(d) PPSB

	As at <-- 31 December --> 2001 RM'000	2002 RM'000
Plant and equipment	1,136	1,198
Current assets	182	595
Current liabilities	(753)	(708)
Net current liabilities	(571)	(113)
Long term and deferred liabilities	(218)	(215)
Net tangible assets	347	870
Financed by:		
Share capital	100	100
Reserves	247	770
Shareholders' funds	347	870
Net tangible assets per ordinary share of RM1.00 each (RM)	3.47	8.70

Note :-

The first set of financial statements prepared by PPSB was for the period from 14 November 2000 (date of incorporation) to 31 December 2001.

8. STATEMENT OF ASSETS AND LIABILITIES

We set out below the statement of assets and liabilities of the Group and the Company based on the audited financial statements as at 31 December 2002.

	Note	Group RM'000	Company RM'000
PROPERTY, PLANT AND EQUIPMENT	8.2	27,142	-
SUBSIDIARY COMPANIES	8.3	-	25,280
GOODWILL ON CONSOLIDATION	8.4	(8,883)	-
CURRENT ASSETS			
Inventories	8.5	9,190	-
Trade receivables	8.6	20,968	-
Other receivables, deposits & prepayments	8.7	527	-
Amount owing by subsidiary companies	8.8	-	13,307
Tax recoverable		106	-
Fixed deposits with licensed banks	8.9	1,837	-
Cash & bank balances		6,264	2,159
		38,892	15,466
CURRENT LIABILITIES			
Trade payables	8.10	10,509	-
Other payables and accrued liabilities	8.11	2,443	34
Provision for warranty cost	8.12	108	-
Hire-purchase payables	8.16	201	-
Short term borrowings	8.13	1,799	-
Provision for taxation		120	2
		15,180	36
NET CURRENT ASSETS		23,712	15,430
		41,971	40,710

STATEMENT OF ASSETS AND LIABILITIES

Continued

	Note	Group RM'000	Company RM'000
SHARE CAPITAL	8.14	40,000	40,000
RESERVES	8.15	1,223	710
SHAREHOLDERS' FUNDS		41,223	40,710
LONG TERM & DEFERRED LIABILITIES			
Hire-purchase payables	8.16	432	-
Deferred taxation	8.17	316	-
		41,971	40,710
Net tangible assets (RM'000)		50,106	40,710
Number of ordinary shares of RM0.50 each in issue ('000)		80,000	80,000
Net tangible assets per ordinary share of RM0.50 each (RM)		0.63	0.51

NOTES TO STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2002

The statement of assets and liabilities should be read in conjunction with the notes set out below.

8.1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies. The financial statements comply with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of Consolidation

Subsidiary companies are those companies in which the Company has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

The consolidated financial statements are drawn up based on the acquisition method and include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. The results of subsidiary companies acquired or disposed during the year are included in the consolidated income statement from the date of their acquisition or up to the date of their disposal. At the date of acquisition the fair values of the net assets of the subsidiary companies are determined and these values are reflected in the consolidated financial statements. Inter company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The excess of the cost of acquisition of a subsidiary company over the fair value of net assets acquired is reflected as goodwill on consolidation.

Goodwill on consolidation is amortised as an expense through the consolidated income statement under other operating expenses over twenty years on the straight line basis except where the estimated useful life is expected to differ and is subject to annual review for impairment.

Where the fair value of the net assets acquired exceeds the cost of acquisition, the surplus arising is taken up as negative goodwill on consolidation.

Negative goodwill on consolidation is recognised as an income through the consolidated income statement under other operating income over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets except where negative goodwill exceeds the fair values of acquired identifiable non-monetary assets, the excess will be recognised as income immediately.

(c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The long term leasehold land and building is amortised over the lease period of 60 years. Depreciation on other property, plant and equipment is calculated to write off the cost of the assets over the estimated useful lives of the assets concerned at the following annual rates :-

	%
Motor vehicles	20
Machineries & equipment	10
Furniture, fittings & office equipment	10
Computers & software	20 - 50
Electrical installation	10

Depreciation of capital work in progress commences when the assets are ready for their intended use.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

(d) Assets Acquired Under Hire-Purchase Arrangements

Plant and equipment acquired under hire-purchase arrangements are capitalised as plant and equipment based on the principal sum of the hire-purchase and the corresponding obligations are taken up as hire-purchase payables. The depreciation policy is similar to that of the Group's other assets as set out in Note 8.1(c) above.

