

**7 FINANCIAL INFORMATION (Cont'd)**

The effective tax rates are arrived as follows:-

	←----- Audited ----->			Unaudited Four (4) months FPE 31 May 2007 RM'000
	Approximately Seven (7) months FPE 31 January 2007 RM'000	FYE 31 January 2008 RM'000	Four (4) months FPE 31 May 2008 RM'000	
Tax income/ (expense)	7	(118)	(26)	(72)
(Loss)/ Profit before tax	(79)	715	143	318
Share of net profit of associates	*	2,792	1,251	271
<b>(Loss)/ Profit before tax after share of net profit of associates</b>	<b>(79)</b>	<b>3,507</b>	<b>1,394</b>	<b>591</b>
<b>Effective tax rate (%)</b>	<b>-</b>	<b>3.4</b>	<b>1.9</b>	<b>12.2</b>

*Note:*

\* Represents share of net loss of an associate of RM115

For FPE 31 January 2007, we recognised tax income of approximately RM7,300 primarily due to the recognition of net deferred tax assets amounting to RM12,740.

Our Group's effective tax rate for FYE 31 January 2008 of 3.4% was lower than the statutory tax rate of 26.0% mainly due to the reduction in statutory tax rate on the first RM0.5 million chargeable income and the share of tax exempt profit from our associate, Grand Inizio. Grand Inizio was granted approval in principle for pioneer status under the Promotion of Investments Act, 1986 whereby its entire statutory income derived from pioneer activities are exempted from taxation from 12 March 2007 to 11 March 2012. In addition, STSB is also a tax exempt entity under the MSC guidelines which further reduced our statutory rate.

The lower effective tax rate of 12.2% as compared to the statutory tax rate of 26.0% for the unaudited FPE 31 May 2007 was mainly due to the tax exempt status of Grand Inizio.

Similarly, our effective tax rate for FPE 31 May 2008 is also lower due to the tax exempt status of both Grand Inizio and STSB.

**7.4.2 Impact of Foreign Exchange/ Interest Rates/ Commodity Prices on Operating Profits**

Our Group was not subject to any direct material financial impact as a result of foreign exchange movements, interest rates and/or commodity prices. Notwithstanding, please refer to Section 4(B)(f) herein for our risk relating to fluctuation in the prices of raw materials.

**7.4.3 Exceptional and Extraordinary Items**

There was no exceptional and extraordinary item for the FPE/FYE under review.

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**7 FINANCIAL INFORMATION (Cont'd)**

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**7.4.4 Significant Factors Affecting Profits**

The main factors that have affected and are expected to continue to affect our profits include but are not limited to the following:-

**(i) Growth Prospects of Incubatee Companies**

Our Incubatees Companies are primarily involved in the Biofuels industry. As such the growth prospects of our Incubatee Companies are dependent on the performance of the Biofuels industry. The main drivers of demand for Biofuels will be driven by the following factors, as summarised from the Frost & Sullivan report, *Strategic Analysis of the Asia Pacific Biodiesel Industry, P13E-39:-*

**Export markets provide stimulus for Biodiesel investments**

In 2003, the European Parliament issued a directive on the promotion of the use of Biofuels. The main highlight of the directive is that member states should ensure that a minimum proportion of Biofuels and other renewable fuels is placed on their market. With feedstock being the single largest cost component in Biodiesel production, and with Asia Pacific having the benefit of accessing lower cost feedstocks, we anticipate that a proportion of Biodiesel volumes for the European Union are likely to be imported from Asia Pacific producers. This presents Asia Pacific countries the opportunity to export locally-produced Biodiesel at rates that are attractive to European buyers and which would still provide them healthy margins.

Further, the Biodiesel market in the United States is only emerging and in the medium to long term, this market may also present Asia Pacific Biodiesel producers an attractive export opportunity.

These export markets in the EU currently and the United States in the medium to long term coupled with growing demand in Asia itself are likely to stimulate significant Biodiesel investments in production facilities in Asia Pacific.

**Availability of low-cost feedstocks**

For countries with substantial vegetable oil production and processing industries (for instance, Malaysia, Indonesia) Biodiesel offers a new market opportunity for vegetable oils, and the ability to increase value-addition to vegetable oil (through domestic production and export of Biodiesel rather than pure vegetable oil).

The increase in demand for vegetable oils also stimulates rural economies and provides additional employment. With many vegetable oil feedstock options in Asia (for instance palm oil, jatropha oil) available at significantly cheaper rates than preferred feedstock in the EU and the United States (rapeseed oil and soybean oil), the Asian Biodiesel producers also enjoy a production cost advantage over EU or United States producers that increases the attractiveness of the industry to potential investors.

**Increasing air pollution prompts the search for cleaner burning fuels**

Asia Pacific countries account for 58.0% of the world population and 45.0% of world urban population. The rapid pace of industrialization and urbanization in this region, and the consequent increases in the use of fossil fuels, has led to a steep increase in air pollution.

**Growth in demand for diesel**

While it is clear that petrol is the dominant transport fuel in most Asia Pacific countries, there are some countries where diesel demand is growing at a significant

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**7 FINANCIAL INFORMATION (Cont'd)**


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rate. For example, in Australia, demand for diesel is growing at the rate of 3.0% per year, as opposed to 1.2% for automotive gasoline. While this creates a more conducive domestic demand situation in these countries, growth in diesel demand in the major export destination markets is also a significant driver for the Asia Pacific Biodiesel industry, since it is currently largely export-focused.

**Rising costs of conventional fuels prompt the search for more affordable alternatives**

Most countries in Asia Pacific are net importers of fuel oil. Fuel price increases have been dramatic in some countries, for example, an increase by an average of 126.0% on 1 October 2005 in Indonesia, while other countries have seen price increases by smaller increments. The political setback to ruling governments contending with a series of price rises is significant. This acts as a strong motivation for government-driven initiatives seeking increased uptake of alternate fuels.

**Government-driven incentives for Biodiesel**

In addition to providing licenses for Biodiesel production, and/or investment tax allowances, and/or capital grants, many governments have established Biodiesel tax incentives to ensure that prices at the pump are competitive with mineral diesel.

*(Source: Frost & Sullivan, Strategic Analysis of the Asia Pacific Biodiesel Industry, P13E-39)*

Biodiesel is a viable alternative to fossil fuels in this regard as it has lower carbon emissions thus lowering pollution generation. However, the prospects for the Biofuels industry are also susceptible to changes which are beyond our control. These include changes in feedstock price, price of fossil fuels and legislative changes all of which have significant impact, that can be either favourable or adverse.

The above discussed on the Biodiesel industry as well as factors that may significantly effect the operations of the Group including raw material price trends, etc. The Group's incubatees are currently centered around the Bioenergy industry and thus all incubatees are able to complement each other's strengths.

Grand Inizio has already established its brandname in the Biodiesel industry especially in Malaysia and Indonesia. Together with its engineering team comprising persons well experienced in the vegetable oil processing industry, Grand Inizio is well placed to grow its order book. Towards this end, apart from the secured active projects of up to RM143 million, Grand Inizio has further been awarded contracts which it is in the midst of finalization for commencement.

Grand Inizio's long term collaboration with various jatropha planting technology owners will also pave the way for Grand Inizio's future order book especially with massive jatropha plantation being planned in the region the likes of Indonesia, Cambodia and even Malaysia.

In addition, Grand Inizio has combined its technology with that of PTI which had expanded its product offerings into oleochemical industry. Oleochemical industry is a big industry with products the likes of oleic acid, medium chain triglycerides, etc with wide applications ranging from industrial uses to daily household items such as energy drinks, vulcanizing agents, lubricants, etc.

Biofuel production and consumption is growing not only in Asia but throughout the world due mainly to the following factors:-

- Government compulsory blend requirements;
- Government initiatives such as tax breaks and subsidies;

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**7 FINANCIAL INFORMATION (Cont'd)**


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- Environmental concerns; and
- Concerns on depletion of fossil diesel supply.

Eco-Sponge has a virtually secured market with Grand Inizio's clientele in Malaysia and Indonesia. Leveraging on the track record of Eco-Sponge's filtration compound utilised at plants using Grand Inizio's technology, the Group will commence marketing the product to other plants in Malaysia and Indonesia. With the growing use of Biodiesel due to the abovementioned factors, we believe that Eco-Sponge's prospects will be good going forward.

With various Government initiatives to promote the use of Biofuel, the latest being Malaysia's 5% compulsory blend requirement starting with Government vehicles from February 2009, we believe the prospects for the Group is promising.

*(Source: Management of ABT)*

**(ii) Trends in Local and Global Biofuels Industry**

The Biofuels industry has been benefiting from the various Government initiatives proposed including tax incentives and subsidies as well as increased awareness on environmental issues and depletion of supply. Locally, the Malaysian Government has promoted the use of Biofuel through 5% compulsory blend requirement starting with Government vehicles. In addition, the previously high palm oil prices had resulted in the push to find alternative non-food vegetable oils such as jatropha, a non-food feedstock mainly used for Biodiesel. The current trend of using jatropha as a feedstock for Biodiesel augurs well for the future growth prospects of the Biofuels industry due to its shorter timeframe for maturity as compared to palm based feedstock and other advantages such as ability to grow on marginal land.

Please refer to the discussion in item (i) above, item (iv) below as well as Section 4(A)(b) and 4(B)(f) of this Prospectus for further information on the trends in the Biofuels industry.

**(iii) Demand and Supply Conditions**

**Demand**

Globally, the largest market for Biodiesel is the EU with the EU committed to achieve a reduction in CO<sub>2</sub> emissions through the use of Biofuels. The United States, at present is a smaller market, but is witnessing rapid growth in terms of both new Biodiesel capacities coming on-stream as well as increased consumption of Biodiesel. Markets in Latin America (especially Argentina and Brazil) are also developing strongly.

Although much of the early investment in Biodiesel production in the Asia Pacific region was targeted at export markets, domestic consumption within the Asia Pacific region is becoming more important. Many countries aim to be self-sufficient in Biodiesel, and see stimulation of domestic demand as a key to spurring investment. From consumption that was virtually negligible across the region in 2004, government mandates and other policies are likely to drive demand to over 7 million tonnes by 2013.

**Supply**

A number of feedstocks are available in the Asia Pacific region, with usage in individual countries reflecting local agricultural practices and climatic conditions. In Southeast Asia, especially Malaysia and Indonesia, palm oil is the major feedstock. They are the largest producers of palm oil in the world, and have significant export

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**7 FINANCIAL INFORMATION (Cont'd)**


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business allowing large volumes of palm oil to be diverted to Biodiesel production without impacting on domestic food consumption.

In countries where climatic conditions are favorable, and which are concerned about the impact on food security and food prices from the diversion of edible oils to Biofuels production, jatropha is coming into focus as a potential feedstock. Jatropha is a non-edible plant that can grow on marginal land and yields around 30% oil content from its seeds. Supply from Jatropha feedstock is growing however we are unable to ascertain when it will reach commercial volume on a larger scale.

*(Source: Frost & Sullivan. Strategic Analysis of the Asia Pacific Biodiesel Industry. P13E-39)*

**(iv) Fluctuations in CPO Prices and Prospects**

Fluctuations in commodity prices of vegetable oils affect the margins of the Biodiesel industry. Should there be significant upswings in commodity prices of vegetable oils as compared to fossil fuels, the capacity of a palm-based Biodiesel plant to operate profitably may be affected.

In general, ABT's financial performance may be affected by high CPO prices. This will likely result in scenarios whereby operational palm-based Biodiesel plants in Malaysia will choose to either downsize or suspend altogether their production of palm-based Biodiesel. Existing customers of Grand Inizio may opt to postpone the implementation of their palm-based Biodiesel project due to the lack of margins, or in extreme situations, cancel their order with Grand Inizio, thus affecting its financial performance. The reduction in margins may also result in the non-feasibility of current and future Biodiesel plant projects, thus impacting the order book of Grand Inizio for Biodiesel plants. In such scenarios, it may result in lower demand for filtration compounds and correspondingly affecting the financial performance of Eco-Sponge which supplies such filtration compounds.

Grand Inizio's technology as well as Eco Sponge's filtration compound can be used in any Biodiesel plant, be it palm-based, jatropha-based, or vegetable oil-based. Whilst CPO pricing may fluctuate significantly, other feedstocks are available which ensures continued market viability of Grand Inizio and Eco-Sponge's products though with differing geographical matrix. Feedstocks that may be used for Biodiesel and Bioethanol includes:-

**Biodiesel:-**

- Rapeseed
- Soybean
- Coconut Oil
- Palm Oil
- Jatropha Curcas
- Castor Oil
- Cotton Seed Oil
- Other Vegetable Oil

**Bioethanol:-**

- Corn
- Sugar Cane
- Sweet Sorghum
- Cassava/ Tapioca
- Other starch/ sugar based crops

In addition, we believe the recent downtrend of palm oil prices has significantly benefited the Biodiesel industry and there is now plenty of room for growth in both services of technology providers such as Grand Inizio as well as for the sales of Eco-Sponge's filtration compound. Nevertheless, we believe that even if palm oil prices

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**7 FINANCIAL INFORMATION (Cont'd)**

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were to reach their highs again, there will still be demand for Biodiesel due to pressing environmental issues and mandates by governments worldwide, the latest being the 5% blend as required by the Malaysian government commencing with government vehicles.

Palm oil prices were high between 2007 and mid 2008, resulting in reduced margins for Biodiesel operators. This has resulted in the push to find alternative non-food vegetable oils such as jatropha, a non-food feedstock mainly used for Biodiesel.

The current trend of using jatropha as a feedstock for Biodiesel augurs well for the future growth prospects of the Biofuels industry and our Group as Grand Inizio's Biodiesel technology is based on multi-feedstock and likewise, Eco-Sponge's filtration compound. Due to jatropha's shorter timeframe for maturity as compared to palm based feedstock and other advantages such as ability to grow on marginal land, it is a feedstock earmarked for heavy planting in various parts of Malaysia, Indonesia, India, Cambodia, China and others to provide feedstock supply for the domestic and foreign Biodiesel industry.

*(Source: Management of ABT)*

**(v) Non-completion or delay in projects**

Most of our Incubatee Companies are involved in capital intensive projects which by their very nature are susceptible to delays or non completion arising out of delays in obtaining funding, civil engineering challenges, supply of construction materials and raw materials as well as regulatory compliance issues.

Please refer to Section 4(B)(d) for further information on the above.

*(Source: Management of ABT)*

**(vi) Impairment in value of our Incubatee Companies**

Grand Inizio's technology as well as the value of our Incubatee Companies is subject to annual impairment tests. Any impairment to Grand Inizio's technology value will consequently affect Grand Inizio's share of profits contribution, thus affecting our profits. In addition, should the carrying value of our Incubatee Companies fall substantially lower than the carrying value in our books, this could also affect our profits due to such impairment.

*(Source: Management of ABT)*

Inherent risks are evident in any given industry. Nonetheless, our Board opines that as a result of the depleting nature of fossil fuel coupled with its high pricing volatility in the world market and environmental concerns the likes of global warming as a result of increasing production greenhouse gas, including automotive exhaust fumes, many governments are looking for alternative sources of energy as well as energy independence, in particular renewable energy sources such as Biofuels.

As a result, the push for the deployment of Biofuels worldwide is increasing as evidenced from several government mandates for compulsory blending which will in turn help to mitigate the effect of the above factors on the future prospects of our Group and Incubatee Companies involved in the Biofuels' arena. In addition, with the experience, knowledge, business contacts and expertise from our Directors and key management, including our TAP, we believe we are well positioned to keep pace with the changes in the Bioenergy industry and lead our incubatees to greater successes.

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**7 FINANCIAL INFORMATION (Cont'd)**


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**7.4.5 Impact of Inflation**

There was no material impact of inflation on our historical profits for the seven (7) months FPE 31 January 2007, FYE 31 January 2008 and the four (4) months FPE 31 May 2008.

**7.4.6 Government/ Economic/ Fiscal or Monetary Policies**

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, is set out in Section 4(A)(b) and Section 4(C)(c) of this Prospectus.

Save as disclosed in Section 6 of this Prospectus, there was no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the seven (7) months FPE 31 January 2007, FYE 31 January 2008 and the four (4) months FPE 31 May 2008.

**7.4.7 Material Changes in Sale/ Revenue**

As set out in Section 7.4.1 of this Prospectus, we have discussed the reasons on material changes in our revenue for the seven (7) months FPE 31 January 2007, FYE 31 January 2008 and the four (4) months FPE 31 May 2008.

**7.5 LIQUIDITY AND CAPITAL RESOURCES****7.5.1 Working Capital**

Our Group has been financing our operations through cash generated from our operations. As at 31 May 2008, our Group, upon completion of the Flotation Scheme, is expected to have a total proforma consolidated current assets and current liabilities of RM10.61 million and RM0.431 million respectively. The current assets comprise mainly of cash, cash in bank and cash equivalents in the form of fixed deposits totalling about RM10.01 million.

Our Board is of the opinion that, after taking into account our cashflow position and net proceeds from the Public Issue, we will have adequate working capital for a period of twelve (12) months from the date of issue of this Prospectus.

**7.5.2 Cash Flow**

The following are the proforma net cash flow from the respective activities of ABT and Subsidiary Companies upon completion of the Flotation Scheme.

<b>ABT and Subsidiary Companies</b>	<b>Four (4) months FPE 31 May 2008 RM'000</b>
Net cash from operating activities	82
Net cash used in investing activities	(4,400)
Net cash from financing activities	11,347
<b>Net increase in cash and cash equivalents</b>	<b>7,029</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>2,984</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>10,013</b>

The cash and cash equivalents include fixed deposit placements with financial institutions.

There are no legal or economic restrictions on the ability of our Subsidiary Companies and Associated Companies to transfer funds to our Company in the form of cash dividends. Our intention is for our Incubatee Companies to declare dividends where cash surpluses are available.

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**7 FINANCIAL INFORMATION (Cont'd)**


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**Net cash from operating activities**

The net cash from operating activities was mainly derived from our normal operating activities of technology incubation.

**Net cash used in investing activities**

Net cash outflow in investing activities was mainly due to the expected additional investment, upon the completion of the Flotation Scheme, of approximately RM5.0 million in Nexfuel net of the dividends of RM608,000 from Grand Inizio.

**Net cash from financing activities**

Net cash from financing activities was mainly proceeds from public issue net of the listing expense.

**7.5.3 Borrowings and Gearing**

The following are the interest bearing borrowings of ABT and our Subsidiary Companies for the four (4) months FPE 31 May 2008:-

<b>ABT and Subsidiary Companies</b>	<b>Four (4) months FPE 31 May 2008 RM'000</b>
<i>Non-current liabilities</i>	
Hire purchase creditor	82
<i>Current liabilities</i>	
Hire purchase creditor	55
<b>Total borrowings</b>	<b>137</b>
Gearing (times) ^	0.009
Gearing (times) *	0.005

**Notes:-**

^ Based on proforma shareholders' funds as at 31 May 2008 of about RM15.749 million upon completion of the Acquisition of ABR

\* Based on proforma shareholders' funds as at 31 May 2008 of about RM27.149 million upon completion of the Listing and after utilisation of proceeds as set out in Section 7.2 of this Prospectus

Our Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) FYE 31 January 2008 and past four (4) months FPE 31 May 2008 thereof immediately preceding the date of this Prospectus.

**7.5.4 Breach of Terms and Conditions/ Covenants Associated with Credit Arrangement/ Bank Loan**

To the best of our Directors' knowledge, as at the LPD, neither we nor any of our Subsidiary Companies are in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

**7.5.5 Type of Financial Instruments Used**

As at the LPD, we do not have nor are we using any financial instruments for hedging purposes.



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**7 FINANCIAL INFORMATION (Cont'd)**

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**7.6 TREND INFORMATION**

As at the LPD, to the best of our Directors' knowledge and belief, our financial conditions and operations of the Group have not been and are not expected to be affected by any of the following:-

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed hereunder and in Sections 4, 5 and 7.4.4 of this Prospectus;
- (b) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed hereunder and in Sections 4 and 7.4.4 of this Prospectus;
- (c) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's revenue and/or profits save for those that have been disclosed hereunder, industry overview and our future plans, strategies and prospectus in Section 6 of this Prospectus;
- (d) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future historical performance and position other than those disclosed hereunder and in Sections 4 and 7.4.4 of this Prospectus; and
- (e) known trends, demands, commitments, events or uncertainties that that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed hereunder and in Section 4 of this Prospectus.

