

11. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

GEP ASSOCIATES
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26 JAN 2004

The Board of Directors
Poh Kong Holdings Berhad
10th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sirs,

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

Other offices
Penang
Johor Bahru

1. INTRODUCTION

This report has been prepared by Messrs GEP Associates, an approved company auditor, for inclusion in the Prospectus to be dated **30 JAN 2004** in connection with the public issue of 19,580,203 new ordinary shares of RM1.00 each at an issue price of RM1.60 per new ordinary share, the offer for sales of 3,764,200 ordinary shares of RM1.00 each at an offer of RM1.60 per ordinary share, the offer for sale of RM12,778,400 nominal value of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") at an offer price of 100% of the nominal value and the listing of and quotation for the entire enlarged issued and paid-up share capital of Poh Kong Holdings Berhad ("PKHB") comprising up to 117,243,359 ordinary shares of RM1.00 each and RM85,189,374 nominal value of ICULS of RM1.00 each on the Main Board of the Malaysia Securities Exchange Berhad ("MSEB").

2. GENERAL INFORMATION

2.1 Background

Poh Kong Holdings Sdn Bhd was incorporated under the Companies Act, 1965 on 12 July 2002 as a private limited company. Poh Kong Holdings Sdn Bhd was converted to a public company and changed its name to PKHB on 24 July 2002.

2.2 Restructuring and Listing Exercise

In connection with and as part of the listing of and quotation for the entire issued and paid-up share capital of PKHB comprising 117,243,359 ordinary shares of RM1.00 each on the Main Board of the MSEB, PKHB has undertaken the following restructuring and listing exercises:-

- (a) Dividend by certain companies within Poh Kong Holdings Berhad and its subsidiary companies ("PKHB Group" or "the Group") amounting to RM8,705,888 in aggregate, from their respective retained earnings accounts based on the retained earnings for the financial year ended 31 July 2003, of which RM3,336,912 is from dividends received from companies within the PKHB Group;
- (b) Revaluation of the land and buildings and investments of the subsidiary companies to arrive at the adjusted proforma net tangible assets ("NTA") as the basis for purchase consideration of the subsidiary companies;

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- (c) Acquisition of 2,000,000 ordinary shares of RM1.00 each representing the entire equity interest of Poh Kong Jewellery Manufacturer Sdn Bhd ("PKJM") as follows: -
- i) Acquisition of 55% equity interest in PKJM by PKHB from Precious Jewellery Sdn Bhd ("Precious") for a cash consideration of RM12,680,970; and
 - ii) Acquisition of 45% equity interest in PKJM by PKHB from the existing individual shareholders of PKJM for a purchase consideration of RM10,375,339, satisfied via the following: -
 - a) 38% of the purchase consideration or RM3,942,629 was satisfied by the issuance of 3,285,524 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per ordinary share; and
 - b) 62% of the purchase consideration or RM6,432,710 was satisfied by the issuance of RM6,432,710 nominal value of ICULS of RM1.00 each in PKHB;
- (d) Acquisition by PKHB from the vendors of Poh Kong Jewellers Sdn Bhd and its subsidiary and associated companies ("PKJ Group") 13,000,000 ordinary shares of RM1.00 each representing the entire equity interest of Poh Kong Jewellers Sdn Bhd ("PKJ") for a purchase consideration of RM35,422,410, satisfied via the following: -
- i) 38% of the purchase consideration or RM13,460,516 was satisfied by the issuance of 11,217,097 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per ordinary share; and
 - ii) 62% of the purchase consideration or RM21,961,894 was satisfied by the issuance of RM21,961,894 nominal value of ICULS of RM1.00 each in PKHB;
- (e) Acquisition by PKHB from the vendors of Precious Jewellery Sdn Bhd and its subsidiary and associated companies ("Precious Group") 300,000 ordinary shares of RM1.00 each representing the entire equity interest of Precious for a purchase consideration of RM48,518,495, satisfied via the following: -
- i) 38% of the purchase consideration or RM18,437,028 was satisfied by the issuance of 15,364,190 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per ordinary share; and
 - ii) 62% of the purchase consideration or RM30,081,467 was satisfied by the issuance of RM30,081,467 nominal value of ICULS of RM1.00 each in PKHB;
- (f) Acquisition by PKHB of the equity interest held by certain existing individual vendors in subsidiaries and associated companies of PKJ Group and Precious Group.

The total purchase consideration for the acquisition by PKHB of RM44,176,881 was satisfied via the following: -

- i) The acquisition of Poh Kong Jewellers (Tmn Universiti J.B.) Sdn Bhd ("PKJ (Tmn Uni. JB)") and Poh Kong Jewellers (Peringgiti) Sdn Bhd ("PKJ (Peringgiti)") with a total purchase consideration of RM1,090,912 was satisfied by the issuance of an aggregate of 909,094 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per ordinary share;
- ii) The acquisitions of the remaining subsidiaries and associated companies of PKJ Group and Precious Group with a total purchase consideration of RM43,085,969 was satisfied via the following: -

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- a) 38% of the purchase consideration or RM16,372,666 was satisfied by the issuance of an aggregate of 13,643,890 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per ordinary share; and
 - b) 62% of the purchase consideration or RM26,713,303 was satisfied by the issuance of RM26,713,303 nominal value of ICULS of RM1.00 each in PKHB;
 - iii) The acquisitions of Poh Kong Jewellers (Franchise) Sdn Bhd ("PKJ (Franchise)"), Gold Boutique (Klang) Sdn Bhd ("GB (Klang)") and Poh Kong Jewellers (Terminal 1, Seremban) Sdn Bhd ("PKJ (T1, Seremban)") with a total cash consideration of RM3.00 at RM1.00 for each company;
- (g) Consolidation of shares whereby certain shareholders of PKIIB transferred 36,404,198 ordinary shares of RM1.00 each and RM85,187,300 nominal value of ICULS in PKHB to Poh Kong Sdn Bhd ("PKSB"), an investment holding company, and in consideration thereof, PKSB issued 128,872,338 ordinary shares of RM1.00 each to the shareholders in the proportions provided in the Consolidation Agreement in order to consolidate their shareholdings under PKSB.

