The restriction is specifically endorsed on the share certificates of TTB representing the shareholding of the aforesaid shareholder, which are under moratorium to ensure that our Company's Share Registrars will not register any transfer not in compliance with the aforesaid restriction.

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10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

10.1 RELATED PARTY TRANSACTIONS AND/OR CONFLICTS OF INTEREST

The professional fees charged by Taxnet Consultants Sdn Bhd in relation to the stamp duty relief application by TTB amounting to RM10,500 (inclusive of service tax of 5%) from 6 October 2006 (being the appointment date of Ong Eng Choon directorship in TTB) to the LPD is deemed a related party transaction by virtue of Ong Eng Choon's directorship and substantial interest in Taxnet Consultants Sdn Bhd and his directorship and interest in TTB. The professional fees charged by Corporatenet Sdn Bhd in relation to company search and matters relating to statistics for TTB amounting to RM525 (inclusive of service tax of 5%) from 6 October 2006 (being the appointment date of Ong Eng Choon directorship in TTB) to the LPD is deemed a related party transaction by virtue of Ong Eng Choon's substantial interest in Corporatenet Sdn Bhd and his directorship and interest in TTB. The above transactions have been duly approved by the shareholders of TTB. Our Directors are of the opinion that the above transactions are on arm's length basis and on terms not more favourable to the related parties than those generally available to the public.

Save for the above, there has been no related-party transactions and/or conflicts of interest existing or proposed entered into by our Group which involves the interest, direct or indirect, of a Director, substantial shareholder or person connected with such Director or substantial shareholder, within the meaning of the Listing Requirements in respect of the past three (3) FYE 30 November 2004 to FYE 30 November 2006 and the subsequent financial period thereof, if any, immediately preceding the date of this Prospectus.

10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITIONS

Our Group has not entered into any transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party in respect of the past three (3) FYE 30 November 2004 to FYE 30 November 2006 and the subsequent financial period, if any, immediately preceding the date of this Prospectus.

10.3 OUTSTANDING LOANS MADE BY OUR GROUP TO/FOR THE BENEFIT OF RELATED PARTIES

There is no loan (including guarantees of any kind) made by our Group to or for the benefit of a related party in respect of the three (3) FYE 30 November 2004 to FYE 30 November 2006 and subsequent financial period, if any, immediately preceding the date of this Prospectus.

10.4 INTEREST IN BUSINESS AND CORPORATIONS CARRYING SIMILAR TRADE

None of our Directors and/or substantial shareholders of TTB have any interest, direct or indirect, in any businesses and corporations carrying on a similar trade as that of our Group.

10.5 PROMOTION OF OR IN ANY MATERIAL ASSETS

Save for the Acquisitions pursuant to SSA I and SSA II as disclosed in Section 4.2 of this Prospectus, none of our Directors and/or substantial shareholders of our Company and/or person(s) connected with any of them have any interest, direct or indirect, in the promotion of or in any material assets which have, within the three (3) FYE 30 November 2004 to FYE 30 November 2006 and the subsequent financial period thereof, if any, immediately preceding the date of this Prospectus, been acquired or disposed of by or leased to our Group, or are proposed to be acquired, or disposed of by or leased to our Group.

10.6 DECLARATION OF ADVISERS

- (i) KIBB hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Adviser for the Listing.
- (ii) Messrs. Zaid Ibrahim & Co. Advocates and Solicitors has given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Corporate and Due Diligence Solicitors for the Listing.
- (iii) Messrs. UHY Diong has given its confirmation that there are no existing or potential conflicts of interest in its capacity as Auditors and Reporting Accountants for the Listing.

11 OTHER INFORMATION CONCERNING THE COMPANY**11.1 LAND AND BUILDINGS OWNED AND LEASED**

As at the LPD, our Group has the following land and buildings owned:

Registered owner	Postal address and/or identification	Approximate age of building	Tenure/ date of expiry of lease	Description/ existing use	Approximate land and built-up areas	Market value/ date of valuation (RM'000)	Net book value As at 30 November 2006 (RM'000)	Revaluation surplus/ (deficit) (RM)	Restrictions on interest	Major encumbrances	Breach of land-use	Date of issuance of certificate of fitness
TSB	36, Jalan Bawal, Taman Kimsar, 13700 Prai	11 years	Freehold	Office	Both 1,500 sq. ft.	NA	292	NA	Nil	Charged to RHB Bank Berhad	Nil	15.2.95
TSB	42, Jalan Bawal, Taman Kimsar, 13700 Prai	11 years	Freehold	Office	Both 1,500 sq. ft.	NA	278	NA	Nil	Charged to Public Bank Berhad	Nil	15.2.95
TSB	44, Jalan Bawal, Taman Kimsar, 13700 Prai	11 years	Freehold	Office	Both 1,500 sq. ft.	NA	292	NA	Nil	Charged to RHB Bank Berhad	Nil	15.2.95
TSB	184, Jalan Kuala Kangsar, 30010 Ipoh, Perak	31 years	Leasehold	Office	Both 1,540 sq. ft.	NA	178	NA	Nil	Charged to Alliance Bank Malaysia Berhad	Nil	16.4.76

Notes: All the above properties have been acquired for more than two years preceding the date of this Prospectus.

NA Not Applicable

11 OTHER INFORMATION CONCERNING THE COMPANY (Cont'd)

As at the LPD, our Group has the following land and buildings leased:

Lessor	Postal address and/or identification	Approximate age of building	Tenure/ date of expiry of lease	Description/ existing use	Approximate Land and built-up areas	Monthly rentals (leased properties) (RM)	Restrictions on interest	Date of issuance of certificate of fitness
Thong Guan Sdn Bhd	No. 1, G. Floor, Highway Centre, Jalan 51/205, 46050 Petaling Jaya	19	31.3.07	Office	Both 3,000 sq. ft.	3,150	Nil	23.1.87
Soh Kim Lin @ Soh Ah Leng	45, Jalan Ros Merah 2/3, Taman Johor Jaya, 81100 Johor Bahru	13	30.11.07	Office	Both 1,600 sq. ft.	1,200	Nil	29.9.93
Tan Eng Cheow	34, Jalan Bawal, Taman Kimsar, 13700 Prai	11	31.08.10	Office	Both 1,500 sq. ft.	1,000	Nil	15.2.95
Lim Sam Tee & Teh Phaik Tin	75 (2 nd Floor), Persiaran Bayan Indah, 11900 Penang	8	14.02.08	Office	Both 1,500 sq. ft.	900	Nil	23.7.98
Island Court Sdn Bhd <i>NI(a) and (b)</i>	667 & 668, Jalan Sungai Juru, Juru Industrial Estate, 14100 Bukit Mertajam	10	31.10.06	Factory	98,404 sq. ft. and 18,834 sq. ft.	5,000	Nil	19.7.05

Note:

NI(a) By a sale & purchase agreement dated 10 November 2006 between Island Court Sdn Bhd (the "Vendor") and TSB, the Vendor has agreed to sell and TSB has agreed to purchase all that two(2) pieces of land known as Lot 3880 and Lot 3886, both of Mukim 13, Daerah Seberang Perai Tengah, Penang held under HSD 42626 and HSM 1492 respectively together with a factory building erected thereon for a cash consideration of RM2,760,089.25. Simultaneous to the above, the Vendor and TSB have also entered into a reimbursement agreement dated 10 November 2006 wherein TSB shall reimburse the Vendor for improvement works done on the above factory building for a cash consideration of RM500,000.00 to be paid by TSB upon completion of the above sale & purchase agreement which is six (6) months from the date of the sales and purchase agreement. As at the LPD, the said agreements are not completed.

NI(b) TSB has on 19 October 2006 obtained approval from Majlis Perbandaran Seberang Perai for operating in the premise of Lot No 667 and 668, Jalan Sungai Juru, Juru Industrial Estate, 14100 Bukit Mertajam, which is renewable on an annual basis after 31 December 2006 of which the business licence has been renewed on 4 January 2007 and will now expire by 31 December 2007. Please refer to Section 15 of this Prospectus for the summary valuation from Raine & Horne International Zaki + Partners Sdn. Bhd. on the said properties. The said valuation does not require the approval of the SC. Our Company had on 15 December 2006 confirmed to the SC the purchase of the said Properties is not a related party transaction as disclosed in Section 9.1 of this Prospectus.

Our Group is not in breach of any law, rules and building regulation in relation to the use of the buildings owned and/or rented by us.

11 OTHER INFORMATION CONCERNING THE COMPANY (Cont'd)**11.2 MATERIAL PLANT AND EQUIPMENT**

As at 30 November 2006, save as disclosed below, none of our plant and equipment is material (based on their net book value):

Description	Capacity (Machine Hour per week)	Net book value as at 30 November 2006 (RM'000)
Vertical machine CNC Center	60	128
CNC lathe machine with SELCO CNC controller	60	84
Takumi CNC vertical machine center	60	231
Fukuno CNC heavy duty lathe machine	60	268
ESC Hydraulic test rig	Not applicable*	715

Note: * Used for testing purpose.

11.3 LICENCES AND PERMITS

The major licences and Permits for our Group are as follows:

11.3.1 MSC Status

TTB obtained its MSC status from MDC on 25 July 2005. The conditions attaching to such MSC status is set out as follows:-

To update

	Major Conditions of MSC Status	Status of compliance
(i)	<p>TTB shall complete business registration of the proposed entity as a locally incorporated company under the Act within one (1) month from the date of the approval, commence operations of the proposed entity within six (6) months from the date of approval, and undertake such activities specified in the Company's business plan as approved by MDC below ("MSC-Qualifying Activities") within six (6) months from the date of approval or by such date(s) as may be specified in the Company's business plan as approved, which date(s) may be extended or modified with the written consent of MDC, and thereafter continue with such business and activities unless otherwise approved by MDC. The MSC Qualifying Activities are as follows: -</p> <p>(a) Research, design and development of basic ESC.</p> <p>(b) Research, design and development of next generation ESC and related software application.</p> <p>Any changes proposed to the above MSC-Qualifying Activities as detailed in the company's</p>	<p>Complied. TTB was incorporated on 25 January 2005 and commence operation, which includes the approved MSC-Qualifying Activities on 1 August 2005. No change in the MSC-Qualifying Activities since obtaining the MSC Status.</p>

11 OTHER INFORMATION CONCERNING THE COMPANY (Cont'd)

	Major Conditions of MSC Status	Status of compliance
	business plan as approved must receive the prior written consent of MDC;	
(ii)	TTB shall locate the implementation and operation of its MSC Qualifying Activities in a Designated Cybercity with an office space requirement of 1,000 sq. ft. within six (6) months from the date of approval, and will seek MDC's prior written approval in the event of any changes in the location or address of the Company;	Complied.
(iii)	TTB shall ensure that at all times at least fifteen percent (15%) of its total number of employees (excluding support staff) shall be "knowledge workers" (as defined by MDC);	Complied. More than 15% of the staff are "knowledge workers". Will ensure continued compliance.
(iv)	TTB shall submit to MDC a copy of its Annual Report and Audited Statements in parallel with its submission of the same to CCM;	Will ensure continued compliance.
(v)	TTB shall ensure that all information and/or documents furnished by TTB to MDC or any other authority or agency do not contain any false, untrue or inaccurate statements or omit to state any facts, the omission of which would make any statements made therein in the light of the circumstances under which they are made, misleading;	Complied and will ensure continued compliance.
(vi)	TTB shall inform and obtain the prior approval of MDC for any proposed change in its name;	Will ensure continued compliance.
(vii)	TTB shall inform MDC for any change in its entity structure or shareholding structure, or such other changes that may affect its direction or operation. MDC must be informed of any change before steps are taken to effect such change; and	Complied and will ensure continued compliance.
(viii)	TTB shall comply with all such statutory, regulatory and/or licensing requirements as may be applicable.	Will ensure continued compliance.