**7.7 MATERIAL LITIGATION, MATERIAL CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENT**

**(a) Material Litigation**

As at the LPD, our Group is not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial performance and position of our Group and our Board has no knowledge of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially affect the financial position or business of our Group.

**(b) Material Contingent Liabilities**

As at the LPD, our Directors are not aware of any material contingent liabilities incurred by us or our Subsidiary Companies, which upon becoming enforceable, may have a material impact on our financial position or those of our Subsidiary Companies.

**(c) Material Commitment**

As at the LPD, there are no material commitments for capital expenditure incurred or known to be incurred by our Group which may have a substantial impact on the results or the financial position of our Group.

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## 7 FINANCIAL INFORMATION (Cont'd)

### 7.8 CONSOLIDATED PROFIT FORECAST

Our Board forecasts that the consolidated PAT of our Group for FYE 31 January 2009 will be as follows:-

FYE 31 January	Forecast 2009 RM'000
Revenue	1,035
Consolidated PBT before share of net profit of associates (net of listing expense of RM1.3 million)	(286)
Share of net profit of associates	6,876
Consolidated PBT	6,590
Less: Taxation	(28)
Consolidated PAT	6,562
Less: Pre-acquisition profit	(2,584)
Net (loss)/profit for the financial year	3,978
Attributable to:	
Shareholders of the Company	3,978
Basic earnings per share (sen):- - based on consolidated PAT attributable to shareholders of the Company	1 2.64

*Notes:-*

1. Computed based on the weighted average number of ordinary shares in issue of 150,876,732 ABT Shares based on completion of acquisition of ABR on 11 September 2008 and assuming that the ABT Shares pursuant to the proposed public issue and proposed bonus issue are allotted on 11 December 2008.
2. The excess of the provisional fair value of the net assets acquired over the consideration paid (which should approximate the profit of the subsidiaries and associates from 1 August 2007 to 10 September 2008) arising from the acquisition of subsidiaries and associates have not been accounted for in the above forecast as the gain is deemed to be non-recurring income and non-operational. Based on the available consolidated financial statements of ABR for the FYE 31 May 2008, the excess of the net assets acquired over the consideration paid amounted to RM3,450,000.

Please refer to Section 7.10 of this Prospectus for the Reporting Accountants' Letter on the consolidated profit forecast for FYE 31 January 2009 together with its underlying bases and assumptions.

### 7.9 DIRECTORS' ANALYSIS AND COMMENTARY ON THE CONSOLIDATED PROFIT FORECAST

Our Directors have prepared and analysed the bases and assumptions used in arriving at the consolidated profit forecast of our Group for FYE 31 January 2009 and are of the opinion that the consolidated profit forecast is fair and reasonable in light of the future plans, strategies and prospects of our Group as set out in Section 6.6 of this Prospectus and after taking into consideration the forecasted gearing level, liquidity and working capital requirements of our Group.

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

Based on the above table, the forecasted proforma earnings of our Group, before deducting pre-acquisition profit, listing expenses and excess of fair value of net assets acquired over consideration paid is about RM7.859 million for FYE 31 January 2009, representing an increase of 132% over the previous financial year's proforma earnings of about RM4.47 million.

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**7 FINANCIAL INFORMATION (Cont'd)**

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**Analysis and Commentary for the Consolidated Profit Forecast for FYE 31 January 2009**

The technology incubation business is expected to result in revenue of RM360,000 mainly arising from management and corporate service fees from our Associated Companies as well as from the continuation of our originator's fee from Grand Inizio pursuant to an introduction of a customer by ABR to Grand Inizio in the previous financial year. Other major incubator business revenues forecasted for ABR include corporate service fees from Grand Inizio.

For STSB, its revenues for FYE 31 January 2009 are expected to increase from RM498,000 to RM1.47 million arising mainly from a forecast demand for PLC Systems, ERP-iLS training suites and ERP software. This demand is forecasted to arise due to increase of its reach to other industrial customers as well as the anticipated commissioning of Biodiesel plants by Grand Inizio which will result in the demand for related IT services.

Similar to the prior FYE, the forecast expenses mainly relate to staff cost and expenses which is anticipated to increase only marginally from FYE 31 January 2008 areas as the majority of our costs are fixed.

The loss before tax of RM0.286 million for FYE 31 January 2009 arises from a one time net of listing expenses amounting to RM1.30 million. Prior to the netting of, our consolidated PBT for FYE 31 January 2009 amounts to RM1.01 million.

As with the prior FYE, contribution of profits from Associated Companies will represent the highest income stream for the Group. Grand Inizio is forecast to continue to be the biggest contributor with a forecast contribution to our Group of RM6.38 million mainly arising from the construction project profits recognised for the construction of Biodiesel plants and the commencement of some of the projects awarded towards the later part of our forecast year.

Additionally, during the forecast year, it is expected that arising from the anticipated commissioning of the Biodiesel plants by Grand Inizio, Eco-Sponge will commence full scale operations by providing these plants with its blend of a filtration and absorption compound which have been duly tested and endorsed. It is anticipated that Eco-Sponge will contribute about RM315,000 to the Group's PAT in FYE 31 January 2009.

As at the LPD, we are not aware of any likely change in business and operating conditions that may have a material impact on our Group's forecast as disclosed above.

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**7 FINANCIAL INFORMATION (Cont'd)**

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**7.10 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST OF ABT**  
**(Prepared for inclusion in the Prospectus)**



**BDO Binder** (AF 0206)  
Chartered Accountants

12th Floor Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur Malaysia  
Telephone : (603) 2616 2888  
Telefax : (603) 2616 3190, 2616 3191  
Website : www.bdobinder.com

Our Ref: BDOB/NCH/KSH

30 October 2008

**The Board of Directors**  
**Asia Bioenergy Technologies Berhad**  
13A06 Lobby I  
Block A, Damansara Intan  
No. 1 Jalan SS20/27  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs

**ASIA BIOENERGY TECHNOLOGIES BERHAD ("ABT" or "the Company")**  
**CONSOLIDATED PROFIT FORECAST**  
**FOR FINANCIAL YEAR ENDING 31 JANUARY 2009**

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We have reviewed the consolidated profit forecast of ABT and its subsidiaries, i.e. Asia Bioenergy Research Sdn. Bhd. ("ABR"), ALC Management Sdn Bhd ("ALC Management"), STSB Technology Sdn. Bhd. ("STSB") (collectively referred to as "ABT Group") and associates, namely Eco-Sponge Sdn. Bhd. ("Eco-Sponge") and Grand Inizio Sdn. Bhd. ("GI") for the financial year ending 31 January 2009 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the International Standards on Assurance Engagements 3400 "The Examination of Prospective Financial Information" applicable to the review of forecast. The consolidated profit forecast has been prepared for inclusion in the Prospectus, in connection with the listing of ABT on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Listing"), and should not be relied on for any other purposes. The Listing of ABT involves the following:-

- (a) Share split which will involve the sub-division of the par value of ordinary shares of RM1.00 each into ordinary shares of RM0.10 each ("ABT Shares"). To facilitate the Listing, ABT increased its authorised share capital from RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each ("Share Split and Increase in Authorised Share Capital");
- (b) The acquisition by ABT of the entire equity interest in Asia Bioenergy Research Sdn. Bhd. ("ABR"), representing 509,500 ordinary shares of RM1.00 each in ABR for a total purchase consideration of RM12,303,103 satisfied entirely by the issuance of 119,999,980 ABT Shares of RM0.10 each at an issue price of approximately RM0.102 per share ("Acquisition of ABR");
- (c) In conjunction to ABT Listing, ABT will issue 30,000,000 new ABT Shares at an Issue Price of RM0.43 each to ABT's business associates, Malaysian public, companies, societies, co-operatives and institutions by way of private placement and public balloting ("Public Issue").

Upon completion of the Public Issue, ABT issued and paid-up share capital will increase from RM12,000,000 comprising 120,000,000 ABT Shares to RM15,000,000 comprising 150,000,000 ABT Shares;



- (d) Immediately after the Public Issue, ABT will implement a bonus issue of 100,000,000 new ABT Shares to be issued and credited as fully paid-up on the basis of two (2) new Shares for every three (3) existing Shares held after the Public Issue ("Bonus Issue").

Upon completion of the Bonus Issue, the issued and paid-up share capital of ABT will increase from RM15,000,000 comprising 150,000,000 ABT Shares to RM25,000,000 comprising 250,000,000 ABT Shares; and

- (e) Admission to the Official List of the MESDAQ Market and the listing of and quotation for the entire enlarged issued and paid-up share capital of ABT of RM25,000,000 comprising 250,000,000 ABT Shares on the MESDAQ Market of Bursa Securities ("Listing").

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies to be adopted by ABT and accounting policies adopted and disclosed in the audited financial statements of its subsidiaries for the financial period ended 31 May 2008. The Directors of ABT are solely responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the consolidated profit forecast is based.

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

The revenue from secured contracts of GI which will be recognised in financial year ending 31 January 2009, up to the date of this letter are approximately RM95 million. In order to achieve this forecasted contract revenue of RM95 million in the financial year ending 31 January 2009, GI expects a total contract revenue of RM17 million to be derived from the three new contracts secured which have yet to commence as at the date of this report. There are uncertainties on the timing of commencement and completion of these contracts. These uncertainties may cause a material adverse effect on the forecasted profit after tax of GI, which are equity accounted for in the ABT Group's results, and consequently will adversely affect the consolidated profit forecast of ABT for the financial year ending 31 January 2009.

In addition, GI is planning to be listed via a Newco, a holding company incorporated in Singapore to undertake the listing exercise, on Catalist market of the Singapore Stock Exchange ("Proposed GI Listing"). The Proposed GI Listing involves the proposed disposal of certain percentage of the equity interest in GI by ABR to be satisfied by certain number of shares in the Newco. As a result, the equity interest of the Company in GI will be diluted. The Directors expect a possible gain on dilution of interest in GI pursuant to the Proposed GI Listing of which the amount is not determinable at present. There are uncertainties as to the success of the Proposed GI Listing, percentage of dilution of equity interest in GI after the Proposed GI Listing and timing of completion of the Proposed GI Listing. These uncertainties may cause a material effect, favourable or unfavourable, on the possible dilution of interest in GI, and consequently may materially affect the consolidated profit forecast of ABT for the financial year ending 31 January 2009.



Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies to be adopted by ABT and accounting policies adopted and disclosed in the audited financial statements of its subsidiaries for the financial period ended 31 May 2008.

This letter will be used solely for inclusion in the Prospectus and as such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

*BDO Binder*

**BDO Binder**  
AF : 0206  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Ng Chee Hoong'.

**Ng Chee Hoong**  
2278/10/10 (J)  
Partner

## 7 FINANCIAL INFORMATION (Cont'd)

**ASIA BIOENERGY TECHNOLOGIES BERHAD ("ABT" or "the Company")  
CONSOLIDATED PROFIT FORECAST  
FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2009  
TOGETHER WITH THE PRINCIPAL BASES AND ASSUMPTIONS THERETO**

The Directors of the Company forecast that the consolidated profit forecast of the Company and its subsidiaries ("ABT Group") and associates for the financial year ending 31 January 2009 ("FYE 2009") will be as follows:-

	Note	Forecast for the financial year ending 31 January 2009 RM
Revenue		<u>1,035,428</u>
Consolidated loss before tax before share of net profit of associates (net of listing expense of RM1.3 million)		(285,951)
Share of net profit of associates		<u>6,875,963</u>
Consolidated profit before tax		6,590,012
Less: Tax expense		<u>(27,835)</u>
Consolidated profit after tax		6,562,177
Less: Pre-acquisition profit		<u>(2,584,084)</u>
Net profit for the financial year		<u>3,978,093</u>
<b>Basic earnings per share (sen):-</b>		
- based on consolidated profit after tax attributable to shareholders of the Company	1	<u>2.64</u>

**Note:**

1. Computed based on the weighted average number of ordinary shares in issue of 150,876,732 ABT Shares based on completion of acquisition of Asia Bioenergy Research Sdn. Bhd. ("ABR") on 11 September 2008 and assuming that the ABT Shares pursuant to proposed public issue and proposed bonus issue are allotted on 11 December 2008.
2. The excess of the provisional fair value of the net assets acquired over the consideration paid (which should approximate the profit of the subsidiaries and associates from 1 August 2007 to 10 September 2008) arising from the acquisition of subsidiaries and associates have not been accounted for in the above forecast as the gain is deemed to be non-recurring income and non-operational. Based on the available consolidated financial statements of ABR for the financial period ended 31 May 2008, the excess of the net assets acquired over the consideration paid amounted to RM3,450,000.



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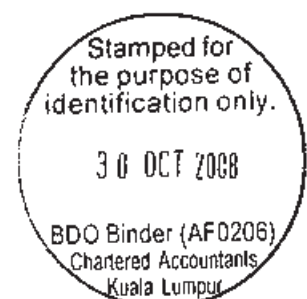
**7 FINANCIAL INFORMATION (Cont'd)**

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The consolidated profit forecast of ABT Group and its associates for the financial year ending 31 January 2009 has been prepared based on the Directors' assessment of the present economic and operating conditions, and a number of best forecast assumptions regarding future events and actions which, at the date the forecast was approved, the Directors expect to take place. These future events may or may not take place. The principal assumptions and the risk factors which may impact their achievement are set out in the notes to the consolidated profit forecast.

A forecast, by its very nature, is subject to uncertainties and unexpected events, many of which are outside the control of ABT Group and its associates and its Directors. Also, events and circumstances often do not occur as anticipated and therefore, actual results are likely to differ from the forecast, and the differences may be material.

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## 7 FINANCIAL INFORMATION (Cont'd)

The principal bases and assumptions, upon which the above consolidated profit forecast after tax has been prepared, are as follows:-

**A. Specific Assumptions****1. Revenue**

- (a) The forecasted revenue of ABT Group will be derived from the following:

	Note	Forecast 31 January 2009 RM
<b>Product and services</b>		
Provision of training, sales of PLC and ERP software	(i)	1,472,000
Management fees	(ii)	168,000
Originators' fees	(iii)	192,041
		1,832,041
Less: Pre-acquisition revenue		(796,613)
		1,035,428

- (i) The products include Programmable Logic Controller, a plant automated control system ("PLC"), ERP Interface Software and Learning System ("ERP-ILS") and related training and Macola Enterprise Resource Planning ("Macola ERP") software.

STSB has received a letter of intent for the supply of one Macola ERP software to an industrial customer, which will generate a revenue of RM300,000 in forecast year 2009.

Besides, STSB has secured contracts revenue of RM833,000 and is in the process of securing additional contracts which will generate revenue of RM250,000 in forecast year 2009 for supplying ERP Interface Software and Learning System ("ERP-ILS") and related training from customers.

- (ii) The management fees are based on actual debit note issued and based on fixed monthly fees charged to associates, GI and Eco-Sponge with RM10,000 and RM8,000 (commencing from August 2008) respectively per month.
- (iii) Being originators' fees for securing Ganz Biofuels Project, a biodiesel plant construction contract, for an associate, GI which is calculated at 5% of budgeted profit (i.e. contract value less all direct cost) attributable to the contract secured.



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**7 FINANCIAL INFORMATION (Cont'd)**


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2. ABT Group will be able to achieve its forecasted gross profit margin of 80% with its continuous efforts to market its products and services at stipulated gross profit margins, and due monitoring of its cost of sales and expenses.

Amongst others, ABT Group forecasts that STSB will achieve gross profit margin of 76% for year 2009. This is to be achieved primarily with the involvement of one of the strategic alliance partners to successfully develop software interface and to support STSB's business in all aspects of its business throughout the forecast period.

3. Share of profit after tax of associates

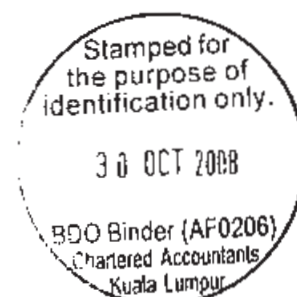
- (a) The share of profit of associates will be derived from the following:

	Note	Shareholding %	Forecast 31 January 2009 RM
<b>Associates</b>			
Grand Inizio Sdn. Bhd.	i to v	20	6,560,947
Ecosponge Sdn. Bhd.	vi	25	315,016
			6,875,963

- (i) All existing ongoing biodiesel plant projects of GI will be completed as scheduled and there will be no significant changes to the terms and conditions of these contracts. Existing projects from GI's construction activities are expected to contribute to total revenue and gross profit as follows:-

<u>Forecast year ending</u>	<u>Contract revenue RM'000</u>	<u>Gross profit * RM'000</u>	<u>ABT's share of gross profit RM'000</u>
31 January 2009	77,706	32,188	6,438

\* The budgeted gross profit is before deducting 5% originators' fees



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**7 FINANCIAL INFORMATION (Cont'd)**


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**3. Share of profit after tax of associates (cont'd)**

(a) The share of profit of associates will be derived from the following (cont'd):

- (ii) The three newly secured projects which have yet to commence will be completed as scheduled and there will be no significant changes to the terms and conditions of these contracts. All approvals from relevant authorities and funding arrangement in relation to the projects will be obtained by the respective customers of the GI. These three projects are expected to contribute to total revenue and gross profit as follows:-

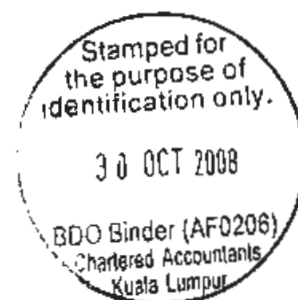
<u>Forecast year ending</u>	<u>Contract revenue</u> <u>RM'000</u>	<u>Gross profit</u> <u>RM'000</u>	<u>ABT's share of gross profit</u> <u>RM'000</u>
31 January 2009	<u>17,115</u>	<u>5,151</u>	<u>1,030</u>

- (iii) The launch date, commencement and completion of all existing and projected projects will take place as scheduled. There will be no significant deviation or delay from the expected physical completion and handover date for all projects under development.

There will be no significant changes in the prevailing cost of materials, labour and overheads which will adversely affect the profitability of GI.

There will be no unfavourable circumstances that will give rise to liquidated and ascertained damages, and material defect liabilities claims.

- (iv) The actual contract costs will not be substantially different from those forecasted.
- (v) GI is planning to be listed on Catalist market of the Singapore Stock Exchange ("Proposed GI Listing"). The Proposed GI Listing involves the proposed equity swap of the equity interest in GI by ABR to be satisfied by shares in Newco, a holding company incorporated in Singapore to undertake the listing exercise. Pursuant to the listing, it is expected that ABR's interest in GI will be diluted due to the issuance of share by GI and the disposal of shares in GI by ABR. As a result, the equity interest of ABR in GI will be diluted. Due to the uncertainties as to the success of the Proposed GI Listing, percentage of dilution of equity interest in GI after the Proposed GI Listing and timing of completion of the Proposed GI Listing, the impact to ABT's results cannot be determined. However, this is not expected to have an unfavourable impact to ABT Group.



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**7 FINANCIAL INFORMATION (Cont'd)**


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**3. Share of profit after tax of associates (cont'd)**

(a) The share of profit of associates will be derived from the following (cont'd):

(vi) The selling prices of Eco-Sponge™ and their volume for forecast year 2009 is as follows:

	Average selling price/kg	Volume (MT)	Revenue (RM'000)
31 January 2009	RM7.00	971	6,797

The sale is assumed to comprise only norm grade which is to be sold at RM7.00 per kg.

(vii) It is assumed that the convertible preference shares in Nexfuel held by ABR will be converted into 40% equity interest upon commissioning of Nexfuel's bioethanol plant in 2010.

(b) It is assumed that there will be no significant changes in the current demand and prevailing market conditions in Malaysia, which will adversely affect the activities and performance of ABT Group and/or its associates. The expected selling price of goods and the profit margins of ABT Group's and/or its associates' activities will be achieved as forecasted.