In connection with the above, PKHB will undertake the followings: -

- i) Public issue of 19,580,203 new ordinary shares of RM1.00 each, represents 30.59% of the enlarged issued and paid-up share capital of PKHB at an issue price of RM1.60 per new ordinary share;
- ii) Offer for sale of 3,764,200 ordinary shares of RM1.00 each in PKIIB by PKSB to Bumiputera investors to be approved by the Ministry of International Trade and Industry ("MITI") at an offer price of RM1.60 per ordinary share and RM12,778,400 nominal value of ICULS in PKHB by PKSB, of which RM11,778,400 for private placement to identified investors and RM1,000,000 to the Malaysian public at an offer price of 100% of the nominal value; and
- iii) Listing of and quotation for the entire enlarged issued and paid-up share capital of PKIIB comprising up to 117,243,359 ordinary shares of RM1.00 each and 85,189,374 nominal value of ICULS of RM1.00 each on the Main Board of the MSEL.

All the new ordinary shares issued pursuant to the restructuring and listing exercise will rank pari-passu in all respect with the existing shares of PKHB.

The restructuring scheme was approved by MITI on 30 July 2003 and the Securities Commission on 29 December 2003.

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2.3 Share Capital

The authorised share capital and the issued and paid-up share capital of PKHB at the date of incorporation was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and RM2.00 comprising two ordinary shares of RM1.00 each respectively. On 7 January 2004, PKHB increased its authorised share capital to RM500,000,000 by the creation of 499,900,000 ordinary shares of RM1.00 each.

On 13 January 2004, PKHB increased its issued and paid-up share capital to RM44,419,797 by the allotment of 44,419,795 new ordinary shares of RM1.00 each. There was no further changes in the issued and paid-up share capital as at the date of this report.

In accordance with the restructuring and listing exercise, the movement in PKHB's issued and paid-up share capital is expected to be as follows: -

	RM
Paid-up share capital upon incorporation	2
Issued pursuant to the acquisition of PKJM	3,285,524
Issued pursuant to the acquisition of PKJ Group and Precious Group	26,581,287
Issued pursuant to the acquisition of equity interest held by certain existing individual vendors of companies in PKJ Group and Precious Group	14,552,984
To be issued pursuant to the public issue	19,580,203
 Enlarged issued and paid-up capital before any conversion of ICULS	 <u>64,000,000</u>
 Conversion of ICULS	 <u>53,243,359</u>
Enlarged issued and paid-up capital after conversion of ICULS	<u>117,243,359</u>

PKHB is a dormant company until it acquires PKJM, PKJ Group, Precious Group and other companies in the PKJ Group and Precious Group. Thereafter, it will operate as an investment holding company.

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2.4 Subsidiary Companies

Details of the subsidiary companies, all of which are incorporated in Malaysia, are as follows: -

<u>Name of Company</u>	<u>Date of incorporation</u>	<u>Authorised share capital</u> RM'000	<u>Issued and paid-up share capital</u> RM'000	<u>Effective equity interest held (%)</u>	<u>Principal activities</u>
Poh Kong Jewellery Manufacturer Sdn Bhd ("PKJM")	28 / 05 / 1982	5,000	2,000	100.00	Manufacturer and dealers of jewelleries, precious stones and gold ornaments
Poh Kong Jewellers Sdn Bhd ("PKJ")	12 / 01 / 1993	25,000	13,000	100.00	Suppliers and retailers of jewelleries and precious stones
Precious Jewellery Sdn Bhd ("Precious")	20 / 07 / 1982	300	300	100.00	Investment Holding Company
Poh Kong Jewellers (Jaya) Sdn Bhd ("PKJ (Jaya)")	24 / 12 / 1975	500	500	100.00	Suppliers and retailers of jewelleries, precious stones and gold ornaments
Poh Kong Jewellers (SS2) Sdn Bhd ("PKJ (SS2)")	18 / 11 / 1982	1,000	692 ^	100.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones
Poh Kong Jewellers (The Mall) Sdn Bhd ("PKJ (T. Mall)")	12 / 10 / 1981	250	250	100.00	Suppliers and retailers of jewelleries, precious stones and gold ornaments
Poh Kong Jewellers (Great Wall) Sdn Bhd ("PKJ (G. Wall)")	28 / 05 / 1985	500	500	100.00	Suppliers and retailers of jewelleries, precious stones and gold ornaments
Poh Kong Jewellers (Malacca) Sdn Bhd ("PKJ (Malacca)")	23 / 08 / 1991	500	500	100.00	Suppliers and dealers of gold ornaments, jewelleries and precious stones
Poh Kong Jewellers (Subang Parade) Sdn Bhd ("PKJ (S. Parade)")	09 / 07 / 1991	500	500	100.00	Suppliers and retailers of gold ornaments, jewelleries and precious stones

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<u>Name of Company</u>	<u>Date of incorporation</u>	<u>Authorised share capital</u> RM'000	<u>Issued and paid-up share capital</u> RM'000	<u>Effective equity interest held (%)</u>	<u>Principal activities</u>
Poh Kong Jewellers (Maluri) Sdn Bhd ("PKJ (Maluri)")	29 / 12 / 1983	1,000	500	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Gold Seremban) Sdn Bhd ("PKJ (G. Seremban)")	04 / 07 / 1991	5,000	2,500	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Wangsamaju) Sdn Bhd ("PKJ (W. Maju)")	04 / 07 / 1991	500	500	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Diamond Boutique Sdn Bhd ("DB")	22 / 10 / 1994	500	200	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Orchard Square-Klang) Sdn Bhd ("PKJ (O.S. Klang)")	10 / 07 / 1991	500	500	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones ^B
Gold Boutique (Klang) Sdn Bhd ("GB (Klang)")	27 / 06 / 1996	100	100	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones ^B
Poh Kong Jewellers (Puchong) Sdn Bhd ("PKJ (Puchong)")	23 / 02 / 1993	5,000	1,800	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Kinta City) Sdn Bhd ("PKJ (K. City)")	25 / 10 / 1994	5,000	1,800	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
PK Jewellery Export Sdn Bhd ("PKJ (Export)")	29 / 06 / 1995	500	30 #	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones ^B