TTB is in compliance with the above conditions and shall take all steps to ensure its continued compliance with the said conditions to maintain its preferential status.

Pursuant to its MSC Status, TTB has been awarded Pioneer Status under the Promotions Investment Act, 1986.

11 OTHER INFORMATION CONCERNING THE COMPANY (Cont'd)**11.3.2 Pioneer Status**

TSB obtained its pioneer status on 7 October 2005. The major conditions attaching to the pioneer status are set out as follows:-

Major Conditions of Pioneer Status	Status of compliance
The expenses on R&D must be more than 1% of the yearly gross sales of the company;	Complied and will ensure continued compliance.
The ratio of the company's staff who possesses science and technical degrees or diploma with a minimum of 5 years experience in a related field must be more than 7% of the total company's workforce;	Complied and will ensure continued compliance.
The company must submit the application of Pioneer Status certificate and its certificate to the Industry Services Department of MITI within 6 months from the date of approval.	Complied.

TSB is in compliance with the above conditions and shall take all steps to ensure its continued compliance with the said conditions to maintain its preferential status.

11.3.3 Manufacturing Licence

TSB obtained its manufacturing licence on 24 March 2006. The major conditions attaching to the manufacturing licence are set out as follows:-

Major Conditions of the Manufacturing Licence	Status of compliance
TSB's current operating site as disclosed in Section 4.5.1 in this Prospectus is subject to the approval by the state government and the Department of Environment	The approvals from the state government and "Jabatan Alam Sekitar" were obtained on 12 December 2005
MITI shall be informed of any disposal of shares of TSB	Complied. Please refer to section 9.1 of this Prospectus on MITI's approval

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12 DIRECTORS' REPORT

TEJARI TECHNOLOGIES BERHAD. (Co. No. 679361-D)

(formerly known as Vitaligent Sdn. Bhd.)

44, JALAN BAWAL, TAMAN KIMSAR,

13700 PRAI, P. W. MALAYSIA.

TEL: 04-3972828 (HUNTING LINE)

Fax: 04-3979797

E-mail: tejaribw@tm.net.my

12 FEB 2007

The Shareholders of Tejari Technologies Berhad

Dear Sir/ Madam,

On behalf of the Board of Directors of Tejari Technologies Berhad ("TTB"), I report after due enquiry that during the period from 30 November 2006 (being the date of the last audited financial statements of TTB and its subsidiaries were made) to **12 FEB 2007** (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):-

- (i) the business of our Company and its subsidiaries ("Group") have, in the opinion of our Directors, been satisfactorily maintained;
- (ii) in the opinion of our Directors, no circumstances have arisen subsequent to the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) the current assets of our Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (iv) no contingent liabilities have arisen by reason of any guarantees or indemnities given by our Group;
- (v) in the opinion of our Directors, we are not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings since the last audited financial statements of our Group; and
- (vi) save as disclosed in the Accountants' Report and proforma financial information in this Prospectus, there have been no material changes in the published reserves nor any unusual factors affecting the profits of our Group.

Yours faithfully

For and on behalf of the Board of Directors
Tejari Technologies Berhad



OOI CHAI HUAT
Managing Director

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



25 JAN 2007

The Board of Directors
Tejari Technologies Berhad
51-21-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

Dear Sirs,

**TEJARI TECHNOLOGIES BERHAD
ACCOUNTANTS' REPORT**

This report has been prepared by UHY Diong, an approved company auditor, for inclusion in the Prospectus of Tejari Technologies Berhad (hereinafter referred to as "TTB" or "the Company") to be dated **16 FEB 2007** in connection with the Public Issue of 40,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.28 per ordinary share pursuant to the listing of and quotation for TTB's entire enlarged issued and paid-up share capital of 163,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

1.0 GENERAL INFORMATION

1.1 Incorporation

The Company was incorporated on 25 January 2005 in Malaysia under the Companies Act, 1965 as a private limited liability company under the name of Vitaligent Sdn. Bhd. The Company subsequently changed its name to Tejari Technologies Sdn. Bhd. on 26 May 2005. On 21 November 2005, the Company was converted to a public limited company and the name of the Company was changed from Tejari Technologies Sdn. Bhd. to Tejari Technologies Berhad.

At the date of incorporation, TTB's authorised share capital was RM100,000 consisting of 100,000 ordinary shares of RM1.00 each while its issued and paid-up share capital was RM2. Subsequently, on 30 September 2006, the authorised and issued and paid up share capital was increased to RM25,000,000 consisting of 25,000,000 ordinary shares of RM1 each and RM12,300,000 consisting of 12,300,000 ordinary shares of RM1 each respectively. On 2 October 2006, the Company subdivided its shares par value of RM1.00 each into RM0.10 each.

1.2 Principal activities

The Company was dormant since 25 January 2005 (Date of incorporation) and only commenced operations on 4 August 2005. The Company is principally involved in the research, design and development of application specific electronic controller system for electro hydraulic automation systems for various industrial automations.

Further to the acquisitions of Tejari Sdn. Bhd. ("TSB"), Tejari Hoseal Solutions Sdn. Bhd. ("THSSB"), Tejari Controls Sdn. Bhd. ("TCSB") and Tejari Controls JB Sdn. Bhd. ("TCJSB") in conjunction with the listing of TTB's shares on MESDAQ Market of the Bursa Securities, the Company's principal activities also includes investment holding.

The principal activities of the subsidiary companies are as mentioned in Note 1.3 (i).

51-21-F, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

Tel 604-2276888
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website www.uhydiong.com

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY **DIONG**
Chartered Accountants

1.0 GENERAL INFORMATION (CONTINUED)

1.3 Listing Scheme

In conjunction with the listing of TTB's shares on MESDAQ Market of Bursa Securities, TTB undertakes the listing scheme as set out below, which involves the following:

(i) Acquisition of TSB

Pursuant to the conditional share sale agreement between TTB and the shareholders of TSB dated 26 January 2006, TTB acquired 2,407,500 ordinary shares of RM1.00 each in TSB, representing the entire issued and paid-up capital of TSB for a purchase consideration of RM12,299,998 satisfied entirely by the issue of 12,299,998 ordinary shares of RM1.00 each in TTB credited as fully paid.

The purchase consideration was arrived at on a willing-buyer, willing-seller basis after taking into consideration the proforma consolidated audited net tangible assets as at 30 November 2005 of TSB of RM12,273,391 and its earnings potential. The acquisition of TSB was completed on 30 September 2006.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
 Chartered Accountants

1.0 GENERAL INFORMATION (CONTINUED)**1.3 Listing Scheme (Continued)****(i) Acquisition of TSB (Continued)**

Upon completion of the above acquisition of TSB, TTB has interest in the following subsidiary companies:

Name	Date of Incorporation	Effective interest	Issued and fully paid share capital (RM)	Principal activities
TSB	5 October 1984	100%	2,407,500	Involved in investment holding and designing, building and assembling of hydraulic automation system, components and activities thereof for industrial applications, the research, development and manufacture of electro hydraulic automation system and the provision of customised mechanical and automation design solution.
TCSB	26 September 1997	100%	1,250,000	Involved in trading and servicing of hydraulic and pneumatic systems, components and engineering equipment parts.
TCJSB	28 July 2000	100%	300,000	Involved in trading and servicing of hydraulic and pneumatic systems, components and engineering equipment parts.
THSSB	26 July 1990	100%	350,000	Involved in trading in mechanical parts and related supplies, supply of embedded hydraulic parts and components for hydraulic automation and providing customised hydraulic system assembly solution to its customers.

All the above subsidiary companies were incorporated in Malaysia.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report



1.0 GENERAL INFORMATION (CONTINUED)

1.3 Listing Scheme (Continued)

(ii) Acquisition of TSB Subsidiary Companies

Pursuant to the conditional share sale agreement between TTB and TSB dated 26 January 2006, TTB acquired the following shares from TSB:

- a) 1,250,000 ordinary shares of RM1.00 each in TCSB, representing the entire issued and paid-up capital of TCSB for a nominal purchase consideration of RM1 satisfied entirely by cash;
- b) 300,000 ordinary shares of RM1.00 each in TCJSB, representing the entire issued and paid-up capital of TCJSB for a nominal purchase consideration of RM1 satisfied entirely by cash; and
- c) 350,000 ordinary shares of RM1.00 each in THSSB, representing the entire issued and paid-up capital of THSSB for a nominal purchase consideration of RM1 satisfied entirely by cash.

The above acquisitions are an internal reorganisation of the group structure and a nominal purchase consideration was used. The acquisitions of TCSB, TCJSB and THSSB were completed on 2 October 2006.

(iii) Transfer of Subscribers Shares

Mr. Siew Yoke Lam and Ms. Chan Seok Lay has on 2 October 2006 transferred their 2 ordinary shares of RM1.00 each in TTB to Mr. Chan Ah Ba.

(iv) Sub-Division of Shares

TTB has on 2 October 2006 subdivided its shares par value of RM1.00 each into RM0.10 each ("Sub-division").

Upon completion of the Sub-division of Shares, the Company's issued and paid-up capital of RM12,300,000 comprising 12,300,000 ordinary shares of RM1.00 each were sub-divided into 123,000,000 TTB Shares.

(v) Public Issue

TTB will issue 40,000,000 new TTB Shares at the issue price of RM0.28 per ordinary share to individuals, companies, societies, co-operatives and institutions by way of private placement and public offer, subject to the terms and conditions of this Prospectus in conjunction with the listing of and quotation for TTB's entire enlarged issued and paid-up share capital of 163,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

Upon completion of the Public Issue, the issued and paid-up share capital of TTB will increase from RM12,300,000 comprising 123,000,000 TTB Shares to RM16,300,000 comprising 163,000,000 TTB Shares credited as fully paid-up.

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1.0 GENERAL INFORMATION (CONTINUED)

1.3 Listing Scheme (Continued)

(vi) Listing

Upon completion of the Public Issue, the entire issued and paid-up share capital of TTB of RM16,300,000 comprising 163,000,000 of TTB Shares will be listed on the MESDAQ Market.

(vii) Employee Share Option Scheme (ESOS)

In conjunction with the Listing, TTB propose to implement an ESOS involving up to fifteen per centum (15%) of TTB's issued and paid-up share capital, to be issued pursuant to the options to be granted under the ESOS to the Directors and eligible employees of TTB Group.

The ESOS of up to a maximum of 24,450,000 ordinary shares of RM0.10 representing 15% of 163,000,000 ordinary shares of RM0.10 each of the issued and paid up share capital at an assumed exercise price of RM0.28 per ordinary share.

The ESOS includes the granting of Options to two (2) of the Non-Executive Directors who are entitled to the ESOS. Their maximum entitlement under the ESOS is 100,000 Options each.

2.0 AUDITORS AND AUDITED FINANCIAL STATEMENTS

(i) TTB

We have been the auditors for TTB for the financial period from 25 January 2005 (Date of incorporation) to 30 November 2005 and financial year ended 30 November 2006.

(ii) TSB

The financial statements of TSB for the financial year ended 30 November 2004 were audited by AljeffriDean, Chartered Accountants (Malaysia).

We have been the auditors for TSB for the financial years ended 30 November 2005 and 30 November 2006.

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2.0 AUDITORS AND AUDITED FINANCIAL STATEMENTS (CONTINUED)

(iii) TCSB

The financial statements of TCSB for the financial year ended 30 November 2004 were audited by AljeffriDean, Chartered Accountants (Malaysia).

We have been the auditors for TCSB for the financial years ended 30 November 2005 and 30 November 2006.