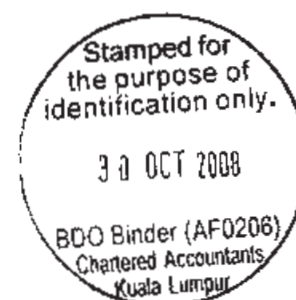
(c) The profit of ABT Group in the forecast depend significantly on the continuous business relationship and demand for its product and services by one of its associates, Grand Inizio. The Directors believe that the business relationship with Grand Inizio will continue throughout the forecast year. The Directors believe that the Proposed GI Listing has no significant impact on the results of GI which will be equity accounted for by ABT Group except for the possible gain on dilution of interest in GI pursuant to Proposed GI Listing of which the amount is not determinable at present.

(d) There will be no issuance of shares by the subsidiaries and associates, except as disclosed in item 3(a)(v) above, which will affect the equity shareholdings.

**4. Key personnel**

The achievability of the forecasted revenue of ABT Group will depend primarily with the involvement of the Promoters and other key management personnel who have many years of relevant working experience and in-depth knowledge of the business and their ability to retain customers and to secure future revenue.

It is assumed that there will be no significant changes in the key management personnel which will affect ABT Group in achieving the forecasted revenue.



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**7 FINANCIAL INFORMATION (Cont'd)**


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**5. Technology**

- (a) It is assumed that ABT Group and/or its associates will not be adversely affected by changes to technologies affecting the bioenergy/biofuels industries and consequently, changes to the customers' demand.
- (b) It is assumed that ABT Group and/or its associates will be able to register and protect its intellectual property rights against any unauthorised third party copying or use which could adversely affect its business and operations.
6. The date of completion for the acquisition of ABR is 11 September 2008. Accordingly, the pre-acquisition profit for the period from 1 February 2008 to 10 September 2008 has been excluded from the ABT Group profit.
7. The Company is expected to complete its Listing exercise by 12 December 2008. The gross proceeds from the Public Issue will be utilised as follows:

	<b>RM'000</b>
Technology incubation fund ^	8,000
R&D and related activities, and capital expenditure	2,000
Working capital#	1,400
Estimated listing expenses**	1,500
	<b>12,900</b>

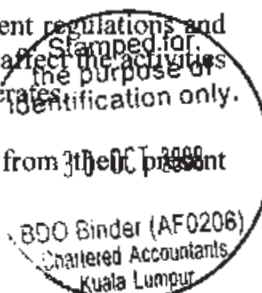
*Notes:-*

- ^ An amount of up to RM5,000,000 has been identified to be utilised to invest in convertible preference shares (CPS) in Nexfuel.
- \* The estimated listing expenses of RM203,000 are net off against the share premium arising from the Public Issue and RM1,297,000 are charged to income statement.
- # If actual listing expenses are higher than estimated, the deficit will be funded out of the portion allocated for working capital. Conversely, if actual listing expenses are lower than estimated, the excess will be utilised for working capital purposes.

**B. General Assumption on ABT Group forecast**

It is the management's responsibility to develop reasonable assumptions as at the date of the preparation of the consolidated profit forecast based on their judgement of known and anticipated changes in those variables. The management has also considered their future plans and intentions in operating the business of the Group.

1. There will be continuity in the existing management and there will be no material changes in the current principal activities, management structure, existing accounting and business and operating policies adopted by ABT Group and associates.
2. There will be no significant changes to the prevailing market, economic and political conditions in Malaysia and elsewhere which ABT Group operates that will adversely affect the activities or performance of ABT Group and associates.
3. There will be no significant changes in the present legislation or government regulations and policies, including tariffs, duties, levies and other taxes, that will adversely affect the activities of ABT Group, its operations and performance or the market in which it operates for the purpose of identification only.
4. The exchange rates of foreign currencies will not change significantly from the current levels.

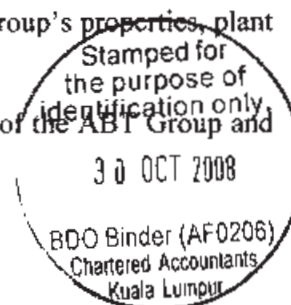


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7 **FINANCIAL INFORMATION (Cont'd)**

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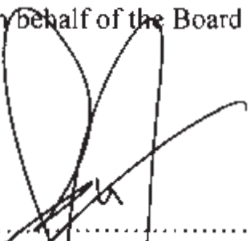
5. Financing facilities at interest rates approximating to those available to companies in similar industry will be readily available as and when required.
6. There will be no exceptional occurrences of bad debts.
7. The demand for and prices of the products, sales mix, profit margins and services provided by ABT Group and associates as forecasted will not be affected to a material extent by changes in market conditions.
8. There will be no unfavourable or temporary suspension or major disruptions in the construction work and production facilities arising from industrial disputes, labour shortage, or any abnormal circumstances including exceptional bad debts which will adversely affect the development, forecast revenue pattern, production operation and sales of the products and services of ABT Group and associates.
9. There will be no significant changes in the prevailing cost of raw materials, labour, plant and machinery and their incidental costs or overheads which will adversely affect the operations of the ABT Group and associates.
10. Capital expenditure programmes will be implemented and incurred as scheduled with no material changes in the expected cost or price and there will be no material acquisitions or disposals of property, plant and equipment and investment other than those planned.
11. There will be no material contingent liabilities or litigations which are likely to give rise to any proceedings which might adversely affect ABT Group and associates' assets, financial position and operations.
12. ABT Group and associates will continue to invest in research and development ("R&D") to develop new products as well as upgrade and enhance its existing products and services.
13. There will be no material changes in the structure and present activities of ABT Group and associates other than those taken into consideration in the profit forecast.
14. There will be no disruption in the supply of raw materials/services by major suppliers that will adversely affect the activities of ABT Group and associates.
15. Inflation will not change significantly from their present levels.
16. The ABT Group and associates meets all the regulations and standards prescribed by the authority and there will be no difficulty in obtaining the necessary licences that are required for the Group's business operation.
17. The statutory income tax rate for the forecast financial year is at 25% respectively, and 20% for small and medium companies for the first RM500,000 of chargeable income. The finalisation of tax computation, in particular the capital allowances, will be agreed by the tax authority without any major revision.
18. There will be no substantial impairment to the carrying values of the Group's properties, plant and equipment and other non-current assets.
19. No dividend will be declared or paid in respect of the ordinary shares of the ABT Group and associates in the forecast year.



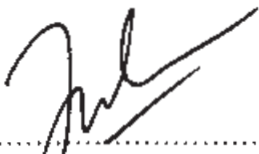
**APPROVAL BY THE BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors in accordance with a resolution dated 23 September 2008.

Signed on behalf of the Board of Directors:



.....  
**LOOK KEM LOONG**  
AUTHORISED SIGNATORY  
ASIA BIOENERGY TECHNOLOGIES  
BERHAD



.....  
**LIM EUBENG JULIAN**  
AUTHORISED SIGNATORY  
ASIA BIOENERGY TECHNOLOGIES  
BERHAD

**8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT****8.1 INFORMATION ON PROMOTERS AND SUBSTANTIAL SHAREHOLDERS****8.1.1 Shareholdings in ABT**

The shareholdings of our Promoters, substantial shareholders, Directors and key management are as follows:-

Name of Promoters and Substantial Shareholders	Nationality/ Country of Incorporation	Designation	No of ABT Shares Held Before the Issues			No of ABT Shares Held After the Issues		
			Direct	Indirect	%	Direct	Indirect	%
Choy Kok Chun ^	Malaysian	Executive Director	-	50,637,410	42.20 <sup>(b)</sup>	-	84,395,683	33.76 <sup>(b)</sup>
Lim Foo Seng ^	Malaysian	Executive Director	5,888,130	44,160,940	36.80 <sup>(b)</sup>	9,813,550	73,601,567	29.44 <sup>(b)</sup>
Looi Kem Loong ^	Malaysian	Executive Director	440	11,776,250	9.81 <sup>(b)</sup>	733	19,627,083	7.85 <sup>(b)</sup>
AC Holdings Sdn Bhd ^	Malaysia	-	50,637,410	-	-	84,395,683	-	-
Bioenergy Holdings Sdn Bhd ^	Malaysia	-	44,160,940	-	-	73,601,567	-	-
Platimas Sdn Bhd ^	Malaysia	-	11,776,250	-	-	19,627,083	-	-
Lim Eu Beng Julian	Malaysian	Executive Director	-	44,160,940	36.80 <sup>(b)</sup>	-	73,601,567	29.44 <sup>(b)</sup>

**Notes:-**

- (i) Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in AC Holdings Sdn Bhd  
(ii) Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in Bioenergy Holdings Sdn Bhd  
(iii) Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in Platimas Sdn Bhd  
\* Negligible  
^ Promoters



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**8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**


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**8.1.2 Profile of Promoters and Substantial Shareholders****(a) Choy Kok Onn, 55 years old  
Non-Independent Executive Director**

Choy Kok Onn is an Executive Director of ABT. He is a qualified engineer with a Bachelor of Engineering (Mechanical) from Australia. Choy Kok Onn was one of the original founders and promoters of Transwater Corporation Berhad ("Transwater"), an engineering specialist company having strong in-house technical and diversified engineering capabilities in the oil & gas, hydrocarbon, chemical/petrochemical as well as oleochemical industries (including palm oil related plants), water & wastewater treatment and boasting collaboration with some of the world's leading equipment and systems manufacturers such as Fisher Rosemount, John Zink Co, Edison Mcgraw/Worthington Pumps, Perry Equipment, General Monitors, Instronet and others. He is credited with having spearheaded Transwater group of companies to its peak in late 1990s/2000, resulting in its eventual listing on Bursa Securities. He left Transwater in 2001 to pursue his interests overseas.

Choy Kok Onn formed ABR in 2006. He is generally responsible for the overall strategic direction of ABT as well as the incubation of its investments specifically in the Biofuel sectors.

**(b) Lim Foo Seng, 38 years old  
Non-Independent Executive Director**

Lim Foo Seng is an Executive Director of ABT. He brings with him experience in mezzanine financing, venture capital activities, incubator as well as in depth corporate knowledge. He has over 18 years experience in professional and commercial exposures. He is a member of the Malaysian Institute of Certified Public Accountants, a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants. He served in one of the international accounting firms, Deloitte Kassim Chan, based in Kuala Lumpur, from 1989 to 1995 acquiring considerable knowledge, experience and exposure in management consultancy, taxation and accounting and auditing standards.

He left to join Arab-Malaysian Corporation Berhad Group ("Amcorp Group") in 1995 and was involved in the business planning, venture capital activities, corporate restructuring and monitoring of portfolio companies in his capacity as Associate Director. He has also served as a board member of various portfolio companies of Amcorp Group. His last position with Amcorp Group was Chief Financial Officer of MCM Technologies Berhad, a subsidiary of Amcorp that is listed on MESDAQ Market.

**(c) Lim Eu Beng Julian, 33 years old  
Non-Independent Executive Director**

Julian is the Finance Director of ABT. He has over ten (10) years experience in accounting, corporate finance and business nurturing. He has worked with CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad), one of the leading investment banks in Malaysia in the corporate finance division and has advised on initial public offerings, fund raisings, debt restructuring and mergers and acquisitions.

He is also a member of the Institute of Chartered Accountants in England and Wales and he brings with him a wealth of international experience having worked with Pricewaterhouse Cooper in Malaysia, Ernst & Young in UK and KPMG in Fiji Islands in various areas of accounting, finance and consultancy.

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**8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**


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**(d) Looi Kem Loong, 33 years old  
Non-Independent Executive Director**

Looi Kem Loong is an Executive Director of ABT. A graduate from the University of Strathclyde, Scotland, Looi is a member of both the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants.

Having completed his articleship with an internationally affiliated audit firm wherein he gained valuable financial experience especially in special corporate assignments and group consolidations, he joined the corporate finance department of AmMerchant Bank Berhad until he left as manager to join Newfields Advisors Sdn Bhd ("Newfields"), an investment advisory company as Vice President. He joined a corporate services company shortly after leaving Newfields before forming ABR in 2006.

He has extensive corporate finance experience covering activities such as initial public offerings, cross-border restructurings, debt restructurings and other corporate proposals for public listed companies.

**(e) AC Holdings Sdn Bhd ("AC Holdings")**

AC Holdings was incorporated in Malaysia on 6 June 2006 under the Act as a private limited company. The authorised share capital of AC Holdings is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which RM1,000 comprising 1,000 ordinary shares of RM1.00 each is issued and fully paid-up. AC Holdings' principal activity is that of investment holding.

As at the LPD, the substantial shareholders of AC Holdings and their respective shareholdings are as follows:-

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Choy Kok Onn	Malaysian	405	40.5	-	-
Looi Kem Loong	Malaysian	149	14.9	-	-
Loh Woan Fen	Malaysian	149	14.9	-	-
Chooi Lye Yoke	Malaysian	149	14.9	-	-
Looi Chee Mei	Malaysian	148	14.8	-	-

*Note:-*

*All the shareholders above are connected pursuant to Section 122A of the Act.*

After the Listing, AC Holdings will hold 33.76% of our enlarged issued and paid up capital. The directors of AC Holdings are Choy Kok Onn, Looi Kem Loong and Loh Woan Fen.

**(f) Bioenergy Holdings Sdn Bhd ("Bioenergy Holdings")**

Bioenergy Holdings was incorporated in Malaysia on 11 April 2007 under the Act as a private limited company. The authorised share capital of Bioenergy Holdings is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which RM1,000 comprising 1,000 ordinary shares of RM1.00 each is issued and fully paid-up. Bioenergy Holdings' principal activity is that of investment holding.

## 8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

As at the LPD, the substantial shareholders of Bioenergy Holdings and their respective shareholdings are as follows:-

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Lim Foo Seng	Malaysian	460	46.0	-	-
Lim Eu Beng Julian	Malaysian	250	25.0	-	-
Looi Kem Loong	Malaysian	145	14.5	-	-
Tan Yan Shiou	Malaysian	145	14.5	-	-

After the Listing, Bioenergy Holdings will hold 29.44% of our enlarged issued and paid up capital. The directors of Bioenergy Holdings are Lim Foo Seng, Tan Yan Shiou and Lim Eu Beng Julian.

### (g) Platimas Sdn Bhd ("Platimas")

Platimas was incorporated in Malaysia on 28 October 1999 under the Act as a private limited company. The authorised share capital of Platimas is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which RM10 comprising 10 ordinary shares of RM1.00 each is issued and fully paid-up. Platimas' principal activity is that of investment holding.

As at the LPD, the substantial shareholders of Platimas and their respective shareholdings are as follows:-

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Looi Kem Loong	Malaysian	9	90.0	-	-
Loh Woan Fen	Malaysian	1	10.0	-	-

After the Listing, Platimas will hold 7.85% of our enlarged issued and paid up capital. The directors of Platimas are Looi Kem Loong and Loh Woan Fen.

### 8.1.3 Promoters' and Substantial Shareholders' Directorships and Substantial Shareholdings in Other Public Companies for the Past Two (2) Years

Save as disclosed below, none of our other Promoters and substantial shareholders hold or have held any directorships or substantial shareholdings (5% or more of the issued and paid-up share capital) in other public companies for the past two (2) years preceding the date of this Prospectus, details of which are as follows:-

Director	Name of company	< ----- Directorship ----- >		< -- Shareholding -- >	
		Date of appointment	Date of resignation	Direct	Indirect
Looi Kem Loong	Envair Holding Berhad	20 January 2006	13 June 2008	% *	% -
Lim Foo Seng	Envair Holding Berhad	28 January 2005	18 June 2008	^	-

Note:-

\* Negligible. Comprises 20,000 ordinary shares of RM0.10 each in Envair Holding Berhad

^ Negligible. Comprises 80 ordinary shares of RM0.10 each in Envair Holding Berhad



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**8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**8.2 INFORMATION ON DIRECTORS**

**8.2.1 Profiles of Directors**

- (a) **Dato' Ahmad Sukimi Ibrahim, 38 years old**  
**Independent Non-Executive Chairman**

A businessman, Dato' Ahmad Sukimi Ibrahim is the founder of Sukimi (M) Sdn Bhd, a group which is focused on supply of petroleum products in bulk to government and related agencies.

Dato' Ahmad Sukimi Ibrahim holds a diploma in Town and Regional Planning from Universti Teknologi Mara and has extensive background in the fuel business, allowing us to tap on his knowledge of the energy sector.

- (b) **Choy Kok Onn, 55 years old**  
**Non-Independent, Executive Director**

Please refer to Section 8.1.2 of this Prospectus.

- (c) **Lim Foo Seng, 38 years old**  
**Non-Independent, Executive Director**

Please refer to Section 8.1.2 of this Prospectus.

- (d) **Lim Eu Beng Julian, 33 years old**  
**Non-Independent, Executive Director**

Please refer to Section 8.1.2 of this Prospectus.

- (e) **Looi Kem Loong, 33 years old**  
**Non-Independent, Executive Director**

Please refer to Section 8.1.2 of this Prospectus.

- (f) **Dr. Erliza Hambali, 45 years old**  
**Non-Independent, Non-Executive Director**

Please refer to Section 5.4.5.1(a) of this Prospectus.

- (g) **Lim Kim Chu, 46 years old**  
**Independent, Non-Executive Director**

Lim Kim Chu is a graduate from University of Oklahoma, U.S.A with Bachelor's Degree in Computer Science. Currently he is the managing director of Worldinfo Technology Sdn Bhd in Prai, Penang. He is also the executive director of several companies involved in the business of trading, manufacturing, construction and property development including Hup Tatt Development Sdn Bhd, Thong Seng Development Sdn Bhd, Merit Industries Sdn Bhd and others.

- (h) **Lee Chong Hoe, 44 years old**  
**Independent, Non-Executive Director**

Lee Chong Hoe graduated with Bachelor of Economics (major in economics and accounting) in 1988; and graduated with Bachelor of Law in 1989 from Monash University, Melbourne, Victoria, Australia. He was admitted to practise as barrister and solicitor in the Supreme Court of Victoria, Australia in 1989. He started working as a tax consultant in KPMG Tax Services Sdn. Bhd. in 1990. He was admitted to

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**8      PROMOTERS,      SUBSTANTIAL      SHAREHOLDERS,      DIRECTORS      AND      KEY  
MANAGEMENT (Cont'd)**

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practise as an advocate and solicitor in the High Court of Malaya in 1991 and went into legal practice in 1991. He specialised in corporate law, securities laws, mergers and acquisitions, corporate finance, due diligence practice, debt restructuring. He is currently a partner in a Kuala Lumpur law firm.

He is also an independent director of Gefung Holdings Berhad since 10 October 2006.

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**8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)****8.2.2 Shareholdings in ABT**

The direct and indirect shareholdings of our Directors before and after the Issues are as follows:-

Name	Nationality	Designation	No of ABT Shares Held Before the Issues			No of ABT Shares Held After the Issues		
			Direct	Indirect	%	Direct	Indirect	%
Dato' Ahmad Sukimi Ibrahim	Malaysian	Independent Non-Executive Chairman	-	-	-	-	-	-
Choy Kok Onn	Malaysian	Non-Independent Executive Director	-	50,637,410	42.20 <sup>(i)</sup>	-	84,395,683	33.76 <sup>(ii)</sup>
Lim Foo Seng	Malaysian	Non-Independent Executive Director	5,888,130	44,160,940	36.80 <sup>(iii)</sup>	9,813,550	73,601,567	29.44 <sup>(iii)</sup>
Lim Eu Beng Julian	Malaysian	Non-Independent Executive Director	-	44,160,940	36.80 <sup>(iii)</sup>	-	73,601,567	29.44 <sup>(iii)</sup>
Low Kem Loong	Malaysian	Non-Independent Executive Director	440	11,776,250	9.81 <sup>(iii)</sup>	733	19,627,083	7.85 <sup>(iii)</sup>
Dr. Erliza Hambali	Indonesian	Non-Independent Non-Executive Director	-	-	-	-	-	-
Lim Kim Chu	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-
Lee Chong Hoe	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-

**Notes:-**

- (i) Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in AC Holdings Sdn Bhd  
(ii) Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in Bioenergy Holdings Sdn Bhd  
(iii) Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in Platimes Sdn Bhd  
\* Negligible

## 8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 8.2.3 Directors' Directorships and Substantial Shareholdings in Other Public Companies for the Past Two (2) Years

Save as disclosed in Section 8.1.3 and below, none of our other Directors hold or have held any directorships or substantial shareholdings (5% or more of the issued and paid-up share capital) in other public companies for the past two (2) years preceding the date of this Prospectus.