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<u>Name of Company</u>	<u>Date of incorporation</u>	<u>Authorised share capital</u> RM'000	<u>Issued and paid-up share capital</u> RM'000	<u>Effective equity interest held (%)</u>	<u>Principal activities</u>
PK Design Sdn Bhd ("PKD")	22 / 10 / 1994	500	100	100.00	Suppliers and retailers of packing and utility products
Kedai Emas Likwong Sdn Bhd ("K. E. Likwong")	20 / 11 / 1985	1,000	600	100.00	Investment Holding Company ^β
Poh Kong Properties Sdn Bhd ("PK Properties")	04 / 07 / 1991	5,000	2,000	100.00	Property Investment
Poh Kong Jewellers (Peringgit) Sdn Bhd ("PKJ (Peringgit)")	22 / 10 / 1994	5,000	1,200	100.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Franchise) Sdn Bhd ("PKJ (Franchise)")	20 / 02 / 1997	500	*	100.00	Issuing franchises and related business ^β
Jungmax Property Sdn Bhd ("Jungmax")	29 / 11 / 1995	500	180	100.00	Property Investment
Poh Kong Jewellers (Jln. Taman Malacca) Sdn Bhd ("PKJ (J.T. Malacca)")	03 / 11 / 1993	5,000	1,700	98.53	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Batu Pahat) Sdn Bhd ("PKJ (B. Pahat)")	06 / 09 / 1996	1,000	1,000	98.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Old Klang Road) Sdn Bhd ("PKJ (O.K. Road)")	17 / 09 / 1993	1,000	1,000	97.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Selayang) Sdn Bhd ("PKJ (Selayang)")	17 / 09 / 1993	500	500	97.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones

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<u>Name of Company</u>	<u>Date of incorporation</u>	<u>Authorised share capital</u> RM'000	<u>Issued and paid-up share capital</u> RM'000	<u>Effective equity interest held (%)</u>	<u>Principal activities</u>
Poh Kong Jewellers (Tmn Universiti J.B.) Sdn Bhd ("PKJ (Tmn Uni. JB)")	11 / 06 / 1996	5,000	1,200	97.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Muar) Sdn Bhd ("PKJ (Muar)")	06 / 09 / 1996	500	500	96.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Ocean, Malacca) Sdn Bhd ("PKJ (O. Malacca)")	28 / 11 / 1996	500	500	96.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Summit) Sdn Bhd ("PKJ (Summit)")	22 / 11 / 1996	500	500	95.00	Suppliers and retailers of jewellerys, precious stones and gold ornaments
Poh Kong Jewellers (The Mines) Sdn Bhd ("PKJ (T. Mines)")	21 / 01 / 1997	500	500	95.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Ocean, Johor Bahru) Sdn Bhd ("PKJ (O. Johor Bahru)")	06 / 11 / 1993	5,000	1,750	94.29	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Terminal 1, Seremban) Sdn Bhd ("PKJ (T1, Seremban)")	06 / 09 / 1996	500	500	94.00	Suppliers and retailers of jewellerys, precious stones and gold ornaments ^B
Poh Kong Jewellers (MV) Sdn Bhd ("PKJ (MV)")	25 / 11 / 1996	5,000	1,500	92.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones

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<u>Name of Company</u>	<u>Date of incorporation</u>	<u>Authorised share capital</u> RM'000	<u>Issued and paid-up share capital</u> RM'000	<u>Effective equity interest held (%)</u>	<u>Principal activities</u>
Poh Kong Jewellers (Ocean, Ipoh) Sdn Bhd ("PKJ (O. Ipoh)")	08 / 07 / 1992	1,000	1,000	92.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Ocean, Kajang) Sdn Bhd ("PKJ (O. Kajang)")	23 / 08 / 1991	500	500	90.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Ocean Kuantan) Sdn Bhd ("PKJ (O. Kuantan)")	08 / 07 / 1992	500	500	90.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Ocean Seremban) Sdn Bhd ("PKJ (O. Seremban)")	06 / 09 / 1996	500	500	90.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Bandar Utama) Sdn Bhd ("PKJ (BU)")	22 / 09 / 1994	5,000	1,000	90.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Bangsar) Sdn Bhd ("PKJ (Bangsar)")	06 / 09 / 1996	500	500	90.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Ampang Point) Sdn Bhd ("PKJ (Ampang)")	08 / 11 / 1993	1,000	1,000	88.00	Suppliers and retailers of gold ornaments, jewellerys and precious stones
Poh Kong Jewellers (Banting) Sdn Bhd ("PKJ (Banting)")	19 / 03 / 1992	5,000	1,450	85.45	Suppliers and retailers of jewellerys, precious stones and gold ornaments

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<u>Name of Company</u>	<u>Date of incorporation</u>	<u>Authorised share capital</u> RM'000	<u>Issued and paid-up share capital</u> RM'000	<u>Effective equity interest held (%)</u>	<u>Principal activities</u>
Poh Kong Jewellers (Ocean, Klang) Sdn Bhd ("PKJ (O. Klang)")	01/06/1985	500	300	75.00	Suppliers and retailers of gold ornaments, jewelleryes and precious stones

[^] The issued and paid-up share capital comprises 691,609 ordinary shares of RM1.00 each.

^β Has temporarily ceased operations.

[#] The issued and paid-up share capital comprises 30,002 ordinary shares of RM1.00 each.

^{*} The issued and paid-up share capital comprises 2 ordinary shares of RM1.00 each.

⁹ Has not commenced business.

3 AUDITORS AND FINANCIAL STATEMENTS

We have been appointed as the first auditors of PKHB. We were appointed to act as auditors of all the subsidiary companies in all the financial years / periods under review except for Jungmax. The financial statements of Jungmax for the four financial years ended 28 February 2002 were audited by another firm of chartered accountants. We were appointed to act as auditors of Jungmax in the financial period ended 31 July 2003.

The financial statements included in the report have been prepared under the historical cost convention and in accordance with the applicable approved Accounting Standards in Malaysia. This requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenue and expenses during the reported financial year. Actual results could differ from those estimates.

These financial statements are the responsibilities of the Company's Directors. The financial statements of PKHB from the date of incorporation to 31 July 2003 were reported without qualification. The financial statements of the subsidiary companies for all the financial years / periods were also reported without qualification except for the following matter of emphasis: -

- i) Except for PKD, K.E. Likwong, PK Properties, PKJ (Peringgit), PKJ (Franchise), Jungmax, PKJ (Tmn Uni. JB), PKJ (Export), PKJ (T1, Seremban) and PKJ (MV), the auditors' report for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories were valued by the respective subsidiary companies' Directors.
- ii) The auditors' report of PKJ (Export) for the financial year ended 31 July 2000 emphasised that the inventories were valued by PKJ (Export)'s Directors.
- iii) The auditors' report of PKJ (MV) for the financial years ended 31 July 2000 and 2001 emphasised that the inventories were valued by the PKJ (MV)'s Directors.