(iv) TCJSB

The financial statements of TCJSB for the financial year ended 30 November 2004 were audited by AljeffriDean, Chartered Accountants (Malaysia).

We have been the auditors for TCJSB for the financial years ended 30 November 2005 and 30 November 2006.

(v) THSSB

The financial statements of THSSB for the financial year ended 30 November 2004 were audited by AljeffriDean, Chartered Accountants (Malaysia).

We have been the auditors for THSSB for the financial years ended 30 November 2005 and 30 November 2006.

All the audited financial statements for the relevant financial years/periods were reported without any audit qualifications.

3.0 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This report is based on audited financial statements which have been prepared in accordance with the applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board ("MASB") as well as generally accepted accounting principles in Malaysia and is presented on a basis consistent with the accounting policies normally adopted by TTB and its subsidiaries companies ("Group").

There has been no material change in the accounting policies adopted by the Group during the years/periods under review except for during the financial year ended 30 November 2006, a subsidiary company, THSSB has changed its method of inventory valuation from weighted average cost basis to first-in, first-out basis to be in line with the accounting policy adopted by the Group. This change is a change in accounting policy and has been accounted for prospectively. The change has the effect of increasing the net profit of the Group for the financial year by RM5,640.

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4.0 TTB AND TTB GROUP

On 30 September 2006, TTB acquired 100% shareholding in TSB for a total purchase consideration of RM12,299,998 fully satisfied by the issuance of 12,299,998 new ordinary shares of RM1.00 each.

Upon completion of the above acquisition of TSB, TTB has 100% interest in TSB, TCSB, TCJSB and THSSB. As such TTB Group has been in existence from 1 October 2006 after the acquisition of TSB.

On 2 October 2006, TTB acquired the entire issued and paid-up capital of TCSB, TCJSB and THSSB from TSB. The above acquisitions are an internal reorganisation of the group structure and at a nominal purchase consideration of RM1 for each company.

4.1 BALANCE SHEETS

The following balance sheets are based on the audited financial statements for the financial period from 25 January 2005 (Date of Incorporation) to 30 November 2005 and financial year ended 30 November 2006:

	NOTE	Company		Group
		2005	2006	2006
As at 30 November				
		RM'000	RM'000	RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	4.5.3	4	140	3,870
Investment in subsidiary companies	4.5.4	0	12,300	0
Other investments	4.5.5	0	0	120
		4	12,440	3,990
CURRENT ASSETS				
Inventories	4.5.6	25	6	7,374
Receivables, deposits and prepayments	4.5.7	68	524	8,173
Tax recoverable		0	0	158
Cash and bank balances		6	38	445
		99	568	16,150
CURRENT LIABILITIES				
Payables	4.5.8	25	287	2,213
Hire purchase payables	4.5.9	0	30	347
Bank borrowings	4.5.10	0	0	1,032
Taxation		0	0	19
		25	317	3,611
NET CURRENT ASSETS				
		74	251	12,539
		78	12,691	16,529

13 ACCOUNTANTS' REPORT (Cont'd)

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4.0 TTB AND TTB GROUP (CONTINUED)**4.1 BALANCE SHEETS (CONTINUED)**

	NOTE	Company		Group
		As at 30 November		
		2005	2006	2006
		RM'000	RM'000	RM'000
CAPITAL AND RESERVES				
Share capital	4.5.11	*	12,300	12,300
Retained profits		78	296	1,113
Reserve on consolidation		0	0	2,298
		78	12,596	15,711
NON-CURRENT LIABILITIES				
Hire purchase payables	4.5.9	0	95	583
Term loan	4.5.12	0	0	220
Deferred taxation	4.5.13	0	0	15
		0	95	818
		78	12,691	16,529

* This represents RM2

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4.0 TTB AND TTB GROUP (CONTINUED)**4.2 INCOME STATEMENTS**

The following income statements are based on the audited financial statements for the financial period from 25 January 2005 (Date of Incorporation) to 30 November 2005 and financial year ended 30 November 2006:

	NOTE	Company		Group
		25.1.2005 to 30.11.2005 RM'000	1.12.2005 to 30.11.2006 RM'000	1.12.2005 to 30.11.2006 RM'000
Revenue	4.5.14	122	389	4,496
Costs of sales		(14)	(53)	(2,274)
Gross profit		108	336	2,222
Other operating income		#	0	40
Research and development cost		0	0	(61)
Distribution costs		0	0	(80)
Administrative expenses		(30)	(117)	(935)
PROFIT FROM OPERATIONS	4.5.15	78	219	1,186
Finance costs	4.5.16	0	(1)	(30)
PROFIT BEFORE TAXATION FOR THE FINANCIAL PERIOD/YEAR		78	218	1,156
Taxation	4.5.17	0	0	(121)
PROFIT AFTER TAXATION FOR THE FINANCIAL PERIOD/YEAR		78	218	1,035
GROSS PROFIT MARGIN (%)	4.2.1	88.52	86.38	49.42

Less than RM1,000

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4.0 TTB AND TTB GROUP (CONTINUED)
4.2 INCOME STATEMENTS (CONTINUED)
4.2.1 GROSS PROFIT MARGIN

Company

The revenue of the Company for the financial period from 25 January 2005 (Date of Incorporation) to 30 November 2005 and financial year ended 30 November 2006 is derived solely from application specific electronic controller system for electro hydraulic system activities. The newly developed controller card has generated high profit margin for the Company.

Group

	<u>Proforma Group</u>	
	<u>2005</u>	<u>2006</u>
	<u>RM'000</u>	<u>RM'000</u>
Revenue	<u>16,796</u>	<u>20,948</u>
Gross profit	<u>8,495</u>	<u>9,319</u>
Gross profit margin (%)	<u>50.58</u>	<u>44.49</u>

The gross profit margin has decreased from 50.58% in 2005 to 44.49% in 2006. This was mainly due to the adjustment in pricing strategy for electro hydraulic automation system project in order to penetrate new markets. In addition, the shift of revenue in 2006 towards the lower margin products range of embedded hydraulic parts and components segment also contributed to the decrease in margin. The lower gross profit margin was also due to selling of slow-moving stocks at attractive pricing.

The gross profit margin comparison is based on proforma group basis as TTB Group has only been in place from 1 October 2006 onwards.

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4.0 TTB AND TTB GROUP (CONTINUED)**4.3 STATEMENTS OF CHANGES IN EQUITY**

The following statements of changes in equity are based on the audited financial statements for the financial period from 25 January 2005 (Date of Incorporation) to 30 November 2005 and financial year ended 30 November 2006:

Group	NOTE	Share capital RM'000	Non- distributable	Distributable	Total RM'000
			Reserve on consolidation RM'000	Retained profits RM'000	
At 1 December 2005		*	0	78	78
Issuance of shares	4.5.11	12,300	0	0	12,300
Gain not recognised in income statement: Reserve arising from acquisition of subsidiary companies		0	2,298	0	2,298
Profit after taxation for the financial year		0	0	1,035	1,035
At 30 November 2006		12,300	2,298	1,113	15,711

Company	NOTE	Share capital RM'000	Distributable		Total RM'000
			Retained profits RM'000	Share capital RM'000	
At 25 January 2005		*	0	*	*
Profit after taxation for the financial period		0	78	78	78
At 30 November 2005		*	78	78	78
Issuance of shares	4.5.11	12,300	0	12,300	12,300
Profit after taxation for the financial year		0	218	218	218
At 30 November 2006		12,300	296	12,596	12,596

*This represents RM2

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4.0 TTB AND TTB GROUP (CONTINUED)**4.4 CASH FLOW STATEMENTS**

The following cash flow statements are based on the audited financial statements for the financial period from 25 January 2005 (Date of Incorporation) to 30 November 2005 and financial year ended 30 November 2006:

	Company		Group
	25.1.2005	1.12.2005	1.12.2005
	to	to	to
	30.11.2005	30.11.2006	30.11.2006
	RM'000	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation for the financial period/year	78	218	1,156
Adjustments for :			
Allowance for doubtful debts	0	0	114
Bad debts written off	0	0	#
Depreciation	2	36	182
Property, plant and equipment written off	0	0	#
Gain on disposal of property, plant and equipment	0	0	(40)
Interest income	0	0	(#)
Interest expense	0	1	30
Operating profit before working capital changes	80	255	1,442
Inventories	(25)	19	597
Receivables, deposits and prepayments	(68)	(456)	500
Payables	25	262	(740)
	12	80	1,799
Interest received	0	0	#
Interest paid	0	(1)	(30)
Taxation paid	0	0	(182)
Net cash flow from operating activities	12	79	1,587
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note a)	(6)	(42)	(846)
Proceeds from disposal of property, plant and equipment	0	0	43
Acquisitions of subsidiary companies (Note 4.5.4)	0	(#)	(573)
Net cash flow from investing activities	(6)	(42)	(1,376)
CASH FLOW FROM FINANCING ACTIVITIES			
Net repayment of bank borrowings	0	0	(87)
Net repayment of term loan	0	0	(32)
Repayment of hire purchase payables	0	(5)	(63)
Net cash flow from financing activities	0	(5)	(182)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6	32	29
CASH AND CASH EQUIVALENTS AT DATE OF INCORPORATION/ BEGINNING OF THE FINANCIAL YEAR	*	6	6
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD/YEAR (Note b)	6	38	35

*This represents RM2

Less than RM1,000

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4.0 TTB AND TTB GROUP (CONTINUED)**4.4 CASH FLOW STATEMENTS (CONTINUED)**

	<u>Company</u>	<u>Group</u>
	25.1.2005	1.12.2005
	to	to
	30.11.2005	30.11.2006
	RM'000	RM'000
Represented by:		
(a) Purchase of property, plant and equipment :		
- financed by hire purchase arrangement	0	130
- financed by cash	6	42
- additions during the period/year (Note 4.5.3)	<u>6</u>	<u>172</u>
		<u>1,085</u>
(b) Analysis of cash and cash equivalents :		
Cash and bank balances	6	38
Bank overdrafts (Note 4.5.10)	0	(410)
	<u>6</u>	<u>35</u>

13 ACCOUNTANTS' REPORT (Cont'd)

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4.0 TTB AND TTB GROUP (CONTINUED)

4.5 NOTES TO THE FINANCIAL STATEMENTS

4.5.1 BASIS OF PREPARATION

The financial statements of the Group have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia.

4.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial period.

(a) Basis of consolidation

Consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

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

(b) Investments

Investment in subsidiary companies is shown at cost less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.5.2(n).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.5.2(n).

Depreciation on property, plant and equipment is calculated to write off the cost on a straight line basis over the expected useful lives of the assets concerned. The annual rates of depreciation are as follows:-

Freehold buildings	2%
Furniture and fittings	10%-15%
Office equipment	10% - 50%
Motor vehicles	20%
Plant and machinery	10%

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the income statement.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value.

Trading merchandise and raw materials are stated at cost (determined on the first-in, first-out basis) which consists of all purchase costs and other costs incurred in bringing the inventories to their present location and condition.

The cost of work-in-progress and finished goods includes all direct materials, direct labour and appropriate proportion of production overheads. Where necessary, an allowance is made for obsolete, slow-moving or defective inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make sale.

During the financial year ended 30 November 2006, a subsidiary company, THSSB has changed its method of inventory valuation from weighted average cost basis to first-in, first-out basis to be in line with the accounting policy adopted by the Group. This change is a change in accounting policy and has been accounted for prospectively. The change has the effect of increasing the net profit of the Group for the financial year by RM5,640.

(e) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the financial year 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.

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4.0 TTB AND TTB GROUP (CONTINUED)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, bank balances, demand deposits, 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.

(g) 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.

(h) Hire purchase

Property, plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligation is treated as liability. Interest is allocated to the income statement to give a constant periodic rate of interest on the remaining hire purchase liability.