Name	Name of company	< ----- Directorship ----- >		< -- Shareholding -- >	
		Date of appointment	Date of resignation/cessation	Direct %	Indirect %
Dato' Ahmad Sukimi Ibrahim	Supportive International Holdings Berhad	-	-	-	*16.0
Lee Cheng Hoe	Gefung Holdings Berhad	10 October 2006	-	-	-
	Ho Hup Construction Company Berhad	27 February 2008	23 October 2008	-	-

Note:-

\* Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in Arena Nilam Sdn Bhd.

### 8.2.4 Directors' Remuneration and Benefits

The remuneration and benefit-in-kind of our Directors for services rendered in all capacities to our Group for the FYE 31 January 2008 and FYE 31 January 2009 are as follows:-

	No. of Directors			
	<--- FYE 31 January 2008 --->		<--- FYE 31 January 2009 --->	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
Up to RM50,000	3	1	3	4
Between RM50,001 and RM100,000	-	-	-	-
Between RM100,001 and RM150,000	-	-	-	-
Between RM150,001 and RM200,000	1	-	1	-
Between RM200,001 and RM250,000	-	-	-	-
Between RM250,001 and RM300,000	-	-	-	-

There is no contingent or deferred compensation accrued for the year.

All our Directors were appointed to the Board on 23 September 2008 and have served in their respective capacity since the date of appointment and are subject to retirement by rotation according to our Company's Articles of Association.



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**8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**


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**8.3 AUDIT, REMUNERATION AND NOMINATION COMMITTEES****8.3.1 Audit Committee**

The composition of our Audit Committee is as follows:-

Name	Designation	Directorship
Lee Chong Hoe	Chairman	Independent, Non-Executive Director
Dato' Ahmad Sukimi Ibrahim	Member	Independent, Non-Executive Chairman
Lim Kim Chu	Member	Independent, Non-Executive Director

The major terms of reference for our Audit Committee include reviewing the financial statements of our Group before submission to our Board, recommendations of the external auditors, reviewing the results and scope of the audit and other services provided by our external auditors. In addition, our Audit Committee reviews and evaluates our Group's internal audit and control functions. Our Audit Committee is also responsible for the assessment of financial risks and matters relating to related party transactions and conflict of interests. Our Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

**8.3.2 Remuneration Committee**

The composition of our Remuneration Committee is as follows:-

Name	Designation	Directorship
Dato' Ahmad Sukimi Ibrahim	Chairman	Independent, Non-Executive Chairman
Lee Chong Hoe	Member	Independent, Non-Executive Director
Lim Kim Chu	Member	Independent, Non-Executive Director

Our Remuneration Committee reviews and proposes, subject to the approval of the Board, the remuneration policy and terms and conditions of service of each Director for his services as a member of the Board as well as Committees of the Board. Nevertheless, the remuneration of the non-executive Directors is a matter for the Board as a whole and the Directors are required to abstain from deliberation and voting on decisions in respect of his individual remuneration. The remuneration of Directors is generally based on market conditions, responsibilities held and the overall financial performance of our Group. Decisions and recommendations of our Remuneration Committee shall be reported back to our Board for approval and where required by rules and regulations governing our Company, for approval of shareholders at the annual general meeting.

**8.3.3 Nomination Committee**

The composition of our Nomination Committee is as follows:-

Name	Designation	Directorship
Lim Kim Chu	Chairman	Independent, Non-Executive Director
Dato' Ahmad Sukimi Ibrahim	Member	Independent, Non-Executive Chairman
Lee Chong Hoe	Member	Independent, Non-Executive Director

Our Nomination Committee is responsible for identifying and recommending new nominees to our Board as well as committees of the Board. Our Nomination Committee will assess the effectiveness of our Board as a whole, our Board Committees and each individual Director on an annual basis. In developing such recommendations, our Nomination Committee will

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**8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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consult all Directors and reflect that consultation in any recommendation brought forward to our Board. Our Board makes all decisions on appointments after considering the recommendations of our Nomination Committee.

**8.4 KEY MANAGEMENT**

**8.4.1 Profiles of Key Management**

**(a) Koh Joo Hian, 37 years old  
Vice President, Compliance**

Koh Joo Hian is the Vice President, Compliance in ABT Group. He is a fellow of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He brings with him more than 12 years of experience in audit, accountancy, secretarial, due diligence, fraud investigation and other financial consultancy services.

He is responsible for all company secretarial and compliance matters of ABT Group.

**(b) Tan Yan Shiou, 35 years old  
Associate Director**

Tan Yan Shiou is an Associate Director in ABT. He has a Bachelor of Arts in Economics from the University of Sheffield, United Kingdom. He began his career with Lityan Holdings Berhad, a public listed company in Malaysia specializing in information technology and communications before joining the corporate finance department of AmInvestment Bank Berhad (formerly known as AmMerchant Bank Berhad) in 2001.

He was involved in the implementation of various initial public offerings, restructuring and fund raising proposals for public listed companies.

**(c) Liew Kan Yee, 37 years old  
Assistant Vice President, Business Development**

Liew Kan Yee is the Assistant Vice President, Business Development in ABT Group. He holds a Bachelor Degree in Engineering holder from McMaster University in Canada and Master of Business Administration from the Nottingham Trent University, UK. Liew started off as an associate engineer involved in planning, production and process control with Black & Decker (M) Sdn Bhd before joining Liew Sing Development Sdn Bhd as a director in charge of general management, marketing, operation, construction supervision and project management. He is presently a director and shareholder of several companies involved in property development projects.

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**8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**8.4.2 Shareholdings in ABT**

The direct and indirect shareholdings of our key management in ABT before and after the Issues are as follows:-

Name	Nationality/ Country of incorporation	Designation	No of ABT Shares held before the Issues		No of ABT Shares held after the Issues	
			Direct	%	Direct	%
Koh Joo Hian	Malaysian	Vice President, Compliance	10	50.00	17	*
Tan Yan Shiou	Malaysian	Associate Director	-	-	-	-
Liew Kan Yee	Malaysian	Assistant Vice President, Business Development	-	-	-	-

Note:-

\* Negligible

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**8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**
**8.5 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT IN OTHER BUSINESSES/CORPORATIONS**

Save as disclosed below, none of our Executive Directors and key management are involved in other businesses or corporations:-

Name	Name of Company	Principal Activities	Date of appointment	Designation	Shareholding (%)
Choy Kok Onn	AC Holdings Sdn Bhd *	Investment holding	3 August 2006	Director	40.50
Lim Foo Seng	Bioenergy Holdings Sdn Bhd *	Investment holding	16 May 2007	Director	46.00
	New Lane Investment Limited *	Investment holding and trading	5 August 2008	Director	10.00
Lim Eu Beng Julian	Bamboo Network Sdn Bhd *	Business networking	5 June 2007	Director	0.01
	Temasek Empayar Sdn Bhd *	Dormant	15 August 2007	Director	50.00
	Bioenergy Holdings Sdn Bhd *	Investment holding	16 May 2007	Director	25.00
Looi Kem Loong	New Lane Investment Limited *	Investment holding and trading	12 October 2005	Director	25.00
	AC Holdings Sdn Bhd *	Investment holding	6 June 2006	Director	14.90
	Platimas Sdn Bhd *	Investment holding	18 September 2007	Director	90.00
	Triple Gate Marketing Sdn Bhd *	Investment holding	3 October 2006	Director	50.00
Liew Kan Yee <sup>(1)</sup>	Quantum Rise Sdn Bhd	Housing development	2 September 1999	Director	60.00
	Carta Ventures Sdn Bhd	Housing development and construction	14 February 2001	Director	33.00
	Liew Sing Properties Sdn Bhd	Construction	15 March 2004	Director	15.00
	Pahang Realty Sdn Bhd	Housing development	24 July 2002	Director	15.00
	Exclusive L.A. Hotel Sdn Bhd	Budget hotel	12 November 2001	Director	15.00
Koh Joo Hian	Prudential Corporate Services Sdn Bhd	Secretarial services	11 July 2006	Director	50.00
	Crisiant Kouseki Seishou Sdn Bhd	Dormant	12 November 2007	Director	50.00
Tan Yan Shiou	New Lane Investment Limited *	Investment holding and trading	12 October 2005	Director	25.00
	Bioenergy Holdings Sdn Bhd *	Investment holding	26 April 2007	Director	14.50
	Inno-Oleo Sdn Bhd	Dormant	14 May 2008	Director	50.00

## 8 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Name of Company	Principal Activities	Date of appointment	Designation	Shareholding (%)
	Tropicworld Ventures Sdn Bhd	Budget hotel	21 June 2006	Director	50.00

**Notes:**

\* Denotes companies which are either inactive or have no significant activities.

(i) Liew Kan Yee is involved in business development aspects of the ABT Group. His involvement in Quantum Rise Sdn Bhd, Carta Ventures Sdn Bhd, Liew Sing Properties Sdn Bhd, Pahang Realty Sdn Bhd and Exclusive L.A. Hotel Sdn Bhd is minimal as they are managed by his family members, and as such is not expected to materially affect his contribution to ABT Group.

### 8.6 DECLARATION OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT

None of our Promoters, Directors and key management personnel is or was involved in the following events, whether in or outside Malaysia:-

- (a) a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (b) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) any judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) the subject of any order, judgement or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

### 8.7 RELATIONSHIPS AND ASSOCIATES

Save as disclosed below, there are no other family relationships or associations amongst the substantial shareholders, Promoters, Directors and key management personnel:-

- (i) Choy Kok Onn, the Executive Director of ABT, is the uncle of Looi Kem Loong, the Executive Director of ABT.
- (ii) Looi Kem Loong, the Executive Director of ABT, is the nephew of Choy Kok Onn, the Executive Director of ABT.

### 8.8 SERVICE AGREEMENT

As at the LPD, none of the Directors or key management of ABT Group have entered into or proposed to enter into any service agreements with ABT Group.

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**9 APPROVALS AND CONDITIONS**


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**9.1 CONDITIONS TO THE APPROVALS AND COMPLIANCE THEREOF**

The SC has granted its approval (including the approval under the Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests) to the Flotation Scheme on 23 July 2008. The conditions imposed by the aforesaid authorities and the status of compliance are set out as follows:-

<b>SC's Conditions</b>	<b>Status of compliance</b>
(a) ABT's Board to disclose the following in ABT's public issue prospectus:-	
<ul style="list-style-type: none"> <li>• Management discussion and analysis on the risks and trends of the local and global Biofuels industry, including but not limited to, the future demand for Biodiesel, and sufficiency of the supply of alternative non-food feedstock, such as jatropha, to meet the anticipated demand for Biodiesel. Additionally, the Board is required to discuss the impact of these risks and trends on the future prospects of ABT Group;</li> </ul>	Met. Please refer Section 7.4.4 of this Prospectus.
<ul style="list-style-type: none"> <li>• The above discussion should also include, but not be limited to, the impact of high CPO prices on the prospects of the Biofuels industry in Malaysia and on the future growth prospects of Grand Inizio, Eco-Sponge and ABT, which includes their financial performance, risk of non-completion or delay in projects which have been secured and ability to secure new projects;</li> </ul>	Met. Please refer Section 7.4.4 of this Prospectus.
<ul style="list-style-type: none"> <li>• The business risks of ABT arising from concentration of the Group's investments in its principal incubatee, Grand Inizio, and mitigating factors, if any. The discussion should include comments on the Group's future strategic focus on its existing incubatees or on investments in new businesses;</li> </ul>	Met. Please refer Section 4(A)(i) of this Prospectus.
<ul style="list-style-type: none"> <li>• Salient terms of ABT's agreements with members of the TAP and research partners, including but not limited to, key terms on the appointments, compensation and IP ownership. In addition, to disclose the business risks/ impact on the Group arising from termination of any relationships with the TAP members and/or research partners respectively;</li> </ul>	Met. Please refer Sections 5.4.5.2, 5.4.6.2 and 4(A)(g) of this Prospectus.
<ul style="list-style-type: none"> <li>• Details of the basis and justifications in reasonableness of the valuation of Grand Inizio's technology; and</li> </ul>	Met. Please refer Section 5.5.1 of this Prospectus.
<ul style="list-style-type: none"> <li>• Business risks arising from the low level of investments in ABT's Incubatee Companies and mitigating factors, if any.</li> </ul>	Met. Please refer Section 4(A)(i) of this Prospectus.
(b) ABT to meet the 30% Bumiputera equity requirement within one (1) year after it has achieved the profit record for companies seeking listing on the Second Board of Bursa Securities or within five (5) years after admission to the MESDAQ Market of Bursa Securities, whichever is the earlier. The shares to be allocated to Bumiputera investors should be approved by the Ministry of International Trade and Industry;	Will be complied.

**9 APPROVALS AND CONDITIONS (Cont'd)**

SC's Conditions	Status of compliance
(c) ABT to submit a preliminary proposal to SC on how the Company proposes to meet the Bumiputera equity condition, six (6) months before the expiry date of the compliance;	Will be complied.
(d) Pursuant to paragraph 3.16.1 of the SC's Guidelines for Initial Public Offerings and Listing on the MESDAQ Market, which requires that shares held by promoters amounting to 45% of the applicants' issued and paid-up share capital at admission be placed under moratorium, the moratorium on the shareholdings of ABT's promoters are as follows:-	Noted.

Promoters	ABT Shares under moratorium	
	No. of Shares	% of enlarged issued and paid-up share capital of ABT *
AC Holdings Sdn Bhd	56,577,894	22.63
Bioenergy Holdings Sdn Bhd	49,342,012	19.74
Lim Foo Seng	6,580,109	2.63
<b>Total</b>	<b>112,500,015</b>	<b>45.00</b>

*Note:-*

\* Based on the enlarged issued and paid-up share capital of 250,000,000 ABT Shares upon admission to the MESDAQ Market

- |   |                   |
|---|-------------------|
| (e) Kenanga/ABT to inform the SC when the proposed flotation on MESDAQ Market is completed; and | Will be complied. |
| (f) Approvals to be obtained from other relevant authorities, if any.                           | Noted.            |

The SC also noted, via its letter dated 23 July 2008, that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholding in ABT arising from the implementation of the Flotation Scheme is as follows:-

	Before proposal <sup>(i)</sup>	After proposal
	%	%
Bumiputera	0.00	0.00 <sup>(ii)</sup>
Non-Bumiputera	100.00	100.00
Foreign	-	-
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

*Notes:-*

<sup>(i)</sup> As at incorporation

<sup>(ii)</sup> Recognition of the 6% Bumiputera equity in ABT after proposal was not obtained from MITI

**9.2 MORATORIUM ON PROMOTERS' SHARES**

In compliance with the Listing Requirements, the ABT Shares held by our Promoters amounting to 45.0% of the enlarged share capital of ABT at the date of admission as tabulated below, and any interest therein may not be sold, transferred, assigned or otherwise disposed of, within one (1) year from the date of admission of ABT to the Official List of the MESDAQ Market. Thereafter, 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 the Company, which is under moratorium.

**9 APPROVALS AND CONDITIONS (Cont'd)**

The ABT Shares which our Promoters have interest (directly and indirectly) over and which are under moratorium are as follows:-

Name	No. of ABT Shares held after the Listing				No. of ABT Shares under moratorium	
	Direct	%	Indirect	%		%
AC Holdings Sdn Bhd	84,395,683	33.76	-	-	56,577,894	22.63
Bioenergy Holdings Sdn Bhd	73,601,567	29.44	-	-	49,342,012	19.74
Platimas Sdn Bhd	19,627,083	7.85	-	-	-	-
Choy Kok Onn	-	-	84,395,683	33.76 <sup>(i)</sup>	-	-
Lim Foo Seng	9,813,550	3.93	73,601,567	29.44 <sup>(ii)</sup>	6,580,109	2.63
Looi Kem Loong	733	*	19,627,083	7.85 <sup>(iii)</sup>	-	-
	<b>187,438,650</b>	<b>74.98</b>	<b>177,624,317</b>	<b>71.05</b>	<b>112,500,015</b>	<b>45.00</b>

**Notes:-**

- (i) Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in AC Holdings Sdn Bhd  
(ii) Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in Bioenergy Holdings Sdn Bhd  
(iii) Deemed interested pursuant to Section 6A(4) of the Act by virtue of his interest in Platimas Sdn Bhd  
\* Negligible

The restriction which is fully acknowledged by the aforesaid shareholders is specifically endorsed on the share certificates of ABT representing the shareholding of the aforesaid shareholders, which are under moratorium to ensure that the 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**

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### **10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS**

Save for the following, there are no related party transactions and/or conflict of interests, existing or proposed, entered into by our Group which involves the interest, direct or indirect, of a Director, substantial shareholder, persons connected to them and the key management of the Group for the seven (7) months FPE 31 January 2007, FYE 31 January 2007 and four (4) months FPE 31 May 2008 and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

- (i) Tenancy agreement dated 4 July 2006 made between Looi Kem Loong as landlord and ABR as tenant, whereby the landlord agreed to rent to the tenant the premises known as No. 13A06, Lobby 1, Block A, Damansara Intan, No. 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor for a period of 18 months, commencing from 4 July 2006 and extended until 3 January 2009 for a monthly rental of RM1 per month;
- (ii) Tenancy agreement dated 1 December 2006 made between Triple Gate Marketing Sdn Bhd (50% owned by Looi Kem Loong, Executive Director of ABT) as landlord and ABR as tenant, whereby the landlord agreed to rent to the tenant the premises known as No. 13A08, Lobby 1, Block A, Damansara Intan, No. 1, Jalan SS20/27, 47400 Petaling Jaya, Selangor for a period of one (1) year, commencing from 1 December 2006 and extended until 30 November 2008 for a monthly rental of RM1 per month.
- (iii) Provision of secretarial services to the Group by Prudential Corporate Services Sdn Bhd ("Prudential"), a company in which Koh Joo Hian, key management of ABT has an interests in. The said services amounted to RM1,375 and RM1,850 for the FYE 31 January 2007 and the FPE 31 July 2007, respectively. ALC Management has taken over the corporate services support for the Group and thus no further transactions with Prudential are expected to arise.
- (iv) Trust Deed dated 5 July 2006 made between Looi Kem Loong as Trustee and ABR, whereby ABR agrees to acquire from the Trustee the vehicle, model WALD 300 (Toyota Alphard), and the corresponding number plate, PGN3, for a total consideration sum of RM365,000 and the Trustee will hold the vehicle on trust for the Company.

### **10.2 TRANSACTIONS WHICH ARE UNUSUAL IN THEIR NATURE OR CONDITIONS**

Save as disclosed in Section 10.1, there are no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party in respect of the seven (7) months FPE 31 January 2007, FYE 31 January 2008 and the four (4) months FPE 31 May 2008 and up to the LPD.

### **10.3 OUTSTANDING LOANS MADE TO OR FOR THE BENEFIT OF RELATED PARTIES**

There is no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of related parties in respect of the seven (7) months FPE 31 January 2007, FYE 31 January 2008 and the four (4) months FPE 31 May 2008 and up to the LPD.

### **10.4 INTEREST IN SIMILAR BUSINESS**

None of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses and corporations carrying on a similar trade as that of our Group in the incubation and nurture of new business ideas in or related to the Bioenergy industry.

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**10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**

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**10.5 PROMOTION OF ANY MATERIAL ASSETS ACQUIRED, DISPOSED OF OR LEASED**

Save for the related party transactions disclosed in Section 10.1 above and the Acquisition of ABR as disclosed in Section 5.2 of this Prospectus, none of our Directors and/or substantial shareholders, in the seven (7) months FPE 31 January 2007, FYE 31 January 2008 and the four (4) months FPE 31 May 2008 and up to the LPD, have any interest, direct or indirect, in the promotion of, or in any material assets acquired or disposed of by or leased to us or our Subsidiary Companies, or are proposed to be acquired or disposed of by or leased to us or our Subsidiary Companies.

**10.6 DECLARATION OF ADVISERS**

- (a) Kenanga hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Adviser, Underwriter, Placement Agent and Sponsor for the Listing.
- (b) Messrs. Ben & Partners 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.
- (c) Messrs. BDO Binder 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.