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- iv) The auditors' report of PKJ (SS2) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ (SS2) and its subsidiary companies ("PKJ (SS2) Group") were valued by the Directors of PKJ (SS2) Group. The auditors' report of PKJ (SS2) for the financial years ended 31 July 1999 to 31 July 2001 also emphasised that PKJ (SS2) and a sub-subsidiary company had contravened Section 133 of the Companies Act, 1965, as it had, being a non-private exempt company, provided a Director with a loan.
- v) The auditors of PKJ (O. Klang) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that PKJ (O. Klang) had contravened Section 133 of the Companies Act, 1965, as it had, being a non-private exempt company, provided a Director with a loan.
- vi) The auditors' report of Precious Group for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of Precious Group were valued by Directors of Precious Group. The auditors' report of Precious Group for the financial years ended 31 July 1999 to 31 July 2001 also emphasised that certain subsidiary companies had contravened Section 133 of the Companies Act, 1965, as it had, being a non-private exempt company, provided Directors with a loan.
- vii) The auditors' report of PKJ (G. Wall) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ (G. Wall) and its subsidiary companies ("PKJ (G. Wall) Group") were valued by the Directors of PKJ (G. Wall) Group. The auditors' report of PKJ (G. Wall) for the financial years ended 31 July 1999 to 31 July 2001 also emphasised that a subsidiary company had contravened Section 133 of the Companies Act 1965 for the financial years ended 31 July 1999 to 31 July 2001, as it had, being a non-private exempt company, provided a Director with a loan.
- viii) The auditors' report of PKJ for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ Group were valued by the Directors of PKJ Group.
- ix) The auditors' report of PKD for the financial year ended 31 July 1999 emphasised that the inventories were valued by PKD's Directors.
- x) The auditors' report of PKJ (Malacca) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ (Malacca) and its subsidiary company ("PKJ (Malacca) Group") were valued by the Directors of PKJ (Malacca) Group.
- xi) The auditors' report of PKJ (Banting) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ (Banting) and its subsidiary company ("PKJ (Banting) Group") were valued by the Directors of PKJ (Banting) Group.
- xii) The auditors' report of PKJ (J.T. Malacca) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ (J.T. Malacca) and its subsidiary company ("PKJ (J.T. Malacca) Group") were valued by the Directors of PKJ (J.T. Malacca) Group.
- xiii) The auditors' report of PKJ (Jaya) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ (Jaya) and its subsidiary company ("PKJ (Jaya) Group") were valued by the Directors of PKJ (Jaya) Group.
- xiv) The auditors' report of PKJ (BU) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ (BU) and its subsidiary company ("PKJ (BU) Group") were valued by the Directors of PKJ (BU) Group.
- xv) The auditors' report of PKJ (Puchong) for the financial year 31 July 2000 emphasised on the going concern assumption.

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- xvi) The auditors' report of PKJ (O. Ipoh) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ (O. Ipoh) and its subsidiary company ("PKJ (O. Ipoh) Group") were valued by the Directors of PKJ (O. Ipoh) Group.
- xvii) The auditors of PKJ (S. Parade) for the financial year 31 July 2001 emphasised that PKJ (S. Parade) had contravened Section 133 of the Companies Act, 1965, as it had, being a non-private exempt company, provided a Director with a loan.
- xviii) The auditors' report of PKJ (Maluri) for the financial years ended 31 July 1999 to 31 July 2001 emphasised that the inventories of PKJ (Maluri) and its subsidiary companies ("PKJ (Maluri) Group") were valued by the Directors of PKJ (Maluri) Group.

4. ACCOUNTING POLICIES AND STANDARDS

This report has been prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of PKHB and its subsidiary companies.

This report also complies with approved accounting standards issued by the Malaysian Accounting Standards Board (hereinafter referred to as "MASB").

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5 SUMMARISED INCOME STATEMENTS**5.1 The Proforma Group**

We set out below the proforma consolidated financial results of PKHB for the last five financial years ended 31 July 2003. The proforma consolidation results are provided for illustrative purposes only, assuming that the Group had been in existence throughout the years under review.

The following proforma consolidated results are to be read in conjunction with the notes thereto: -

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	255,812	278,544	290,050	291,799	293,564
Earnings before interest, depreciation, taxation and amortisation ("EBIDTA")	21,957	24,335	20,758	30,817	32,849
Interest expense	(3,762)	(3,469)	(3,787)	(3,912)	(3,930)
	18,195	20,866	16,971	26,905	28,919
Amortisation of goodwill	(129)	(129)	(129)	(129)	(129)
Depreciation	(3,015)	(3,383)	(3,714)	(3,916)	(3,998)
Exceptional items	-	-	-	-	-
Profit before taxation ("PBT")	15,051	17,354	13,128	22,860	24,792
Taxation	(2,284)	(5,506)	(4,394)	(7,429)	(6,759)
Minority interest ("MI")	(239)	(396)	(70)	(439)	(405)
Profit after taxation, after exceptional item and MI	12,528	11,452	8,664	14,992	17,628
Number of ordinary shares assumed in issue ('000)	64,000	64,000	64,000	64,000	64,000
Basic earnings per share (sen)	23.14	26.50	20.40	35.03	38.10
Net earnings per share (sen)	19.58	17.89	13.54	23.43	27.54
Gross dividend rate (%)	-	-	-	-	-

11. ACCOUNTANTS' REPORT (Cont'd)

*POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT*

Notes: -

- a) The above proforma consolidated financial results have been prepared based on the audited financial statements after making such adjustments as we considered appropriate for the respective financial years. The consolidated results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the individual companies.
- b) For the purpose of proforma consolidation, the financial results of the subsidiaries with differing year end have not been adjusted to be coterminous with PKHB's year end as the financial results of these subsidiaries were immaterial to PKHB's proforma results.
- c) The proforma consolidated income statements for the financial years ended 31 July 1999 to 2002 were arrived at after making necessary adjustments for restatements, where applicable, for prior years adjustments to the financial statement.
- d) There were no extraordinary items for all the financial years under review.
- e) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to underprovision or the reversal of tax in prior year, deferred taxation and the taxation charge with respect to dividend received by certain subsidiary companies.
- f) The basic earnings per share is calculated based on the proforma profit before taxation but after minority interest divided by the enlarged ordinary share capital of 64,000,000 of RM1.00 each.
- g) The net earnings per share is calculated based on the proforma profit after taxation and minority interest divided by the enlarged ordinary share capital of 64,000,000 of RM1.00 each.
- h) All significant inter-company transactions have been eliminated on consolidation.
- i) ICULS interest has been excluded from the proforma results.
- j) It is assumed that the ICULS will not be converted in any financial years.