The interest element is charged to the income statement over the period of the hire-purchase so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

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(e) Investments

(i) Investment in Subsidiary Companies

Investment in subsidiary companies are stated at cost. Where an indication of impairment exists, the carrying value of the investment is assessed and allowance is made for impairment where appropriate based on the recoverable amount.

(ii) Other Long Term Investments

Other investments held for long term are stated at cost and written down when directors consider that there has been a decline in value that is other than temporary on such investments.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value after allowance has been made for all deteriorated, damaged, obsolete or slow moving inventories.

Costs of raw materials is determined on the "first-in-first-out" basis and comprise purchase price and other costs directly attributable to the acquisition of the raw materials.

Cost of work-in-progress and finished goods consists of direct materials, direct labour and attributable production overheads.

(g) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off as and when ascertained and allowance is made for any debts considered doubtful of collection.

(h) Provision for Liabilities

Provision for liabilities are recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Warranty

Provision for warranty costs is made in respect of goods sold and still under warranty at the balance sheet date based on the terms of warranty and experience of past transactions.

(i) Deferred Taxation

Deferred taxation is provided by the liability method on timing differences arising principally between the net book value of property, plant and equipment eligible for capital allowances and the tax written down value of those assets and any other timing differences except where it is reasonably probable that the timing differences will continue in the foreseeable future.

Where timing difference result in a debit balance, this is recognised only where there is a reasonable certainty of realisation.

(j) Foreign Currency Transactions and Translations

Transactions in foreign currencies are converted into Malaysian Ringgit at the rates of exchange prevailing on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Malaysian Ringgit at the rates of exchange ruling as at that date. Gains or losses arising are dealt with through the income statements.

The closing rates of exchange of the foreign currencies applicable in the preparation of the financial statements were as follows:-

Singapore Dollar	2.182
US Dollar	3.800

(k) Capitalisation of Borrowing Cost

Borrowing cost incurred on property, plant and equipment under construction is capitalised until the assets are ready for their intended use.

(l) Cash Flow Statements

Cash and cash equivalents in the cash flow statement of the Group and of the Company comprise cash and bank balances and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, reduced by bank overdrafts. The cash flow statements are prepared using the indirect method.

(m) Revenue Recognition

Revenue from sales of goods is recognised upon delivery of goods, net of discounts and returns.

Revenue from services is recognised upon rendering of services.

Rental income is recognised on an accrual basis over the period of tenancy.

Dividend income from investments is recognised when the right to receive payment has been established.

Group revenue is stated net of all intra-group transactions which are eliminated on consolidation.

8.2 PROPERTY, PLANT AND EQUIPMENT
Group only

(a)

	Long term leasehold land RM'000	Long term leasehold building RM'000	Motor vehicles RM'000	Machineries & equipment RM'000	Furniture, fittings & office equipment RM'000	Computers & software RM'000	Electrical installation RM'000	Total RM'000
Cost:								
At 26 February 2002 (Date of incorporation)	-	-	-	-	-	-	-	-
Additions through acquisition of subsidiary companies	4,198	11,652	2,459	2,754	1,617	2,042	185	24,907
Additions	-	5,292	-	31	50	9	-	5,382
At 31 December 2002	4,198	16,944	2,459	2,785	1,667	2,051	185	30,289
Accumulated depreciation:								
At 26 February 2002 (Date of incorporation)	-	-	-	-	-	-	-	-
Additions through acquisition of subsidary companies	107	186	944	306	506	901	50	3,000
Charge for the period	6	28	40	23	13	35	2	147
At 31 December 2002	113	214	984	329	519	936	52	3,147
Net book value:								
At 31 December 2002	4,085	16,730	1,475	2,456	1,148	1,115	133	27,142

(b) Included in property, plant and equipment of the Group are assets acquired under hire-purchase instalment plans as follows :-

	At cost RM'000	Accumulated depreciation RM'000	Net book value RM'000	Depreciation charge RM'000
Motor vehicles	1,537	427	1,110	26

(c) Included in property, plant and equipment of the Group are assets charged for bank facilities granted to subsidiary companies as follows :-

	At cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Long term leasehold land	3,941	96	3,845
Long term leasehold building	849	57	792
	4,790	153	4,637

(d) Included in property, plant and equipment of the Group are certain long term leasehold properties at cost of RM3,689,958 for which the title deeds have yet to be issued by the relevant authorities.

