

11. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

Deloitte.

31 January 2007

The Board of Directors
Melati Ehsan Holdings Berhad
5, Jalan Titiwangsa
53200 Kuala Lumpur

Dear Sirs,

ACCOUNTANTS' REPORT MELATI EHSAN HOLDINGS BERHAD

A. INTRODUCTION

This Report has been prepared by Deloitte KassimChan, an approved company auditor, for inclusion in the Prospectus of Melati Ehsan Holdings Berhad (hereinafter referred to as "MEH") to be dated 26 February 2007 in conjunction with the listing of and quotation for the entire issued and paid-up share capital of MEH, comprising 120,000,434 ordinary shares of RM0.50 each ("MEH Shares") on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") which include the public issue of 27,505,000 new MEH Shares at an issue price of RM1.28 per MEH Share payable in full on application.

B. GENERAL INFORMATION

B.1 Incorporation and Principal Activity

MEH was incorporated in Malaysia under the Companies Act, 1965 on 29 November 2004 under the name of Zejora Ehsan Sdn. Bhd. as a private company limited by shares. On 8 February 2005, it changed its name to Melati Ehsan Holdings Sdn Bhd and on 10 January 2007, it was converted into a public limited company thereby assuming its present name. MEH's principal activity is that of investment holding.

B.2 Listing Exercise

In conjunction with and as an integral part of the listing of and quotation for its entire enlarged issued and paid-up share capital on the Main Board of Bursa Securities, MEH undertook/will undertake the following:

- (i) Acquisition by MEH of the entire issued and paid-up share capital of Bayu Melati Sdn Bhd ("BMSB") and Pembinaan Kery Sdn Bhd ("Kery") from the respective shareholders of BMSB and Kery (the "Vendors") for a total purchase consideration of RM46,247,715 satisfied by the issuance of:
 - (a) 70,901,838 new MEH Shares at par value of RM0.50 each; and
 - (b) 21,593,592 new MEH Shares at par value of RM0.50 each.

The above are collectively referred to as the "Acquisitions";

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- (ii) Transfer of shares by the Vendors via the following shareholders' arrangements:
- (a) Transfer by Dato' Yap Suan Chee and Datin Teng Siew Kean of their entire equity interest in MEH after the Acquisitions to Melati Ehsan Corporation Sdn. Bhd.;
 - (b) Transfer by Zaitun Binti Dato' Seri Abu Bakar and Dato' Mohd Zain Bin Yahya of their entire equity interest in MEH after the Acquisitions to SP Epark Konsortium Sdn. Bhd.; and
 - (c) Transfer by Radzulai Bin Yahaya of his entire equity interest in MEH after the Acquisitions to Desalink Sdn. Bhd.

The above are collectively referred to as the "Shareholders' Arrangement";

- (iii) Public issue of 27,505,000 new MEH Shares at an issue price of RM1.28 per MEH Share ("Public Issue") to be allocated in the following manner:
- (a) 6,000,000 new MEH Shares to the Malaysian public via balloting;
 - (b) 4,000,000 new MEH Shares to eligible directors, employees and business associates of the MEH Group;
 - (c) 11,215,900 new MEH Shares to Bumiputera investors approved by MITI; and
 - (d) 6,289,100 new MEH Shares to identified investors by way of placement;
- (iv) Offer for sale of 4,000,000 MEH Shares by Melati Ehsan Corporation Sdn. Bhd. to Bumiputera investors approved by MITI at an offer price of RM1.28 each ("Offer for Sale");
- (v) Listing of and quotation for its entire enlarged share capital on the Main Board of Bursa Securities ("Listing and Quotation").

The approval for the abovesaid listing exercise was obtained from the Securities Commission on 6 December 2006.

B.3 Share Capital

The present authorized share capital of MEH is RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each.

The present issued and paid-up share capital of MEH is RM46,247,717, comprising 92,495,434 ordinary shares of RM0.50 each.

Details of the movements in the issued and paid-up share capital of MEH since its incorporation are as follows:

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Date Of Allotment	No. Of Shares	Par Value RM	Type of Issue	Cumulative Issued and Paid-Up Capital RM
29.11.2004	2	1.00	Subscribers' shares	2
01.06.2006	4	0.50	Subdivision of shares from par value of RM1.00 per share to par value of RM0.50 per share	2
03.01.2007	92,495,430	0.50	Issued pursuant to the Acquisitions	46,247,717

Upon completion of the Public Issue of 27,505,000 new MEH shares, the issued and paid-up share capital of MEH will be RM60,000,217, comprising 120,000,434 MEH Shares.

B.4 Information on Subsidiary Companies of MEH**B.4.1 Bayu Melati Sdn Bhd ("BMSB")**

BMSB was incorporated in Malaysia on 2 January 1997 under the Companies Act, 1965 as a private limited liability company.

BMSB is principally involved in the business as a turnkey contractor.

The present authorised share capital of BMSB is RM5,000,000, comprising 5,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

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

Date Of Allotment	No. Of Shares	Par Value RM	Type of issue	Cumulative Issued and Paid-Up Share Capital RM
02.01.1997	2	1.00	Subscribers' shares	2
01.11.1999	249,998	1.00	Cash	250,000
29.08.2002	750,000	1.00	Cash	1,000,000

B.4.2 Pembinaan Kery Sdn Bhd ("Kery")

Kery was incorporated in Malaysia on 7 February 1994 under the Companies Act, 1965 as a private limited liability company.

Kery is principally involved in the business as a turnkey contractor.

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The present authorised share capital of Kery is RM1,000,000, comprising 1,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Details of the movements in the issued and paid-up share capital of Kery since the date of its incorporation are as follows:

Date Of Allotment	No. Of Shares	Par Value RM	Type Of Issue	Cumulative Issued and Paid-Up Share Capital RM
07.02.1994	2	1.00	Subscribers' shares	2
05.07.1996	499,998	1.00	Cash	500,000
08.09.1998	200,000	1.00	Cash	700,000
26.07.2002	50,000	1.00	Cash	750,000
20.11.2003	250,000	1.00	Cash	1,000,000

B.5 Dividends

Details of dividend paid by BMSB for the financial year ended 31 August 2006 are as follows:

Financial Year Ended	Issued And Paid-Up Share Capital RM	Gross Dividend Rate %	Net Dividend RM
31 August 2006	1,000,000	2,300	16,560,000

Other than the above, no further dividend has been paid or declared by MEH, BMSB and Kery for the financial years/period under consideration.

C. AUDITED FINANCIAL STATEMENTS

We were not the statutory auditors of MEH for the financial period 29 November 2004 (date of incorporation) to 31 August 2005; BMSB for the financial years ended 31 August 2004 and 2005; and Kery for the financial year ended 30 April 2004 and financial period 1 May 2004 to 31 August 2005. The audit of the statutory financial statements of MEH, BMSB and Kery for the financial years/periods above was conducted by Messrs Yeo & Associates and such audit reports of MEH, BMSB and Kery have been enclosed herewith. These financial statements have not been re-audited by us.

We were appointed as statutory auditors of MEH, BMSB and Kery for the financial year ended 31 August 2006.

The audited financial statements of MEH, BMSB and Kery for the relevant financial years/period were not subject to any qualification.

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Deloitte KassimChan**D. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

This report has been prepared based on the audited financial statements of MEH, BMSB and Kery. The financial statements of MEH, BMSB and Kery have been prepared in accordance with the provisions of the Companies Act 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

There were no changes in accounting policies or accounting estimates made by MEH, BMSB and Kery for the financial years/periods under consideration that have significant effects on the audited financial statements.

D.1 SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

The financial statements of MEH, BMSB and Kery have been prepared under the historical cost convention.

Revenue

Revenue represents the proportion of the total contract value of construction contracts attributable to the percentage of construction works performed.

Revenue of construction contracts is recognised based on the percentage of completion method. The stage of completion is determined based on the proportion of contract costs incurred to date against the total estimated cost on contracts where the outcome of the contracts can be reliably estimated. Any foreseeable loss on contracts are provided in full.

Defined Contribution Plan

MEH, BMSB, Kery and their eligible employees are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan, at certain prescribed rates based on the employees' salaries. MEH, BMSB and Kery's contributions to EPF are disclosed separately while the employees' contributions to EPF are included in staff costs.

Income Tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

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

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Impairment of Assets

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use is estimated. Whenever the carrying amount of an item of asset exceeds its recoverable amount, the impairment is recognised in the income statement.

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, and no impairment loss had been recognised. All reversals of impairment loss are recognised in the income statement.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Gain or loss arising from disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation of property, plant and equipment is computed on the straight-line method at rates based on the estimated useful lives of the various assets. The principal annual rates used are as follows:

	BMSB	Kery
Furniture and fittings	10%	10%
Motor vehicle	10%	10%
Office equipment	15%	10%
Computer	25%	20%

Interest in Joint Ventures

Interest in joint ventures is undertaken through unincorporated joint ventures. Unincorporated joint ventures are joint ventures that do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves.

Interest in unincorporated joint ventures have been brought to account by incorporating the proportionate share of assets employed, and liabilities incurred by the joint ventures and their proportionate share of income and expenses in relation to the joint ventures in their respective classification categories in the financial statements.

Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

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When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probable of recovery. Contract costs are recognised as 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 as an allowance for foreseeable loss.

Amount due from contract customers represents the excess of contract costs incurred to date and portion of profit or loss attributable to work performed to date over progress billings while amount due to contract customers represents the excess of progress billings over contract costs incurred to date and portion of profit or loss attributable to work performed to date.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amount. Allowance for doubtful receivables is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Cash Flow Statement

The indirect method was adopted in the preparation of the cash flow statement.

Cash equivalents comprise cash and bank balances which are subject to insignificant risk of changes in value.

Financial Assets

The principal financial assets are trade and other receivables and bank balances.

Financial Liabilities

Debts are classified as liabilities in accordance with the substance of the contractual arrangement.

Significant financial liabilities include trade and other payables.

11. ACCOUNTANTS' REPORT (cont'd)

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E. HISTORICAL FINANCIAL STATEMENTS OF MEH**INCOME STATEMENTS**

The following income statements are based on the audited financial statements of MEH for the financial period 29 November 2004 (date of incorporation) to 31 August 2005 and financial year ended 31 August 2006:

	Financial period ended 31 August 2005 (9 months) RM	Financial year ended 31 August 2006 (12 months) RM
Revenue	-	-
Other operating expenses	(447,924)	(39,755)
Loss before tax	(447,924)	(39,755)
Income tax expense	-	-
Net loss for the period/year	<u>(447,924)</u>	<u>(39,755)</u>

BALANCE SHEETS

The following balance sheets are based on the audited financial statements of MEH as of 31 August 2005 and 2006:

	As of 31 August	
	2005 RM	2006 RM
Current Assets		
Prepaid expenses	-	359,683
Cash on hand	2	2
	<u>2</u>	<u>359,685</u>
Current Liabilities		
Other payables and accrued expenses	447,924	847,362
	<u>447,924</u>	<u>847,362</u>
Net Current Liabilities	<u>(447,922)</u>	<u>(487,677)</u>
Net Liabilities	<u>(447,922)</u>	<u>(487,677)</u>
Represented by:		
Issued capital	2	2
Accumulated losses	(447,924)	(487,679)
Capital Deficiency	<u>(447,922)</u>	<u>(487,677)</u>

11. ACCOUNTANTS' REPORT *(cont'd)*

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STATEMENTS OF CHANGES IN EQUITY

The following statements of changes in equity are based on the audited financial statements of MEH for the financial period 29 November 2004 (date of incorporation) to 31 August 2005 and financial year ended 31 August 2006:

	Issued capital ordinary shares RM	Accumulated losses RM	Total RM
Balance as at 29 November 2004 (date of incorporation)	2	-	2
Net loss for the period	-	(447,924)	(447,924)
Balance as at 31 August 2005	2	(447,924)	(447,922)
Net loss for the year	-	(39,755)	(39,755)
Balance as at 31 August 2006	2	(487,679)	(487,677)

The issued and paid-up share capital of MEH in 2005 was RM2, consisting of 2 ordinary shares of RM1 each.

Pursuant to the approval of shareholders at an Extraordinary General Meeting held on 1 June 2006, the issued and paid up share capital of MEH comprising two (2) ordinary shares of RM1 each were subdivided into four (4) ordinary shares of RM0.50 each and that the authorized share capital of MEH, comprising 100,000 ordinary shares of RM1.00 each were altered by subdividing them into 200,000 ordinary shares of RM0.50 each. Accordingly, the authorized share capital of MEH in 2006 represent RM100,000 comprising 200,000 ordinary shares of RM0.50 each and the issued and paid up share capital represent four (4) ordinary shares of RM0.50 each.

11. ACCOUNTANTS' REPORT (cont'd)

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CASH FLOW STATEMENTS

The following cash flow statements are based on the audited financial statements of MEH for the financial period 29 November 2004 (date of incorporation) to 31 August 2005 and financial year ended 31 August 2006:

	Financial period ended 31 August 2005 (9 months) RM	Financial year ended 31 August 2006 (12 months) RM
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss before tax	(447,924)	(39,755)
Operating Loss Before Working Capital Changes	(447,924)	(39,755)
Increase in prepaid expenses	-	(359,683)
Increase in other payables and accrued expenses	447,924	399,438
Net Cash Used In Operating Activities	-	-
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issue of shares	2	-
Net Cash From Financing Activity	2	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	2	-
CASH AND CASH EQUIVALENTS AT DATE OF INCORPORATION/ BEGINNING OF YEAR	-	2
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	2	2

11. ACCOUNTANTS' REPORT (cont'd)

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F. HISTORICAL FINANCIAL STATEMENTS OF BMSB**INCOME STATEMENTS**

The following income statements are based on the audited financial statements of BMSB for the financial years ended 31 August 2004, 2005 and 2006:

	Financial years ended 31 August		
	2004	2005	2006
	RM	RM	RM
Revenue	49,792,494	54,310,028	109,253,884
Cost of sales	<u>(32,390,616)</u>	<u>(39,825,650)</u>	<u>(83,360,875)</u>
Gross profit	17,401,878	14,484,378	25,893,009
Other income	41,306	318,579	120,288
Administrative expenses	(376,510)	(440,866)	(501,420)
Other operating expenses	<u>(273,715)</u>	<u>(762,006)</u>	<u>(75,694)</u>
Profit from operations	16,792,959	13,600,085	25,436,183
Finance costs	<u>(29,975)</u>	<u>(27,575)</u>	<u>(2,044)</u>
Profit before tax	16,762,984	13,572,510	25,434,139
Income tax expense	<u>(4,704,897)</u>	<u>(3,968,371)</u>	<u>(7,122,193)</u>
Net profit for the years	<u>12,058,087</u>	<u>9,604,139</u>	<u>18,311,946</u>

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BALANCE SHEETS

The following balance sheets are based on the audited financial statements of BMSB as of 31 August 2004, 2005 and 2006:

		←	As of 31 August		→
	Note	2004 RM	2005 RM	2006 RM	
Property, plant and equipment	F1	1,016,101	864,224	922,427	
Current Assets					
Amount due from contract customers	F2	12,302,109	13,276,363	35,702,619	
Trade receivables	F3	4,653,080	17,974,709	16,997,783	
Other receivables, deposits and prepaid expenses	F3	13,611,718	23,286,363	9,447,290	
Cash and bank balances	F7	7,442,456	3,554,131	2,208,426	
		<u>38,009,363</u>	<u>58,091,566</u>	<u>64,356,118</u>	
Current Liabilities					
Amount due to contract customers	F2	-	2,393,219	89,845	
Trade payables	F5	3,632,243	13,141,549	18,145,673	
Other payables and accrued expenses	F5	76,748	371,013	285,705	
Hire-purchase payables	F6	233,329	4,167	49,140	
Tax liabilities		3,825,787	2,193,771	4,059,050	
		<u>7,768,107</u>	<u>18,103,719</u>	<u>22,629,413</u>	
Net Current Assets		30,241,256	39,987,847	41,726,705	
Long-Term and Deferred Liabilities					
Hire-purchase payables	F6	(4,167)	-	(42,922)	
Deferred tax liabilities		(18,565)	(13,307)	(15,500)	
		<u>(22,732)</u>	<u>(13,307)</u>	<u>(58,422)</u>	
Net Assets		<u>31,234,625</u>	<u>40,838,764</u>	<u>42,590,710</u>	
Represented by:					
Issued capital		1,000,000	1,000,000	1,000,000	
Unappropriated profit		30,234,625	39,838,764	41,590,710	
Shareholder's Equity		<u>31,234,625</u>	<u>40,838,764</u>	<u>42,590,710</u>	

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STATEMENTS OF CHANGES IN EQUITY

The following statements of changes in equity are based on the audited financial statements of BMSB for the financial years ended 31 August 2004, 2005 and 2006:

	Issued capital RM	Distributable reserve - Unappropriated profit RM	Total RM
Balance as at 1 September 2003	1,000,000	18,176,538	19,176,538
Net profit for the year	-	12,058,087	12,058,087
Balance as at 31 August 2004	1,000,000	30,234,625	31,234,625
Net profit for the year	-	9,604,139	9,604,139
Balance as at 31 August 2005	1,000,000	39,838,764	40,838,764
Net profit for the year	-	18,311,946	18,311,946
Dividends	-	(16,560,000)	(16,560,000)
Balance as at 31 August 2006	1,000,000	41,590,710	42,590,710

CASH FLOW STATEMENTS

The following cash flow statements of BMSB are based on the audited financial statements of BMSB for the financial years ended 31 August 2004, 2005 and 2006:

	Note	Financial years ended 31 August		
		2004 RM	2005 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		16,762,984	13,572,510	25,434,139
Adjustments for:				
Depreciation of property, plant and equipment		151,877	151,877	143,142
Interest expense		29,975	27,575	2,044
Interest income		(41,306)	(272,929)	(94,255)
Operating Profit Before Working Capital Changes		16,903,530	13,479,033	25,485,070
(Increase)/Decrease in:				
Amount due from contract customers		(5,160,248)	(974,254)	(22,426,256)
Trade receivables		2,075,072	(13,321,629)	976,926