These property, plant and equipment are depreciated in accordance with the depreciation policy of the Group.

(i) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. Borrowing costs charged to the income statement as an expense in the financial year in which they are incurred.

(j) Share capital

Ordinary shares with discretionary dividends are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

(k) Revenue recognition

Revenue relating to sales of goods is recognised upon delivery of products and customers' acceptance.

Revenue from services rendered is recognised upon performance of services.

Rental income and interest income are recognised on a time proportion basis.

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**4.0 TTB AND TTB GROUP (CONTINUED)****4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(l) Income tax**

Income tax on the profit or loss for the financial period/year comprise of current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial period/year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is 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 tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(m) Foreign currency conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling at that date. Non-monetary assets and liabilities which are stated at cost denominated in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the transaction dates. Exchange gains and losses arising on translation are recognised in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:-

	30.11.2005	30.11.2006
	RM	RM
Foreign currency		
1 US Dollar	3.70	3.72
1 Euro	4.45	4.76
1 Singapore Dollar	2.23	2.34

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4.0 TTB AND TTB GROUP (CONTINUED)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets

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

An impairment loss is recognised as an expense on the income statement immediately. Reversal of impairment losses recognised in prior period is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(o) Financial instruments

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

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

(p) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

The Group's contributions to defined contribution plans, known as Employees Provident Fund ("EPF") are charged to the income statement in the financial year to which they relate.

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4.0 TTB AND TTB GROUP (CONTINUED)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Research and development

Research costs are recognised as an expense in the financial year in which they are incurred.

Expenditure on development is recognised in the income statement in the financial year in which it is incurred except where a clearly defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activities. Such development costs are recognised as an intangible asset and amortised on a straight line method over the life of the project from the date of commencement of commercial sale of the products, which is on average five years.

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4.0 TTB AND ITB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.3 PROPERTY, PLANT AND EQUIPMENT**

Group	Freehold buildings RM'000	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000
At cost						
At 1 December 2005	0	2	4	0	0	6
On acquisition of subsidiary companies (Note 4.5.4)	1,085	208	683	1,579	1,933	5,488
Additions	0	5	35	300	746	1,086
Disposals	0	0	0	(83)	0	(83)
Written off	0	0	(9)	0	0	(9)
At 30 November 2006	<u>1,085</u>	<u>215</u>	<u>713</u>	<u>1,796</u>	<u>2,679</u>	<u>6,488</u>
Accumulated depreciation						
At 1 December 2005	0	#	2	0	0	2
On acquisition of subsidiary companies (Note 4.5.4)	40	134	460	1,175	714	2,523
Current charge	3	4	36	104	35	182
Disposals	0	0	0	(80)	0	(80)
Written off	0	0	(9)	0	0	(9)
At 30 November 2006	<u>43</u>	<u>138</u>	<u>489</u>	<u>1,199</u>	<u>749</u>	<u>2,618</u>
Net book value						
At 30 November 2006	<u>1,042</u>	<u>77</u>	<u>224</u>	<u>597</u>	<u>1,930</u>	<u>3,870</u>

Company	Furniture and fittings RM'000	Office equipment RM'000	Motor vehicle RM'000	Total RM'000
At cost				
At 25 January 2005	0	0	0	0
Additions	2	4	0	6
At 30 November 2005	<u>2</u>	<u>4</u>	<u>0</u>	<u>6</u>
Additions	3	9	160	172
At 30 November 2006	<u>5</u>	<u>13</u>	<u>160</u>	<u>178</u>
Accumulated depreciation				
At 25 January 2005	0	0	0	0
Current charge	#	2	0	2
At 30 November 2005	<u>#</u>	<u>2</u>	<u>0</u>	<u>2</u>
Current charge	#	4	32	36
At 30 November 2006	<u>#</u>	<u>6</u>	<u>32</u>	<u>38</u>
Net book value				
At 30 November 2005	<u>2</u>	<u>2</u>	<u>0</u>	<u>4</u>
At 30 November 2006	<u>5</u>	<u>7</u>	<u>128</u>	<u>140</u>

Less than RM1,000

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Freehold buildings with net book value amounting to RM864,000 have been pledged as security for banking facilities as referred to in Note 4.5.10 to the financial statements.

The net book value of property, plant and equipment of the Group and of the Company acquired under hire purchase arrangements are as follows:

	<u>Company</u>	<u>Group</u>
	2006	2006
	RM'000	RM'000
Motor vehicles	128	597
Plant and machinery	0	630
	<u>128</u>	<u>1,227</u>

4.5.4 INVESTMENT IN SUBSIDIARY COMPANIES

	<u>Company</u>
	2006
	RM'000
At cost	
Unquoted shares	<u>12,300</u>

13 ACCOUNTANTS' REPORT (Cont'd)

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.4 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)**

Name	Date of Incorporation	Effective interest 2006	Business activities
TSB	5 October 1984	100%	Involved in investment holding and designing, building and assembling of hydraulic automation system, components and activities thereof for industrial applications, the research, development and manufacture of electro hydraulic automation system and the provision of customised mechanical and automation design solution.
TCSB	26 September 1997	100%	Involved in trading and servicing of hydraulic and pneumatic systems, components and engineering equipment parts.
TCJSB	28 July 2000	100%	Involved in trading and servicing of hydraulic and pneumatic systems, components and engineering equipment parts.
THSSB	26 July 1990	100%	Involved in trading in mechanical parts and related supplies, supply of embedded hydraulic parts and components for hydraulic automation and providing customised hydraulic system assembly solution to its customers.

All the above subsidiary companies are incorporated in Malaysia.

On 30 September 2006, the Company acquired the entire issued and paid-up capital of TSB for a total purchase consideration of RM12,299,998 fully satisfied by way of issuance of 12,299,998 new ordinary shares of RM1 each in the capital of the Company, at an issue price of RM1 per new ordinary share.

On 2 October 2006, the Company acquired the entire issued and paid-up capital of TCSB, TCJSB and THSSB from TSB. The above acquisitions are an internal reorganisation of the group structure and at a nominal purchase consideration of RM1 for each company.

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4.0 TTB AND TTB GROUP (CONTINUED)
4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
4.5.4 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

The fair values of the net assets acquired, reserve on consolidation and cash flow arising from the acquisition are as follows:

	At date of acquisition RM'000
Property, plant and equipment (Note 4.5.3)	2,965
Other investments (Note 4.5.5)	120
Inventories	7,945
Receivables, deposits and prepayments	8,720
Tax recoverable	71
Cash and bank balances	(572)
Payables	(2,928)
Hire purchase payables	(753)
Term loan	(452)
Short-term bank borrowings	(510)
Deferred taxation (Note 4.5.13)	(8)
	<u>14,598</u>
Reserve on consolidation	(2,298)
Purchase consideration discharged by shares issued	12,300
Cash and cash equivalents of subsidiary companies acquired	573
Cash outflow of the Group on acquisition	<u>12,873</u>
Cash outflow of the Company on acquisition	<u>^</u>

^ Represents RM3

The effect of the acquisition on the financial results of the Group from the date of acquisition to 30 November 2006 is as follows:

	RM'000
Revenue	4,106
Profit from operations	966
Net profit for the year	<u>816</u>

13 ACCOUNTANTS' REPORT (Cont'd)

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.4 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)**

The effect of the acquisition on the financial position of the Group as at 30 November 2006 is as follows:

	RM'000
Property, plant and equipment	3,730
Other investments	120
Inventories	7,368
Receivables, deposits and prepayments	7,649
Tax recoverable	158
Cash and bank balances	407
Payables	(1,926)
Hire purchase payables	(805)
Short-term bank borrowings	(833)
Term loan	(419)
Taxation	(19)
Deferred taxation	(15)
Group's share of net assets	<u>15,415</u>

4.5.5 OTHER INVESTMENTS

	Group
	2006
	RM'000
At cost	
Transferable club memberships	90
Unquoted shares in Malaysia	30
	<u>120</u>

13 ACCOUNTANTS' REPORT (Cont'd)

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.6 INVENTORIES**

	<u>2005</u>	<u>Company</u> <u>2006</u>	<u>Group</u> <u>2006</u>
	RM'000	RM'000	RM'000
At cost			
Raw materials	0	0	4,234
Trading merchandise	25	6	2,922
Work-in-progress	0	0	218
	<u>25</u>	<u>6</u>	<u>7,374</u>
 Inventories turnover period (months)	<u>5</u>	<u>1</u>	<u>8*</u>

* Over total costs of sales of the group (assume the group in existence throughout the financial year).

No allowance for slow moving and obsolete inventories is provided as the management and Directors are of the view that:-

- (i) inventories are mainly made of steel with indefinite shelf life;
- (ii) slow moving inventories mainly comprise of spare parts that are kept to support the solutions or systems that had been sold;
- (iii) the purchase of certain parts are subject to minimum order quantity; and
- (iv) the Group had purchased in bulk to enjoy better discount rates and hence reduced its production cost.

Company

Details of the aging of inventories are as follows:

	<u>0-6</u> <u>months</u>	<u>7-12</u> <u>months</u>	<u>Total</u>
<u>30 November 2005</u>			
Inventories (RM'000)	25	0	25
Inventories (%)	100.00	N/A	100.00
<u>30 November 2006</u>			
Inventories (RM'000)	0	6	6
Inventories (%)	N/A	100.00	100.00

* N/A – not applicable

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.6 INVENTORIES (CONTINUED)****Group**

	<u>0-6</u> <u>months</u>	<u>7-12</u> <u>months</u>	<u>13-18</u> <u>months</u>	<u>19-24</u> <u>months</u>	<u>>24</u> <u>months</u>	<u>Total</u>
30 November 2006						
Inventories (RM'000)	3,751	1,016	857	520	1,230	7,374
Inventories (%)	50.87	13.78	11.62	7.05	16.68	100.00

4.5.7 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>Company</u>		<u>Group</u>
	<u>2005</u>	<u>2006</u>	<u>2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Trade receivables	66	86	7,356
Allowance for doubtful debts	0	0	(254)
	66	86	7,102
Non-trade receivables	0	35	44
Amount owing by a subsidiary company	0	92	0
Deposits	2	4	62
Prepayments	0	307	965
	68	524	8,173
Trade receivables turnover period (months)	2	3	5*

* Over total credit sales of the group (assume the group in existence throughout the financial year).

The credit terms of trade receivables given by the Group range from 0 to 120 days.

The amount owing by a subsidiary company is trade in nature, unsecured, interest free and has no fixed terms of repayment. The subsidiary company is Tejari Sdn. Bhd..

The foreign currency exposure of trade receivables is as follows:

	<u>Company</u>		<u>Group</u>
	<u>2005</u>	<u>2006</u>	<u>2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
US Dollar	30	86	86

13 ACCOUNTANTS' REPORT (Cont'd)

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.7 RECEIVABLES, DEPOSITS AND PREPAYMENT (CONTINUED)**

No allowance for doubtful debt has been made for trade receivables that have exceeded normal credit period as:-

- (i) there are receipts subsequent to 30 November 2006 from certain trade receivables; and
- (ii) for certain trade receivables where no payment has been made subsequent to 30 November 2006, payments are normally made after the credit period granted and there were payments made throughout the financial year ended 30 November 2006.

