

11. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



■ **Chartered Accountants**
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

■ Phone : (03) 2087-7000
Fax : (03) 2095-5332
(General Line)
(03) 2095-9076
(03) 2095-9078
www.ey.com/my

Mail Address:
P.O. Box 11040
50734 Kuala Lumpur, Malaysia

23 June 2003

The Board of Directors
Pembinaan Jayabumi (Sarawak) Berhad
National Aerospace & Defence Industries Building
P.T. 192, Jalan Lapangan Terbang Subang
47200 Subang
Selangor Darul Ehsan

Dear Sirs,

1.0 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus to be dated 30 June 2003 in connection with the public issue of 6,500,000 new ordinary shares of RM1.00 each at an issue price of RM1.70 per share and offer for sale of 6,500,000 existing ordinary shares of RM1.00 each at an offer price of RM1.70 per share of Pembinaan Jayabumi (Sarawak) Berhad (hereinafter referred to as "PJSB") and listing of and quotation for the entire issued and paid-up share capital of PJSB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2.0 GENERAL INFORMATION

2.1 Floatation Scheme

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of PJSB on the Second Board of the KLSE, PJSB undertook a restructuring exercise which involves the following:-

(a) Acquisition of PJS Services Sdn. Bhd.

On 18 June 2002, PJSB and PJS Industries Sdn. Bhd. ("PJSI") entered into a Conditional Sale and Purchase Agreement for the acquisition by PJSB of the entire issued and paid-up share capital of PJS Services Sdn. Bhd. ("PJSS") comprising 250,000 ordinary shares of RM1.00 each from PJSI for a total consideration of RM1,287,077 satisfied by the issuance of 413,812 new ordinary shares of RM1.00 each in PJSB at an issue price of approximately RM3.11 per new ordinary share. The acquisition was completed on 21 January 2003 (the "Acquisition").

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

(Prepared for inclusion in the Prospectus)



AF: 0039

2.0 GENERAL INFORMATION (CONTD.)

2.1 Floatation Scheme

(b) Bonus Issue

Bonus Issue of 25,333,688 new ordinary shares of RM1.00 each in PJSB to the existing shareholders of PJSB to be credited as fully paid-up on the basis of approximately 195 new ordinary shares for every 100 existing ordinary shares held by the shareholders of the Company by capitalising the unappropriated profits of the Company. The bonus issue was completed on 19 May 2003 (the "Bonus Issue").

(c) Renounceable Rights Issue

Renounceable Rights Issue of 5,240,000 new ordinary shares of RM1.00 each in PJSB to the existing shareholders of PJSB at par on a proportionate basis who will renounce their entire entitlements for such Rights Issue shares to the existing shareholders/directors of PJSI equally, except for Tan Sri Dato' Ahmad bin Johan. The renounceable rights issue was completed on 18 June 2003 (the "Rights Issue").

(d) Initial Public Offering

Public issue of 6,500,000 new ordinary shares of RM1.00 each in PJSB at an issue price of RM1.70 per share (the "Public Issue") and offer for sale of 6,500,000 existing ordinary shares of RM1.00 each in PJSB at an offer price of RM1.70 per share (the "Offer For Sale"). The Public Issue and Offer For Sale will be collectively be referred to as the "IPO".

(e) Listing

The listing of and quotation for its enlarged share capital comprising 50,000,000 ordinary shares of RM1.00 each in the Company on the Second Board of the KLSE (the "Listing").

The Floatation Scheme was approved by the following:-

- (i) Securities Commission on 15 November 2002
- (ii) Ministry of International Trade and Industry ("MITI") on 30 August 2002; and
- (iii) Foreign Investment Committee ("FIC") on 10 September 2002.