(Forward)

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	Note	Financial years ended 31 August		
		2004 RM	2005 RM	2006 RM
Other receivables and prepaid expenses		(8,820,494)	(9,674,645)	13,839,073
Amount due from Directors		5,026,766	-	-
Bank balance under joint account	F7	(5,264,284)	7,071,810	49,195
Increase/(Decrease) in:				
Amount due to contract customers		-	2,393,219	(2,303,374)
Trade payables		93,012	9,509,306	5,004,124
Other payables and accrued expenses		(48,317)	294,265	(85,308)
Cash Generated From Operations		4,805,037	8,777,105	20,539,450
Interest received		41,306	272,929	94,255
Income tax paid		(3,924,016)	(5,605,645)	(5,254,721)
Net Cash From Operating Activities		922,327	3,444,389	15,378,984
CASH FLOWS USED IN INVESTING ACTIVITY				
Purchase of property, plant and equipment		(432,688)	-	(101,345)
Net Cash Used In Investing Activity		(432,688)	-	(101,345)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Interest paid		(29,975)	(27,575)	(2,044)
Repayment of hire purchase payable		(266,671)	(233,329)	(12,105)
Dividend paid		-	-	(16,560,000)
Net Cash Used In Financing Activities		(296,646)	(260,904)	(16,574,149)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		192,993	3,183,485	(1,296,510)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		127,451	320,444	3,503,929
CASH AND CASH EQUIVALENTS AT END OF YEAR	F7	320,444	3,503,929	2,207,419

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Note:

Property, plant and equipment acquired under hire-purchase arrangements for the financial years ended 31 August 2004, 2005 and 2006 are as follows:

	Financial years ended 31 August		
	2004	2005	2006
	RM	RM	RM
Motor Vehicles			
Amount under hire-purchase arrangement	400,000	-	100,000
Cash payments	430,000	-	101,345
	<u>830,000</u>	<u>-</u>	<u>201,345</u>
Total cost	<u>830,000</u>	<u>-</u>	<u>201,345</u>

NOTES TO BMSB'S FINANCIAL STATEMENTS**F1. PROPERTY, PLANT AND EQUIPMENT**

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer RM	Total RM
2004					
Cost					
At beginning of year	13,461	364,500	10,700	116,290	504,951
Additions	-	830,000	2,688	-	832,688
	<u>13,461</u>	<u>1,194,500</u>	<u>13,388</u>	<u>116,290</u>	<u>1,337,639</u>
Accumulated Depreciation					
At beginning of year	(2,679)	(105,900)	(3,112)	(57,970)	(169,661)
Charge for the year	(1,346)	(119,450)	(2,008)	(29,073)	(151,877)
	<u>(4,025)</u>	<u>(225,350)</u>	<u>(5,120)</u>	<u>(87,043)</u>	<u>(321,538)</u>
Net Book Value					
As of 31 August 2004	<u>9,436</u>	<u>969,150</u>	<u>8,268</u>	<u>29,247</u>	<u>1,016,101</u>
As of 31 August 2003	<u>10,782</u>	<u>258,600</u>	<u>7,588</u>	<u>58,320</u>	<u>335,290</u>
Depreciation charge for 2003	<u>1,346</u>	<u>36,450</u>	<u>1,605</u>	<u>29,073</u>	<u>68,474</u>

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	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer RM	Total RM
2005					
Cost					
At beginning and end of year	13,461	1,194,500	13,388	116,290	1,337,639
Accumulated Depreciation					
At beginning of year	(4,025)	(225,350)	(5,120)	(87,043)	(321,538)
Charge for the year	(1,346)	(119,450)	(2,009)	(29,072)	(151,877)
At end of year	(5,371)	(344,800)	(7,129)	(116,115)	(473,415)
Net Book Value					
As of 31 August 2005	8,090	849,700	6,259	175	864,224
As of 31 August 2004	9,436	969,150	8,268	29,247	1,016,101
Depreciation charge for 2004	1,346	119,450	2,008	29,073	151,877
2006					
Cost					
At beginning of year	13,461	1,194,500	13,388	116,290	1,337,639
Additions	-	200,765	580	-	201,345
At end of year	13,461	1,395,265	13,968	116,290	1,538,984
Accumulated Depreciation					
At beginning of year	(5,371)	(344,800)	(7,129)	(116,115)	(473,415)
Charge for the year	(1,346)	(139,526)	(2,095)	(175)	(143,142)
At end of year	(6,717)	(484,326)	(9,224)	(116,290)	(616,557)
Net Book Value					
As of 31 August 2006	6,744	910,939	4,744	-	922,427
As of 31 August 2005	8,090	849,700	6,259	175	864,224
Depreciation charge for 2005	1,346	119,450	2,009	29,072	151,877

11. ACCOUNTANTS' REPORT (cont'd)

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The depreciation charge is allocated as follows:

	Financial years ended 31 August		
	2004 RM	2005 RM	2006 RM
Income statement	75,939	75,939	71,571
Contract costs	75,938	75,938	71,571
	<u>151,877</u>	<u>151,877</u>	<u>143,142</u>

Motor vehicles of BMSB with net book values amounting to RM945,000 as of 31 August 2004; RM165,000 as of 31 August 2005; and RM180,688 as of 31 August 2006 were under hire-purchase arrangements.

Motor vehicles of BMSB with net book values amounting to RM747,000 as of 31 August 2004; RM664,000 as of 31 August 2005; and RM761,688 as of 31 August 2006 are registered in the name of a director who is also a shareholder of BMSB and are held in trust by the said director for BMSB.

Included in property, plant and equipment of BMSB are fully depreciated computers which are still in use, with a cost of RM115,591 as of 31 August 2004, 2005 and 2006.

F2. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	As of 31 August		
	2004 RM	2005 RM	2006 RM
Contract costs incurred	61,174,892	100,904,544	184,265,419
Profit attributable to work performed todate	42,830,137	56,887,853	82,771,045
	104,005,029	157,792,397	267,036,464
Eliminated due to completion of projects	-	-	(10,288,651)
	104,005,029	157,792,397	256,747,813
Progress billings received and receivable	(91,702,920)	(146,909,253)	(231,423,690)
Eliminated due to completion of projects	-	-	10,288,651
	(91,702,920)	(146,909,253)	(221,135,039)
	<u>12,302,109</u>	<u>10,883,144</u>	<u>35,612,774</u>
Represented by:			
Amount due from contract customers	12,302,109	13,276,363	35,702,619
Amount due to contract customers	-	(2,393,219)	(89,845)
	<u>12,302,109</u>	<u>10,883,144</u>	<u>35,612,774</u>

11. ACCOUNTANTS' REPORT (cont'd)

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Included in contract costs incurred during the financial years are the following:

	Financial years ended 31 August		
	2004 RM	2005 RM	2006 RM
Depreciation of property, plant and equipment	75,938	75,938	71,571
Staff costs	123,575	144,822	203,467

F3. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables arose mainly from progress billings in respect of construction contracts undertaken. The normal credit period granted by BMSB to its customers is 30 to 90 days. However, extensions are assessed and approved on a case by case basis.

	← As of 31 August →		
	2004 RM	2005 RM	2006 RM
Trade receivables	4,176,864	16,190,095	15,423,653
<u>Add:</u>			
Retention sum	476,216	1,784,614	1,574,130
Total	4,653,080	17,974,709	16,997,783

Other receivables, deposits and prepaid expenses consist of the following:

	← As of 31 August →		
	2004 RM	2005 RM	2006 RM
Other receivables	12,214,310	18,209,435	116,900
Advances to sub-contractors	-	3,990,000	8,410,073
Refundable deposits	76,590	90,430	20,940
Prepaid expenses	1,320,818	996,498	899,377
	13,611,718	23,286,363	9,447,290

F4. RELATED PARTY TRANSACTIONS

Related parties are entities which have common directors and/or shareholders with BMSB. Included in the balance sheet of BMSB are amounts owing by/(to) related parties. The relationships of the said related parties with BMSB are as follows:

Related parties	Relationship
DSB Development Sdn. Bhd.	A company in which Dato' Yap Suan Chee and Radzulai Bin Yahaya, the directors and shareholders of BMSB are directors and shareholders.