The Group's historical experience in collection of accounts receivables fall within the recorded allowances. In addition, the management has set up a monthly credit review process to review the credit standing of existing customers. Due to these factors, the management and Directors believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Details of the aging of trade receivables are as follows:

Company

	Within credit period		Exceed credit period					Total
	0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	>180 days	
<u>30 November 2005</u>								
Trade receivables (RM'000)	33	4	29	0	0	0	0	66
Trade receivables (%)	50.00	6.06	43.94	N/A	N/A	N/A	N/A	100.00
<u>30 November 2006</u>								
Trade receivables (RM'000)	0	0	30	31	25	0	0	86
Trade receivables (%)	N/A	N/A	34.88	36.05	29.07	N/A	N/A	100.00

* N/A – not applicable

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.7 RECEIVABLES, DEPOSITS AND PREPAYMENT (CONTINUED)****Group**

	← Within credit period →			← Exceed credit period →				Total
	0-30 days	31-60 days	61-90 days	91- 120 days	121- 150 days	151- 180 days	>180 days	
30 November 2006								
Trade receivables (RM'000)	1,699	1,254	1,946	1,222	530	438	13	7,102
Trade receivables (%)	23.92	17.66	27.40	17.21	7.46	6.17	0.18	100.00

4.5.8 PAYABLES

	Company		Group
	2005	2006	2006
	RM'000	RM'000	RM'000
Trade payables	20	0	2,061
Non-trade payables	0	0	10
Amount owing to a subsidiary company	0	280	0
Accruals	5	7	141
Deposits received	0	0	1
	<u>25</u>	<u>287</u>	<u>2,213</u>

The credit terms of trade payables granted to the Group range from 30 to 120 days.

The amount owing to a subsidiary company is non-trade in nature, unsecured, interest free and has no fixed terms of repayment. The subsidiary company is Tejari Sdn. Bhd..

The foreign currency exposure of trade payables of the Group is as follows:

	Group
	2006
	RM'000
Euro	51
Singapore Dollar	1,391
US Dollar	<u>79</u>

13 ACCOUNTANTS' REPORT (Cont'd)

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.9 HIRE PURCHASE PAYABLES**

	<u>Company</u>	<u>Group</u>
	2006	2006
	RM'000	RM'000
Present value of hire purchase liabilities:		
- not later than 1 year	30	347
- later than 1 year and not later than 5 years	95	583
	<u>125</u>	<u>930</u>
Hire purchase liabilities:		
Minimum hire purchase repayments		
- not later than 1 year	36	391
- later than 1 year and not later than 5 years	101	625
	<u>137</u>	<u>1,016</u>
Future finance charges on hire purchase	(12)	(86)
Present value of hire purchase	<u>125</u>	<u>930</u>
Representing hire purchase liabilities:		
- current	30	347
- non-current	95	583
	<u>125</u>	<u>930</u>

Hire purchase payables are subject to fixed interest rates ranging from 2.45% to 5.50% per annum.

The hire purchase payables are secured by the assets of the Group and of the Company under hire purchase arrangement.

4.5.10 BANK BORROWINGS

	<u>Group</u>
	2006
	RM'000
Secured	
Bank overdrafts	410
Bankers' acceptance	423
Term loan (Note 4.5.12)	199
	<u>1,032</u>

The bank borrowings are secured by legal charge over the Group's freehold buildings as referred to in Note 4.5.3 to the financial statements.

13 ACCOUNTANTS' REPORT (Cont'd)

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.10 BANK BORROWINGS (CONTINUED)**

The effective interest rates at the balance sheet date for borrowings are as follows:

	Group 2006 %
Bank overdrafts	8.25 to 9.25
Bankers' acceptance	4.05 to 5.52
Term loan	<u>5.00</u>

4.5.11 SHARE CAPITAL

	Group/Company	
	2005	2006
	RM'000	RM'000
Authorised		
At 25 January 2005/1 December 2005	100	100
Created during the financial year	0	24,900
At 30 November	<u>100</u>	<u>25,000</u>

On 2 October 2006, 25,000,000 ordinary shares of RM1.00 each was split into 250,000,000 ordinary shares of RM0.10 each.

	Group/Company	
	2005	2006
	RM'000	RM'000
Issued and fully paid		
At 25 January 2005/1 December 2005	*	*
Issued during the financial year	0	12,300
At 30 November	<u>*</u>	<u>12,300</u>

On 2 October 2006, 12,300,000 ordinary shares of RM1.00 each was split into 123,000,000 ordinary shares of RM0.10 each.

*This represents RM2

13 ACCOUNTANTS' REPORT (Cont'd)

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.12 TERM LOAN**

	<u>Group</u> <u>2006</u> RM'000
Secured	
Representing term loan:	
- current (Note 4.5.10)	199
- non-current	220
	<u>419</u>
Maturity of term loan:	
- not later than 1 year	199
- later than 1 year and not later 5 years	220
	<u>419</u>

The security and effective interest rate are as disclosed in Note 4.5.10 to the financial statements.

4.5.13 DEFERRED TAXATION

	<u>Group</u> <u>2006</u> RM'000
On acquisition of subsidiary companies (Note 4.5.4)	8
Recognised in the income statement (Note 4.5.17)	
- property, plant and equipment	7
- overprovision in respect of prior year	(1)
	<u>15</u>
Subject to income tax:	
Deferred tax liability (before offsetting)	
Property, plant and equipment	32
Offsetting	(17)
Deferred tax liability (after offsetting)	<u>15</u>
Deferred tax asset (before offsetting)	
Property, plant and equipment	17
Offsetting	(17)
Deferred tax asset (after offsetting)	<u>0</u>

Less than RM1,000

4.5.14 REVENUE

Revenue represents the invoiced value of goods sold net of returns and discounts.

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4.0 TTB AND TTB GROUP (CONTINUED)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5.15 PROFIT FROM OPERATIONS

	Company		Group
	25.1.2005 to 30.11.2005 RM'000	1.12.2005 to 30.11.2006 RM'000	1.12.2005 to 30.11.2006 RM'000
Profit from operations is arrived at after charging:			
Allowance for doubtful debts	0	0	114
Audit fee	1	5	11
Bad debts written off	0	0	#
Depreciation	2	36	182
Property, plant and equipment written off	0	0	#
Realised loss on foreign exchange	0	#	4
Rental of premises	3	11	38
Staff costs	15	48	640
and crediting:			
Gain on disposal of property, plant and equipment	0	0	40
Interest income	0	0	#
Realised gain on foreign exchange	#	0	0

Less than RM1,000

Included in staff costs are contributions to a defined contribution plan as follows:

	Company		Group
	25.1.2005 to 30.11.2005 RM'000	1.12.2005 to 30.11.2006 RM'000	1.12.2005 to 30.11.2006 RM'000
Defined contribution plan contributions	1	5	122

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.15 PROFIT FROM OPERATIONS**

Included in staff costs are Executive Directors' remuneration as follows:

	Company		Group	
	<u>25.1.2005</u>	<u>1.12.2005</u>	<u>1.12.2005</u>	<u>30.11.2006</u>
	to	to	to	to
	<u>30.11.2005</u>	<u>30.11.2006</u>	<u>30.11.2006</u>	<u>30.11.2006</u>
	RM'000	RM'000	RM'000	RM'000
Executive Directors' remuneration:				
- salaries, bonus and other emoluments	0	0	74	
- defined contribution plan contributions	0	0	15	
	<u>0</u>	<u>0</u>	<u>89</u>	

4.5.16 FINANCE COSTS

	Company		Group	
	<u>25.1.2005</u>	<u>1.12.2005</u>	<u>1.12.2005</u>	<u>30.11.2006</u>
	to	to	to	to
	<u>30.11.2005</u>	<u>30.11.2006</u>	<u>30.11.2006</u>	<u>30.11.2006</u>
	RM'000	RM'000	RM'000	RM'000
Interest on bankers' acceptance and trust receipts	0	0	4	
Interest on bank overdrafts	0	0	10	
Interest on hire purchase	0	1	12	
Interest on term loan	0	0	4	
	<u>0</u>	<u>1</u>	<u>30</u>	

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4.0 TTB AND TTB GROUP (CONTINUED)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5.17 TAXATION

	Company		Group
	25.1.2005	1.12.2005	1.12.2005
	to	to	to
	30.11.2005	30.11.2006	30.11.2006
	RM'000	RM'000	RM'000
The major components of the tax expense/(income) are:			
Current tax expense:			
- based on profit for the year	0	0	115
- underprovision in respect of prior year	0	0	#
	0	0	115
Deferred tax expense (Note 4.5.13)			
- relating to origination and reversal of temporary differences	0	0	7
- overprovision in respect of prior year	0	0	(#)
	0	0	121

Reconciliation of tax expense/(income) and accounting profit:

	Company		Group
	25.1.2005	1.12.2005	1.12.2005
	to	to	to
	30.11.2005	30.11.2006	30.11.2006
	RM'000	RM'000	RM'000
Accounting profit before taxation	78	219	1,156
Tax at the applicable tax rate of 28%	22	61	324
Tax effect of:			
- expenses not deductible for tax purposes	0	0	4
- income not subject to tax	(22)	(61)	(161)
- different tax rate for the first RM500,000 of chargeable income	0	0	(46)
Overprovision of taxation in respect of prior year	0	0	#
Overprovision of deferred tax expense in respect of prior year	0	0	(#)
Tax (income)/expense fro the period/year	0	0	121

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4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.17 TAXATION (CONTINUED)**

The Company has been granted Multimedia Super Corridor ("MSC") status by the government on 25 July 2005. One of the financial incentives awarded to the Company under the MSC status is "Pioneer Status" under the Promotion of Investment (Amendment) Act, 1986. The Company was granted its pioneer status by the Ministry of International Trade and Industry for a period of five years from 4 August 2005. Extension for a further period of 5 years will be dependent on TTB meeting the requirements of the conditions imposed and subject to the approval of the Multimedia Development Corporation.

A subsidiary company of the Company has been granted pioneer status by the Ministry of International Trade and Industry for its products under the Promotion of Investments (Amendment) Act, 1986 in which the statutory income is exempted from tax for a period of five years from 1 June 2005.

Should the Company declare dividend out of its entire retained profits at the balance sheet date, it will not incur additional tax liability after utilising the full amount of tax exempt income under Section 23(2) Promotion of Investment Act, 1986.

4.5.18 CAPITAL COMMITMENT

	<u>Group</u>
	2006
	RM'000
Property, plant and equipment	
- Contracted but not provided for	<u>2,820</u>

4.5.19 SIGNIFICANT RELATED PARTY TRANSACTIONS

	<u>Company</u>
	2006
	RM'000
Sales of goods to a subsidiary company	<u>58</u>

In the opinion of the Directors, the above transactions were entered into under terms and conditions which were not materially different from those obtainable in transactions with unrelated parties.

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4.0 TTB AND TTB GROUP (CONTINUED)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5.20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operations are subject to a variety of financial risks, including interest rate risk, credit risk, foreign currency exchange risk and liquidity and cash flow risks. The Group's overall financial risk management objectives are to ensure that the Group create value for their shareholders. The Group focuses on the unpredictability of financial markets and seek to minimise potential adverse effects of such risks on its financial performance. Various financial risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

The Group is exposed to the following financial risks:

Interest rate risk

The Group has no significant interest-bearing financial assets or liabilities other than term loans, bank overdrafts and other borrowings as at 30 November 2006. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates. Bank borrowings are secured from the banks, which offer the most competitive rates.

Credit risk

The Group is exposed to credit risk mainly from trade receivables. These receivables are continually monitored to ensure that issue arising from non-collectibility are minimised. There were no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Liquidity and cash flow risks

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and aims to maintain sufficient liquidity and cash flow at all times.

Foreign currency exchange risk

The Group is exposed to foreign currency fluctuations as a result of sales and purchases transactions denominated in foreign currencies. The Group does not use derivative financial instruments to hedge its risk.

The Group is exposed to foreign currencies as stated in Note 4.5.2(m). Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the Group are kept to an acceptable level.