(e) Interest capitalised in long term leasehold building amounted to RM148,872.

8.3 SUBSIDIARY COMPANIES

Company only

	RM'000
(a) Unquoted shares, at cost	25,280

(b) The subsidiary companies, all of which are incorporated in Malaysia and directly held are as follows:-

Name of Company	Effective Equity Interest (%)	Principal Activities
Pentamaster Technology (M) Sdn. Bhd. (336488-H)	100	Design, assembly, installation of computerised automation systems and equipment.
Pentamaster Engineering (M) Sdn. Bhd. (460116-T)	100	Manufacture of automated, semi-automated machine and equipment for the semi-conductor and computer industry.

Name of Company	Effective Equity Interest (%)	Principal Activities
Pentamaster Precision (M) Sdn. Bhd. (531995-W)	100	Designing and manufacturing of precision machinery components.

8.4 GOODWILL ON CONSOLIDATION
Group only

	RM'000
Negative goodwill on consolidation	(8,923)
Less: Recognised as income	40
	(8,883)

Negative goodwill on consolidation is recognised as income over periods ranging from 8 years to 20 years.

8.5 INVENTORIES
Group only

	RM'000
At cost:	
Raw materials	2,314
Work-in-progress	6,453
Finished goods	5
	8,772
At net realisable value:	
Work-in-progress	418
	9,190

8.6 TRADE RECEIVABLES
Group only

(a) The currency exposure profile of trade receivables is as follows :-

	RM'000
Ringgit Malaysia	8,567
US Dollar	12,401
	20,968

(b) The following provides an analysis of the concentration of risk in trade receivables :-

	Number	Value RM'000
Customers with debts of RM1,000,000 and above	2	15,947
Customers with debts lesser than RM1,000,000	27	5,021
	29	20,968

The concentration of a significant portion of trade receivables on a small number of customers is managed by ensuring that transactions are only carried out with customers with a strong financial profile.

8.7 OTHER RECEIVABLES, DEPOSITS & PREPAYMENTS

Group only

	RM'000
Other receivables	207
Deposits	202
Prepayments	118
	527

8.8 AMOUNT OWING BY SUBSIDIARY COMPANIES

Company only

The amount owing by subsidiary companies is interest free, unsecured and has no fixed terms of repayment.

8.9 FIXED DEPOSITS WITH LICENSED BANKS

Group only

(a) Fixed deposits with licensed banks are pledged by certain subsidiary companies to secure banking facilities granted to the respective subsidiary companies.

(b) The effective interest rates in respect of fixed deposits during the period range from 3.20% to 4.25% per annum.

8.10 TRADE PAYABLES
Group only

The currency exposure profile of trade payables is as follows :-

	RM'000
Ringgit Malaysia	3,956
Singapore Dollar	138
US Dollar	6,415
	10,509

8.11 OTHER PAYABLES & ACCRUED LIABILITIES

	Group RM'000	Company RM'000
Other payables	1,547	-
Accrued liabilites	896	34
	2,443	34

8.12 PROVISION FOR WARRANTY COST
Group only

	RM'000
Addition through acquisition of subsidiary companies	99
Warranty cost charged to the income statement	9
	108

8.13 SHORT TERM BORROWINGS
Group only

	RM'000
(a) Secured	
Bank overdrafts	499
Bankers' acceptances	1,300
	1,799

(b) The bank overdrafts and bankers' acceptances of the subsidiary companies are secured by legal charges over certain leasehold property and factory building of the subsidiary companies and the pledge of fixed deposits of the subsidiary companies. The facilities are also guaranteed by the subsidiary companies, certain directors of the Company and a third party.

(c) Interest on bank overdrafts and bankers' acceptances of the subsidiary companies are charged at rates ranging from 4.58% to 8.40% per annum.

8.14 SHARE CAPITAL

Group and Company

The movements in the authorised, issued and paid-up share capital of the Company from the date of incorporation to the date of this report are as follows:-

	RM'000
(a) Authorised:	
As at 26 February 2002 (date of incorporation)	
- 100,000 ordinary shares of RM1.00 each	100
Increased during the period	
- 49,900,000 ordinary shares of RM1.00 each	49,900
As at 31 December 2002	
- 100,000,000 ordinary shares of RM0.50 each	50,000

The authorised share capital of RM50,000,000 was converted from 50,000,000 ordinary shares of RM1.00 each into 100,000,000 ordinary shares of RM0.50 each on 26 December 2002.