11. ACCOUNTANTS' REPORT (cont'd)

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Related parties	Relationship
Melati Ehsan Development Sdn. Bhd.	A company in which Dato' Yap Suan Chee and Radzulai Bin Yahaya, the directors and shareholders of BMSB, are directors and shareholders.
Melati Ehsan (M) Sdn. Bhd.	A company in which Dato' Yap Suan Chee, Radzulai Bin Yahaya and Zaitun Binti Dato' Seri Abu Bakar, the directors and shareholders of BMSB, are directors and shareholders.
Pembinaan Kery Sdn. Bhd.	A company in which Dato' Yap Suan Chee and Radzulai Bin Yahaya, the directors and shareholders of BMSB, are directors and shareholders.
Konsortium Syarikat Bina Darul Aman Berhad – Pembinaan Kery Sdn. Bhd.	Joint venture of Pembinaan Kery Sdn. Bhd., a company in which Dato' Yap Suan Chee and Radzulai Bin Yahaya, the directors and shareholders of BMSB, are directors and shareholders.
Konsortium Melati Ehsan (M) Sdn. Bhd. – Desa Purnama Sdn. Bhd.	Joint venture of Melati Ehsan (M) Sdn. Bhd., a company in which Dato' Yap Suan Chee, Radzulai Bin Yahaya and Zaitun Binti Dato' Seri Abu Bakar, the directors and shareholders of BMSB, are directors and shareholders.
Konsortium Nusa Baiduri Sdn. Bhd. – Brem Maju Sdn. Bhd. – Seberang Cempaka Sdn. Bhd.	Joint venture of Nusa Baiduri Sdn. Bhd., a company in which Zaitun Binti Dato' Seri Abu Bakar, a director and shareholder of BMSB until 20 June 2006 and spouse of Radzulai Bin Yahaya, was a director and shareholder until 20 January 2005 and 20 June 2006 respectively.
Mega Legacy (M) Sdn. Bhd.	A company in which Dato' Yap Suan Chee and Zaitun Binti Dato' Seri Abu Bakar, the directors and shareholders of BMSB, are directors and shareholders.
Maris Development Sdn. Bhd.	A company in which Radzulai Bin Yahaya, a director and shareholder of BMSB, is a director and Dato' Yap Suan Chee, a director and shareholder of BMSB, is a shareholder (Dato' Yap Suan Chee resigned as a director effective 2 August 2005).
Nusa Baiduri Sdn. Bhd.	A company in which Zaitun Binti Dato' Seri Abu Bakar, a director and shareholder of BMSB until 20 June 2006 and spouse of Radzulai Bin Yahaya, was a director and shareholder until 20 January 2005 and 20 June 2006 respectively.
Paramount Venue Sdn. Bhd.	A company in which Zaitun Binti Dato' Seri Abu Bakar and Radzulai Bin Yahaya, the directors and shareholders of BMSB, are directors and shareholders.

11. ACCOUNTANTS' REPORT (cont'd)**Deloitte KassimChan**

The outstanding balances arising from transactions with related parties are as follows:

	2004	As of 31 August	
	RM	2005	2006
		RM	RM
Trade receivables	476,216	17,974,709	16,997,783
Other receivables, deposits and prepaid expenses	12,065,260	-	1,484,011
Trade payables	<u>(1,437,128)</u>	<u>(471,229)</u>	<u>(292,219)</u>

The amount included in trade receivables arose from progress billings and retention sums in respect of construction contracts undertaken.

The amount included in other receivables, deposits and prepaid expenses mainly arose from advances granted to customers and a sub-contractor which is unsecured and interest-free with no fixed terms of repayment.

The amount included in trade payables represented progress claims received in respect of construction contracts undertaken.

During the financial period under consideration, significant transactions between BMSB and its related parties are as follows:

Name of Company	Nature	Financial years ended 31 August		
		2004	2005	2006
		RM	RM	RM
Konsortium Melati Ehsan (M) Sdn. Bhd. – Desa Purnama Sdn. Bhd.	Progress billings receivable from	-	6,416,000	42,098,400
Melati Ehsan Development Sdn Bhd	Progress billings receivable from	-	-	5,985,213
DSB Development Sdn. Bhd.	Progress billings receivable from	-	13,803,601	3,163,003
Melati Ehsan (M) Sdn Bhd	Secondment fees receivable from	-	96,000	-
Konsortium Nusa Baiduri Sdn. Bhd. – Brem Maju Sdn. Bhd. – Seberang Cempaka Sdn. Bhd.	Progress billings receivable from	9,190,363	1,098,288	-
Konsortium Syarikat Bina Darul Aman Berhad – Pembinaan Kery Sdn. Bhd.	Progress billings receivable from	-	4,940,000	-

(Forward)

11. ACCOUNTANTS' REPORT (cont'd)

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Name of Company	Nature	Financial years ended 31 August		
		2004 RM	2005 RM	2006 RM
Pembinaan Kery Sdn. Bhd.	Administrative fees received	-	133,380	-
	Management fees paid	-	(133,380)	-
	Progress claims payable to	(9,493,644)	-	-

F5. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables arose mainly from progress claims in respect of construction contracts undertaken. The normal credit term granted to BMSB ranges from 30 to 90 days.

	As of 31 August		
	2004 RM	2005 RM	2006 RM
Trade payables	1,261,225	10,318,296	15,445,822
<u>Add:</u> Retention sum	2,371,018	2,823,253	2,699,851
Total	3,632,243	13,141,549	18,145,673

Other payables and accrued expenses consist of the following:

	As of 31 August		
	2004 RM	2005 RM	2006 RM
Other payables	71,548	364,813	279,505
Accrued expenses	5,200	6,200	6,200
	76,748	371,013	285,705

11. ACCOUNTANTS' REPORT (cont'd)

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F6. HIRE-PURCHASE PAYABLE

	← As of 31 August →		
	2004 RM	2005 RM	2006 RM
Total outstanding	266,269	5,365	96,616
Less: Interest-in-suspense	(28,773)	(1,198)	(4,554)
Principal outstanding	237,496	4,167	92,062
Less: Amount due within 12 months (shown under current liabilities)	(233,329)	(4,167)	(49,140)
Non-current portion	4,167	-	42,922

F7. CASH AND CASH EQUIVALENTS

- (a) Included in bank balances for the respective financial years is a joint account maintained with Perbadanan Kemajuan Negeri Selangor ("PKNS"), the landowner and developer of Bayu Damansara Project, under a privatisation agreement entered into by BMSB and PKNS. BMSB had been appointed as the turnkey contractor for Bayu Damansara Project under the said privatisation agreement.

All proceeds collected from the sale of the properties are deposited in the said bank account and held on behalf of PKNS.

- (b) Cash and cash equivalents included in the cash flow statement comprise the following:

	← As of 31 August →		
	2004 RM	2005 RM	2006 RM
Bank balances	7,442,456	3,554,131	2,208,426
Less: Bank balances under joint account with PKNS	(7,122,012)	(50,202)	(1,007)
	320,444	3,503,929	2,207,419

F8. FINANCIAL INSTRUMENTS**Financial Risk Management Objectives and Policies**

BMSB does not have any formal financial risk management policies. Financial risk management is practised informally based on personal judgement and business acumen of the directors of BMSB.

The activities of BMSB are exposed to variety of financial risks including credit risk, liquidity risk and cash flow risk.

11. ACCOUNTANTS' REPORT *(cont'd)*

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(i) Credit risk

BMSB is exposed to credit risk mainly from related parties indebtedness.

Trade receivables amounting to RM476,216 as of 31 August 2004, RM17,974,709 as of 31 August 2005 and RM16,997,783 as of 31 August 2006 represented balances solely owing by related parties which arose from progress billings and retention sums in respect of construction contracts undertaken.

(ii) Liquidity risk

BMSB practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(iii) Cash flow risk

BMSB reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair Values

The fair values of the financial assets and financial liabilities reported in the balance sheet approximate the carrying amounts of these assets and liabilities because of the immediate or short-term maturity of these instruments.

11. ACCOUNTANTS' REPORT (cont'd)

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G. HISTORICAL FINANCIAL STATEMENTS OF KERY**INCOME STATEMENTS**

The following income statements are based on the audited financial statements of Kery for the financial year ended 30 April 2004, financial period 1 May 2004 to 31 August 2005 and financial year ended 31 August 2006:

	Financial year ended 30 April 2004 (12 months) RM	Financial period ended 31 August 2005 (16 months) RM	Financial year ended 31 August 2006 (12 months) RM
Revenue	21,778,130	106,104,798	34,948,774
Cost of sales	<u>(21,299,786)</u>	<u>(92,597,662)</u>	<u>(27,879,513)</u>
Gross profit	478,344	13,507,136	7,069,261
Other operating income	-	-	54,859
Administrative expenses	(288,439)	(504,465)	(401,129)
Other operating expenses	<u>(55,641)</u>	<u>(35,223)</u>	<u>(479,060)</u>
Profit before tax	134,264	12,967,448	6,243,931
Income tax expense	<u>(29,354)</u>	<u>(3,599,313)</u>	<u>(1,848,904)</u>
Net profit for the year/period	<u>104,910</u>	<u>9,368,135</u>	<u>4,395,027</u>

11. ACCOUNTANTS' REPORT (cont'd)

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BALANCE SHEETS

The following balance sheets are based on the audited financial statements of Kery as of 30 April 2004, 31 August 2005 and 2006:

	Note	As of 30 April 2004 RM	As of 31 August 2005 RM	2006 RM
Property, plant and equipment	G1	107,079	74,738	44,557
Current Assets				
Amount due from contract customer	G2	641,379	1,605,683	3,043,921
Trade receivables	G3	2,538,519	92,483,805	33,604,933
Other receivables, deposits and prepaid expenses	G3	895,869	1,270,550	5,800
Cash and bank balances		4,442	1,486,166	35,651
		<u>4,080,209</u>	<u>96,846,204</u>	<u>36,690,305</u>
Current Liabilities				
Amount due to contract customer	G2	571,779	697,300	1,535,040
Trade payable	G6	2,534,188	81,755,722	15,750,298
Other payables and accrued expenses	G6	354,357	1,463,645	1,952,656
Tax liabilities		25,138	2,935,001	3,033,663
		<u>3,485,462</u>	<u>86,851,668</u>	<u>22,271,657</u>
Net Current Assets		594,747	9,994,536	14,418,648
Deferred Liabilities				
Deferred tax liabilities		(4,216)	(3,529)	(2,433)
Net Assets		<u>697,610</u>	<u>10,065,745</u>	<u>14,460,772</u>
Represented by:				
Issued capital		1,000,000	1,000,000	1,000,000
Unappropriated profit/ (Accumulated loss)		(302,390)	9,065,745	13,460,772
Shareholder's Equity		<u>697,610</u>	<u>10,065,745</u>	<u>14,460,772</u>

11. ACCOUNTANTS' REPORT (cont'd)

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STATEMENTS OF CHANGES IN EQUITY

The following statements of changes in equity are based on the audited financial statements of Kery for the financial year ended 30 April 2004, financial period 1 May 2004 to 31 August 2005 and financial year ended 31 August 2006:

	Issued Capital RM	Distributable reserve - Unappropriated profit/ (Accumulated losses) RM	Total RM
Balance as at 1 May 2003	750,000	(407,300)	342,700
Issuance of shares	250,000	-	250,000
Net profit for the year	-	104,910	104,910
Balance as at 30 April 2004	1,000,000	(302,390)	697,610
Net profit for the period	-	9,368,135	9,368,135
Balance as at 31 August 2005	1,000,000	9,065,745	10,065,745
Net profit for the year	-	4,395,027	4,395,027
Balance as at 31 August 2006	1,000,000	13,460,772	14,460,772

11. ACCOUNTANTS' REPORT (cont'd)

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CASH FLOW STATEMENTS

The following cash flow statements are based on the audited financial statements of Kery for the financial year ended 30 April 2004, financial period 1 May 2004 to 31 August 2005 and financial year ended 31 August 2006:

Note	Financial year ended 30 April 2004 (12 months) RM	Financial period ended 31 August 2005 (16 months) RM	Financial year ended 31 August 2006 (12 months) RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax	134,264	12,967,448	6,243,931
Adjustments for:			
Depreciation of property, plant and equipment	32,470	32,341	32,881
Operating Profit Before Working Capital Changes	166,734	12,999,789	6,276,812
(Increase)/Decrease in:			
Amount due from contract customers	(192,038)	(964,304)	(1,438,238)
Trade receivables (Note)	(679,322)	(89,945,286)	5,249,880
Other receivables, deposits and prepaid expenses	(677,933)	(374,681)	1,264,750
Amount due from a Director	7,000	-	-
Increase/(Decrease) in:			
Amount due to contract customers	521,867	125,521	837,740
Trade payables (Note)	656,216	79,221,534	(12,376,432)
Other payables and accrued expenses	157,872	1,109,288	489,011
Amount due to a Director	(314,661)	-	-
Cash Generated From/(Used In) Operations	(354,265)	2,171,861	303,523
Income tax paid	-	(690,137)	(1,751,338)
Net Cash From/(Used In) Operating Activities	(354,265)	1,481,724	(1,447,815)
(Forward)			

11. ACCOUNTANTS' REPORT (cont'd)

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	Note	Financial year ended 30 April 2004 (12 months) RM	Financial period ended 31 August 2005 (16 months) RM	Financial year ended 31 August 2006 (12 months) RM
CASH FLOWS USED IN INVESTING ACTIVITY				
Purchase of Property, Plant and Equipment		(20,111)	-	(2,700)
Net Cash Used In Investing Activity		(20,111)	-	(2,700)
CASH FLOWS FROM FINANCING ACTIVITY				
Proceeds from issue of shares		250,000	-	-
Net Cash From Financing Activity		250,000	-	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(124,376)	1,481,724	(1,450,515)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		128,818	4,442	1,486,166
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	G7	4,442	1,486,166	35,651

Note: During the financial year ended 31 August 2006, Kery, Mega Legacy (M) Sdn Bhd ("Mega Legacy"), being a trade debtor of Kery, and Brem Holding Berhad ("Brem"), being a trade creditor of Kery, entered into an agreement whereby it was agreed that an amount of RM53,628,992 of trade payable owing by Kery to Brem will be paid by Mega Legacy to Brem directly in return for the discharge of the equivalent amount owing by Mega Legacy to Kery.

Pursuant to the above agreement, Brem shall not have any recourse against Kery for the said amount novated by Kery to Mega Legacy subject to Mega Legacy obtaining a written consent from its customer, Dewan Bandaraya Kuala Lumpur ("DBKL"), to approve the said novation, for which payments from the joint project account shall be made directly to Brem. Mega Legacy obtained the written consent from DBKL, approving the novation on 14 December 2006.

11. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO KERY'S FINANCIAL STATEMENTS

G1. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer RM	Total RM
2004					
Cost					
At beginning of year	1,302	293,014	2,478	-	296,794
Additions	-	-	12,300	7,811	20,111
At end of year	1,302	293,014	14,778	7,811	316,905
Accumulated Depreciation					
At beginning of year	(1,172)	(175,808)	(376)	-	(177,356)
Charge for the year	(128)	(29,301)	(1,479)	(1,562)	(32,470)
At end of year	(1,300)	(205,109)	(1,855)	(1,562)	(209,826)
Net Book Value					
As of 30 April 2004	2	87,905	12,923	6,249	107,079
As of 30 April 2003	130	117,206	2,102	-	119,438
Depreciation charge for 2003	131	29,300	248	-	29,679
	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer RM	Total RM
2005					
Cost					
At beginning and end of period	1,302	293,014	14,778	7,811	316,905
Accumulated Depreciation					
At beginning of period	(1,300)	(205,109)	(1,855)	(1,562)	(209,826)
Charge for the period	-	(29,302)	(1,477)	(1,562)	(32,341)
At end of period	(1,300)	(234,411)	(3,332)	(3,124)	(242,167)
Net Book Value					
As of 31 August 2005	2	58,603	11,446	4,687	74,738
As of 30 April 2004	2	87,905	12,923	6,249	107,079
Depreciation charge for 2004	128	29,301	1,479	1,562	32,470

11. ACCOUNTANTS' REPORT (cont'd)

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	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Computer RM	Total RM
2006					
Cost					
At beginning of year	1,302	293,014	14,778	7,811	316,905
Additions	-	-	-	2,700	2,700
At end of year	1,302	293,014	14,778	10,511	319,605
Accumulated Depreciation					
At beginning of year	(1,300)	(234,411)	(3,332)	(3,124)	(242,167)
Charge for the year	-	(29,301)	(1,478)	(2,102)	(32,881)
At end of year	(1,300)	(263,712)	(4,810)	(5,226)	(275,048)
Net Book Value					
As of 31 August 2006	2	29,302	9,968	5,285	44,557
As of 31 August 2005	2	58,603	11,446	4,687	74,738
Depreciation charge for 2005	-	29,302	1,477	1,562	32,341

Included in property, plant and equipment of Kery are fully depreciated furniture and fittings which are still in use, with a cost of RM1,302 as of 30 April 2004, 31 August 2005 and 31 August 2006.

G2. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	As of 30 April 2004 RM	As of 31 August 2005 RM	2006 RM
Contract costs incurred	29,943,311	119,601,470	148,176,374
Profit attributable to work performed todate	1,218,057	14,731,045	21,866,315
	31,161,368	134,332,515	170,042,689
Eliminated due to completion of projects	(1,437,996)	-	(35,331,193)
Total	29,723,372	134,332,515	134,711,496
Progress billings received and receivable	(31,091,768)	(133,424,132)	(168,469,552)
Eliminated due to completion of projects	1,437,996	-	35,266,937
	(29,653,772)	(133,424,132)	(133,202,615)
	69,600	908,383	1,508,881

(Forward)

11. ACCOUNTANTS' REPORT (cont'd)

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	As of 30 April 2004 RM	As of 31 August 2005 RM	2006 RM
Represented by:			
Amount due from contract customers	641,379	1,605,683	3,043,921
Amount due to contract customers	(571,779)	(697,300)	(1,535,040)
	<u>69,600</u>	<u>908,383</u>	<u>1,508,881</u>

G3. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables arose mainly from progress billings in respect of construction contracts undertaken. The normal credit period granted by Kery to its customers is 30 to 90 days. However, extensions are assessed and approved on a case by case basis.