The net unhedged financial assets of the Group as at 30 November 2006 that are not denominated in the Group's functional currency of Ringgit Malaysia are disclosed in Note 4.5.7 and 4.5.8 to the financial statements.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report



4.0 TTB AND TTB GROUP (CONTINUED)

4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5.21 FINANCIAL INSTRUMENTS

Financial assets

The Group's and the Company's principal financial assets are other investments, trade receivables, non-trade receivables, amount owing by a subsidiary company, deposits and cash and bank balances.

The accounting policies applicable to the major financial assets are as disclosed in Note 4.5.2 to the financial statements.

Financial liabilities and equity instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instrument are recorded at the proceeds received.

The Group's and the Company's principal financial liabilities are trade payables, non-trade payables, amount owing to a subsidiary company, accruals, deposits received, hire purchase payables and bank borrowings.

Fair values

The carrying amounts of the Group's and the Company's cash and cash equivalents, trade receivables, non-trade receivables, deposits, trade payables, non-trade payables, accruals, deposits received and bankers' acceptance are assumed to approximate their fair values because of the short maturity of these instruments.

The fair values of the amount owing by/(to) a subsidiary company have not been computed as the timing of the repayment of these balances cannot be reasonably determined.

The fair value of unquoted investments of the Group is not practical to estimate because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

The carrying amount of the term loan approximate fair value as it is subject to variable interest rate which in turn approximate the current market interest rate for a similar loan at the balance sheet date.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)

Accountants' Report

UHY DIONG
 Chartered Accountants

4.0 TTB AND TTB GROUP (CONTINUED)**4.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4.5.21 FINANCIAL INSTRUMENTS (CONTINUED)**

The aggregate net fair values of financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company at the end of the financial year are represented as follows:

	<u>Company</u>		<u>Group</u>	
	<u>Carrying amount</u> <u>RM'000</u>	<u>Fair value</u> <u>RM'000</u>	<u>Carrying amount</u> <u>RM'000</u>	<u>Fair value</u> <u>RM'000</u>
At 30 November 2006				
Hire purchase payables (Note 4.5.9)	125	133	929	1,003

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report



4.0 TTB (CONTINUED)

4.6 AUDITED REPORTS AND FINANCIAL STATEMENTS

4.6.1 TTB- 2005



Company No. 679361-D

51-21-F, Menara BHI Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

Tel: 604-2276888
Fax: 604-2298118
website: www.uhydiong.com

REPORT OF THE AUDITORS TO THE MEMBERS OF
TEJARI TECHNOLOGIES BERHAD
(Formerly known as Vitaligent Sdn. Bhd.)
(Company No. 679361- D)
(Incorporated in Malaysia)

We have audited the financial statements of **TEJARI TECHNOLOGIES BERHAD** (formerly known as Vitaligent Sdn. Bhd.) set out on pages 9 to 22. These financial statements are 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 Auditing Standards in Malaysia. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion :

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Company as at **30 November 2005** and of the results and cash flows of the Company for the financial period from **25 January 2005 (date of incorporation) to 30 November 2005;**

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.


UHY DIONG
No. AF-1411
Chartered Accountants
Dated : 05 JAN 2006


KOAY THEAM HOCK
No. 2141/04/07 (J)
Partner

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report



4.0 TTB (CONTINUED)

4.6 AUDITED REPORTS AND FINANCIAL STATEMENTS (CONTINUED)

4.6.2 TTB- 2006



REPORT OF THE AUDITORS TO THE MEMBERS OF
TEJARI TECHNOLOGIES BERHAD
(Company No. 679361- D)
(Incorporated in Malaysia)

51-21-F, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.
Tel: 604-2276888
Fax: 604-2298118
website: www.uhydiong.com

We have audited the financial statements of **TEJARI TECHNOLOGIES BERHAD** set out on pages 11 to 42. These financial statements are 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, 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 Auditing Standards in Malaysia. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (ii) the state of affairs of the Group and of the Company as at **30 November 2006** and of the results and cash flows of the Group and of the Company for the financial year ended on that date:

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies have been properly kept in accordance with the provisions of the Act.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
Chartered Accountants

4.0 TTB (CONTINUED)

4.6 AUDITED REPORTS AND FINANCIAL STATEMENTS (CONTINUED)

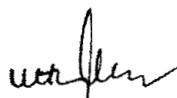
4.6.2 TTB- 2006 (Continued)

UHY DIONG
Chartered Accountants

REPORT OF THE AUDITORS TO THE MEMBERS OF
TEJARI TECHNOLOGIES BERHAD (CONTINUED)
(Company No. 679361- D)
(Incorporated in Malaysia)

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes 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 subsidiary companies were not subject to any qualification and did not include any comment made under Subsection 3 of Section 174 of the Companies Act, 1965.



UHY DIONG
No. AF-1411
Chartered Accountants



KOAY THEAM HOCK
No. 2141/04/07 (J)
Partner

Dated: 12 JAN 2007

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
 Chartered Accountants

5.0 TSB GROUP

TSB will be referred to as the Company under section 5 herein as per disclosure in its audited financial statements.

TSB and its subsidiary companies, namely TCSB, TCJSB and THSSB ("TSB Group") will be referred to as the Group under section 5 herein as per disclosure in its audited financial statements.

On 30 September 2006, the Company became a wholly owned subsidiary of Tejari Technologies Berhad ("TTB").

On 2 October 2006, the Company disposed of its entire investment in its subsidiary companies, namely TCSB, TCJSB and THSSB to TTB. The above disposal is an internal reorganisation of the group structure and at a nominal sales consideration of RM1 for each Company.

Subsequent to the disposal of the subsidiary companies, TSB has ceased to prepare its consolidated financial statements for the financial year ended 30 November 2006.

5.1 CONSOLIDATED BALANCE SHEETS

The following consolidated balance sheets are based on the audited financial statements of TSB Group for the financial years ended 30 November 2004 and 30 November 2005.

	NOTE	2004 RM'000	2005 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	5.5.3	2,725	2,757
Other investments	5.5.5	210	120
Deferred tax assets	5.5.6	5	0
		<u>2,940</u>	<u>2,877</u>
CURRENT ASSETS			
Inventories	5.5.7	5,641	7,356
Receivables, deposits and prepayments	5.5.8	5,235	6,303
Tax recoverable		219	69
Cash and bank balances		210	321
		<u>11,305</u>	<u>14,049</u>
CURRENT LIABILITIES			
Payables	5.5.9	2,424	2,222
Hire purchase payables	5.5.10	352	288
Bank borrowings	5.5.11	1,410	1,181
Taxation		212	125
		<u>4,398</u>	<u>3,816</u>
NET CURRENT ASSETS			
		<u>6,907</u>	<u>10,233</u>
		<u>9,847</u>	<u>13,110</u>

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

**5.0 TSB GROUP (CONTINUED)****5.1 CONSOLIDATED BALANCE SHEETS (CONTINUED)**

	NOTE	2004 RM'000	2005 RM'000
CAPITAL AND RESERVES			
Share capital	5.5.12	2,100	2,100
Reserve on consolidation		74	113
Retained profits		5,917	8,693
		<u>8,091</u>	<u>10,906</u>
MINORITY INTEREST			
		1,247	1,367
NON-CURRENT LIABILITIES			
Hire purchase payables	5.5.10	461	397
Term loan	5.5.13	0	434
Deferred taxation	5.5.14	48	6
		<u>509</u>	<u>837</u>
		<u>9,847</u>	<u>13,110</u>

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY **DIONG**
 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.2 CONSOLIDATED INCOME STATEMENTS**

The following consolidated income statements are based on the audited financial statements of TSB Group for the financial years ended 30 November 2004 and 30 November 2005:

	NOTE	2004 RM'000	2005 RM'000
Revenue	5.5.15	14,278	16,742
Cost of sales		(8,038)	(8,356)
Gross profit		6,240	8,386
Research and development cost		0	(309)
Other operating income		15	76
Distribution costs		(163)	(239)
Administrative expenses		(3,925) ^{NI}	(4,321)
Other operating expenses		(163)	(110)
PROFIT FROM OPERATIONS	5.5.16	2,004	3,483
Finance costs	5.5.17	(164)	(142)
PROFIT BEFORE TAXATION FOR THE FINANCIAL YEAR		1,840	3,341
Taxation	5.5.18	(512)	(405)
PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR		1,328	2,936
MINORITY INTEREST		(291)	(121)
NET PROFIT FOR THE FINANCIAL YEAR		1,037	2,815
GROSS PROFIT MARGIN (%)	5.2.1	43.70	50.09

NI This includes R&D cost of approximately RM279,000 which is not classified separately in the audited financial statements for the financial year ended 2004.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.2 CONSOLIDATED INCOME STATEMENTS (CONTINUED)****5.2.1 GROSS PROFIT MARGIN**

The gross profit margin has increased by 6.39%, from 43.70% in 2004 to 50.09% in 2005 as the growth of locally sourced and own-manufactured components, together with volume efficiency has reduced the production cost. In addition, the Group has implemented the strategy of bulk discount negotiation via consolidating group orders which has contributed positively to the reduction of cost in 2005.

5.3 STATEMENTS OF CHANGES IN EQUITY

The following consolidated statements of changes in equity are based on the audited financial statements of TSB Group for the financial years ended 30 November 2004 and 30 November 2005:

	Share capital RM'000	<u>Non-</u> <u>distributable</u>	<u>Distributable</u>	Total RM'000
		Reserve on consolidation RM'000	Retained profits RM'000	
The Group				
At 1 December 2003	2,100	0	4,880	6,980
Reserve arising from piecemeal acquisitions	0	74	0	74
Net profit for the financial year	0	0	1,037	1,037
At 30 November 2004	2,100	74	5,917	8,091
Reserve arising from piecemeal acquisitions	0	39	(39)	0
Net profit for the financial year	0	0	2,815	2,815
At 30 November 2005	2,100	113	8,693	10,906

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.4 CONSOLIDATED CASH FLOW STATEMENTS**

The following consolidated cash flow statements are based on the audited financial statements of TSB Group for the financial years ended 30 November 2004 and 30 November 2005:

	2004	2005
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation for the financial year	1,840	3,341
Adjustments for:		
Allowance for doubtful debts	42	0
Bad debts written off	0	21
Depreciation	427	512
Interest expense	164	142
Property, plant and equipment written off	#	6
Loss on disposal of property, plant and equipment	1	3
Gain on disposal of property, plant and equipment	(2)	(70)
Operating profit before working capital changes	<u>2,472</u>	<u>3,955</u>
Inventories	(952)	(1,715)
Receivables, deposits and prepayments	(1,343)	(1,089)
Payables	580	(203)
Cash generated from operations	<u>757</u>	<u>948</u>
Interest paid	(164)	(142)
Net taxation paid	(276)	(379)
Net cash flow from operating activities	<u>317</u>	<u>427</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary company	(122)	0
Proceeds from disposal of property, plant and equipment	32	70
Proceeds from disposal of other investment	54	90
Purchase of property, plant and equipment (Note a)	(264)	(288)
Net cash flow from investing activities	<u>(300)</u>	<u>(128)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from bank borrowings	452	120
Net (repayment)/proceeds from term loan	(21)	596
Repayment of hire purchase payables	(310)	(393)
Dividend paid	(10)	0
Net cash flow from financing activities	<u>111</u>	<u>323</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>129</u>	<u>622</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	<u>(775)</u>	<u>(646)</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note b)	<u>(646)</u>	<u>(24)</u>

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.4 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)**

	2004 RM'000	2005 RM'000
(a) Purchase of property, plant and equipment:		
- financed by hire purchase arrangement	473	265
- financed by cash	264	288
- additions during the financial year (Note 5.5.3)	<u>737</u>	<u>553</u>
 (b) Analysis of cash and cash equivalents:		
Bank overdrafts (Note 5.5.11)	(856)	(345)
Cash and bank balances	<u>210</u>	<u>321</u>
	<u>(646)</u>	<u>(24)</u>

5.5 NOTES TO THE FINANCIAL STATEMENTS**5.5.1 BASIS OF PREPARATION**

The financial statements of the Group have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
Chartered Accountants

5.0 TSB GROUP (CONTINUED)

5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

Consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year/period are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of subsidiary companies are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the costs of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

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

(b) Investments

Investments in subsidiary companies are stated at cost less impairment losses, if any. The policy for recognition and measurement of impairment losses is in accordance with Note 5.5.2(o).