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



ASIA Bioenergy Technologies Bhd 774628-U  
13A06, Lobby 1, Block A,  
Damansara Intan,  
No. 1, Jalan SS20/27,  
47400 Petaling Jaya,  
Selangor, Malaysia

**18 NOV 2008**

The Shareholders of  
Asia Bioenergy Technologies Berhad  
13A06 Lobby 1, Block A  
Damansara Intan  
No. 1, Jalan SS20/27  
47400 Petaling Jaya

Address:-  
13A06, Lobby 1  
Block A, Damansara Intan  
No.1, Jalan SS20/27  
47400 Petaling Jaya  
Selangor, Malaysia

Tel : 603 7726 0668  
Fax : 603 7725 0668

www.bioenergy.com.my  
mail@bioenergy.com.my

Dear Sir/ Madam,

On behalf of the Board of Directors of Asia Bioenergy Technologies Berhad ("ABT"), I report after due enquiry that during the period from 31 May 2008 (being the date of the last audited financial statements of ABT and its subsidiary companies were made) to **18 NOV 2008** (being a date not earlier than fourteen (14) days before the issuance of this Prospectus):-

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

Yours faithfully  
For and on behalf of the Board of Directors  
Asia Bioenergy Technologies Berhad

Lim Foon Seng  
Executive Director

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

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**BDO Binder** (AF 0206)  
Chartered Accountants

12th Floor Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur Malaysia  
Telephone : (603) 2616 2888  
Telefax : (603) 2616 3190, 2616 3191  
Website : www.bdobinder.com

Our ref: BDOB/NCH/KSH

30 October 2008

**The Board of Directors**  
**Asia Bioenergy Technologies Bhd**  
13A06 Lobby 1  
Block A, Damansara Intan  
No. 1 Jalan SS20/27  
47400 Petaling Jaya  
Selangor Darul Ehsan.

Dear Sirs

**ASIA BIOENERGY TECHNOLOGIES BERHAD ("ABT" or "the Company")**  
**ACCOUNTANTS' REPORT (THE "REPORT")**

---

**1. INTRODUCTION**

This report has been prepared by BDO Binder, an approved company auditor, for inclusion in the Prospectus of Asia Bioenergy Technologies Berhad ("the Company" or "ABT") to be dated 21 November 2008 in connection with the listing of and quotation for the enlarged issued and paid-up share capital of ABT of RM25,000,000 comprising 250,000,000 new ordinary shares of RM0.10 each in ABT ("ABT Shares") on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the flotation scheme are disclosed in Section 2 of this report.

**2. DETAILS OF THE FLOTATION SCHEME**

In conjunction with and as an integral part of the listing of ABT on the MESDAQ Market of Bursa Securities, the Company will undertake the following transactions:

**Flotation Scheme**

The flotation scheme of ABT comprises the following:-

- (a) Share split which will involve the sub-division of the par value of ordinary shares of RM1.00 each into ordinary shares of RM0.10 each ("ABT Shares"). To facilitate the Listing, ABT increased its authorised share capital from RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each ("Share Split and Increase in Authorised Share Capital");

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*



**2. DETAILS OF THE FLOTATION SCHEME (cont'd)**

- (b) The acquisition by ABT of the entire equity interest in Asia Bioenergy Research Sdn. Bhd. ("ABR"), representing 509,500 ordinary shares of RM1.00 each for a total purchase consideration of RM12,303,103 satisfied entirely by the issuance of 119,999,980 ABT Shares of RM0.10 each at an issue price of approximately RM0.102 per share ("Acquisition of ABR");
- (c) In conjunction to ABT Listing, ABT will issue 30,000,000 new ABT Shares at an Issue Price of RM0.43 each to business associates, Malaysian citizen, companies, societies, co-operatives and institutions by way of private placement and public balloting ("Public Issue").

Upon completion of the Public Issue, ABT issued and paid-up share capital will increase from RM12,000,000 comprising 120,000,000 ABT Shares to RM15,000,000 comprising 150,000,000 ABT Shares;

- (d) Immediately after the Public Issue, ABT will implement a bonus issue of 100,000,000 new ABT Shares to be issued and credited as fully paid-up on the basis of two (2) new Shares for every three (3) existing Shares held after the Public Issue ("Bonus Issue").

Upon completion of the Bonus Issue, the issued and paid-up share capital will increase from RM15,000,000 comprising 150,000,000 ABT Shares to RM25,000,000 comprising 250,000,000 ABT Shares; and

- (e) Admission to the Official List of the MESDAQ Market and the listing of and quotation for the entire enlarged issued and paid-up share capital of ABT of RM25,000,000 comprising 250,000,000 ABT Shares on the MESDAQ Market of Bursa Securities ("Listing").

**3. GENERAL INFORMATION**

**3.1 INCORPORATION**

The Company was incorporated in Malaysia on 24 May 2007 under the Companies Act, 1965 in the name of Asia Bioenergy Technologies Sdn. Bhd.. On 26 October 2007, Asia Bioenergy Technologies Sdn. Bhd. was converted into a public limited company and assumed its present name.

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

*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*



**3.2 PRINCIPAL ACTIVITIES**

The principal activity of ABT is investment holding whilst the principal activities of its subsidiaries, associates and other investments as at the date of this Report are as follows:-

Name of company	Date of incorporation	Principal activities	Effective equity interest
<b>Subsidiary</b>			
3.2.1 Asia Bioenergy Research Sdn. Bhd. ("ABR")	04.07.06	Research and strategy advisory.	100.0%
<b>Associates of ABR</b>			
3.2.2 Grand Inizio Sdn. Bhd. ("GI")	19.01.06	Technology provider for Biodiesel and oleochemical plants (proprietary technology).	20.0%
3.2.3 Eco-Sponge Sdn. Bhd. ("Eco-Sponge")	21.08.07	Producer of a proprietary blend of compound used in Biodiesel plants as absorbent/filtration.	25.0%
<b>Subsidiaries of ABR</b>			
3.2.4 ALC Management Sdn. Bhd. ("ALCM")	23.06.06	Corporate service provider.	100.0%
3.2.5 STSB Technology Sdn. Bhd. ("STSB")	03.11.03	Plant automated control system ("PLC"), ERP systems and e-learning products and training provider.	100.0%
<b>Investments of ABR</b>			
3.2.6 Nexfuel Sdn. Bhd. ("Nexfuel")	12.12.06	Bioethanol producer.	– (1)
3.2.7 Platinum Energy Sdn. Bhd. ("Platinum Energy")	09.06.06	An end to end renewable energy group which includes manufacturing of Biodiesel and plantation operations.	2.02%

*Note: (1) ABT holds 4,000 CPS in Nexfuel which is convertible to 40% equity interest in Nexfuel. ABT intends to convert the CPS upon commissioning of Nexfuel's Bioethanol plant which is expected to be in the financial year ending 31 January 2010.*

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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### 3.3 SHARE CAPITAL

The Company was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. On 10 September 2008, the authorised share capital was subdivided into 1,000,000 ordinary shares of RM0.10 each and increased from RM100,000 to RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each.

The present issued and fully paid-up share capital of the Company is RM12,000,000 comprising 120,000,000 ABT Shares. Upon completion of the Public Issue, the issued and fully paid-up share capital of the Company will be enlarged to RM15,000,000 comprising 150,000,000 ABT Shares.

Upon completion of the Bonus Issue as stated in Section 2, the issued and fully paid-up share capital of ABT will be further increased to RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each.

Details of changes in the issued and fully paid-up share capital of the Company since its incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of ordinary shares issued</b>	<b>Par value RM</b>	<b>Purpose</b>	<b>Cumulative total issued and fully paid-up share capital RM</b>
24 May 2007	<u>2</u>	1.00	Subscribers' shares at the date of incorporation	2
10 September 2008	20	0.10	Share split of 1:10	2
11 September 2008	119,999,980	0.10	Shares issued pursuant to the acquisition of ABR	12,000,000
	<u>120,000,000</u>			

### 3.4 DIVIDENDS

ABT has not paid any dividends since the date of incorporation to the date of this Report.

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

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### **3.5 LISTING AND QUOTATION**

In conjunction with the listing and quotation of the entire issued and fully paid-up share capital of ABT on the MESDAQ Market of Bursa Securities, ABT will undertake the following exercises which were approved by the Securities Commission ("SC") and Foreign Investment Committee on 23 July 2008. The details of the aforesaid exercises are as follows:

- (a) A share split involving the sub-division of the par value of ordinary shares of RM1.00 each into ordinary shares of RM0.10 each ("ABT Shares"). ABT increased its authorised share capital from RM100,000 comprising 100,000 ordinary shares of RM0.10 each to RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each ("Share Split and Increase in Authorised Share Capital");
- (b) The acquisition by ABT of the entire equity interest in ABR, representing 509,500 ordinary shares of RM1.00 each for a total purchase consideration of RM12,303,103 satisfied entirely by the issuance of 119,999,980 ABT Shares of RM0.10 each at an issue price of approximately RM0.102 per share ("Acquisition of ABR");
- (c) In conjunction to ABT Listing, ABT will issue 30,000,000 new ABT Shares at an Issue Price of RM0.43 each to ABT's business associates, Malaysian public, companies, societies, co-operatives and institutions by way of private placement and public balloting ("Public Issue").

Upon completion of the Public Issue, ABT issued and paid-up share capital will increase from RM12,000,000 comprising 120,000,000 ABT Shares to RM15,000,000 comprising 150,000,000 ABT Shares.

- (d) Immediately after the Public Issue, ABT will implement a bonus issue of 100,000,000 new ABT Shares to be issued and credited as fully paid-up on the basis of two (2) new Shares for every three (3) existing Shares held after the Public Issue ("Bonus Issue").

Upon completion of the Bonus Issue, the issued and paid-up share capital will increase from RM15,000,000 comprising 150,000,000 ABT Shares to RM25,000,000 comprising 250,000,000 ABT Shares.

- (e) Admission to the Official List of the MESDAQ Market and the listing of and quotation for the entire enlarged issued and paid-up share capital of ABT of RM25,000,000 comprising 250,000,000 ABT Shares on the MESDAQ Market of Bursa Securities.

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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### **3.6 FINANCIAL STATEMENTS AND AUDITORS**

The following financial statements were not subject to any audit qualification and were audited by BDO Binder unless stated otherwise:-

<u>Company</u>	<u>Financial years/period</u>
ABT	Financial period from 24 May 2007 (date of incorporation) to 31 January 2008 and four months financial period ended 31 May 2008.
ABR	Financial period from 4 July 2006 (date of incorporation) to 31 January 2007, financial year ended 31 January 2008 and four months financial period ended 31 May 2008.
ALCM	Financial period from 23 June 2006 (date of incorporation) to 31 January 2007, financial year ended 31 January 2008 and four months financial period ended 31 May 2008.
STSB	Financial period from 3 November 2003 (date of incorporation) to 31 December 2004*, financial years ended 31 December 2005* and 2006*, financial period from 1 January 2007 to 31 January 2008 and four months financial period ended 31 May 2008.

\* Audited by another firm of chartered accountants, Messrs. Wong Yin Chung & Co.

## **4. ACCOUNTING STANDARDS AND POLICIES**

### **4.1 BASIS OF PREPARATION**

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRS") in Malaysia and the provisions of the Companies Act, 1965.

### **4.2 SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 require the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(b) Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the financial year using the purchase method of accounting.

Under the purchase method of accounting, the cost of business combination is measured as the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets, liabilities and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

- (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) recognise immediately in profit or loss any excess remaining after that reassessment.

Where more than one exchange transactions are involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Subsidiaries are consolidated from the acquisition date, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiaries.

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*

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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(b) Basis of Consolidation (cont'd)**

Minority interest is that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at the minority's share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minority's share of changes in the subsidiaries' equity since that date.

Where losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary, the excess and any further losses applicable to the minority are allocated against the Group's interest except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

Minority interest is presented in the consolidated balance sheet within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to equity holders of the Company.

Minority interest in the results of the Group is presented in the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and equity holders of the Company.

**(c) Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred. Cost also comprises the initial estimate of dismantling and removing the item and restoring the site on which it is located for which the Group and the Company is obligated to incur when the item is acquired.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and which have different useful lives, are depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**
**(c) Property, plant and equipment and depreciation (cont'd)**

Depreciation is calculated to write off the cost of the assets to its residual values on straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Computers	20%
Furniture and fittings	10%
Motor vehicle	20%
Office equipment	20%
Renovation	10%
Signboard	10%

At each balance sheet date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each balance sheet date to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation reserve related to those assets, if any, is transferred directly to retained earnings.

**(b) Assets acquired under hire-purchase agreements**

Assets acquired under hire-purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group and the Company are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire-purchase liabilities.

**(c) Investments**
**(i) Subsidiaries**

A subsidiary is an entity in which the Group and the Company has power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(e) Investments (cont'd)**

**(i) Subsidiaries (cont'd)**

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

**(ii) Associates**

An associate is an entity over which the Group and the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In the Company's separate financial statements, an investment in associate is stated at cost less impairment losses, if any.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated balance sheet is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the investment.

The interest in the associate is the carrying amount of the investment in the associate under the equity method together with any long-term interest that, in substance, form part of the Group's net interest in the associate.

The Group's share of the profit or loss of the associate during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the Group's share of the net fair value of net assets of the associates' identifiable assets, liability and contingent liabilities at the date of acquisition.

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(Prepared for the inclusion in this Prospectus)

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(e) Investments (cont'd)**

**(ii) Associates (cont'd)**

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in the associate equals or exceeds its interest in the associate, the carrying amounting of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. Where the reporting dates of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in reporting dates is no more than three months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening period.

Upon disposal of an investment in associate, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

**(iii) Other investments**

Non-current investment other than investments in subsidiaries and associates is stated 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 the value of such investments.

Upon disposal of such investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

**(f) Goodwill**

Goodwill acquired in a business combination is recognised as an asset at the acquisition date and is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets and liabilities. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(g) Impairment of non-financial assets**

The carrying amount of assets, except for financial assets (excluding investment in subsidiaries and associates) and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not probable to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's CGU or groups of CGU that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in the income statement when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rate basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if and only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(g) Impairment of non-financial assets (cont'd)**

Such reversals are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

**(h) Financial instruments**

**Financial instruments recognised on the balance sheets**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss.

Distributions to holders of an equity instrument is debited directly to equity, net of any related tax effect. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(a) Receivables**

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

Receivables are not held for trading purposes

**(b) Cash and cash equivalents**

Cash and cash equivalents include cash and bank balances, deposits and other short term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

**(c) 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.

**(d) Interest bearing borrowings**

All borrowings are recognised at the fair value of the consideration received less directly attributable transaction costs.



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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(h) Financial instruments (cont'd)**

**Financial instruments recognised on the balance sheets (cont'd)**

**(e) Equity instruments**

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared.

**(i) Borrowings costs**

All borrowing cost are recognised in profit or loss in the period in which they are incurred.

**(j) Employee benefits**

**(i) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments as a result of past events and when a reliable estimate can be made of the amount of the obligation.

**(ii) Defined contribution plans**

The Group and the Company make contributions to a statutory provident fund and recognise the contribution payable:

(a) after deducting contributions already paid as a liability; and

(b) as an expense in the financial year in which the employees render their services.

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(k) Income tax**

Taxes in the income statement comprises current tax and deferred tax.

**(i) Current tax**

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

**(ii) Deferred tax**

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only 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. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to the same taxation authority.

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**4.2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(I) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Facilitation fees**

Facilitation fees arise from the provision of services in facilitating transactions, such as joint venture arrangements, mergers, acquisitions and/or disposals. Facilitation fees are recognised in the income statement upon completion of the transactions or work performed or on a basis per agreement with the customer.

**(ii) Originators' fees**

Originators' fees are recognised at the end of each contract, or proportionally upon payment of interim dividend from the cash flow of the contract.

**(iii) Rental income**

Revenue from rental income is recognised in the income statement on accrual basis unless collectability is in doubt.

**(iv) Corporate services fees, management fee and technology information services**

Revenue from rendering of services are recognised in the income statement upon performance of service.

Advance fees received relating to periods beyond the current financial year are classified as deferred income under current liabilities.

**(v) Dividend income**

Dividend income is recognised when the shareholder's right to receive payment is established.

**(vi) Interest income**

Interest from fixed deposit is recognised in the income statement on accrual basis unless collectability is in doubt.

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**4.3 ADOPTION OF NEW FRS AND AMENDMENTS TO FRS**

**(a) New FRS and amendments to FRS adopted**

- (i) FRS 6 Exploration for and Evaluation of Mineral Resources is mandatory for annual periods beginning on or after 1 January 2007. FRS 6 is not relevant to the Group's operations.
- (ii) FRS 119<sub>2004</sub> Amendment to FRS 119<sub>2004</sub> Employee Benefits - Actuarial Gains and Losses, Company Plans and Disclosures is mandatory for annual periods beginning on or after 1 January 2007.

This amendment permits any systematic method that results in recognition of actuarial gains and losses in the period in which they occur provided that the same basis is applied to both, gains and losses and the basis is applied consistently from period to period.

As the Company does not participate in any multi-employer plans, the adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements.

- (iii) Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation is mandatory for annual periods beginning on or after 1 July 2007.

This amendment is not relevant to the Group's operations.

- (iv) The following FRS are mandatory for annual periods beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting

These standards align the MASB's FRS with the equivalent International Accounting Standards ("IAS"), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements.

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**4.3 ADOPTION OF NEW FRS AND AMENDMENTS TO FRS (cont'd)**

**(a) New FRS and amendments to FRS adopted (cont'd)**

- (v) The following IC Interpretations are mandatory for annual periods beginning on or after 1 July 2007:

IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operatives Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2: Share-Based Payment

These IC Interpretations are not relevant to the Group's operations.

- (vi) Framework for the Preparation and Presentation of Financial Statements ('Framework') is effective for annual periods beginning on or after 1 July 2007.

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a MASB approved accounting standards as defined in paragraph 11 of FRS 101 and hence, does not define standards for any particular measurement or disclosure issue.

**(b) FRS and amendments to FRS not adopted**

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 which is effective for annual periods beginning on or after 1 January 2010. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by the paragraph 30(b) of the FRS 108 is not disclosed.

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#### 4.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the accounting policies, the directors are of the opinion that there are no critical judgements involved that have a significant effect on the amount recognised in the financial statements.

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within the period as disclosed in Note 4.2 (c). These are common life expectancies applied in the industry the Group operates. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of intangible asset

The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a 5-year period. The discount rate of 20% used is based on the pre-tax weighted average cost of capital determined by the management. The growth rate used in the cash flow projections are as follows:

	<b>2008</b>	<b>2009</b>
	%	%
STSB Technology Sdn. Bhd.	<u>&gt;100</u>	<u>&gt;100</u>

#### 5. AUDITED FINANCIAL STATEMENTS

No consolidated financial statements of the ABT Group are presented for the financial year ended 31 January 2007, 31 January 2008 and 31 May 2008 as the ABT Group was only formed on 11 September 2008.

The financial information presented in Section 5.1 and 5.2 are based on the audited financial statements of ABT, audited consolidated financial statements of ABR and its subsidiaries.

Due to the significant contribution of GI to ABR Group, the financial information are presented in Section 5.3 and are based on the audited financial statements of GI.