	As of 30 April 2004 RM	As of 31 August 2005 RM	2006 RM
Trade receivables	521,349	87,982,293	31,999,479
<u>Add:</u>			
Retention sum	2,017,170	4,501,512	1,605,454
Total	<u>2,538,519</u>	<u>92,483,805</u>	<u>33,604,933</u>

Other receivables, deposits and prepaid expenses consist of the following:

	As of 30 April 2004 RM	As of 31 August 2005 RM	2006 RM
Other receivables	722,569	25,350	2,100
Advances to sub-contractors	-	1,245,000	-
Deposits	-	200	3,700
Prepaid expenses	173,300	-	-
	<u>895,869</u>	<u>1,270,550</u>	<u>5,800</u>

G4. RELATED PARTY TRANSACTIONS

Related parties are entities which have common directors and/or shareholders with Kery. Included in the balance sheet of Kery are amounts owing by/(to) related parties. The relationships of the said related parties with Kery are as follows:

Related parties	Relationship
Bayu Melati Sdn. Bhd.	A company in which Dato' Yap Suan Chee and Radzulai Bin Yahaya, the directors and shareholders of Kery, and the wife of Dato' Yap Suan Chee, are directors and shareholders.

11. ACCOUNTANTS' REPORT (cont'd)

Deloitte KassimChan

Related parties	Relationship
Melati Ehsan Development Sdn. Bhd.	A company in which Dato' Yap Suan Chee, Radzulai Bin Yahaya and Dato' Mohd Zain Bin Yahya, the directors and shareholders of Kery, are directors. Dato' Yap Suan Chee and Radzulai Bin Yahaya are also shareholders of the said related party.
Mega Legacy (M) Sdn. Bhd.	A company in which Dato' Yap Suan Chee and Tan Hong Hing @ Tan Eng Hing, the directors and shareholders of Kery, are directors and shareholders.
Bonus Focus (M) Sdn. Bhd.	A company in which Dato' Yap Suan Chee and Radzulai Bin Yahaya, the directors and shareholders of Kery, are directors and shareholders.
Melati Ehsan (M) Sdn Bhd	A company in which Dato' Yap Suan Chee and Radzulai Bin Yahaya, the directors and shareholders of Kery, are directors and shareholders.
Nusa Baiduri Sdn Bhd	A company in which a spouse of Radzulai bin Yahaya, a director and shareholder of Kery, was a director and shareholder until 20 January 2005 and 20 June 2006 respectively.

The outstanding balances arising from transactions with related parties are as follows:

	As of 30 April	As of 31 August	
	2004	2005	2006
	RM	RM	RM
Trade receivables	1,669,268	81,079,304	20,465,486
Other receivables, deposits and prepaid expenses	418,365	-	-
Other payables and accrued expenses	<u>(345,000)</u>	<u>-</u>	<u>(1,484,011)</u>

The amount included in trade receivables arose from progress billings and retention sums in respect of construction contracts undertaken.

The amount included in other receivables, deposits and prepaid expenses mainly arose from advances granted to a customer which are unsecured and interest-free with no fixed terms of repayment.

The amount included in other payables and accrued expenses arose from advances received from a customer which is unsecured and interest-free with no fixed terms of repayment.

11. ACCOUNTANTS' REPORT *(cont'd)*

Deloitte KassimChan

During the financial period under consideration, significant transactions between Kery and its related parties are as follows:

Name of Company	Nature	Financial year ended 30 April 2004 (12 months) RM	Financial period ended 31 August 2005 (16 months) RM	Financial year ended 31 August 2006 (12 months) RM
Mega Legacy (M) Sdn Bhd	Progress billings receivable from	-	80,167,323	18,722,920
	Novation of outstanding trade debts to a trade payable (Note)(Note G6)	-	-	53,628,992
Melati Ehsan Development Sdn Bhd	Progress billings receivable from	9,665,529	1,938,367	10,801,422
Bonus Focus (M) Sdn Bhd	Progress billings receivable from	-	-	1,200,734
Bayu Melati Sdn Bhd	Progress billings receivable from	9,113,607	4,828,960	-

Note:

During the financial year ended 31 August 2006, Kery, Mega Legacy (M) Sdn Bhd ("Mega Legacy"), being a trade debtor of Kery, and Brem Holding Berhad ("Brem"), being a trade creditor of Kery, entered into an agreement whereby it was agreed that an amount of RM53,628,992 of trade payable owing by Kery to Brem will be paid by Mega Legacy to Brem directly in return for the discharge of the equivalent amount owing by Mega Legacy to Kery.

Pursuant to the above agreement, Brem shall not have any recourse against Kery for the said amount novated by Kery to Mega Legacy subject to Mega Legacy obtaining a written consent from its customer, Dewan Bandaraya Kuala Lumpur ("DBKL"), to approve the said novation, for which payments from the joint project account shall be made directly to Brem. Mega Legacy obtained the written consent from DBKL, approving the novation on 14 December 2006.

11. ACCOUNTANTS' REPORT (cont'd)

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G5. JOINT VENTURES

(a) Interest in Joint Ventures

The financial statements of Kery include the following joint venture operations:

Joint Ventures	Effective Interest			Principal Activities
	Year ended	Period ended	Year ended	
	30 April	31 August	31 August	
	(12 months)	(16 months)	(12 months)	
	2004	2005	2006	
	%	%	%	
Pembinaan Kery Sdn Bhd – Pertubuhan Peladang Kawasan Lahar Bubu (“PPKLB”)	-	80	80	Construction of detention pond, channel improvement, new drains, installation of flap gates and flood protection bunds (“BERTAM Project”)
Konsortium Syarikat Bina Darulaman Berhad – Pembinaan Kery Sdn Bhd	-	45	45	Construction of a 2-lane single carriageway road from Durian Burung to Kupang in Kedah (“TEKIH Project”)

BERTAM Project and TEKIH Project were awarded by Jabatan Pengairan dan Salinan Malaysia dan Jabatan Kerja Raya respectively to the joint ventures. Thereafter, the joint ventures sub-contracted the BERTAM Project to Kery and the TEKIH Project to BMSB.

The following amounts represent Kery's proportionate share of assets and liabilities of the unincorporated joint ventures and have been included in the financial statements under their respective classification categories:

	As of 31 August	
	2005 RM	2006 RM
Current Assets		
Trade receivables	2,935,724	1,317,947
Bank balances	945	913
	<u>2,936,669</u>	<u>1,318,860</u>
Current Liabilities		
Trade payables	2,935,724	1,317,947
Other payables and accrued expenses	945	945
	<u>2,936,669</u>	<u>1,318,892</u>
Net Current Liabilities	<u>-</u>	<u>(32)</u>

11. ACCOUNTANTS' REPORT (cont'd)

Deloitte KassimChan

Kery's proportionate share of the income and expenses of the unincorporated joint ventures are as follows:

	Period ended 31 August 2005 (16 months) RM	Year ended 31 August 2006 (12 months) RM
Contract revenue	2,935,724	755,487
Contract costs	<u>(2,935,724)</u>	<u>(712,723)</u>
Gross profit	-	42,764
Other operating expenses	<u>-</u>	<u>(42,796)</u>
Loss before tax	<u>-</u>	<u>(32)</u>

The financial statements of Kery reflect the following significant transactions with the joint ventures:

	Period ended 31 August 2005 (16 months) RM	Year ended 31 August 2006 (12 months) RM
Pembinaan Kery Sdn Bhd - PPKLB: Progress billings receivable from	<u>7,947,428</u>	<u>3,874,072</u>

G6. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables arose mainly from progress claims in respect of construction contracts undertaken net of novation of trade debts owing by a related party as mentioned in Note G4. The normal credit term granted to Kery ranges from 30 to 90 days.

	As of 30 April 2004 RM	As of 31 August 2005 RM	2006 RM
Trade payables	518,349	76,753,301	14,565,643
<u>Add:</u> Retention sum	<u>2,015,839</u>	<u>5,002,421</u>	<u>1,184,655</u>
Total	<u>2,534,188</u>	<u>81,755,722</u>	<u>15,750,298</u>

11. ACCOUNTANTS' REPORT (cont'd)

Deloitte KassimChan

Other payables and accrued expenses consist of the following:

	As of 30 April 2004 RM	As of 31 August	
		2005 RM	2006 RM
Other payables	346,400	1,457,945	945
Advances from a customer	-	-	1,484,011
Accrued expenses	7,957	5,700	467,700
	<u>354,357</u>	<u>1,463,645</u>	<u>1,952,656</u>

G7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise bank balances.

G8. FINANCIAL INSTRUMENTS**Financial Risk Management Objectives and Policies**

Kery does not have any formal financial risk management policies. Financial risk management is practised informally based on personal judgement and business acumen of the directors of Kery.

The activities of Kery are exposed to variety of financial risks including credit risk, liquidity risk and cash flow risk.

(i) Credit risk

Kery is exposed to credit risk mainly from related parties indebtedness.

Trade receivables amounting to RM1,669,268 as of 30 April 2004, RM81,079,304 as of 31 August 2005 and RM20,465,486 as of 31 August 2006 represented balances solely owing by related parties which arose from progress billings and retention sums in respect of construction contracts undertaken.

(ii) Liquidity risk

Kery practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(iii) Cash flow risk

Kery reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair Values

The fair values of the financial assets and financial liabilities reported in the balance sheet approximate the carrying amounts of these assets and liabilities because of the immediate or short-term maturity of these instruments.