11. ACCOUNTANTS' REPORT (Cont'd)POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT*Commentaries: -*For the financial year ended 31 July 1999

- 1) *The revenue for 1999 decreased by 7.33% or approximately RM20.22 million. The decrease in revenue was mainly due to the closure of five non-performing outlets, namely Ocean Kajang, Ocean in Sungai Petani, Pasaraya Rainbow in Setapak, Econ Jaya in Klang and Orchard Square in Klang. Gross profit margins had been stable at 23.82% and 24.18% in 1998 and 1999 respectively.*
- 2) *Even though revenue decreased by 7.33%, PBT increased slightly by 2.11%. This was caused primarily by lower interest and administrative expenditure which reduced by RM4.44 million. The increase in PBT had increased the PBT margin by 10.11%.*
- 3) *The lower effective tax rate of the Group was attributed to the dividend income tax at source and the provision of deferred taxation. No provision for taxation was provided for other sources of income as it was a tax waiver year.*

For the financial year ended 31 July 2000

- 1) *In 2000, revenue increased by 8.89% or approximately RM22.73 million. The improvement was due to the Group's expansion programme whereby several new outlets were opened in Klang Valley namely, Mid valley Megamall, Alam Sentral in Shah Alam, Mutiara in Jalan Ipoh and Pandan Kapital in Cheras, which together contributed to approximately RM9.04 million in revenue whereas the balance of RM13.69 million was due to improvement in revenue by other existing outlets.*
- 2) *In 2000, the Group's PBT improved by 15.30% or approximately RM2.30 million mainly due to the increase in revenue and decrease in interest expense by 7.79%. The increase in PBT had increased PBT margin by 5.95%.*
- 3) *The effective tax rate of the Group was higher than the statutory tax rate of 28% due to certain expenses disallowed for tax purposes and the provision of deferred taxation. The fact the losses of certain subsidiary companies were not available for set off against taxable profits of other subsidiary companies also contributed to the higher effective tax rate.*

For the financial year ended 31 July 2001

- 1) *The Group's revenue increased by 4.13% or approximately RM11.51 million in 2001. The increase in revenue was due to the launch of the Group's 25th Anniversary contest for gemset jewellery only and the opening of a new outlet in Mahkota Parade, Malacca which retails a large variety of gemset jewellery. The new outlet contributed to an eight months revenue of RM1.58 million.*
- 2) *Despite increase in revenue, PBT decreased by 24.36% or approximately RM4.23 million. The decrease in PBT and hence PBT margin by 27.29% was mainly due to the increase in selling expenditure, primarily advertising and promotion expenses during the launch of the Group 25th Anniversary Contest by RM3.45 million. Administrative expenses had also increased by approximately RM1.14 million. The increase in administration expenses was due to inventory losses from robbery in three outlets namely, Pearl Point, Bangsar and Mutiara, Kuala Lumpur.*

11. ACCOUNTANTS' REPORT (Cont'd)POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

- 3) *The effective tax rate of the Group was higher than the statutory tax rate of 28% due to certain expenses disallowed for tax purposes and the provision of deferred taxation. The fact the losses of certain subsidiary companies were not available for set off against taxable profits of other subsidiary companies also contributed to the higher effective tax rate.*

For the financial year ended 31 July 2002

- 1) *In 2002, the Group's revenue increased by 0.60% or approximately RM1.75 million due to the opening of a new outlet in Puchong which contributed to two months' revenue amounting to RM0.82 million and increase in revenue by the outlets in Bangsar, Mid Valley Megamall and Ampang Point. The increase in revenue was however, offset by the closure of two non-performing outlets in Kuala Lumpur and Ipoh namely, Uda Ocean and Xtra Ipoh and decrease in revenue by several other outlets.*
- 2) *In 2002, the Group's PBT improved by 74.14% or approximately RM9.73 million due to the increase in gold price which caused the gross profit margin to improve substantially by 16.55%. The Group's PBT was further enhanced by the closure of several non-performing outlets which had reduced losses suffered by the Group.*
- 3) *The effective tax rate of the Group was higher than the statutory tax rate of 28% due to certain expenses disallowed for tax purposes and the provision of deferred taxation. The fact the losses of certain subsidiary companies were not available for set off against taxable profits of other subsidiary companies also contributed to the higher effective tax rate.*

For the financial year ended 31 July 2003

- 1) *In 2003, the Group's revenue increased by 0.60% or approximately RM1.77 million due to the opening of three new outlets, namely Tesco Malacca, Tesco Klang and Tesco Mutiara Damansara. However, the increase in revenue was offset by the closure of one of the branches of Great Wall, which caught fire in May 2003. In addition, the unexpected SARS outbreak in April 2003 had significantly impact on the Group's revenue growth.*
- 2) *In 2003, the Group's PBT improved by 8.45% or approximately RM1.93 million due mainly to the cheaper purchases obtained which caused the gross profit margin to improve from 26.76% to 28.75%. Furthermore, the increase in operating income had also pushed up PBT in 2003.*
- 3) *The effective tax rate of the Group was lower than the statutory tax rate of 28% as the corporate tax rate has been reduced to 20% on the first RM100,000 of chargeable income for small-medium industries with a paid-up capital of less than RM2.50 million.*

We set out below the summary of results of the individual companies of the Group to be read in conjunction with the notes thereon.

11. ACCOUNTANTS' REPORT (Cont'd)

*POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT*

5.2 PKHB

	13 months ended 31 July 2003 RM'000
Revenue	-
EBIDTA	(55)
Interest expense	-
	(55)
Depreciation	-
Exceptional item	-
Loss before taxation	(55)
Taxation	-
Loss after taxation	(55)
No. of ordinary shares ('000)	-
Basic earnings per share (sen)	(2,750,000)
Net earnings per share (sen)	(2,750,000)
Gross dividend rate (%)	-

Notes: -

- a) PKHB was incorporated on 12 July 2002.
- b) The issued and paid-up share capital of PKHB for the financial period ended 31 July 2003 was 2 ordinary shares of RM1.00 each.
- c) There were no extraordinary items for the financial period under review.
- d) The basic earnings per share is calculated based on the loss before taxation divided by the ordinary shares in issue in the period under review.
- e) The net earnings per share is calculated based on the loss after taxation divided by the ordinary shares in issue in the period under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.3 PKJ