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**5.1 ABT****5.1.1 BALANCE SHEETS OF ABT**

The audited balance sheets of ABT which are extracted from the audited financial statements as at the end of the past two (2) financial periods are set out below:-

	NOTE	31.5.2008 RM	31.1.2008 RM
<b>ASSETS</b>			
<b>Current assets</b>			
Cash in hand		2	2
<b>TOTAL ASSETS</b>		2	2
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	5.1.5	2	2
Accumulated losses		(3,950)	(3,150)
<b>TOTAL EQUITY</b>		(3,948)	(3,148)
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payable and accruals	5.1.6	3,950	3,150
<b>TOTAL LIABILITIES</b>		3,950	3,150
<b>TOTAL EQUITY AND LIABILITIES</b>		2	2

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**5.1 ABT (cont'd)****5.1.2 INCOME STATEMENTS OF ABT**

The audited income statements of ABT which are extracted from the audited financial statements for the financial period from 24 May 2007 (date of incorporation) to 31 January 2008 and four (4) months financial period ended 31 May 2008 are set out below:-

	NOTE	1.2.2008 to 31.5.2008 RM	24.5.2007 to 31.1.2008 RM
Revenue		1,736,582	350,000
Operating expenses		<u>(800)</u>	<u>(3,150)</u>
Loss before tax	5.1.7	(800)	(3,150)
Tax expense	5.1.8	<u>-</u>	<u>-</u>
Net loss for the financial period		<u><u>(800)</u></u>	<u><u>(3,150)</u></u>

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**5.1 ABT (cont'd)****5.1.3 STATEMENTS OF CHANGES IN EQUITY OF ABT**

The statements of changes in equity of ABT which are extracted from the audited financial statements for the financial period from 24 May 2007 (date of incorporation) to 31 January 2008 and four (4) months financial period ended 31 May 2008 are set out below:-

	Share capital RM	Accumulated losses RM	Total RM
Balance as at 24 May 2007 (date of incorporation)	2	-	2
Net loss for the financial period, representing total income and expenses recognised during the financial period	-	(3,150)	(3,150)
Balance as at 31 January 2008	2	(3,150)	(3,148)
Net loss for the financial period, representing total income and expenses recognised during the financial period	-	(800)	(800)
Balance as at 31 May 2008	2	(3,950)	(3,948)

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**5.1 ABT (cont'd)****5.1.4 CASH FLOW STATEMENTS OF ABT**

The following cash flow statements of ABT which are extracted from the audited financial statements for the financial period from 24 May 2007 (date of incorporation) to 31 January 2008 and four (4) months financial period ended 31 May 2008 are set out below:-

	<b>1.2.2008</b>	<b>24.5.2007</b>
	<b>to</b>	<b>to</b>
	<b>31.5.2008</b>	<b>31.1.2008</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before tax	(800)	(3,150)
Increase in other payable and accruals	800	3,150
Net cash from operating activity	-	-
Cash in hand at beginning of financial period/ date of incorporation	2	2
Cash in hand at the end of the financial period	2	2

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**5.1 ABT (cont'd)****5.1.5 SHARE CAPITAL**

	<b>31.5.2008</b>		<b>31.1.2008</b>	
	<b>Number of shares</b>	<b>RM</b>	<b>Number of shares</b>	<b>RM</b>
Ordinary shares of RM1.00 each:				
Authorised:				
As at date of incorporation/ 31 January/31May	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:				
As at date of incorporation/ 31 January/31May	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

**5.1.6 OTHER PAYABLE AND ACCRUALS**

	<b>31.5.2008 RM</b>	<b>31.1.2008 RM</b>
Other payable	2,150	2,150
Accruals	<u>1,800</u>	<u>1,000</u>
	<u>3,950</u>	<u>3,150</u>

**5.1.7 LOSS BEFORE TAX**

	<b>1.2.2008 to 31.5.2008</b>	<b>24.5.2007 to 31.1.2008</b>
Loss before tax is arrived at after charging:		
Auditors' remuneration		
- statutory	-	1,000
- non-statutory	<u>800</u>	<u>-</u>

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**5.1 ABT (cont'd)****5.1.8 TAX EXPENSE**

There is no tax expense for the current financial period as the Company has no taxable income.

The numerical reconciliation between the effective tax rate and the applicable tax rate of the Company are as follows:

	<b>1.2.2008 to 31.5.2008 %</b>	<b>24.5.2007 to 31.1.2008 %</b>
Applicable tax rate	(25.0)	(26.0)
Tax effect in respect of: Non allowable expenses	<u>25.0</u>	<u>26.0</u>
Effective tax rate	<u>-</u>	<u>-</u>

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**5.2 ABR**

**5.2.1 BALANCE SHEETS OF ABR**

The audited balance sheets of ABR which are extracted from the audited financial statements as at the end of the past three (3) financial year/periods are set out below:-

NOTE	Group			Company			
	31.5.2008 RM	31.1.2008 RM	31.1.2007 RM	31.5.2008 RM	31.1.2008 RM	31.1.2007 RM	
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	5.2.5	465,910	496,789	604,521	465,910	496,789	604,521
Goodwill on consolidation	5.2.6	25,723	25,723	-	-	-	-
Investment in subsidiaries	5.2.7	-	-	-	20,002	20,002	2
Investment in associates	5.2.8	7,580,523	6,937,578	4,999,995	450	450	200
Other investments	5.2.9	4,004,000	4,004,000	-	4,004,000	4,004,000	-
Deferred tax assets	5.2.10	-	-	12,740	-	-	12,740
		12,076,156	11,464,090	5,617,256	4,490,362	4,521,241	617,463
<b>Current assets</b>							
Trade receivables	5.2.11	5,500	128,000	9,800	-	-	-
Other receivables and prepayments	5.2.12	15,979	30,000	12,130	15,979	15,000	12,130
Amounts owing by associates	5.2.13	573,225	441,157	6,856	573,225	441,157	6,856
Amounts owing by subsidiaries	5.2.14	-	-	-	-	4,964	-
Fixed deposits with licensed banks	5.2.15	3,164,375	2,338,990	-	3,164,375	2,338,990	-
Cash and bank balances		449,390	644,704	376,205	370,128	261,638	356,741
		4,208,469	3,582,851	404,991	4,123,707	3,061,749	375,727
<b>TOTAL ASSETS</b>		<b>16,284,625</b>	<b>15,046,941</b>	<b>6,022,247</b>	<b>8,614,069</b>	<b>7,582,990</b>	<b>993,190</b>
<b>EQUITY AND LIABILITIES</b>							
<b>EQUITY</b>							
Share capital	5.2.16	509,500	509,500	80,000	509,500	509,500	80,000
Share premium		5,551,505	5,551,505	-	5,551,505	5,551,505	-
Retained earnings/ (accumulated loss)	5.2.17	9,691,895	8,320,370	4,927,470	1,757,416	1,075,639	(92,134)
<b>TOTAL EQUITY</b>		<b>15,752,900</b>	<b>14,381,375</b>	<b>5,007,470</b>	<b>7,818,421</b>	<b>7,136,644</b>	<b>(12,134)</b>

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**5.2 ABR (cont'd)**

**5.2.1 BALANCE SHEETS OF ABR (cont'd)**

NOTE	←----- Group -----→			←----- Company -----→			
	31.5.2008 RM	31.1.2008 RM	31.1.2007 RM	31.5.2008 RM	31.1.2008 RM	31.1.2007 RM	
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
Hire-purchase creditor	5.2.18	82,225	109,899	158,219	82,225	109,899	158,219
Deferred tax liabilities	5.2.10	22,746	22,746	-	22,746	22,746	-
		104,971	132,645	158,219	104,971	132,645	158,219
<b>Current liabilities</b>							
Trade payable	5.2.19	5,000	-	-	-	-	-
Other payables and accruals	5.2.20	281,286	365,661	157,151	164,393	156,661	155,151
Amount owing to a Director	5.2.21	8,774	31,462	642,713	6,774	29,462	640,713
Amount owing to a subsidiary	5.2.22	-	-	-	395,236	-	-
Hire-purchase creditor	5.2.18	54,643	53,236	51,241	54,643	53,236	51,241
Tax payables		77,051	82,562	5,453	69,631	74,342	-
		426,754	532,921	856,558	690,677	313,701	847,105
<b>TOTAL LIABILITIES</b>		<b>531,725</b>	<b>665,566</b>	<b>1,014,777</b>	<b>795,648</b>	<b>446,346</b>	<b>1,005,324</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,284,625</b>	<b>15,046,941</b>	<b>6,022,247</b>	<b>8,614,069</b>	<b>7,582,990</b>	<b>993,190</b>

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**5.2 ABR (cont'd)**

**5.2.2 INCOME STATEMENTS OF ABR**

The audited income statements of ABR which are extracted from the audited financial statements for the financial period from 4 July 2006 (date of incorporation) to 31 January 2007, financial year ended 31 January 2008 and four (4) months financial period ended 31 May 2008 are set out below:-

	NOTE	Group			Company		
		1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM	1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM
Revenue	5.2.23	366,213	1,391,832	381,300	837,813	1,736,582	350,000
Cost of sales		(70,000)	(191,900)	(200,000)	-	-	(200,000)
Gross profit		296,213	1,199,932	181,300	837,813	1,736,582	150,000
Other operating income		35,411	74,990	6,000	35,411	74,990	6,000
Administration expenses		(181,112)	(542,780)	(256,271)	(161,515)	(520,451)	(250,233)
Other operating expenses		-	(4,680)	(5,731)	-	(4,680)	(5,731)
Finance costs		(3,811)	(8,840)	(4,910)	(3,811)	(8,840)	(4,910)
Shares of net profit/(loss) of associates		1,250,945	2,792,333	(115)	-	-	-
Profit/(loss) before tax	5.2.24	1,397,646	3,510,955	(79,727)	707,898	1,277,601	(104,874)
Tax (expense)/income	5.2.25	(26,121)	(118,055)	7,287	(26,121)	(109,828)	12,740
Net profit/(loss) for the financial period/year		1,371,525	3,392,900	(72,440)	681,777	1,167,773	(92,134)

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

*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*



**5.2 ABR (cont'd)**

**5.2.3 STATEMENTS OF CHANGES IN EQUITY OF ABR**

The statements of changes in equity of ABR which are extracted from the audited financial statements for the financial period from 4 July 2006 (date of incorporation) to 31 January 2007, financial year ended 31 January 2008 and four (4) months financial period ended 31 May 2008 is set out below:-

Group	Share capital RM	Share premium RM	Retained earnings RM	Total RM
Balance as at 4 July 2006 (date of incorporation)	2	-	-	2
Issue of ordinary shares	79,998	-	-	79,998
Dilution of interest in an associate, representing income recognised directly in equity	-	-	4,999,910	4,999,910
Net loss for the financial period	-	-	(72,440)	(72,440)
Total income and expense recognised during the financial period	-	-	4,927,470	4,927,470
Balance as at 31 January 2007	80,000	-	4,927,470	5,007,470
Issue of ordinary shares	429,500	5,917,955	-	6,347,455
Listing expense recognised directly in equity	-	(366,450)	-	(366,450)
Net profit for the financial year	-	-	3,392,900	3,392,900
Total income and expense recognised during the financial year	-	(366,450)	3,392,900	3,026,450
Balance as at 31 January 2008	509,500	5,551,505	8,320,370	14,381,375
Net profit for the financial period, representing total income and expense recognised during the financial period	-	-	1,371,525	1,371,525
Balance as at 31 May 2008	509,500	5,551,505	9,691,895	15,752,900

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

*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.2 ABR (cont'd)**

**5.2.3 STATEMENTS OF CHANGES IN EQUITY OF ABR (cont'd)**

	Share capital	Share premium	(Accumulated loss)/ Retained earnings	Total
	RM	RM	RM	RM
<b>Company</b>				
Balance as at 4 July 2006 (date of incorporation)	2	-	-	2
Issue of ordinary shares	79,998	-	-	79,998
Net loss for the financial period, representing total income and expense recognised during the financial period	-	-	(92,134)	(92,134)
Balance as at 31 January 2007	80,000	-	(92,134)	(12,134)
Issue of ordinary shares	429,500	5,917,955	-	6,347,455
Listing expense recognised directly in equity	-	(366,450)	-	(366,450)
Net profit for the financial year	-	-	1,167,773	1,167,773
Total income and expense recognised during the financial year	-	(366,450)	1,167,773	801,323
Balance as at 31 January 2008	509,500	5,551,505	1,075,639	7,136,644
Net profit for the financial period, representing total income and expense recognised during the financial period	-	-	681,777	681,777
Balance as at 31 May 2008	509,500	5,551,505	1,757,416	7,818,421

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.2 ABR (cont'd)**

**5.2.4 CASH FLOW STATEMENTS OF ABR**

The following consolidated cash flow statements of ABR which are extracted from the audited financial statements for the financial period from 4 July 2006 (date of incorporation) to 31 January 2007, financial year ended 31 January 2008 and four (4) months financial period ended 31 May 2008 are set out below:-

	Group			Company		
	1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM	1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Profit/(Loss) before tax	1,397,646	3,510,955	(79,727)	707,898	1,277,601	(104,874)
Adjustments for:						
Depreciation of property, plant and equipment	38,696	114,278	67,262	38,696	114,278	67,262
Dividend income	-	-	-	(608,000)	(855,000)	-
Interest expense	3,811	8,817	4,910	3,811	8,817	4,910
Interest income	(32,411)	(38,990)	-	(32,411)	(38,990)	-
Property, plant and equipment written off	-	4,680	5,731	-	4,680	5,731
Share of (profit)/loss of associates	(1,250,945)	(2,792,333)	115	-	-	-
Operating profit/(loss) before working capital changes	156,797	807,407	(1,709)	109,994	511,386	(26,971)
Decrease/(Increase) in trade receivables	122,500	(118,200)	(9,800)	-	-	-
Decrease/(Increase) in other receivables and prepayments	14,021	(17,870)	(12,130)	(979)	(2,870)	(12,130)
Increase in amounts owing by associates	(132,068)	(434,301)	(6,856)	(132,068)	(434,301)	(6,856)
Increase in trade payable	5,000	-	-	-	-	-
(Decrease)/Increase in other payables and accruals	(84,375)	202,687	157,151	7,732	1,510	155,151
Cash generated from/(used in) operations	81,875	439,723	126,656	(15,321)	75,725	109,194
Interest received	32,411	38,990	-	32,411	38,990	-
Tax paid	(31,632)	(5,460)	-	(30,832)	-	-
Net cash from/(used in) operating activities	82,654	473,253	126,656	(13,742)	114,715	109,194
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Acquisition of investment in an associate	-	(250)	(200)	-	(250)	(200)
Acquisition of a subsidiary, net of cash acquired (Note 5.2.26)	-	(19,900)	-	-	(20,000)	(2)
Acquisition of other investments	-	(4,004,000)	-	-	(4,004,000)	-
Purchase of property, plant and equipment (Note 5.2.27)	(7,817)	(11,226)	(412,514)	(7,817)	(11,226)	(412,514)
Dividend received from an associate	608,000	855,000	-	608,000	855,000	-
Advances to subsidiaries	-	-	-	-	(4,964)	-
Net cash from/(used in) investing activities	600,183	(3,180,376)	(412,714)	600,183	(3,185,440)	(412,716)

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

*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.2 ABR (cont'd)**

**5.2.4 CASH FLOW STATEMENTS OF ABR (cont'd)**

	← Group →			← Company →		
	1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM	1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Interest paid	(3,811)	(8,817)	(4,910)	(3,811)	(8,817)	(4,910)
Proceeds from issuance of shares	-	6,347,455	79,998	-	6,347,455	79,998
Listing expenses paid	-	(366,450)	-	-	(366,450)	-
Advances from a subsidiary	-	-	-	400,200	-	-
(Repayment to)/Advance from a Director	(22,688)	(611,251)	642,713	(22,688)	(611,251)	640,713
Repayment of hire-purchase liabilities	(26,267)	(46,325)	(55,540)	(26,267)	(46,325)	(55,540)
Net cash (used in)/from financing activities	(52,766)	5,314,612	662,261	347,434	5,314,612	660,261
Net increase in cash and cash equivalents	630,071	2,607,489	376,203	934,075	2,243,887	356,739
Cash and cash equivalents at beginning of financial period/year/date of incorporation	2,983,694	376,205	2	2,600,628	356,741	2
Cash and cash equivalents at end of financial period/ year (Note 5.2.28)	3,613,765	2,983,694	376,205	3,534,703	2,600,628	356,741

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

*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.2 ABR (cont'd)**

**5.2.5 PROPERTY, PLANT AND EQUIPMENT**

**Group and Company**

	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Net book value RM</b>
<b>31.5.2008</b>			
Computers	56,163	(18,306)	37,857
Furniture and fittings	150,611	(28,352)	122,259
Motor vehicle	365,000	(139,917)	225,083
Office equipment	58,975	(22,475)	36,500
Renovation	50,370	(9,529)	40,841
Signboard	3,550	(180)	3,370
	<b>684,669</b>	<b>(218,759)</b>	<b>465,910</b>
<b>31.1.2008</b>			
Computers	48,346	(14,692)	33,654
Furniture and fittings	150,611	(23,332)	127,279
Motor vehicle	365,000	(115,584)	249,416
Office equipment	58,975	(18,543)	40,432
Renovation	50,370	(7,850)	42,520
Signboard	3,550	(62)	3,488
	<b>676,852</b>	<b>(180,063)</b>	<b>496,789</b>
<b>31.1.2007</b>			
Computers	45,877	(5,352)	40,525
Furniture and fittings	146,779	(8,562)	138,217
Motor vehicle	365,000	(42,584)	322,416
Office equipment	58,525	(6,808)	51,717
Renovation	49,445	(2,884)	46,561
Signboard	5,400	(315)	5,085
	<b>671,026</b>	<b>(66,505)</b>	<b>604,521</b>

The net book value of the property, plant and equipment, which has been acquired by way of hire-purchase arrangements and is registered in the name of a Director who held in trust for the Company, is as follows:-

	<b>As at 31.5.2008 RM</b>	<b>As at 31.1.2008 RM</b>	<b>As at 31.1.2007 RM</b>
Motor vehicle	225,083	249,416	322,416

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

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*Accountants' Report*



**5.2 ABR (cont'd)**

**5.2.6 GOODWILL ON CONSOLIDATION**

<b>Group</b>	<b>Balance as at 1.2.2008 RM</b>	<b>Addition RM</b>	<b>Balance as at 31.5.2008 RM</b>
Cost/carrying amount			
Goodwill	25,723	-	25,723

<b>Group</b>	<b>Balance as at 1.2.2007 RM</b>	<b>Addition RM</b>	<b>Balance as at 31.1.2008 RM</b>
Cost/carrying amount			
Goodwill	-	25,723	25,723

**5.2.7 INVESTMENT IN SUBSIDIARIES**

<b>Company</b>	<b>31.5.2008 RM</b>	<b>31.1.2008 RM</b>	<b>31.1.2007 RM</b>
Unquoted shares - at cost	20,002	20,002	2

The details of subsidiaries, which are incorporated in Malaysia, are as follows:

<b>Name of company</b>	<b>Effective equity interest</b>		<b>31.1.2007 %</b>	<b>Principal activity</b>
	<b>31.5.2008</b>	<b>31.1.2008 %</b>		
ALC Management Sdn. Bhd.	100	100	100	Corporate service provider.
STSB Technology Sdn. Bhd.	100	100	-	Plant automated control system ("PLC"), ERP systems and e-learning products and training provider.

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

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**5.2 ABR (cont'd)**

**5.2.8 INVESTMENT IN ASSOCIATES**

	Group			Company		
	31.5.2008	31.1.2008	31.1.2007	31.5.2008	31.1.2008	31.1.2007
	RM	RM	RM	RM	RM	RM
Unquoted shares - at cost	450	450	200	450	450	200
Share of post acquisition reserves	7,580,073	6,937,128	4,999,795	-	-	-
	<u>7,580,523</u>	<u>6,937,578</u>	<u>4,999,995</u>	<u>450</u>	<u>450</u>	<u>200</u>

The details of the associates, which are incorporated in Malaysia, are as follows:

Name of company	Effective equity interest			Principal activity
	31.5.2008	31.1.2008	31.1.2007	
	%	%	%	
Grand Inizio Sdn. Bhd.	20	20	20	Technology provider for Biodiesel and oleochemical plants (proprietary technology)
Eco-Sponge Sdn. Bhd.	25	25	-	Producer of a proprietary blend of compound used in Biodiesel plants as absorbent/filtration

**5.2.9 OTHER INVESTMENTS**

Group and Company	31.5.2008	31.1.2008	31.1.2007
	RM	RM	RM
Unquoted shares in Malaysia - at cost	<u>4,004,000</u>	<u>4,004,000</u>	<u>-</u>

The investments represent equity interest in a company incorporated in Malaysia and convertible preference shares in another company incorporated in Malaysia of RM4,000,000 and RM4,000 respectively.