11. ACCOUNTANTS' REPORT (cont'd)

Deloitte KassimChan

G9. RESTATEMENT OF ACCOUNTS

Certain accounts of the audited financial statements of Kery for the financial period 1 May 2004 to 31 August 2005 (16 months) have been restated to conform with the presentation of its audited financial statements for the financial year ended 31 August 2006:

	As previously reported RM	Restatement RM	As restated RM
2005			
Income Statement:			
Contract revenue	103,169,074	2,935,724	106,104,798
Contract costs	89,661,938	2,935,724	92,597,662
Balance Sheet:			
Trade receivables	89,548,081	2,935,724	92,483,805
Bank balances	1,485,221	945	1,486,166
Trade payables	78,819,998	2,935,724	81,755,722
Other payables and accrued expenses	1,462,700	945	1,463,645

H. KEY FINANCIAL RATIOS**MEH**

	Financial period ended 31 August 2005 (9 months) RM	Financial year ended 31 August 2006 (12 months) RM
Number of ordinary shares of RM1.00/RM0.50 each *	2	4
Pre-tax loss per ordinary share of RM1.00/RM0.50 each*	(223,962)	(9,939)
Net loss per ordinary share of RM1.00/RM0.50 each*	(223,962)	(9,939)
Net tangible liabilities per ordinary share of RM1.00/RM0.50 each based on number of shares in issue as at balance sheet date*	(223,961)	(121,919)
After-tax loss on shareholders' funds (%)	(100)	(8)

* The issued and paid-up share capital of MEH in 2005 was RM2, consisting of 2 ordinary shares of RM1 each. Pursuant to the approval of shareholders at an Extraordinary General Meeting held on 1 June 2006, the issued and paid up share capital of MEH comprising two (2) ordinary shares of RM1 each were subdivided into four (4) ordinary shares of RM0.50 each and that the authorized share capital of MEH, comprising 100,000 ordinary shares of RM1.00 each were altered by subdividing them into 200,000 ordinary shares of RM0.50 each. Accordingly, the authorized share capital of MEH in 2006 represent RM100,000 comprising 200,000 ordinary shares of RM0.50 each and the issued and paid up share capital represent four (4) ordinary shares of RM0.50 each.

11. ACCOUNTANTS' REPORT (cont'd)

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BMSB

	Financial years ended 31 August		
	2004 RM	2005 RM	2006 RM
Number of ordinary shares of RM1.00 each	1,000,000	1,000,000	1,000,000
Pre-tax earnings per ordinary share of RM1.00 each	16.76	13.57	25.43
Net earnings per ordinary share of RM1.00 each	12.06	9.60	18.31
Gross profit margin (%)	34.95	26.67	23.70
Net profit margin (%)	24.22	17.68	16.76
Effective tax rate (%)	28	29	28
Trade receivables turnover days	34	107	67
Trade payables turnover days	14	95	68
Net tangible assets per ordinary share of RM1.00 each based on number of shares in issue as at balance sheet date	31.23	40.84	42.59
After-tax return on shareholder's funds (%)	38.60	23.52	43.00

KERY

	Financial year ended 30 April 2004 (12 months) RM	Financial period ended 31 August 2005 (16 months) RM	Financial year ended 31 August 2006 (12 months) RM
Number of ordinary shares of RM1.00 each	1,000,000	1,000,000	1,000,000
Pre-tax earnings per ordinary share of RM1.00 each	0.13	12.97	6.24
Net earnings per ordinary share of RM1.00 each	0.10	9.37	4.40

(Forward)

11. ACCOUNTANTS' REPORT (cont'd)

Deloitte KassimChan

	Financial year ended 30 April 2004 (12 months) RM	Financial period ended 31 August 2005 (16 months) RM	Financial year ended 31 August 2006 (12 months) RM
Gross profit margin (%)	2.20	12.73	20.23
Net profit margin (%)	0.48	8.83	12.58
Effective tax rate (%)	22	28	30
Trade receivables turnover days	9	420 *	333
Trade payables turnover days	9	418 ^	186
Net tangible assets per ordinary share of RM1.00 each based on number of shares in issue as at balance sheet date	0.70	10.07	14.46
After-tax return on shareholder's funds (%)	15.04	93.07	30.39

* Trade receivables turnover period was high as of 31 August 2005 due mainly to amount owing from Mega Legacy (M) Sdn. Bhd. During the financial year ended 31 August 2006, Mega Legacy (M) Sdn. Bhd., Brem Holding Berhad, a trade creditor and Kery entered into an arrangement whereby it is agreed that RM53,628,992 trade payable owing by Kery to Brem Holding Berhad will be paid by Mega Legacy (M) Sdn Bhd to Brem Holding Berhad in return for the discharge of RM53,628,992 amount owing by Mega Legacy (M) Sdn Bhd to Kery.

^ Trade payables turnover period was high as of 31 August 2005 due mainly to amount owing to Brem Holding Berhad as Kery was still awaiting repayment from Mega Legacy (M) Sdn. Bhd. before it is able to repay Brem Holding Berhad. However, during the financial year ended 31 August 2006, Mega Legacy (M) Sdn. Bhd., a trade debtor, Brem Holding Berhad and Kery entered into an arrangement whereby it is agreed that RM53,628,992 trade payable owing by Kery to Brem Holding Berhad will be paid by Mega Legacy (M) Sdn Bhd to Brem Holding Berhad in return for the discharge of RM53,628,992 amount owing by Mega Legacy (M) Sdn Bhd to Kery.

Note: Pursuant to the above agreement, Brem Holding Berhad shall not have any recourse against Kery for the RM53,628,992 of which a written consent has been obtained by Mega Legacy (M) Sdn Bhd from its customer, Dewan Bandaraya Kuala Lumpur, approving the said novation, for the payments from the joint project account to be made directly to Brem Holding Berhad.

11. ACCOUNTANTS' REPORT *(cont'd)*

Deloitte KassimChan

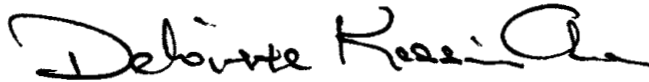
I. AUDITED FINANCIAL STATEMENTS

No audited financial statements of MEH, BMSB and Kery have been prepared in respect of any period subsequent to 31 August 2006.

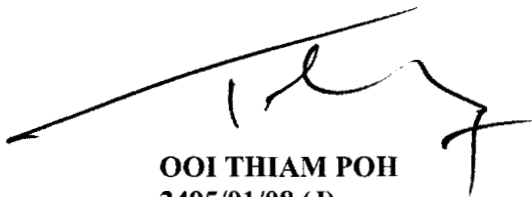
J. SUBSEQUENT EVENTS

There are no significant events occurred subsequent to the date of the latest audited financial statements of MEH, BMSB and Kery, until the date of this Report which will require the adjustments to or disclosure in the financial statements.

Yours very truly,



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



OOI THIAM POH
2495/01/08 (J)
Partner

11. ACCOUNTANTS' REPORT (cont'd)



Room 602, 6th Flr, Bangunan Toong Hsing Loong
 26 Jalan Petaling, 50000 Kuala Lumpur
 Tel No.: 03- 2078 7848 (Hunting Lines)
 Tel No.: 03- 2078 0899 Fax No.: 03-2072 6923
 Offices In Melaka, Johor Bahru

**REPORT OF THE AUDITORS TO THE MEMBERS OF
 MELATI EHSAN HOLDINGS SDN BHD
 (Formerly Known as Zejora Ehsan Sdn Bhd)
 (Incorporated In Malaysia)**

We have audited the financial statements set out on pages 6 to 11 of **MELATI EHSAN HOLDINGS SDN BHD** (Formerly Known as Zejora Ehsan Sdn Bhd) as of 31 August 2005. These financial statements are the responsibility of the Company's directors.


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


We conducted our audit in accordance with Approved 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As at 31 August 2005, the Company has net current liabilities and a deficit in shareholder's funds of RM447,922. The ability of the Company to continue as a going concern is dependent upon the continuous support of the Company's shareholders and the availability of funds to meet its obligations as and when they fall due.

In our opinion :-

- a) except for the effects of such adjustments, if any, as might have been determined to be necessary should the going concern basis of preparing the financial statements proved inappropriate, the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of :-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;
 - (ii) the state of affairs of the Company at 31 August 2005 and its results and cash flows for the period ended 31 August 2005; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said


 YEO & ASSOCIATES
 AF 0626
 Chartered Accountants


 YEO MIOU CHENG
 1213/8/07(J)
 Chartered Accountant (M)

Kuala Lumpur
 Dated : 10 FEB 2006

11. ACCOUNTANTS' REPORT (cont'd)

Deloitte

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58, Damansara Uptown
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REPORT OF THE AUDITORS TO THE MEMBERS OF

MELATI EHSAN HOLDINGS SDN. BHD.