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the year which the decline is identified.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 5.5.2(o).

Depreciation on property, plant and equipment are depreciated on a straight line basis over the expected useful lives of the assets concerned. The annual rates of depreciation are as follows:-

Freehold building	2%
Furniture, fixtures and fittings	10% - 15%
Computer and office equipment	10% - 50%
Motor vehicles	20%
Plant and machinery	10%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in the income statement.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value.

Trading merchandise and raw materials are stated at cost (determined on the first-in, first-out basis) which consists of all purchase costs and other costs incurred in bringing the inventories to their present location and condition.

The cost of work-in-progress and finished goods includes all direct materials, direct labour and appropriate proportion of production overheads. Where necessary, allowance is made for obsolete, slow-moving or defective inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make sale.

(e) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the financial 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.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY **DIONG**
Chartered Accountants

5.0 TSB GROUP (CONTINUED)

5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, bank balances, demand deposits, 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.

(g) 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.

(h) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. Borrowing costs are charged to the income statement as an expense in the financial period in which they are incurred.

(i) Hire purchase

Property, plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligation is treated as liability. Interest is allocated to the income statement to give a constant periodic rate of interest on the remaining hire purchase liability.

These property, plant and equipment are depreciated in accordance with the depreciation policy of the Group.

(j) Provisions

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

(k) Share capital

Ordinary shares with discretionary dividends are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report



5.0 TSB GROUP (CONTINUED)

5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue recognition

Revenue relating to sales of goods is recognised upon delivery of products and customers' acceptance.

Revenue from services rendered is recognised upon performance of services.

Rental income and interest income are recognised on a time proportion basis.

(m) Income Tax

Income tax on the profit or loss for the financial period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is 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 tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(n) Foreign currency translation

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling at that date. Non-monetary assets and liabilities which are stated at cost denominated in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the transaction dates. Exchange gains and losses arising on translation are recognised in the income statement.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(n) Foreign currency translation (Continued)**

The principal closing rates used in translation of foreign currency amounts are as follows:

	2004	2005
Foreign currency	RM	RM
1 Singapore Dollar	2.31	2.23
1 Euro	N/A	4.45

(o) Impairment of assets

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

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(p) Financial instruments

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

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

(q) Employee benefits**(i) Short term benefits**

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

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(q) Employee benefits (Continued)****(ii) Defined contribution plans**

The Group's contributions to the defined contribution plans, known as Employees Provident Fund ("EPF") are charged to the income statement in the financial period to which they relate.

5.5.3 PROPERTY, PLANT AND EQUIPMENT

	Freehold buildings RM'000	Furniture, fixture and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000
At cost						
At 1 December 2003	1,085	143	439	1,243	896	3,806
Additions	0	24	77	192	444	737
Disposals	0	0	(44)	(46)	0	(90)
Written off	0	0	(8)	0	0	(8)
At 30 November 2004	1,085	167	464	1,389	1,340	4,445
Additions	0	24	81	274	174	553
Disposals	0	0	0	(144)	0	(144)
Written off	0	0	(74)	0	0	(74)
At 30 November 2005	1,085	191	471	1,519	1,514	4,780
Accumulated depreciation						
At 1 December 2003	0	95	371	621	273	1,360
Current charge	0	12	46	235	134	427
Disposals	0	0	(41)	(18)	0	(59)
Written off	0	0	(8)	0	0	(8)
At 30 November 2004	0	107	368	838	407	1,720
Current charge	22	14	59	269	148	512
Disposals	0	0	0	(141)	0	(141)
Written off	0	0	(68)	0	0	(68)
At 30 November 2005	22	121	359	966	555	2,023
Net book value						
At 30 November 2004	1,085	60	96	551	933	2,725
At 30 November 2005	1,063	70	112	553	959	2,757

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

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 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The freehold buildings that have been pledged as security for banking facilities as referred to in Note 5.5.11 are as follows:

	2004	2005
	RM'000	RM'000
Net book value		
Freehold buildings	<u>900</u>	<u>882</u>

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

	2004	2005
	RM'000	RM'000
Net book value		
Motor vehicles	517	519
Plant and machinery	754	578
	<u>1,271</u>	<u>1,097</u>

5.5.4 INVESTMENT IN SUBSIDIARY COMPANIES

Name	Date of Incorporation	Effective interest		Business activities
		2004	2005	
TCSB	26 September 1997	84.40%	90%	Involved in design, assembly and installation of hydraulic systems and activities thereof for industrial applications.
TCJSB	28 July 2000	78.40%	80%	Involved in design, assembly and installation of hydraulic systems and activities thereof for industrial applications.
THSSB	26 July 1990	65%	65%	Supply of embedded hydraulic parts and components, and provided customised hydraulic system assembly solution.

All the above subsidiary companies were incorporated in Malaysia.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.5 OTHER INVESTMENTS**

	2004	2005
	RM'000	RM'000
At cost		
Transferable club memberships	90	90
Unquoted shares in Malaysia	120	30
	<u>210</u>	<u>120</u>

5.5.6 DEFERRED TAX ASSETS

	2004	2005
	RM'000	RM'000
At beginning of financial year	0	5
Effect on opening deferred tax resulting from reduction in income tax rate (Note 5.5.18)	5	0
Overprovision in prior year (Note 5.5.18)	0	(5)
At end of financial year	<u>5</u>	<u>0</u>
Subject to income tax:		
Deferred tax asset		
Property, plant and equipment	<u>5</u>	<u>0</u>

5.5.7 INVENTORIES

	2004	2005
	RM'000	RM'000
At cost		
Raw materials	3,125	3,476
Trading merchandise	2,516	3,285
Work-in-progress	0	595
	<u>5,641</u>	<u>7,356</u>
Inventory turnover period (month)	<u>8.6</u>	<u>10.7</u>

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
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UHY DIONG
Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.7 INVENTORIES (CONTINUED)**

Details of the aging of inventories are as follows:

	0-6 months	7-12 months	13-18 months	19-24 months	>24 months	Total
30 November 2004						
Inventories (RM'000)	2,130	1,010	814	937	750	5,641
Inventories (%)	37.76	17.90	14.43	16.61	13.30	100.00
30 November 2005						
Inventories (RM'000)	2,494	1,716	1,001	434	1,711	7,356
Inventories (%)	33.90	23.33	13.61	5.90	23.26	100.00

5.5.8 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2004 RM'000	2005 RM'000
Trade receivables	5,167	6,274
Less: Allowance for doubtful debts	(54)	(54)
	<u>5,113</u>	<u>6,220</u>
Non-trade receivables	58	0
Deposits	31	58
Prepayments	33	25
	<u>5,235</u>	<u>6,303</u>
Trade receivables turnover period (month)	<u>4.4</u>	<u>4.5</u>

The credit terms of trade receivables given by the Group vary from 0 to 120 days.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.8 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)**

Details of the aging of trade receivables are as follows:

	← Within credit period →			← Exceed credit period →				Total
	0-30 days	31-60 days	61-90 days	91- 120 days	121- 150 days	151- 180 days	>180 days	
30 November 2004								
Trade receivables (RM'000)	1,085	1,086	808	818	413	423	480	5,113
Trade receivables (%)	21.22	21.24	15.80	16.00	8.08	8.27	9.39	100.00
30 November 2005								
Trade receivables (RM'000)	1,573	1,280	1,097	924	393	133	820	6,220
Trade receivables (%)	25.29	20.58	17.64	14.85	6.32	2.14	13.18	100.00

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

	2004 RM'000	2005 RM'000
Singapore Dollar	0	234

5.5.9 PAYABLES

	2004 RM'000	2005 RM'000
Trade payables	1,590	1,859
Non-trade payables	264	0
Amount owing to Directors	278	0
Accruals	292	363
	<u>2,424</u>	<u>2,222</u>

The credit terms of trade payables granted to the Group range from 30 to 120 days.

The amount owing to Directors was unsecured, interest free and had no fixed terms of repayment.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.9 PAYABLES (CONTINUED)**

The foreign currency exposure of trade payables and non-trade payables of the Group are as follows:-

	2004	2005
	RM'000	RM'000
Trade payables		
Euro	57	115
Singapore Dollar	210	752
	<u>267</u>	<u>867</u>

5.5.10 HIRE PURCHASE PAYABLES

	2004	2005
	RM'000	RM'000
Present value of hire purchase liabilities:		
- not later than 1 year	352	288
- later than 1 year and not later than 5 years	461	397
	<u>813</u>	<u>685</u>
Hire purchase liabilities:		
Minimum hire purchase repayments		
- not later than 1 year	408	323
- later than 1 year and not later than 5 years	504	421
	<u>912</u>	<u>744</u>
Future finance charges on hire purchase	(99)	(59)
Present value of hire purchase	<u>813</u>	<u>685</u>
Representing hire purchase liabilities:		
- current	352	288
- non-current	461	397
	<u>813</u>	<u>685</u>

Hire purchase payables are subject to fixed interest rates as follows:

	2004	2005
	%	%
Interest rates	<u>2.45-8.75</u>	<u>2.45-8.75</u>

The Group's hire purchase payables are secured by the financial institutions charge over the assets under hire purchase arrangement.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
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5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.11 BANK BORROWINGS**

	2004 RM'000	2005 RM'000
Secured		
Bank overdrafts	856	345
Bankers' acceptances	550	428
Trust receipts	0	242
Term loan (Note 5.5.13)	4	166
	<u>1,410</u>	<u>1,181</u>

The bank borrowings of the Group are secured by legal charge over the Company's freehold buildings as referred to in Note 5.5.3.