2.2 The Company - Pembinaan Jayabumi (Sarawak) Berhad

The Company was incorporated in Malaysia under the Companies Act, 1965 on 2 July 1985 under the name of Pembinaan Jayabumi (Sarawak) Sdn. Bhd. and was later converted to a public company on 15 January 1997.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

2.0 GENERAL INFORMATION (CONTD.)**2.3 Share Capital**

As at the date of this report, the Company's authorised share capital was RM100,000,000 divided into 100,000,000 ordinary shares of RM1 each and the issued and paid-up capital was RM43,500,000 comprising 43,500,000 ordinary shares of RM1 each. These shares are held by the following company/persons:-

	No. of shares	%
a) PJS Industries Sdn. Bhd.	33,305,526	76.56
b) Tan Sri Dato' Ahmad Johan	3,567,877	8.20
c) Haji Mokhsen Bin Ibrahim	1,386,597	3.19
d) Dato' Mohamad Yunus Ariffin	655,000	1.51
e) Dato' Haji Mohamad bin Sham	655,000	1.51
f) Dato' Dr. Muhammad Nong	655,000	1.51
g) Datuk Yuji Kawata	655,000	1.51
h) Dato' Ch'ng Siok Eik	655,000	1.51
i) Dato' Abdul Rahim Abdul Rahman	655,000	1.51
j) Dato' Seri Mohamad Yunus bin Tasi	655,000	1.51
k) Dato' Mohamad Nasir Ismail	655,000	1.51
	43,500,000	100.00

Accordingly, the Company is a subsidiary company of PJS Industries Sdn. Bhd.

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

Date of Allotment	No of ordinary Shares Alloted	Par Value RM	Consideration	Total Issued And Paid -up Capital (RM)
02.07.85	2	1.00	Subscriber's shares	2
04.11.86	199,998	1.00	Cash	200,000
26.09.87	160,000	1.00	Cash	360,000
31.10.88	108,000	1.00	Cash	468,000
15.05.90	200,000	1.00	Cash	668,000
07.02.92	332,000	1.00	Capitalisation of amount owing by Company	1,000,000
29.12.93	300,000	1.00	Capitalisation of retained profits	1,300,000
01.10.94	3,250,000	1.00	Capitalisation of retained profits	4,550,000
14.11.96	7,962,500	1.00	Cash	12,512,500
21.01.03	413,812	1.00	Acquisition of PJSS	12,926,312
19.05.03	25,333,688	1.00	Bonus Issue	38,260,000
18.06.03	5,240,000	1.00	Rights Issue	43,500,000

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

2.0 GENERAL INFORMATION (CONTD.)**2.3 Share Capital (contd.)**

Upon completion of the Public Issue, the issued and paid-up capital of the company will be increased to 50,000,000 by way of issue of 6,500,000 new ordinary shares of RM1.00 each at an issue price of RM1.70 per share. Out of 13,000,000 Public Issue and Offer Shares, 2,500,000 will be reserved for the eligible employees and director of the PJSB Group and PJSI as well as the business associates of the PJSB Group, 4,000,000 public issue shares will be made available for application by Malaysian citizen and 6,500,000 by way of private placement.

2.4 Principal Activities and Subsidiary Companies

The principal activities of the Company are to carry on business to design, trade, install and maintain all kinds of work of Fibre Reinforced Plastic and Reinforced Concrete Sewage Treatment Plants and Underground Storage Tanks.

The details of the subsidiary companies as at the date of this report are as follows:-

Name of Companies	Principal Activities	Date and Place of Incorporation	Issued and Fully Paid Share Capital	Equity Interest %
Johan Fibres Industries Sdn. Bhd. ("JFI")	Manufacture and sale of Fibre Reinforced Plastic (FRP) sewage treatment plants, underground storage tanks (UST) and other FRP products.	22 June 1979 Malaysia	4,000,000	100
Aeration Job Sdn. Bhd. ("AJ")	Investment holding, solid waste management, garbage collection, area cleansing and other related	23 April 1994 Malaysia	6,000,000	100
PJS Services Sdn. Bhd. ("PJSS")	The provision of management expertise in wastewater treatment and as a subcontractor to design, install and maintain Sewerage Treatment Plants.	14 April 1994 Malaysia	250,000	100

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

2.0 GENERAL INFORMATION (CONTD.)**2.4 Principal Activities and Subsidiary Companies (contd.)**

Name of Companies	Principal Activities	Date and Place of Incorporation	Issued and Fully Paid Share Capital	Equity Interest %
Subsidiary company of <u>Aeration Job Sdn. Bhd.</u>				
PJS Technology System Sdn. Bhd. ("PJSTS")	Dormant	2 July 1996 Malaysia	2	100

(collectively "PJSB Group")

3.0 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This Report is based on the audited financial statements which have been prepared in accordance with applicable approved accounting standards issued by the Malaysian Accounting Standards Board and is presented on a basis consistent with the accounting policies normally adopted by the PJSB Group.