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	75,397	83,545	76,822	80,470	76,198
EBIDTA	10,146	6,081	5,107	5,349	5,962
Interest expense	(1,402)	(961)	(981)	(1,057)	(1,046)
	8,744	5,120	4,126	4,292	4,916
Amortisation of goodwill	(129)	(129)	(129)	(129)	(129)
Depreciation	(640)	(574)	(618)	(674)	(706)
Exceptional item	-	-	-	(100)	(51)
Profit before taxation	7,975	4,417	3,379	3,389	4,030
Taxation	(1,162)	(1,350)	(1,060)	(1,153)	(1,567)
Profit after taxation	6,813	3,067	2,319	2,236	2,463
No. of ordinary shares ('000)	13,000	13,000	13,000	13,000	13,000
Basic earnings per share (sen)	61.35	33.98	25.99	26.07	31.00
Net earnings per share (sen)	52.41	23.59	17.84	17.20	18.95
Gross dividend rate (%)	29.73	-	-	-	-

Notes: -

- a) The income statement for the financial year ended 31 July 2001 was arrived at after making necessary adjustments for restatements, for prior years adjustment to the financial statement.
- b) The prior years adjustment relates to a fundamental error in respect to the contravention of Section 132G of the Companies Act, 1965 which was rescinded on 11 December 2002.
- c) There were no extraordinary items for all the financial years under review.
- d) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to underprovision of tax in prior year and deferred tax.
- e) The exceptional loss in 2002 and 2003 arose from loss on disposal of interest in an Associated Company and a Subsidiary Company respectively.

11. ACCOUNTANTS' REPORT (Cont'd)

*POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT*

- f) The basic earnings per share is calculated based on the profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- g) The net earnings per share is calculated based on the profit after taxation divided by the ordinary shares in issue in the relevant years under review.

5.4 PKJ (Bangsar)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	4,193	4,416	3,243	4,243	4,757
EBIDTA	63	45	(133)	139	184
Interest expense	(1)	(3)	(20)	(21)	(23)
	62	42	(153)	118	161
Depreciation	(33)	(38)	(35)	(44)	(44)
Exceptional item	-	-	-	-	-
Profit / (Loss) before taxation	29	4	(188)	74	117
Taxation	(3)	(5)	(4)	(3)	(12)
Profit / (Loss) after taxation	26	(1)	(192)	71	105
No. of ordinary shares ('000)	500	500	500	500	500
Basic earnings per share (sen)	5.80	0.80	(37.60)	14.80	23.40
Net earnings per share (sen)	5.20	(0.20)	(38.40)	14.20	21.00
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to underprovision of tax in prior year and deferred tax.
- c) The basic earnings per share is calculated based on the profit / (loss) before taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

- d) The net earnings per share is calculated based on the profit / (loss) after taxation divided by the ordinary shares in issue in the relevant years under review.

5.5 PKJ (MV)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	869	8,047	13,785	15,742	16,929
EBIDTA	(205)	171	(179)	747	1,166
Interest expense	(2)	(3)	(4)	(33)	(47)
	(207)	168	(183)	714	1,119
Depreciation	(6)	(50)	(50)	(50)	(45)
Exceptional item	-	-	-	-	-
(Loss) / Profit before taxation	(213)	118	(233)	664	1,074
Taxation	10	(14)	-	(71)	(262)
(Loss) / Profit after taxation	(203)	104	(233)	593	812
No. of ordinary shares ('000)	500	1,500	1,500	1,500	1,500
Basic earnings per share (sen)	(42.60)	7.87	(15.53)	44.27	71.60
Net earnings per share (sen)	(40.60)	6.93	(15.53)	39.53	54.13
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation credit in 1999 relates to the reversal of deferred tax.
- c) The basic earnings per share is calculated based on the (loss) / profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the (loss) / profit after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.6 PKJ (O.K. Road)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	8,713	7,324	7,700	8,455	9,771
EBIDTA	1,148	630	512	570	756
Interest expense	(17)	(15)	(32)	(61)	(83)
	1,131	615	480	509	673
Depreciation	(63)	(55)	(47)	(45)	(57)
Exceptional item	-	-	-	-	-
Profit before taxation	1,068	560	433	464	616
Taxation	9	(158)	(128)	(88)	(177)
Profit after taxation	1,077	402	305	376	439
No. of ordinary shares ('000)	1,000	1,000	1,000	1,000	1,000
Basic earnings per share (sen)	106.80	56.00	43.30	46.40	61.60
Net earnings per share (sen)	107.70	40.20	30.50	37.60	43.90
Gross dividend rate (%)	413.43	107.74	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation credit in the year 1999 relates to the reversal of tax in prior year and deferred tax.
- c) The basic earnings per share is calculated based on the profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the profit after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.7 PKD

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	619	361	-	-	1,168
EBIDTA	1	-	(1)	(2)	29
Interest expense	-	-	-	-	-
	1	-	(1)	(2)	29
Depreciation	-	-	-	-	-
Exceptional item	-	-	-	-	-
Profit / (Loss) before taxation	1	-	(1)	(2)	29
Taxation	-	-	-	-	(5)
Profit / (Loss) after taxation	1	-	(1)	(2)	24
No. of ordinary shares ('000)	100	100	100	100	100
Basic earnings per share (sen)	1.00	-	(1.00)	(2.00)	29.00
Net earnings per share (sen)	1.00	-	(1.00)	(2.00)	24.00
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999.
- c) The basic earnings per share is calculated based on the profit / (loss) before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the profit / (loss) after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.8 K.E. Likwong

	<-- Financial year ended 31 December -->			7 months	Financial year
	1999	2000	2001	ended 31 July 2002	ended 31 July 2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	3,370	2,783	-	-	-
EBIDTA	120	(120)	(2)	(2)	(8)
Interest expense	(72)	(55)	-	-	-
Depreciation	48	(175)	(2)	(2)	(8)
Exceptional item	(13)	(25)	(12)	(12)	(13)
Profit / (Loss) before taxation	-	-	-	-	-
Taxation	35	(200)	(14)	(14)	(21)
Profit / (Loss) after taxation	-	-	-	-	-
No. of ordinary shares ('000)	600	600	600	600	600
Basic earnings per share (sen)	5.83	(33.33)	(2.33)	(2.33)	(3.50)
Net earnings per share (sen)	5.83	(33.33)	(2.33)	(2.33)	(3.50)
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- There were no extraordinary items for all the financial years / period under review.
- No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999.
- The basic earnings per share is calculated based on the profit / (loss) before taxation divided by the ordinary shares in issue in the relevant years / period under review.
- The net earnings per share is calculated based on the profit / (loss) after taxation divided by the ordinary shares in issue in the relevant years / period under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.9 PK Properties