	RM'000
(b) Issued and fully paid:	
As at 26 February 2002 (date of incorporation)	
- 2 ordinary shares of RM1.00 each	*
Issued during the period	
- 24,075,887 ordinary shares of RM1.00 each for the acquisition of subsidiary companies	24,076
	24,076
- Rights issue of 15,924,111 ordinary shares of RM1.00 each on the basis of approximately 661 shares for every 1,000 shares held at RM1.00 per share	15,924
As at 31 December 2002	
- 80,000,000 ordinary shares of RM0.50 each	40,000

* RM2

The issued and paid up capital of RM40,000,000 was converted from 40,000,000 ordinary shares of RM1.00 each into 80,000,000 ordinary shares of RM0.50 each on 26 December 2002.

8.15 RESERVES

	Group RM'000	Company RM'000
Non-distributable :-		
Share premium :-		
Arising from shares issued on 30 November 2002	1,204	1,204
Less: Share issue and listing expenses	(496)	(496)
	708	708
Distributable :-		
Retained profit	515	2
	1,223	710

8.16 HIRE-PURCHASE PAYABLES

Group only

	RM'000
(a) Future minimum payments :-	
Payable within 1 year	248
Payable between 2 to 5 years	477
	725
Less: Future finance charges	(92)
Principal amount	633
Payable within 1 year (included in current liabilities)	(201)
Payable between 2 to 5 years	432

(b) The effective interest rates in respect of hire-purchase financing range from 7.49% to 11.68% per annum.

(c) The fair value of the principal amount of hire-purchase payables is RM641,616.

8.17 DEFERRED TAXATION

Group only

	RM'000
As at 26 February 2002 (date of incorporation)	-
Addition through acquisition of subsidiary companies	315
Transfer from income statement	1
As at 31 December 2002	316
Represented by the following tax effects :-	
(i) Excess of capital allowances over depreciation	645
(ii) Other timing differences	(4)
(iii) Unutilised reinvestment allowance	(325)
	316

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The tax effects of deferred taxation benefits not recognised in the financial statements are as follows :-

	RM'000
Excess of capital allowances over depreciation arising from timing differences expected to continue in the foreseeable future	522
Unutilised reinvestment allowance	1,755

8.18 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Group include cash and bank balances, trade and other receivables and fixed deposits with licensed banks.

Financial liabilities of the Group include trade and other payables and borrowings.

The Group's accounting policies and methods adopted in respect of its financial instruments and further information thereof are disclosed in the individual accounting policy statements or notes to the financial statements associated with the financial instruments.

The fair values of the financial assets and liabilities maturing within 12 months approximated the carrying amounts as at the balance sheet date. The fair value of hire-purchase payables are disclosed under Note 8.16.

(b) The Group's financial instruments are subject to a variety of financial risks including currency risk, interest rate risk, credit risk, market risk, liquidity and cash flow risks.

The Group's overall financial risk management objective is to seek to address and control the risks to which the Group is exposed and to minimise or avoid the incidence of loss that may result from its exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

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(i) Currency Risk

The Group is exposed to currency risk mainly due to its export sales and imported purchases.

Since 1 September 1998, the US Dollar is pegged by the Malaysian authorities to Ringgit Malaysia at US Dollar 1.00 to RM3.80 to provide a stable rate of exchange.

With the peg, the Group seeks to denominate its export and import transactions mainly in US Dollar in order to avoid currency exchange rate fluctuation risk.

The Group does not hedge nor speculate in foreign currency derivatives.

(ii) Interest Rate Risk

The Group has interest rate risks in respect of its borrowings and deposits.

The Group's bank borrowings are subject to interest based on floating rates while hire-purchase financing and interest bearing deposits are based on fixed rates.

Market interest rate movements are monitored with a view to ensuring that the most competitive rates are secured and where appropriate borrowing arrangements and interest bearing instruments are restructured or reduced.

(iii) Credit Risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade receivables.

Credit risk is addressed by a credit committee that sets policies, carries out evaluation and institutes mitigating actions.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

It is inherent in the Group's business to make individually large sales to its customers that may lead to a significant concentration of credit risks. Such risks are managed by ensuring that transactions are only carried out with customers with a strong financial profile.