4.0 AUDITORS AND FINANCIAL STATEMENTS

We have acted as auditors of PJSB, JFI, AJ and PJSS, throughout the financial years under review. The audited financial statements for the years ended 31 December 1998 to 2002 were reported upon by us without any qualification.

The financial statements for PJSTS for the financial years/periods ended 1998 to 2001 were audited by other firm of auditors without qualification.

We have acted as auditors of PJST for the financial year ended 31 December 2002. The audited financial statements for the years ended 31 December 1998 to 2002 were reported upon by us without any qualification.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

5.0 SUMMARISED INCOME STATEMENT**5.1 Proforma Group**

The summarised proforma income statement of PJSB Group and PJSS set out below is based on the audited financial statements of PJSB Group and PJSS and have been presented on the basis that the Acquisition had been in effect throughout the relevant years under review.

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	<u>69,527</u>	<u>49,419</u>	<u>53,833</u>	<u>65,169</u>	<u>80,224</u>
Gross profit	<u>36,245</u>	<u>22,825</u>	<u>26,544</u>	<u>30,017</u>	<u>41,979</u>
Profit before interest, taxation and depreciation	16,990	8,736	11,691	15,108	17,956
Interest expense	<u>2,790</u>	<u>3,204</u>	<u>3,311</u>	<u>2,854</u>	<u>2,183</u>
Depreciation	<u>1,846</u>	<u>1,587</u>	<u>1,314</u>	<u>1,346</u>	<u>1,494</u>
Profit before taxation	12,354	3,945	7,066	10,908	14,279
Taxation	<u>(5,133)</u>	<u>798</u>	<u>(2,529)</u>	<u>(2,704)</u>	<u>(5,311)</u>
Profit after taxation	<u>7,221</u>	<u>4,743</u>	<u>4,537</u>	<u>8,204</u>	<u>8,968</u>
No. of ordinary shares in issue ('000)	38,260	38,260	38,260	38,260	38,260
Gross earnings per share (sen)	32.29	10.31	18.47	28.51	37.32
Net earnings per share (sen)	18.87	12.40	11.86	21.44	23.44
Effective tax rate	42%	-	36%	25%	37%
Gross dividend rate(sen)	-	-	-	-	-

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

(Prepared for inclusion in the Prospectus)



AF: 0039

5.1 Proforma Group (Contd.)

Notes:-

- (1) During the financial year ended 31 December 2001, PJSB acquired Aeration Job Sdn. Bhd. ("AJ") as a direct wholly owned subsidiary company.
- (2) The high effective tax rate of the Group for 1998 and 2000 was attributed to certain expenses being disallowed for tax purposes.

There was no tax charge in the financial year ended 31 December 1999 as income earned was waived in accordance to the Income Tax (Amendment) Act, 1999. The write back of taxation in 1999 was related to over provision made in prior years.

The effective tax rate for the financial year ended 31 December 2001 was lower than the statutory rate as there was a gain from the disposal of a leasehold land by JFI which was not subject to income tax.

The effective tax rate for the financial year ended 31 December 2002 was higher than the statutory rate was attributed to certain expenses being disallowed for tax purposes.

- (3) There were no extraordinary items in the relevant years under review.
- (4) The earnings per share of the Group was calculated based on the profit after taxation and on the enlarged share capital of RM38,260,000 comprising 38,260,000 ordinary shares of RM1.00 each in PJSB, after the Acquisition and Bonus Issue but before the Rights Issue and the Public Issue.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