(Incorporated in Malaysia)

We have audited the accompanying balance sheet as of 31 August 2006 and the related statements of income, cash flows and changes in equity for the year then ended. 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 these 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 contents 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Company as of 31 August 2006 and of the results and the cash flows of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and

(Forward)

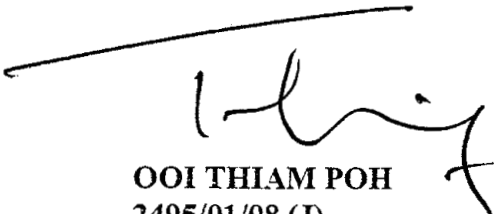
11. ACCOUNTANTS' REPORT *(cont'd)*

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

Without qualifying our opinion, we draw attention to Note 2 to the Financial Statements which mentioned that the financial statements have been prepared on the basis of accounting principles applicable to a going concern notwithstanding that the Company has a capital deficiency of RM487,677 as of 31 August 2006. This basis presumes, amongst others, that the proposed flotation exercise undertaken by the Company will be approved by the relevant authorities and consequently, the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

The financial statements of the Company for the preceding financial period were audited by another firm of auditors and are presented merely for comparative purposes.


DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants


OOI THIAM POH
2495/01/08 (J)
Partner

20 October 2006

11. ACCOUNTANTS' REPORT (cont'd)



Room 602, 6th Flr, Bangunan Toong Hsing Loong
26 Jalan Petaling, 50000 Kuala Lumpur
Tel No.: 03- 2078 7848 (Hunting Lines)
Tel No.: 03- 2078 0899 Fax No.: 03-2072 6923
Offices In Melaka, Johor Bahru

Company No : 415653-V

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BAYU MELATI SDN BHD
(Incorporated In Malaysia)**

We have audited the financial statements set out on pages 6 to 18 of **BAYU MELATI SDN BHD** as of 31 August 2004. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of :-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;
 - (ii) the state of affairs of the Company at 31 August 2004 and its results and cash flows for the year ended 31 August 2004; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.



YEO & ASSOCIATES
AF: 0626
Chartered Accountants



YEO MIOW CHENG
1213/8/05(J)
Chartered Accountant (M)

Kuala Lumpur

Dated : 05 NOV 2004

11. ACCOUNTANTS' REPORT (cont'd)



Room 602, 6th Flr, Bangunan Toong Hsing Loong
26 Jalan Petaling, 50000 Kuala Lumpur
Tel No.: 03- 2078 7848 (Hunting Lines)
Tel No.: 03- 2078 0899 Fax No.: 03-2072 6923
Offices In Melaka, Johor Bahru

Company No : 415653-V

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BAYU MELATI SDN BHD
(Incorporated In Malaysia)**

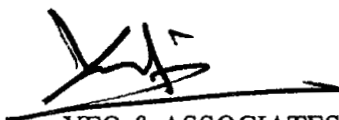
We have audited the financial statements set out on pages 6 to 17 of **BAYU MELATI SDN BHD** as of 31 August 2005. These financial statements are the responsibility of the Company's directors.


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

We conducted our audit in accordance with Approved Standards on Auditing in Malaysia. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of :-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;
 - (ii) the state of affairs of the Company at 31 August 2005 and its results and cash flows for the year ended 31 August 2005; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.


YEO & ASSOCIATES
AF: 0626
Chartered Accountants


YEO MIOW CHENG
1213/8/07(J)
Chartered Accountant (M)

Kuala Lumpur

Dated : 10 FEB 2006

11. ACCOUNTANTS' REPORT (cont'd)

Company No. 415653 - V

Deloitte

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
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REPORT OF THE AUDITORS TO THE MEMBERS OF

BAYU MELATI SDN. BHD.
(Incorporated in Malaysia)

We have audited the accompanying balance sheet as of 31 August 2006 and the related statements of income, cash flows and changes in equity for the year then ended. 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 these 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 contents 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia so as to give a true and fair view of:
- (i) the state of affairs of the Company as of 31 August 2006 and of the results and the cash flows of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and


(Forward)

11. ACCOUNTANTS' REPORT *(cont'd)*

Company No. 415653 - V

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

The financial statements of the Company for the preceding financial year were audited by another firm of auditors and are presented merely for comparative purposes.



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



OOI THIAM POH
2495/01/08 (J)
Partner

20 October 2006

11. ACCOUNTANTS' REPORT (cont'd)



Room 602, 6th Flr, Bangunan Toong Hsing Loong
26 Jalan Petaling, 50000 Kuala Lumpur
Tel No.: 03- 2078 7848 (Hunting Lines)
Tel No.: 03- 2078 0899 Fâx No.: 03-2072 6923
Offices In Melaka, Johor Bahru

Company No : 289253-H

REPORT OF THE AUDITORS TO THE MEMBERS OF

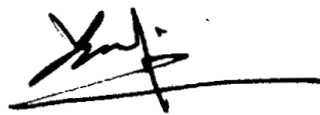
PEMBINAAN KERY SDN BHD
(Incorporated In Malaysia)

We have audited the financial statements set out on pages 6 to 16 of **PEMBINAAN KERY SDN BHD** of 30 April 2004. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of :-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;
 - (ii) the state of affairs of the Company at 30 April 2004 and its results and cash flows for the year ended 30 April 2004; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.



YEO & ASSOCIATES
AF: 0626
Chartered Accountants



YEO MIOW CHENG
1213/8/05(J)
Chartered Accountant (M)

Kuala Lumpur
Dated : 01 OCT 2004

11. ACCOUNTANTS' REPORT (cont'd)



Room 602, 6th Flr, Bangunan Toong Hsing Loong
26 Jalan Petaling, 50000 Kuala Lumpur
Tel No.: 03- 2078 7848 (Hunting Lines)
Tel No.: 03- 2078 0899 Fax No.: 03-2072 6923
Offices In Melaka, Johor Bahru

Company No : 289253-H

REPORT OF THE AUDITORS TO THE MEMBERS OF
PEMBINAAN KERY SDN BHD
(Incorporated In Malaysia)


We have audited the financial statements set out on pages 6 to 17 of **PEMBINAAN KERY SDN BHD** of 31 August 2005. These financial statements are the responsibility of the Company's directors.


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

We conducted our audit in accordance with Approved Standards on Auditing in Malaysia. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of :-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;
 - (ii) the state of affairs of the Company at 31 August 2005 and its results and cash flows for the period ended 31 August 2005; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.


YEO & ASSOCIATES
AF: 0626
Chartered Accountants


YEO MIOW CHENG
1213/8/07(J)
Chartered Accountant (M)

Kuala Lumpur
Dated : 10 FEB 2006

11. ACCOUNTANTS' REPORT (cont'd)

Company No. 289253 - H

Deloitte

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58, Damansara Uptown
47400 Petaling Jaya, Malaysia

P. O. Box 10093, 50704 Kuala Lumpur, Malaysia

Tel : +603 77236500, 77261833
Fax : +603 77263986, 77268986
myaaa@deloitte.com
www.deloitte.com.my

REPORT OF THE AUDITORS TO THE MEMBERS OF

PEMBINAAN KERY SDN. BHD.

(Incorporated in Malaysia)

We have audited the accompanying balance sheet as of 31 August 2006 and the related statements of income, cash flows and changes in equity for the year then ended. 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 these 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 contents 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Company as of 31 August 2006 and of the results and the cash flows of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and

(Forward)

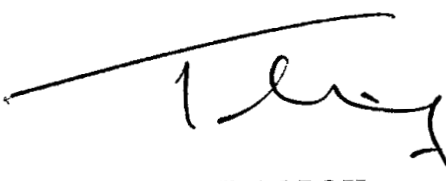
11. ACCOUNTANTS' REPORT *(cont'd)*

Company No. 289253 - H

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

The financial statements of the Company for the preceding financial period were audited by another firm of auditors and are presented, after certain reclassification, merely for comparative purposes only.


DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants


OOI THIAM POH
2495/01/08 (J)
Partner

20 October 2006

12. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



MELATI EHSAN HOLDINGS BERHAD

(Company No. 673293-X)

No. 5, Jalan Titiwangsa, 53200 Kuala Lumpur, Malaysia

Tel No. : 603-4022 2177 Fax No. : 603-4022 2024

Date:- **22 FEB 2007**

Registered Office:

No. 5, Jalan Titiwangsa
53200 Kuala Lumpur

The Shareholders of Melati Ehsan Holdings Berhad


Dear Sir/Madam,

On behalf of the Board of Directors of Melati Ehsan Holdings Berhad ("Company"), I report after due inquiry that during the period from 31 August 2006, being a date to which the last audited financial statements of the Company and its subsidiaries ("Group") have been made up, to the date hereof, being a date not earlier than fourteen (14) days before the date of issue of this Prospectus, that:

- (a) the business of our Group has, in our opinion as Directors, has been satisfactorily maintained;
- (b) in our opinion as Directors, no circumstances has arisen since the last audited financial statements of our Group which has 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) since the last audited financial statements of our Group, there has been no 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 of which we are aware; and
- (f) since the last audited financial statements of our Group, save as disclosed in the Accountants' Report as set out in Section 11 of this Prospectus, there has been no material change in published reserves nor any unusual factor affecting the profits of our Group.

Yours faithfully

For and on behalf of the Board of Directors
MELATI EHSAN HOLDINGS BERHAD


Dato Yap Suan Chee
Managing Director