	<-- Financial year ended 31 December -->			7 months ended	Financial year ended
	1999 RM'000	2000 RM'000	2001 RM'000	31 July 2002 RM'000	31 July 2003 RM'000
Revenue	135	220	339	197	338
EBIDTA	107	206	319	187	315
Interest expense	(112)	(208)	(220)	(139)	(199)
	(5)	(2)	99	48	116
Depreciation	(33)	(78)	(78)	(45)	(78)
Exceptional item	-	-	-	-	-
(Loss) / Profit before taxation	(38)	(80)	21	3	38
Taxation	1	(10)	(30)	(19)	(31)
(Loss) / Profit after taxation	(37)	(90)	(9)	(16)	7
No. of ordinary shares ('000)	1,000	1,000	2,000	2,000	2,000
Basic earnings per share (sen)	(3.80)	(8.00)	1.05	0.15	1.90
Net earnings per share (sen)	(3.70)	(9.00)	(0.45)	(0.80)	0.35
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years / period under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation credit in the year 1999 relates to the reversal of tax in prior year.
- c) The basic earnings per share is calculated based on the (loss) / profit before taxation divided by the ordinary shares in issue in the relevant years / period under review.
- d) The net earnings per share is calculated based on the (loss) / profit after taxation divided by the ordinary shares in issue in the relevant years / period under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.10 PKJ (G. Seremban)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	5,007	4,563	5,050	4,851	3,992
EBIDTA	(49)	20	95	149	188
Interest expense	(3)	(5)	(1)	(2)	-
	(52)	15	94	147	188
Depreciation	(43)	(37)	(47)	(35)	(30)
Exceptional item	-	-	-	-	-
(Loss) / Profit before taxation	(95)	(22)	47	112	158
Taxation	(7)	(3)	(2)	(29)	(46)
(Loss) / Profit after taxation	(102)	(25)	45	83	112
No. of ordinary shares ('000)	2,500	2,500	2,500	2,500	2,500
Basic earnings per share (sen)	(3.80)	(0.88)	1.88	4.48	6.32
Net earnings per share (sen)	(4.08)	(1.00)	1.80	3.32	4.48
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) The income statement for the financial year ended 31 July 2002 was arrived at after making necessary adjustments for restatements, for prior years adjustment to the financial statement.
- b) The prior years adjustment relates to a change in accounting policy in respect to the adoption of MASB 25 : "Income Taxes" which became effective from 1 July 2002.
- c) There were no extraordinary items for all the financial years under review.
- d) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to underprovision of tax in prior year and deferred tax.
- e) The basic earnings per share is calculated based on the (loss) / profit before taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

- f) The net earnings per share is calculated based on the (loss) / profit after taxation divided by the ordinary shares in issue in the relevant years under review.

5.11 PKJ (T1, Seremban)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	1,001	-	-	-	-
EBIDTA	4	(2)	(1)	(8)	(3)
Interest expense	-	-	-	-	-
	4	(2)	(1)	(8)	(3)
Depreciation	(1)	-	-	-	-
Exceptional item	-	-	-	-	-
Profit / (Loss) before taxation	3	(2)	(1)	(8)	(3)
Taxation	9	-	-	-	-
Profit / (Loss) after taxation	12	(2)	(1)	(8)	(3)
No. of ordinary shares ('000)	500	500	500	500	500
Basic earnings per share (sen)	0.60	(0.40)	(0.20)	(1.60)	(0.60)
Net earnings per share (sen)	2.40	(0.40)	(0.20)	(1.60)	(0.60)
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation credit in 1999 relates to the reversal of deferred tax.
- c) The basic earnings per share is calculated based on the profit / (loss) before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the profit / (loss) after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.12 PKJ (Ampang)

	-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	17,991	20,173	21,438	22,126	19,346
EBIDTA	722	963	877	1,638	1,209
Interest expense	(19)	(27)	(61)	(62)	(78)
	703	936	816	1,576	1,131
Depreciation	(57)	(88)	(86)	(89)	(96)
Exceptional item	-	-	-	-	-
Profit before taxation	646	848	730	1,487	1,035
Taxation	(18)	(251)	(221)	(400)	(324)
Profit after taxation	628	597	509	1,087	711
No. of ordinary shares ('000)	1,000	1,000	1,000	1,000	1,000
Basic earnings per share (sen)	64.60	84.80	73.00	148.70	103.50
Net earnings per share (sen)	62.80	59.70	50.90	108.70	71.10
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to underprovision of tax in prior year and deferred tax.
- c) The basic earnings per share is calculated based on the profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the profit after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

*POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT*

5.13 PKJ (Selayang)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	4,679	5,218	5,328	5,639	4,480
EBIDTA	134	250	194	326	217
Interest expense	(3)	(8)	(6)	(6)	(6)
	131	242	188	320	211
Depreciation	(28)	(33)	(38)	(40)	(39)
Exceptional item	-	-	-	-	-
Profit before taxation	103	209	150	280	172
Taxation	(49)	(68)	(41)	(84)	(44)
Profit after taxation	54	141	109	196	128
No. of ordinary shares ('000)	500	500	500	500	500
Basic earnings per share (sen)	20.60	41.80	30.00	56.00	34.40
Net earnings per share (sen)	10.80	28.20	21.80	39.20	25.60
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to underprovision of tax in prior year and deferred tax.
- c) The basic earnings per share is calculated based on the profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the profit after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.14 PKJ (O. Seremban)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	2,018	2,276	3,209	4,473	6,857
EBIDTA	(1)	49	82	281	120
Interest expense	(2)	(2)	(1)	-	-
	(3)	47	81	281	120
Depreciation	(26)	(25)	(25)	(25)	(26)
Exceptional item	-	-	-	-	-
(Loss) / Profit before taxation	(29)	22	56	256	94
Taxation	-	-	(1)	(71)	(20)
(Loss) / Profit after taxation	(29)	22	55	185	74
No. of ordinary shares ('000)	500	500	500	500	500
Basic earnings per share (sen)	(5.80)	4.40	11.20	51.20	18.80
Net earnings per share (sen)	(5.80)	4.40	11.00	37.00	14.80
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999.
- c) The basic earnings per share is calculated based on the (loss) / profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the (loss) / profit after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.15 Precious