(iv) Market Risk

Market risk is the risk that the value of the financial instrument will fluctuate due to changes in market prices.

In this respect, the Group's main market risk exposure are currency and interest rate fluctuations and which are discussed under the respective risk headings.

The Group does not hold debt and equity securities and is not exposed to these market risks.

(v) Liquidity and Cash Flow Risk

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

Liquidity and cash flow risks are addressed by annual and continuous review and forward planning of cash flow in relation to business plans to ensure a balanced and prudent portfolio of cash and other liquid assets and credit facilities is maintained. The proper management of currency, interest rate and credit risks have the effect of further minimising the incidence and effects of liquidity and cash flow risks.

9. NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the statement of assets and liabilities of the Group as at 31 December 2002 and after adjusting for the estimated share issue and listing expenses to be incurred of RM664,000, the net tangible assets per ordinary share is calculated as follows :-

	Group
Adjusted net tangible assets as at 31 December 2002 (RM'000)	49,442
Number of ordinary shares of RM0.50 each in issue ('000)	80,000
Net tangible assets per ordinary share of RM0.50 each (RM)	0.62

10. CASH FLOW STATEMENTS

The cash flow statements of the Group and of the Company is based on the audited financial statements for the financial period from 26 February 2002 (date of incorporation) to 31 December 2002.

	Note	Group RM'000	Company RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		565	4
Adjustments for:-			
Amortisation of negative goodwill		(40)	-
Depreciation		147	-
Interest expense		13	*
Interest income		(5)	-
Provision for warranty cost		9	-
Unrealised loss on foreign exchange		15	-
Operating profit before working capital changes		704	4
Increase in inventories		(705)	-
Increase in receivables		(887)	(13,307)
Decrease in payables		(1,065)	34
		(2,657)	(13,273)
Cash used in operations		(1,953)	(13,269)
Interest paid		(13)	*
Tax paid		(169)	-
Net cash used in operating activities		(2,135)	(13,269)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of shares in subsidiary companies	10(a)	6,168	-
Interest received		4	-
Purchase of property, plant and equipment		(5,382)	-
Net cash from investing activities		790	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short term borrowings		(400)	-
Proceeds from issue of share capital		15,924	15,924
Payment of share issue and listing expenses		(496)	(496)
Repayment of hire purchase liabilities		(20)	-
Repayment of term loans		(6,061)	-
Net cash from financing activities		8,947	15,428
NET INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	10(b)	7,602	2,159

* RM5

NOTES TO THE CASH FLOW STATEMENTS

(a) Acquisition of shares in subsidiary companies :-
Group only

	RM'000
Net assets acquired :-	
Property, plant and equipment	21,907
Inventories	8,485
Receivables	20,643
Payables	(14,038)
Provision for warranty cost	(99)
Hire-purchase payables	(653)
Short term borrowings	(1,700)
Term loan	(6,062)
Provision for taxation	(133)
Deferred taxation	(315)
Cash and cash equivalents	6,168
	34,203
Negative goodwill	(8,923)
Purchase consideration	25,280
Discharged by issue of shares	(25,280)
	-
Less: Cash and cash equivalents of subsidiary companies acquired	6,168
Net cash acquired on the acquisition	6,168

The purchase consideration of RM25,279,681 for the acquisition of the entire issued capital of the subsidiary companies were fully discharged by an issue of 24,075,887 new ordinary shares of RM1.00 each of the Company at the issue price of approximately RM1.05 per share.

(b) Cash and Cash Equivalents

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

	Group RM'000	Company RM'000
Fixed deposits with licensed banks	1,837	-
Cash and bank balances	6,264	2,159
Bank overdrafts	(499)	-
	7,602	2,159

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11. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

The Company's Employees' Share Option Scheme which was approved by the Securities Commission on 6 November 2002 was approved by the shareholders on 15 April 2003. The scheme has yet to be implemented as at the date of this report.

12. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2002.

13. REVIEW OF TRADE RECEIVABLES

Based on our review of the Group's trade receivables of RM20,968,245 as at 31 December 2002, nothing has come to our attention that the opinion of the directors that the trade receivables are fully recoverable and that no allowance for doubtful debts nor write off for bad debts is required, is incorrect to any material extent.

Yours faithfully

FOLKS DFK & CO
Chartered Accountants
Firm No : AF 0502

OOI CHEE KUN
Partner
Approval No : 996/03/04(J/PH)