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.2 ABR (cont'd)****5.2.10 DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)**

<b>Group and Company</b>	<b>Unused tax losses and unabsorbed capital allowances RM</b>	<b>Excess of capital allowances over corresponding depreciation RM</b>	<b>Total RM</b>
<b>31.5.2008</b>			
As at 1 February 2008/31 May 2008	-	(22,746)	(22,746)
<b>31.1.2008</b>			
As at 1 February 2007	35,538	(22,798)	12,740
Recognised in the income statement (Note 5.2.25)	(35,538)	52	(35,486)
As at 31 January 2008	-	(22,746)	(22,746)
<b>31.1.2007</b>			
As at date of incorporation	-	-	-
Recognised in the income statement (Note 5.2.25)	35,538	(22,798)	12,740
As at 31 January 2007	35,538	(22,798)	12,740

**5.2.11 TRADE RECEIVABLES**

The credit term of trade receivables is 14 days from date of invoice.

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.2 ABR (cont'd)****5.2.12 OTHER RECEIVABLES AND PREPAYMENTS****Group**

	<b>31.5.2008</b>	<b>31.1.2008</b>	<b>31.1.2007</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables	9,176	6,256	6,882
Prepayments	<u>6,803</u>	<u>23,744</u>	<u>5,248</u>
	<u><u>15,979</u></u>	<u><u>30,000</u></u>	<u><u>12,130</u></u>

**Company**

	<b>31.5.2008</b>	<b>31.1.2008</b>	<b>31.1.2007</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables	9,176	6,256	6,882
Prepayments	<u>6,803</u>	<u>8,744</u>	<u>5,248</u>
	<u><u>15,979</u></u>	<u><u>15,000</u></u>	<u><u>12,130</u></u>

**5.2.13 AMOUNTS OWING BY ASSOCIATES****Group and Company**

The amounts owing by associates as at 31 May 2008 and 31 January 2008 mainly represent originators' fee which is payable by the associate at the end of each contract, or proportionally upon payment of interim dividend from the cash flow of the contract, whichever is applicable.

The amount owing by an associate as at 31 January 2007 represented rental and utilities charges which was unsecured, interest-free and repayable on demand.

**5.2.14 AMOUNTS OWING BY SUBSIDIARIES****Company**

The amounts owing by subsidiaries represent advances and payments made on behalf which are unsecured, interest-free and repayable on demand.

**5.2.15 FIXED DEPOSITS WITH LICENSED BANKS****Group and Company**

The fixed deposits as at 31 May 2008 have maturity periods of 1 month with interest rate ranging from 3.1% to 3.4% (31.1.2008: 3.05% to 3.4%; 31.1.2007: Nil) per annum.



**12 ACCOUNTANTS' REPORT (Cont'd)**  
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**5. ABR (cont'd)**

**5.2.16 SHARE CAPITAL**

	←----- Group and Company ----->					
	31.5.2008		31.1.2008		31.1.2007	
	Number of shares	RM	Number of shares	RM	Number of shares	RM
Ordinary shares of RM1.00 each:						
Authorised:						
As at 1 February 2008/ 1 February 2007/ date of incorporation	1,000,000	1,000,000	100,000	100,000	100,000	100,000
Created during the financial period/year	-	-	900,000	900,000	-	-
As at 31 May/31 January	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:						
As at 1 February 2008/ 1 February 2007/ date of incorporation	509,500	509,500	80,000	80,000	2	2
Issue of ordinary shares	-	-	429,500	429,500	79,998	79,998
As at 31 May/31 January	<u>509,500</u>	<u>509,500</u>	<u>509,500</u>	<u>509,500</u>	<u>80,000</u>	<u>80,000</u>

At the date of incorporation, the Company has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issued and paid-up share capital of RM2 comprising 2 ordinary shares of RM1.00 each being subscribers' shares.

During the financial period ended 31 January 2007, the Company increased its issued and paid-up share capital from RM2 to RM80,000 by the allotment of 79,998 new ordinary shares of RM1.00 each at par for cash for the purpose of increasing the working capital of the Company.

During the financial year ended 31 January 2008, the Company increased its authorised share capital from RM100,000 to RM1,000,000 by the creation of an additional 900,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of the Company was increased from RM80,000 to RM509,500 by way of:

- (i) issuance of 347,500 new ordinary shares of RM1.00 each at par for cash, for additional working capital purposes; and
- (ii) issuance of 82,000 new ordinary shares of RM1.00 each at an issue price ranging from RM60.00 to RM94.74 per share for cash at a total share premium of RM5,917,955 for additional working capital purposes.

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.2 ABR (cont'd)****5.2.17 RETAINED EARNINGS**

Effective 1 January 2008, ABR is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by 31 December 2013.

ABR has decided not to make this election and has sufficient tax credit under Section 108 of the Income Tax Act 1967 and balance in the tax exempt account to frank the payment of dividends out of its entire retained earnings without incurring any additional tax liability.

**5.2.18 HIRE-PURCHASE CREDITOR**

	←----- Group and Company -----→		
	31.5.2008 RM	31.1.2008 RM	31.1.2007 RM
Minimum hire-purchase payments:			
- not later than one year	60,156	60,156	60,156
- later than one year and not later than five years	85,216	115,294	170,437
	<u>145,372</u>	<u>175,450</u>	<u>230,593</u>
Less: Future interest charges	(8,504)	(12,315)	(21,133)
Present value of hire-purchase liabilities	<u>136,868</u>	<u>163,135</u>	<u>209,460</u>
Repayable as follows:			
Current:			
- not later than one year	54,643	53,236	51,241
Non-current:			
- later than one year and not later than two years	57,458	56,051	53,470
- later than two years and not later than three years	24,767	53,848	56,285
- later than three years and not later than four years	-	-	48,464
	<u>82,225</u>	<u>109,899</u>	<u>158,219</u>
	<u>136,868</u>	<u>163,135</u>	<u>209,460</u>

**5.2.19 TRADE PAYABLE**

The credit terms of trade payable range from 60 days from date of invoice.

**12 ACCOUNTANTS' REPORT (Cont'd)**  
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**5.2 ABR (cont'd)**

**5.2.20 OTHER PAYABLES AND ACCRUALS**

	Group			Company		
	31.5.2008 RM	31.1.2008 RM	31.1.2007 RM	31.5.2008 RM	31.1.2008 RM	31.1.2007 RM
Other payables	151,031	142,203	62	143,851	142,203	62
Accruals	30,255	23,458	157,089	20,542	14,458	155,089
Deferred income	100,000	200,000	-	-	-	-
	<u>281,286</u>	<u>365,661</u>	<u>157,151</u>	<u>164,393</u>	<u>156,661</u>	<u>155,151</u>

Included in other payables of the Group and the Company is professional fee payable of RM141,537 (31.1.2008: RM141,537; 31.1.2007: Nil) in relation to the proposed listing.

**5.2.21 AMOUNT OWING TO A DIRECTOR**

The amount owing to a Director represents advances and payments made on behalf which is unsecured, interest-free and repayable on demand.

**5.2.22 AMOUNT OWING TO A SUBSIDIARY**

The amount owing to a subsidiary represents advances and payments made on behalf which is unsecured, interest-free and repayable on demand.

**5.2.23 REVENUE**

	Group			Company		
	1.2.2008 To 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM	1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM
Facilitation fees	-	270,000	350,000	-	270,000	350,000
Corporate services fees	400	12,250	31,300	-	-	-
Dividend income from an associate	-	-	-	608,000	855,000	-
Management fees	42,000	82,184	-	42,000	82,184	-
Originators' fees	187,813	529,398	-	187,813	529,398	-
Technology information services	136,000	498,000	-	-	-	-
	<u>366,213</u>	<u>1,391,832</u>	<u>381,300</u>	<u>837,813</u>	<u>1,736,582</u>	<u>350,000</u>

**12 ACCOUNTANTS' REPORT (Cont'd)**  
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**5.2 ABR (cont'd)**

**5.2.24 PROFIT/(LOSS) BEFORE TAX**

	←----- Group ----->			←----- Company ----->		
	1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM	1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM
Profit/(loss) before tax is arrived at after charging:						
Auditors' remuneration						
- statutory:						
- current period	-	13,000	7,000	-	9,000	5,000
-non-statutory:						
- current period	15,000	4,000	-	10,000	-	-
Depreciation of property, plant and equipment	38,696	114,278	67,262	38,696	114,278	67,262
Directors' emoluments other than fees	54,100	149,367	55,857	44,383	149,278	55,857
Director's fees	4,000	5,000	-	4,000	5,000	-
Interest expenses on hire-purchase	3,811	8,817	4,910	3,811	8,817	4,910
Property, plant and equipment written off	-	4,680	5,731	-	4,680	5,731
Rental expense	8	24	9	8	24	9
And crediting:						
Dividend received from an associate	-	-	-	608,000	855,000	-
Interest income	32,411	38,990	-	32,411	38,990	-
Management fees received/receivable from an associate	42,000	82,184	-	42,000	82,184	-
Originators' fees received/receivable from an associate	187,813	529,398	-	187,813	529,398	-
Rental income	3,000	36,000	6,000	12,000	36,000	6,000

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

Asia Bioenergy Technologies Berhad (Company No. 774628-U)  
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**5.2 ABR (cont'd)**

**5.2.25 TAX EXPENSE/(INCOME)**

	Group			Company		
	1.2.2008 to 31.5.2008 RM	1.2.2007 To 31.1.2008 RM	4.7.2006 to 31.1.2007 RM	1.2.2008 to 31.5.2008 RM	1.2.2007 to 31.1.2008 RM	4.7.2006 to 31.1.2007 RM
Current year tax based on profit for the financial period/year:						
Income tax expense						
- current period/year	26,121	82,562	5,453	26,121	74,342	-
- under provision in prior period/year	-	7	-	-	-	-
	26,121	82,569	5,453	26,121	74,342	-
Deferred tax expense/(income) (Note 5.2.10)	-	35,486	(12,740)	-	35,486	(12,740)
	<u>26,121</u>	<u>118,055</u>	<u>(7,287)</u>	<u>26,121</u>	<u>109,828</u>	<u>(12,740)</u>

The numerical reconciliation between the applicable tax rate and effective tax rate of ABR Group and ABR are as follows:

	Group			Company		
	1.2.2008 to 31.5.2008 %	1.2.2007 to 31.1.2008 %	4.7.2006 to 31.1.2007 %	1.2.2008 to 31.5.2008 %	1.2.2007 to 31.1.2008 %	4.7.2006 to 31.1.2007 %
Applicable tax rate	25.0	26.0	(27.0)	25.0	26.0	(27.0)
Tax effect in respect of:						
Non allowable expenses	1.7	0.7	19.7	1.1	1.8	14.4
Non-taxable income	-	-	-	(21.5)	(17.4)	-
Effect of change in tax rate of deferred tax	-	-	0.6	-	(0.1)	0.5
Reduction in statutory tax rate on first RM500,000 chargeable income	(4.5)	(0.7)	(2.4)	(0.9)	(1.7)	-
Tax exempt income of an associate	<u>(24.3)</u>	<u>(22.5)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Effective tax rate	<u>1.9</u>	<u>3.5</u>	<u>(9.1)</u>	<u>3.7</u>	<u>8.6</u>	<u>(12.1)</u>

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.2 ABR (cont'd)****5.2.26 ACQUISITION OF A SUBSIDIARY**

During the financial year ended 31 January 2008, the Company acquired a new subsidiary, namely STSB Technology Sdn. Bhd., as disclosed in Note 5.2.29 to the financial statements.

(a) Details of the net assets acquired and cash flow arising from the acquisition are as follows:

	<b>Group 31.1.2008 RM</b>
Cash in hand	100
Other payables and accruals	<u>(5,823)</u>
Net liabilities assumed	(5,723)
Add: Goodwill on consolidation (Note 5.2.6)	<u>25,723</u>
Total purchase consideration	20,000
Cash in hand acquired	<u>(100)</u>
Cash flow on acquisition, net of cash in hand acquired	<u><u>19,900</u></u>

(b) The effects of the acquisitions on the financial results of the Group for financial year are as follows:

	<b>Group 18.4.2007 to 31.1.2008 RM</b>
Revenue	498,000
Less: Cost of sales	<u>(191,900)</u>
Gross profit	306,100
Operating expenses	<u>(10,199)</u>
Profit before tax	295,901
Less: Tax expense	<u>(7,568)</u>
Increase in Group's net profit	<u><u>288,333</u></u>

If the acquisition had occurred on 1 February 2007, the management estimates that consolidated revenue and consolidated profit after tax for the financial year ended 31 January 2008 would have been RM1,391,832 and RM3,389,248 respectively.

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.2 ABR (cont'd)****5.2.26 ACQUISITION OF A SUBSIDIARY (cont'd)**

During the financial period ended 31 January 2007, the Company acquired a new subsidiary, namely ALC Management Sdn. Bhd..

(a) Details of the net asset acquired and cash flow arising from the acquisition are as follows:

	<b>Group 31.1.2007 RM</b>
Cash in hand/Net asset acquired	<u>2</u>
Purchase consideration	2
Cash in hand acquired	<u>(2)</u>
Cash flow on acquisition, net of cash in hand acquired	<u>-</u>

(b) The effects of the acquisitions on the financial results of the Group for financial period are as follows:

	<b>Group 4.7.2006 to 31.1.2007 RM</b>
Revenue	31,300
Operating expenses	<u>(6,038)</u>
Profit before tax	25,262
Less: Tax expense	<u>(5,453)</u>
Increase in Group's net profit	<u>19,809</u>

**5.2.27 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

	<b>Group and Company</b>		
	<b>31.5.2008 RM</b>	<b>31.1.2008 RM</b>	<b>31.1.2007 RM</b>
Purchase of property, plant and equipment	7,817	11,226	677,514
Financed by hire-purchase arrangement	<u>-</u>	<u>-</u>	<u>(265,000)</u>
Cash payments on purchase of property, plant and equipment	<u>7,817</u>	<u>11,226</u>	<u>412,514</u>

**12 ACCOUNTANTS' REPORT (Cont'd)**  
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**5.2 ABR (cont'd)**

**5.2.28 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group			Company		
	31.5.2008 RM	31.1.2008 RM	31.1.2007 RM	31.5.2008 RM	31.1.2008 RM	31.1.2007 RM
Fixed deposits with licensed banks	3,164,375	2,338,990	-	3,164,375	2,338,990	-
Cash and bank balances	449,390	644,704	376,205	370,128	261,638	356,741
	<u>3,613,765</u>	<u>2,983,694</u>	<u>376,205</u>	<u>3,534,503</u>	<u>2,600,628</u>	<u>356,741</u>

**5.2.29 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD/YEAR**

- (i) On 9 April 2007, the Company acquired 2 ordinary shares of RM1.00 each in Nexfuel Sdn. Bhd., a company incorporated in Malaysia, representing its entire equity interest, for a cash consideration of RM2.00. On 12 September 2007, the 2 ordinary shares of RM1.00 each in Nexfuel Sdn. Bhd., was disposed off for a cash consideration of RM2.00. Subsequently, the Company acquired 4,000 convertible preference shares of RM0.10 each at an issue price of RM1.00 per share, for a cash consideration of RM4,000.00.
- (ii) On 18 April 2007 and 28 September 2007, the Company acquired 327,805 and 100 ordinary shares of RM1.00 each in STSB Technology Sdn. Bhd., a company incorporated in Malaysia, representing 99.97% and 0.03% of the equity interest of STSB Technology Sdn. Bhd. respectively, for a total cash consideration of RM20,000.00.
- (iii) On 23 August 2007, the Company acquired 2 ordinary shares of RM1.00 each in Eco-Sponge Sdn. Bhd. ("Eco-Sponge"), a company incorporated in Malaysia, representing its entire equity interest, for a cash consideration of RM2.00. Subsequently on 22 October 2007, the Company subscribed for additional 248 ordinary shares of RM1.00 each in Eco-Sponge at par for a cash consideration of RM248.00. Subsequent to the subscription by the Company and other shareholders of Eco-Sponge, the Company's equity interest in Eco-Sponge is reduced to 25%.

**5.2.30 AUDITORS' REPORTS**

The auditors' reports on the financial statements of ABR for the financial period from 4 July 2006 (date of incorporation) to 31 January 2007, financial year ended 31 January 2008 and for the financial period from 1 February 2008 to 31 May 2008 are set out in Appendix I, II and III respectively.



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**5.3 GRAND INIZIO SDN BHD ("GI")**

**5.3.1 BALANCE SHEET OF GI**

The audited balance sheets of GI which are extracted from the audited financial statements as at the end of the past three (3) financial year/periods are set out below:-

	NOTE	31.5.2008 RM	31.12.2007 RM	31.12.2006 RM
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5.3.6	926,710	124,761	-
Intangible asset	5.3.7	25,000,000	25,000,000	25,000,000
		25,926,710	25,124,761	25,000,000
<b>Current assets</b>				
Amounts due from customers for contract works	5.3.8	3,481,599	2,606,152	791,780
Trade receivables	5.3.9	16,971,457	10,351,907	145,000
Other receivables, deposits and prepayments	5.3.10	273,299	36,659	3,475
Fixed deposits with a licensed bank	5.3.11	508,329	7,520,959	-
Cash and bank balances		150,399	442,191	758
		21,385,083	20,957,868	941,013
<b>TOTAL ASSETS</b>		<b>47,311,793</b>	<b>46,082,629</b>	<b>25,941,013</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	5.3.12	25,000,000	25,000,000	1,000
Share premium		550	550	24,999,550
Retained earnings/(accumulated loss)	5.3.13	12,902,058	9,689,556	(576)
<b>TOTAL EQUITY</b>		<b>37,902,608</b>	<b>34,690,106</b>	<b>24,999,974</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Amounts due to customers for contract works	5.3.8	481,772	6,988,362	-
Trade payables	5.3.14	6,076,743	1,429,597	136,205
Other payables and accruals	5.3.15	673,618	682,347	69,969
Provision for originators' fees	5.3.16	1,491,015	1,810,689	703,257
Amount owing to a corporate shareholder	5.3.17	644,397	454,484	3,651
Amount owing to a director	5.3.18	14,035	14,035	24,998
Tax liabilities		27,605	13,009	2,969
		9,409,185	11,392,523	941,049
<b>TOTAL LIABILITIES</b>		<b>9,409,185</b>	<b>11,392,523</b>	<b>941,049</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>47,311,793</b>	<b>46,082,629</b>	<b>25,941,023</b>

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

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**5.3 GI (cont'd)****5.3.2 INCOME STATEMENT OF GI**

The audited balance sheet of GI which are extracted from the audited financial statements for the financial period from 19 January 2006 (date of incorporation) to 31 December 2006, financial year ended 31 December 2007 and five (5) months financial period ended 31 May 2008 are set out below:-

		1.1.2008 to 31.5.2008 RM	1.1.2007 to 31.12.2007 RM	19.1.2006 to 31.12.2006 RM
Contract revenue	5.3.19	22,411,772	52,545,765	263,523
Contract expenditure		<u>(15,166,217)</u>	<u>(36,777,134)</u>	<u>(151,205)</u>
Gross profit		7,245,555	15,768,631	112,318
Other operating income		38,625	65,044	-
Administration expenses		(1,013,669)	(1,855,534)	(109,925)
Other operating expense		<u>(3,413)</u>	<u>-</u>	<u>-</u>
Profit before tax	5.3.20	6,267,098	13,978,141	2,393
Tax expense	5.3.21	<u>(14,596)</u>	<u>(13,009)</u>	<u>(2,969)</u>
Net profit/(loss) for the financial period/year		<u>6,252,502</u>	<u>13,965,132</u>	<u>(576)</u>
Tax exempt dividend per share, (sen)	5.3.22	<u>0.1216</u>	<u>4.275</u>	<u>-</u>

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
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**5.3 GI (cont'd)****5.3.3 STATEMENT OF CHANGES IN EQUITY OF GI**

The audited statement of changes in equity of GI which are extracted from the audited financial statements for the financial period from 19 January 2006 (date of incorporation) to 31 December 2006, financial year ended 31 December 2007 and five (5) months financial period ended 31 May 2008 are set out below:

	Share capital RM	Share premium RM	(Accumulated loss)/ Retained earnings RM	Total RM
Balance as at 19 January 2006 (date of incorporation)	2	-	-	2
Issue of ordinary shares	998	24,999,550	-	25,000,548
Net loss for the financial period, representing total income and expense recognised for the financial period	-	-	(576)	(576)
Balance as at 31 December 2006	1,000	24,999,550	(576)	24,999,974
Net profit for the financial year, representing total income and expense recognised for the financial year	-	-	13,965,132	13,965,132
Bonus issue	24,999,000	(24,999,000)	-	-
Dividend paid (Note 5.3.22)	-	-	(4,275,000)	(4,275,000)
Balance as at 31 December 2007	25,000,000	550	9,689,556	34,690,106
Net profit for the financial period, representing total income and expense recognised for the financial period	-	-	6,252,502	6,252,502
Dividend paid (Note 5.3.22)	-	-	(3,040,000)	(3,040,000)
Balance as at 31 May 2008	25,000,000	550	12,902,058	37,902,608

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

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**5.3 GI (cont'd)**

**5.3.4 CASH FLOW STATEMENT OF GI**

The audited cash flow statement of GI which are extracted from the audited financial statements for the financial period from 19 January 2006 (date of incorporation) to 31 December 2006, financial year ended 31 December 2007 and five (5) months financial period ended 31 May 2008 are set out below:-

	1.1.2008 to 31.5.2008 RM	1.1.2007 to 31.12.2007 RM	19.1.2006 to 31.12.2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax	6,267,098	13,978,141	2,393
Adjustments for:			
Depreciation of property, plant and equipment	54,453	6,651	-
Interest income	(38,625)	(65,044)	-
Loss on disposal of property, plant and equipment	3,413	-	-
Operating profit before working capital changes	6,286,339	13,919,748	2,393
Increase in amounts due from customers for contract works	(875,447)	(1,814,372)	(791,780)
Increase in trade receivables	(6,619,550)	(10,206,907)	(145,000)
Increase in other receivables, deposits and prepayments	(236,640)	(33,184)	(3,475)
(Decrease)/Increase in amounts due to customers for contract works	(6,506,590)	6,988,362	-
Increase in trade payables	4,647,146	1,293,392	136,205
(Decrease)/Increase in other payables and accruals	(8,729)	612,378	69,969
(Decrease)/Increase in provision for originators' fees	(319,674)	1,107,432	703,257
Increase in amount owing to corporate shareholders	189,913	450,833	3,651
Cash generated from/(used in) operations	(3,443,232)	12,317,682	(24,780)
Tax paid	-	(2,969)	-
Net cash (used in)/from operating activities	(3,443,232)	12,314,713	(24,780)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	38,625	65,044	-
Purchase of property, plant and equipment	(859,815)	(131,412)	-
Net cash used in investing activities	(821,190)	(66,368)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Repayment to)/Advance from a director	-	(10,953)	24,988
Proceeds from issuance of shares	-	-	548
Dividend paid	(3,040,000)	(4,275,000)	-
Net cash (used in)/from financing activities	(3,040,000)	(4,285,953)	25,536
Net (decrease)/increase in cash and cash equivalents	(7,304,422)	7,962,392	756
Cash and cash equivalents at beginning of financial year/period/ date of incorporation	7,963,150	758	2
Cash and cash equivalents at end of financial period/year (Note 5.3.23)	658,728	7,963,150	758

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**5.3 GI (cont'd)**

**5.3.5 SIGNIFICANT ACCOUNTING POLICIES**

**5.3.5.1 Revenue recognition**

Revenue from contract work is recognised in the income statement based on stage of completion. The stage of completion of a contract is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total cost of services to be performed.

When the outcome of contract work can be estimated reliably, contract revenue and contract costs associated with the contract work are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date.

**5.3.5.2 Contract works**

Contract cost comprise cost related directly to the specific contract and those that are attributable to the contract activity in general and can be allocated to the contract and such other cost that are specifically chargeable to the customer under the terms of the contract.

Where the outcome of a contract work can be reliably estimated, contract revenue and contract costs associated with the contract work are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is determined based on the portion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Where the outcome of a contract work cannot be reliably estimated, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on contract work plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers for contract works. When progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is classified as amount due to customers for contract works.

**5.3.5.3 Intangible assets**

Intangible assets are recognised only when the identifiability and economic benefit probability criteria are met.

Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less any accumulated impairment losses.

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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**5.3 GI (cont'd)****5.3.5 SIGNIFICANT ACCOUNTING POLICIES (cont'd)****5.3.5.3 Intangible assets (cont'd)**

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow to the Company. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying value may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed each period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment for indefinite to finite is accounted for as a change in accounting estimate in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Expenditure on an intangible item that are initially recognised as an expense are not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit and loss when the asset is derecognised.

**5.3.6 PROPERTY, PLANT AND EQUIPMENT**

	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Net book value RM</b>
<b>31.5.2008</b>			
Computers	59,488	(6,630)	52,858
Furniture and fittings	48,387	(1,306)	47,081
Lab equipment	98,920	(10,531)	88,389
Motor vehicle	16,042	(402)	15,640
Office equipment	16,220	(2,959)	13,261
Pilot plant	738,976	(38,868)	700,108
Renovation	9,031	(365)	8,666
Signboard	750	(43)	707
	<b>987,814</b>	<b>(61,104)</b>	<b>926,710</b>

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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**5.3 GI (cont'd)****5.3.6 PROPERTY, PLANT AND EQUIPMENT (cont'd)**

	Cost RM	Accumulated depreciation RM	Net book Value RM
<b>31.12.2007</b>			
Computers	33,230	(2,694)	30,536
Furniture and fittings	9,532	(155)	9,377
Lab equipment	63,829	(2,874)	60,955
Motor vehicle	4,826	-	4,826
Office equipment	16,220	(867)	15,353
Renovation	3,025	(49)	2,976
Signboard	750	(12)	738
	<hr/> 131,412	<hr/> (6,651)	<hr/> 124,761

**5.3.7 INTANGIBLE ASSET**

	Balance as at 1.1.2008 RM	Addition RM	Balance as at 31.5.2008 RM
<b>31.5.2008</b>			
<b>Carrying amount</b>			
Intellectual property	<hr/> 25,000,000	-	<hr/> 25,000,000

	Balance as at 1.1.2007 RM	Addition RM	Balance as at 31.12.2007 RM
<b>31.12.2007</b>			
<b>Carrying amount</b>			
Intellectual property	<hr/> 25,000,000		<hr/> 25,000,000

	Balance as at date of incorporation RM	Addition RM	Balance as at 31.12.2006 RM
<b>31.12.2006</b>			
<b>Carrying amount</b>			
Intellectual property	<hr/> -	25,000,000	<hr/> 25,000,000

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**12 ACCOUNTANTS' REPORT (Cont'd)**  
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**5.3 GI (cont'd)****5.3.7 INTANGIBLE ASSET**

The acquired intellectual property represents proprietary technology know-how for biodiesel production. Patent application for this technology is in progress. Once approved, the patented technology has a duration of 20 years. Despite the patent only has 20 years validity, the intellectual property is not amortised as the Directors are of the opinion that this technology has an indefinite useful life because biodiesel is a diesel substitute and the technology caters for multi feedstock and therefore, will continue to generate net cash flows indefinitely. However, when unexpected competition enters the market or upon expiry of the patent, net cash flows generated may be reduced and impairment loss, if any, will be recognised immediately.

The valuation of RM25,000,000 is arrived at on a willing buyer willing seller basis and is determined based on the discounted net cash flows method. The Directors are of the opinion that the recoverable amount, determined using value-in-use is higher than the cost. Value-in-use is calculated based on the contract revenue of the contract secured at the balance sheet date, which will be completed within the next two financial years.

**5.3.8 AMOUNTS DUE FROM / (TO) CUSTOMERS FOR CONTRACT WORKS**

	<b>31.5.2008</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Contract costs incurred to date	19,285,838	28,886,601	854,462
Add: Attributable profit	<u>9,556,009</u>	<u>10,393,739</u>	<u>112,318</u>
	28,841,847	39,280,340	966,780
Less: Progress billings	<u>(25,360,248)</u>	<u>(36,674,188)</u>	<u>(175,000)</u>
Amount due from customers for contract works	<u>3,481,599</u>	<u>2,606,152</u>	<u>791,780</u>

	<b>31.5.2008</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Contract costs incurred to date	34,299,733	9,852,428	-
Add: Attributable profit	<u>13,570,495</u>	<u>5,487,210</u>	<u>-</u>
	48,064,945	15,339,638	-
Less: Progress billings	<u>(48,352,000)</u>	<u>(22,328,000)</u>	<u>-</u>
Amount due to customers for contract works	<u>(481,772)</u>	<u>(6,988,362)</u>	<u>-</u>



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

*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*



**5.3 GI (cont'd)**

**5.3.9 TRADE RECEIVABLES**

Included in trade receivables are retention sums for contract works amounted to RM7,068,000 (31.12.2007: 5,641,720; 31.12.2006: Nil). The credit term of trade receivables is 30 days from date of invoice.

**5.3.10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	31.5.2008 RM	31.12.2007 RM	31.12.2006 RM
Other receivables	236,930	19,106	-
Deposits	32,989	15,953	3,475
Prepayments	3,380	1,600	-
	<u>273,299</u>	<u>36,659</u>	<u>3,475</u>

**5.3.11 FIXED DEPOSITS WITH A LICENSED BANK**

The fixed deposit as at 31 May 2008 has maturity periods of 1 month with interest rate at 3.0% (31.12.2007: 3.05% to 3.4%; 31.12.2006: Nil) per annum.

**5.3.12 SHARE CAPITAL**

	← 31.5.2008 →		← 31.12.2007 →		← 31.12.2006 →	
	Number of shares	RM	Number of shares	RM	Number of shares	RM
Ordinary shares of RM1.00 each:						
Authorised:						
As at 1 January/date of incorporation	25,000,000	25,000,000	100,000	100,000	100,000	100,000
Created during the financial period/year	-	-	24,900,000	24,900,000	-	-
As at 31 May/31 December	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:						
As at 1 January/date incorporation	25,000,000	25,000,000	1,000	1,000	2	2
Issue of shares	-	-	-	-	998	998
Bonus issue	-	-	24,999,000	24,999,000	-	-
As at 31 May/31 December	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>1,000</u>	<u>1,000</u>

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*

**5.3 GI (cont'd)****5.3.12 SHARE CAPITAL (cont'd)**

As at the date of incorporation, the authorised share capital of GI was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. Subsequently, GI has increased its authorised share capital from RM100,000 comprising 100,000 ordinary shares of RM1.00 to RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00.

The issued and paid-up share capital of GI was RM2.00 comprising 2 ordinary shares of RM1.00 each as at the date of incorporation. Subsequently, the issued and paid-up share capital of GI was increased from RM2 to RM25,000,000 by way of:-

- (i) issuance of 548 new ordinary shares of RM1.00 each at par for cash, for additional working capital purposes;
- (ii) the issuance of 450 new ordinary shares of RM1.00 each at an issue price of approximately RM55,555 per ordinary shares for a total premium of RM24,999,550 as purchase consideration for the acquisition of intellectual property rights; and
- (iii) issuance of 24,999,000 new ordinary shares of RM1.00 each by way of bonus issues, through capitalising the share premium account.

**5.3.13 RETAINED EARNINGS**

Effective 1 January 2008, GI is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by 31 December 2013.

GI has decided not to make this election and has sufficient tax credit under Section 108 of the Income Tax Act 1967 and balance in the tax exempt account to frank the payment of dividends out of its entire retained earnings without incurring additional tax liability.

**5.3.14 TRADE PAYABLES**

The credit term of trade payables is 30 days from date of invoice.

**5.3.15 OTHER PAYABLES AND ACCRUALS**

	<b>31.5.2008</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other payables	7,752	189,003	26,299
Accruals	665,866	493,344	43,670
	<u>673,618</u>	<u>682,347</u>	<u>69,969</u>

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*

**5.3 GI (cont'd)****5.3.16 PROVISION FOR ORIGINATORS' FEES**

	<b>31.5.2008</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance as at 1 January/date of incorporation	1,810,689	703,257	-
Provision made during the period/year	-	1,836,391	703,257
Amount used during the financial period/year	<u>(319,674)</u>	<u>(728,959)</u>	<u>-</u>
Balance as at	<u>1,491,015</u>	<u>1,810,689</u>	<u>703,257</u>

Provision for originators' fees is payable to introducers for securing the contracts and is made based on a percentage of the budgeted profits on those contracts. The fee is payable at the end of each contract or whenever GI declares dividend out of the profit arising from the relevant contract.

**5.3.17 AMOUNT OWING TO A CORPORATE SHAREHOLDER**

The amount owing to a corporate shareholder as at 31 May 2008 and 31 December 2007 mainly represents originators' fee which is payable at the end of each contract, or proportionally upon payment of interim dividend from the cash flow of the contract.

The amount owing to a corporate shareholder as at 31 December 2006 represented rental and utilities charges which is unsecured, interest-free and repayable on demand.

**5.3.18 AMOUNT OWING TO A DIRECTOR**

The amount owing to a Director represented advances and payments made on behalf which was unsecured, interest-free and repayable on demand.

**5.3.19 REVENUE**

The revenue of GI represents contract revenue from the engineering, procurement and construction of biodiesel plant.

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*

**5.3 GI (cont'd)****5.3.20 PROFIT BEFORE TAX**

	<b>1.1.2008 to 31.5.2008 RM</b>	<b>1.1.2007 to 31.12.2007 RM</b>	<b>19.1.2006 to 31.12.2006 RM</b>
Profit before tax is arrived at after charging/(crediting):			
Advisory fees paid to a corporate shareholder	50,000	70,000	-
Auditors' remuneration:			
- statutory	-	16,000	6,000
- non-statutory	15,000	13,000	-
Depreciation of property, plant and equipment	54,453	6,651	-
Loss on disposal of property, plant and equipment	3,413	-	-
Management fees paid to a corporate shareholder	52,000	72,184	-
Originator fees	319,674	728,959	-
Rental of premises	71,354	120,700	22,050
Interest income	<u>(38,625)</u>	<u>(65,044)</u>	<u>-</u>

**5.3.21 TAX EXPENSE**

	<b>1.1.2008 to 31.5.2008 RM</b>	<b>1.1.2007 to 31.12.2007 RM</b>	<b>19.1.2006 to 31.12.2006 RM</b>
Tax expense:			
- Current period's/year's provision	10,043	13,009	2,969
- Under provision in prior period/year	<u>4,553</u>	<u>-</u>	<u>-</u>
	<u>14,596</u>	<u>13,009</u>	<u>2,969</u>

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*

**5.3 GI (cont'd)****5.3.21 TAX EXPENSE (cont'd)**

The numerical reconciliation between the applicable tax rate of GI and the effective tax rate of GI is as follows:

	1.1.2008 to 31.5.2008 %	1.1.2007 to 31.12.2007 %	19.1.2006 to 31.12.2006 %
Applicable tax rate	26.0	27.0	28.0
Tax effect in respect of:			
Non allowable expenses	1.1	-	145.7
Tax exempt income under pioneer status	(27.0)	(26.9)	-
Reduction in statutory tax rate on first RM500,000 chargeable income	-	-	(49.6)
	0.1	0.1	124.1
Underprovision in prior year	0.1	-	-
Effective tax rate	<u>0.2</u>	<u>0.1</u>	<u>124.1</u>

The Company has obtained pioneer status under the Promotion of Investments Act, 1986 whereby the entire statutory income of the Company derived from pioneer activities are exempted from tax for ten (10) years beginning from 12 March 2007.

**5.3.22 DIVIDENDS**

	1.1.2008 to 31.5.2008		1.1.2007 to 31.12.2007		19.1.2006 to 31.12.2006	
	Tax exempt dividend per share RM	Amount of dividend RM	Tax exempt dividend per share RM	Amount of dividend RM	Tax exempt dividend per share RM	Amount of dividend RM
Interim tax exempt dividend paid	<u>0.1216</u>	<u>3,040,000</u>	<u>4.275</u>	<u>4,275,000</u>	<u>-</u>	<u>-</u>

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

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*Asia Bioenergy Technologies Berhad (Company No. 774628-U)*  
*Accountants' Report*


**5.3.23 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	31.5.2008	31.12.2007	31.12.2006
	RM	RM	RM
Fixed deposits	508,329	7,520,959	-
Cash and bank balances	<u>150,399</u>	<u>442,191</u>	<u>758</u>
	<u>658,728</u>	<u>7,963,150</u>	<u>758</u>

**6. SUBSEQUENT EVENT**

There were 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.

**7. AUDITED FINANCIAL STATEMENTS**

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 May 2008 for ABT and ABR Group.

*BDO Binder*

**BDO Binder**  
 AF : 0206  
 Chartered Accountants

**Ng Chee Hoong**  
 2278/10/10 (J)  
 Partner

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

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Company No:  
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Appendix I



**BDO Binder** (AF 0206)  
Chartered Accountants

12th Floor Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur Malaysia  
Telephone : (603) 2616 2888  
Telefax : (603) 2616 3190, 2616 3191  
Website : www.bdobinder.com

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF ASIA BIONENERGY RESEARCH SDN. BHD.  
(Formerly known as ALC Technology Group Sdn. Bhd.)**

We have audited the financial statements set out on pages 9 to 32. 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 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 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 31 January 2007 and of its results and cash flows for the financial period from 4 July 2006 (date of incorporation) to 31 January 2007;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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

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Company No:  
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Appendix I



**REPORT OF THE AUDITORS  
TO THE MEMBERS OF ASIA BIONENERGY RESEARCH SDN. BHD. (continued)**  
(Formerly known as ALC Technology Group Sdn. Bhd.)

We are satisfied that the financial statements of the subsidiary that are 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.

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

*BDO Binder*

**BDO Binder**  
AF : 0206  
Chartered Accountants

*Ng Chee Hoong*

**Ng Chee Hoong**  
2278/10/08 (J)  
Partner

Kuala Lumpur  
19 November 2007



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

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Company No:  
739742 - M

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Appendix II



**BDO Binder** (AF 0206)  
Chartered Accountants

12th Floor Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur Malaysia  
Telephone : (603) 2616 2888  
Telefax : (603) 2616 3190, 2616 3191  
Website : www.bdobinder.com

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF ASIA BIOENERGY RESEARCH SDN. BHD.  
(Formerly known as ALC Technology Group Sdn. Bhd.)**

We have audited the financial statements set out on pages 9 to 40. 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 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 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 31 January 2008 and of the results of the operations of the Group and of the Company and of the cash flows for the financial year then ended;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

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

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Company No:  
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Appendix II



**REPORT OF THE AUDITORS  
TO THE MEMBERS OF ASIA BIOENERGY RESEARCH SDN. BHD. (continued)**  
(Formerly known as ALC Technology Group Sdn. Bhd.)

We are satisfied that the financial statements of the subsidiaries that are 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.

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

*BDO Binder*

**BDO Binder**  
AF : 0206  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Ng Chee Hoong'.

**Ng Chee Hoong**  
2278/10/08 (J)  
Partner

Kuala Lumpur  
12 June 2008

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

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Company No:  
739742 - M

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Appendix III



**BDO Binder** (AF 0206)  
Chartered Accountants

12th Floor Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur Malaysia  
Telephone : (603) 2616 2888  
Telefax : (603) 2616 3190, 2616 3191  
Website : www.bdobinder.com

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS  
ASIA BIOENERGY RESEARCH SDN. BHD.**

**Report on the Financial Statements**

We have audited the financial statements of Asia Bioenergy Research Sdn. Bhd., which comprise the balance sheets as at 31 May 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial period from 1 February 2008 to 31 May 2008, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 36.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on our judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the provision of Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 May 2008 and of their financial performance and cash flows for the financial period from 1 February 2008 to 31 May 2008.

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

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Company No:  
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Appendix III



**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS  
ASIA BIOENERGY RESEARCH SDN. BHD. (continued)**

**Other Matters**

This report is made solely to the Board of Directors of the Group and of the Company, as a body, in accordance with our letter of engagement dated 29 July 2008. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink that reads 'BDO Binder'.

**BDO Binder**  
AF : 0206  
Chartered Accountants

Kuala Lumpur  
12 September 2008

A handwritten signature in black ink that reads 'Ng Chee Hoong'.

**Ng Chee Hoong**  
2278/10/08 (J)  
Partner