	-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	1,483	96	128	350	48
EBIDTA	1,476	19	50	328	(71)
Interest expense	(47)	(38)	(30)	(26)	(21)
	1,429	(19)	20	302	(92)
Depreciation	(44)	(44)	(44)	(31)	(31)
Exceptional item	-	-	-	-	-
Profit / (Loss) before taxation	1,385	(63)	(24)	271	(123)
Taxation	(366)	(13)	(15)	(88)	(4)
Profit / (Loss) after taxation	1,019	(76)	(39)	183	(127)
No. of ordinary shares ('000)	300	300	300	300	300
Basic earnings per share (sen)	461.67	(21.00)	(8.00)	90.33	(41.00)
Net earnings per share (sen)	339.67	(25.33)	(13.00)	61.00	(42.33)
Gross dividend rate (%)	416.67	-	-	-	-

Notes: -

- a) The income statement for the financial year ended 31 July 1999 was arrived at after making necessary adjustments for restatements, for prior years adjustment to the financial statement.
- b) The prior years adjustment relates to a fundamental error in respect to the contravention of Section 132G of the Companies Act, 1965 which was rescinded on 11 December 2002.
- c) There were no extraordinary items for all the financial years under review.
- d) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to underprovision of tax in prior year.
- e) The basic earnings per share is calculated based on the profit / (loss) before taxation divided by the ordinary shares in issue in the relevant years under review.
- f) The net earnings per share is calculated based on the profit / (loss) after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.16 PKJ (O. Kuantan)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	5,134	5,508	5,369	5,722	5,675
EBIDTA	112	189	110	145	81
Interest expense	(3)	(15)	(19)	(25)	(23)
	109	174	91	120	58
Depreciation	(44)	(60)	(53)	(54)	(30)
Exceptional item	-	-	-	-	-
Profit before taxation	65	114	38	66	28
Taxation	(1)	(33)	(17)	(27)	(9)
Profit after taxation	64	81	21	39	19
No. of ordinary shares ('000)	500	500	500	500	500
Basic earnings per share (sen)	13.00	22.80	7.60	13.20	5.60
Net earnings per share (sen)	12.80	16.20	4.20	7.80	3.80
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to underprovision of tax in prior year and deferred tax.
- c) The basic earnings per share is calculated based on the profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the profit after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.17 PKJ (Malacca)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	5,709	7,117	8,238	8,390	9,299
EBIDTA	49	86	73	119	626
Interest expense	(12)	(12)	(26)	(31)	(29)
	37	74	47	88	597
Depreciation	(66)	(61)	(62)	(62)	(39)
Exceptional item	-	-	-	-	-
(Loss) / Profit before taxation	(29)	13	(15)	26	558
Taxation	(3)	-	(2)	(19)	(159)
(Loss) / Profit after taxation	(32)	13	(17)	7	399
No. of ordinary shares ('000)	500	500	500	500	500
Basic earnings per share (sen)	(5.80)	2.60	(3.00)	5.20	111.60
Net earnings per share (sen)	(6.40)	2.60	(3.40)	1.40	79.80
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to deferred tax.
- c) The basic earnings per share is calculated based on the (loss) / profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the (loss) / profit after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.18 PKJ (O. Malacca)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	2,702	3,640	4,031	3,660	3,326
EBIDTA	32	79	51	149	66
Interest expense	-	-	(6)	(15)	(14)
	32	79	45	134	52
Depreciation	(23)	(23)	(23)	(23)	(24)
Exceptional item	-	-	-	-	-
Profit before taxation	9	56	22	111	28
Taxation	-	4	(1)	(15)	(3)
Profit after taxation	9	60	21	96	25
No. of ordinary shares ('000)	500	500	500	500	500
Basic earnings per share (sen)	1.80	11.20	4.40	22.20	5.60
Net earnings per share (sen)	1.80	12.00	4.20	19.20	5.00
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999.
- c) The basic earnings per share is calculated based on the profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the profit after taxation divided by the ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

*POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT*

5.19 PKJ (SS2)

	-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	13,670	15,109	15,026	14,310	13,116
EBIDTA	665	561	788	4,174	1,020
Interest expense	(127)	(180)	(271)	(293)	(258)
	538	381	517	3,881	762
Depreciation	(223)	(233)	(220)	(275)	(192)
Exceptional item	-	-	-	-	-
Profit before taxation	315	148	297	3,606	570
Taxation	(575)	(130)	(13)	(1,035)	(224)
(Loss) / Profit after taxation	(260)	18	284	2,571	346
No. of ordinary shares ('000)	600	600	600	600	692
Basic earnings per share (sen)	52.50	24.67	49.50	601.00	82.37
Net earnings per share (sen)	(43.33)	3.00	47.33	428.50	50.00
Gross dividend rate (%)	-	-	-	-	-

Notes: -

- a) There were no extraordinary items for all the financial years under review.
- b) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to underprovision of tax in prior year and deferred tax.
- c) The basic earnings per share is calculated based on the profit before taxation divided by the ordinary shares in issue in the relevant years under review.
- d) The net earnings per share is calculated based on the (loss) / profit after taxation divided by the ordinary shares in issue in the relevant years under review.
- e) The issued and paid-up share capital of PKJ (SS2) for the financial year ended 31 July 2003 was RM691,609.

11. ACCOUNTANTS' REPORT (Cont'd)

POH KONG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

5.20 PKJ (G. Wall)

	<-----Financial year ended 31 July----->				
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	17,535	18,723	23,623	29,593	33,815
EBIDTA	334	339	620	2,775	2,258
Interest expense	(14)	(19)	(44)	(81)	(98)
	320	320	576	2,694	2,160
Depreciation	(190)	(195)	(190)	(213)	(241)
Exceptional item	-	-	-	229	-
Profit before taxation	130	125	386	2,710	1,919
Taxation	86	(51)	13	(639)	403
Profit after taxation	216	74	399	2,071	2,322
No. of ordinary shares ('000)	240	240	500	500	500
Basic earnings per share (sen)	54.17	52.08	77.20	542.00	383.80
Net earnings per share (sen)	90.00	30.83	79.80	414.20	464.40
Gross dividend rate (%)	-	-	-	1,193.00	-

Notes: -

- a) The income statement for the financial year ended 31 July 2001 was arrived at after making necessary adjustments for restatements, for prior years adjustment to the financial statement.
- b) The prior years adjustment relates to a fundamental error in respect to the contravention of Section 132G of the Companies Act, 1965 which was rescinded on 11 December 2002.
- c) There were no extraordinary items for all the financial years under review.
- d) No provision for taxation has been made in 1999 as income earned in the basis year 1999 is exempted from tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The taxation credit in 1999 relates to the reversal of tax in prior year and deferred tax.
- e) The exceptional gain in 2002 arose from gain on disposal of interest in a subsidiary company.
- f) The basic earnings per share is calculated based on the profit before taxation divided by the ordinary shares in issue in the relevant years under review.