The effective interest rates per annum during the financial year/period for bank borrowings are as follows:

	2004 %	2005 %
Bank overdrafts	7.50-8.50	7.50-8.50
Bankers' acceptances	1.50-2.00	1.50-3.30
Trust Receipts	7.75	7.75
Term loan	<u>7.25</u>	<u>7.25-9.50</u>

5.5.12 SHARE CAPITAL

	2004 RM'000	2005 RM'000
Authorised		
5,000,000 ordinary shares of RM1 each	<u>5,000</u>	<u>5,000</u>
Issued and fully paid		
2,100,000 ordinary shares of RM1 each	<u>2,100</u>	<u>2,100</u>

5.5.13 TERM LOAN

	2004 RM'000	2005 RM'000
Secured		
Representing term loan:		
- current (Note 5.5.11)	4	166
- non-current	0	434
	<u>4</u>	<u>600</u>
Maturity of term loan:		
- not later than 1 year	4	166
- later than 1 year and not later 5 years	0	434
	<u>4</u>	<u>600</u>

The effective interest rates and security have been disclosed in Note 5.5.11.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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Accountants' Report

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5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.14 DEFERRED TAXATION**

	2004 RM'000	2005 RM'000
At beginning of the financial year	2	48
Recognised in the income statement (Note 5.5.18):		
- property, plant and equipment	(2)	2
- under/(over)provision in respect of prior years	54	(44)
Effect on opening deferred tax resulting from reduction in income tax rate (Note 5.5.18)	(6)	0
At end of the financial year	<u>48</u>	<u>6</u>
Subject to income tax:		
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	48	17
Offsetting	0	(11)
Deferred tax liabilities (after offsetting)	<u>48</u>	<u>6</u>
Deferred tax asset (before offsetting)		
Property, plant and equipment	0	11
Offsetting	0	(11)
Deferred tax assets (after offsetting)	<u>0</u>	<u>0</u>

5.5.15 REVENUE

Revenue represents the invoiced value of goods and services sold net of discounts and returns.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.16 PROFIT FROM OPERATIONS**

	2004 RM'000	2005 RM'000
Profit from operations is arrived at after charging:		
Allowance for doubtful debts	42	0
Audit fee		
- current year	18	22
- overprovision in respect of prior year	(3)	#
Bad debts written off	0	21
Depreciation	427	512
Loss on disposal of property, plant and equipment	1	3
Non-executive Directors' remuneration:		
- fee	10	0
- other emoluments	0	20
Property, plant and equipment written off	#	6
Rental of container	0	6
Rental of premises	125	121
Staff costs	<u>2,417</u>	<u>2,462</u>
and crediting:		
Gain on disposal of property, plant and equipment	2	70
Rental income charged to a subsidiary company	<u>10</u>	<u>6</u>

Less than RM1,000

Included in staff costs are Executive Directors' remuneration as follows:

	2004 RM'000	2005 RM'000
Executive Directors' remuneration:		
- fee, salaries, bonus and other emoluments	256	378
- defined contribution plan	<u>25</u>	<u>28</u>
	<u>281</u>	<u>406</u>

Included in staff costs are contributions as follows:

	2004 RM'000	2005 RM'000
- defined contribution plan	<u>272</u>	<u>295</u>

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
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 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.17 FINANCE COSTS**

	2004	2005
	RM'000	RM'000
Interest on bankers' acceptance and trust receipts	21	19
Interest on bank overdrafts	52	54
Interest on hire purchase	90	69
Interest on term loans	1	#
	<u>164</u>	<u>142</u>

Less than RM1,000

5.5.18 TAXATION

	2004	2005
	RM'000	RM'000
The major components of the tax expense are:		
Current tax expense based on profit for the year	430	328
Underprovision of taxation in respect of prior year	<u>42</u>	<u>114</u>
	472	442
Deferred tax expense (Note 5.5.6 and Note 5.5.14)		
- relating to reduction in income tax rate	(11)	0
- relating to origination and reversal of temporary differences	(2)	2
- under/(over)provision in respect of prior year	<u>53</u>	<u>(39)</u>
	<u>512</u>	<u>405</u>

Less than RM1,000

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
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UHY DIONG
Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.18 TAXATION (CONTINUED)**

	2004	2005
	RM'000	RM'000
Reconciliation of tax expense and accounting profit:		
Accounting profit before taxation	1,860	3,341
Tax at the applicable tax rate of 28%	514	925
Tax effect of:		
- income not subject to tax	(3)	(600)
- expenses not deductible for tax purposes	36	100
- different tax rate for first RM500,000 of chargeable income	(119)	(95)
Underprovision of taxation in respect of prior year	42	114
Overprovision of deferred tax expense in respect of prior year	0	(39)
Reduction in opening deferred taxes resulting from reduction in income tax rate	(11)	0
Underprovision of deferred tax assets not recognised in respect of prior year	53	0
Tax expense for the year	512	405

In 2003, the Malaysian government enacted a change in the statutory income tax rate from 28% to 20% for small and medium scale companies with paid-up capital of RM2.5 million and below at the beginning of the basis year for year of assessment 2004 on chargeable income of up to RM500,000. For chargeable income in excess of RM500,000, corporate tax at the rate of 28% is still applicable.

The Company has been granted pioneer status by the Ministry of International Trade and Industry for its products under the Promotion of Investments Act, 1986 in which the statutory income are exempted from tax for a period of five years from 1 June 2005.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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5.0 TSB GROUP (CONTINUED)

5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.5.19 FINANCIAL RISK MANAGEMENT POLICIES

The Group's operations are subject to a variety of financial risks, including interest rate risk, credit risk, foreign currency exchange risk and liquidity and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders and to ensure adequate financial resources are available for the development of the Group's business. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of such risks on its financial performance. Various financial risk management policies are made and approved by the Board of the Group for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

The Group is exposed to the following financial risks:

(i) Credit risk

The Group is exposed to credit risk mainly from trade receivables and amounts owing by subsidiary companies. These receivables are continually monitored to ensure that issues arising from non-collectibility are minimised. There were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

(ii) Foreign currency exchange risk

The Group is exposed to foreign currency fluctuations as a result of sales and purchases transactions denominated in foreign currencies. The Group does not use derivative financial instruments to hedge its risk.

The Group is exposed to foreign currencies as stated in Note 5.5.2(n). Foreign currency denominated assets and liabilities together with expected cash flows from high probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the Group are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group as at balance sheet date that are not denominated in the Group's functional currency of Ringgit Malaysia are disclosed in Note 5.5.8 and 5.5.9 to the financial statements.

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TEJARI TECHNOLOGIES BERHAD
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5.0 TSB GROUP (CONTINUED)

5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.5.19 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(iii) Interest rate risk

The Group has no significant interest-bearing financial assets or liabilities other than term loans, bank overdrafts and other borrowings as at balance sheet date. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates. Bank borrowings are secured from the banks, which offer the most competitive rates.

(iv) Liquidity and cash flow risks

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient liquidity and cash flow at all times.

5.5.20 FINANCIAL INSTRUMENTS

Financial assets

The Group's principal financial assets are other investments, cash and cash equivalents, trade receivables, non-trade receivables, deposits and amount owing by subsidiary companies.

The accounting policies applicable to the major financial assets are as disclosed in Note 5.5.2 to the financial statements.

Financial liabilities and equity instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments are recorded at the proceeds received.

The Group's principal financial liabilities are trade payables, non-trade payables, accruals, hire purchase payables and bank borrowings.

Fair values

The carrying amounts of the Group's cash and cash equivalents, trade receivables, non-trade receivables, deposits, trade payables, non-trade payables, accruals and bank borrowings are assumed to approximate their fair values because of the short maturity of these instruments.

13 ACCOUNTANTS' REPORT (Cont'd)

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UHY **DIONG**
 Chartered Accountants

5.0 TSB GROUP (CONTINUED)**5.5 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5.5.20 FINANCIAL INSTRUMENTS (CONTINUED)**

The fair value of unquoted investments of the Group is not practical to estimate because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

The aggregate net fair values of financial liabilities which are not carried at fair value on the balance sheets of the Group at the end of the financial years are represented as follows:

	Carrying amount RM'000	Fair value RM'000
At 30 November 2004		
Hire purchase payables (Note 5.5.10)	<u>813</u>	<u>874</u>
At 30 November 2005		
Hire purchase payables (Note 5.5.10)	<u>685</u>	<u>723</u>

5.5.21 COMPARATIVE FIGURES

Comparative figures, where appropriate, have been reclassified to conform to current year's presentation.

5.5.22 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 30 September 2006, the Company became a wholly owned subsidiary company of TTB.

On 2 October 2006, the Company disposed of its entire investment in its subsidiary companies, namely TCSB, TCJSB and THSSB to TTB. The above disposal are an internal reorganisation of the group structure and at a nominal sales consideration of RM1 for each company.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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UHY DIONG
Chartered Accountants

5.0 TSB GROUP (CONTINUED)

5.6 AUDITED REPORTS AND FINANCIAL STATEMENTS (CONTINUED)

5.6.1 TSB- 2004

Partners:

*Dato' Syed Amin Aljeffri
Neoh Chin Wah
Lam Wai Min
Mohd Neezal Md. Noordin*



嘉富定特许会计师行

Chartered Accountants (M)
Firm No:AF 1366

Seberang Prai branch office :

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Tel : 04 - 3906482 Fax : 04 - 3999960 e-mail : infoprai@aljeffridean.com

Principals:

*Ghazali Hj. Mohd Yusoff
Leong Weng Hong
Kamarul Azhar Dahaman Hussain*

REPORT OF THE AUDITORS TO THE MEMBER OF

TEJARI SDN. BHD.
(128186-P)
(Incorporated in Malaysia)

We have audited the accompanying financial statements of **TEJARI SDN. BHD. (128186-P)** set out on pages 8 to 34.

The preparations of the financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on those 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 towards 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 all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting policies used and significant estimates made by the directors as well as evaluating the 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 which have been prepared under the historical cost convention 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 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
 - (ii) the state of affairs of the Group and of the Company as at November 30, 2004 and of the results and the cash flow of the operations of the Group and of the Company for the year ended on that date;

....2/-

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
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Chartered Accountants

5.0 TSB GROUP (CONTINUED)

5.6 AUDITED REPORTS AND FINANCIAL STATEMENTS (CONTINUED)

5.6.1 TSB- 2004 (Continued)

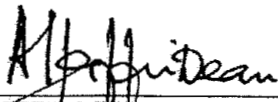
TEJARI SDN. BHD.
(128186-P)


and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the presentation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174(3) of the Companies Act, 1965.


ALJEFFRIDWAN AF1366
Chartered Accountants


LAM WAI MIN 895/03/05 (J/PH)
Partner
Penang, Malaysia

Dated: March 10, 2005

....3/-

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
Chartered Accountants

5.0 TSB GROUP (CONTINUED)

5.6 AUDITED REPORTS AND FINANCIAL STATEMENTS (CONTINUED)

5.6.2 TSB- 2005

UHY DIONG (AF 1411)
Chartered Accountants

Company No. 128186-P

51-21-F, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

REPORT OF THE AUDITORS TO THE MEMBERS OF
TEJARI SDN. BHD.
(Company No. 128186-P)
(Incorporated in Malaysia)

Tel 604-2276888
Fax 604-2298118
website www.uhydiong.com

We have audited the financial statements of **TEJARI SDN. BHD.** set out on pages 10 to 37. These financial statements are 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 Auditing Standards in Malaysia. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at **30 November 2005** and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies have been properly kept in accordance with the provisions of the Act.

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
Chartered Accountants

- 5.0 TSB GROUP (CONTINUED)
5.6 AUDITED REPORTS AND FINANCIAL STATEMENTS (CONTINUED)
5.6.2 TSB- 2005 (Continued)


UHY DIONG (AF 1411)
Chartered Accountants

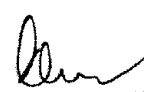
Company No. 128186-P

REPORT OF THE AUDITORS TO THE MEMBERS OF
TEJARI SDN. BHD. (CONTINUED)
(Company No. 128186-P)
(Incorporated in Malaysia)

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes 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 subsidiary companies were not subject to any qualification and did not include any comment made under Subsection 3 of Section 174 of the Companies Act, 1965.


UHY DIONG
No. AF-1411
Chartered Accountants


KOAY THEAM HOCK
No. 2141/04/07 (J)
Partner

Dated: 05 JAN 2006

13 ACCOUNTANTS' REPORT (Cont'd)

TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
Chartered Accountants

6.0 DIVIDEND

No dividend have been paid or declared by TTB since its incorporation.

No dividends have been declared by the subsidiary companies within TTB Group during the relevant years/period under review except for THSSB declared and paid an interim tax exempted dividend of 8.6% amounting to RM30,100 in respect of the financial year ended 30 November 2004.

7.0 SUBSEQUENT EVENT

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

13 ACCOUNTANTS' REPORT (Cont'd)

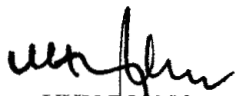
TEJARI TECHNOLOGIES BERHAD
(COMPANY NO.: 679361-D)
Accountants' Report

UHY DIONG
Chartered Accountants

8.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 November 2006.

Yours faithfully



UHY DIONG
AF-1411
Chartered Accountants



KOAY THEAM HOCK
2141/04/07 (J)
Partner