5.2 PJSB (Company Level)

	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	<u>50,534</u>	<u>40,807</u>	<u>53,157</u>	<u>61,373</u>	<u>73,239</u>
Gross profit	<u>24,116</u>	<u>13,383</u>	<u>19,325</u>	<u>22,573</u>	<u>30,073</u>
Profit before interest, taxation and depreciation	10,103	4,417	6,368	7,854	24,440
Interest expense	1,644	1,246	1,930	1,680	1,315
Depreciation	1,303	1,153	952	1,043	1,197
Profit before taxation	7,156	2,018	3,486	5,131	21,928
Taxation	<u>(3,721)</u>	<u>765</u>	<u>(1,400)</u>	<u>(1,842)</u>	<u>(7,065)</u>
Profit after taxation	<u>3,435</u>	<u>2,783</u>	<u>2,086</u>	<u>3,289</u>	<u>14,863</u>
No. of ordinary shares in issue ('000)	12,513	12,513	12,513	12,513	12,513
Gross earnings per share (sen)	57.19	16.13	27.86	41.01	175.24
Net earnings per share (sen)	27.45	22.24	16.67	26.28	118.78
Effective tax rate	52%	-	40%	36%	32%
Gross dividend rate(sen)	-	-	-	-	-

Notes:-

- (1) The high effective tax rate for 1998 was attributed to the disallowance of certain expenditure for taxation purposes and taxation charge for the under provision for taxation in respect of 1992 to 1996.

There was no tax charge in 1999 as income earned was waived in accordance to the Income Tax (Amendment) Act, 1999 and there was a write back of over provision for taxation mainly in respect of over provision made 1997.

The high effective tax rate for 2000, 2001 and 2002 was due to the disallowance of certain expenditure for taxation purposes.

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

(Prepared for inclusion in the Prospectus)



AF: 0039

5.2 PJSB (Company Level)

Notes:-

- (2) There were no extraordinary items in the relevant years under review.
- (3) The earnings per share was calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

5.3 PJSB (Group Level)

	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	<u>53,560</u>	<u>41,122</u>	<u>53,185</u>	<u>61,373</u>	<u>75,156</u>
Gross profit	<u>30,317</u>	<u>19,436</u>	<u>25,313</u>	<u>28,604</u>	<u>39,329</u>
Profit before interest, taxation and depreciation	14,033	7,395	11,532	14,845	17,695
Interest expense	2,782	3,182	3,253	2,849	2,179
Depreciation	1,801	1,514	1,251	1,300	1,448
Profit before taxation	9,450	2,699	7,028	10,696	14,068
Taxation	<u>(4,508)</u>	<u>798</u>	<u>(2,512)</u>	<u>(3,038)</u>	<u>(5,168)</u>
Profit after taxation	<u>4,942</u>	<u>3,497</u>	<u>4,516</u>	<u>7,658</u>	<u>8,900</u>
No. of ordinary shares in issue ('000)	12,513	12,513	12,513	12,513	12,513
Gross earnings per share (sen)	75.52	21.57	56.17	85.48	112.43
Net earnings per share (sen)	39.49	27.95	36.09	61.20	71.13
Effective tax rate	48%	-	36%	28%	37%
Gross dividend rate(sen)	-	-	-	-	-

Notes:-

- (1) During the financial year ended 31 December 2001, PJSB acquired Aeration Job Sdn. Bhd. ("AJ") as a direct wholly owned subsidiary company.
- (2) The high effective tax rate for 1998 was attributed to the disallowance of certain expenditure for taxation purposes. Further in 1998 there was a taxation charge for the under provision for taxation in respect of 1992 to 1996.

There was no tax charge in 1999 as income earned was waived in accordance to the Income Tax (Amendment) Act, 1999 and there was a write back of over provision for deferred taxation made in prior years.

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

(Prepared for inclusion in the Prospectus)



AF: 0039

5.3 PJSB (Group Level)

Notes:-

- (2) The high effective tax rate for 2000, 2001 and 2002 was due to the disallowance of certain expenditure for taxation purposes.
- (3) There were no extraordinary items in the relevant years under review.
- (4) The earnings per share was calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

AF: 0039

5.3 JFI

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	28,845	24,525	30,962	32,192	34,465
Gross profit	2,779	3,141	5,989	6,030	8,896
Profit before interest, taxation and depreciation	4,247	1,427	5,079	6,914	5,558
Interest expense	1,116	982	1,238	1,091	864
Depreciation	352	361	299	257	250
Profit before taxation	2,779	84	3,542	5,566	4,444
Taxation	(787)	33	(1,112)	(1,196)	(1,534)
Profit after taxation	1,992	117	2,430	4,370	2,910
No. of ordinary shares in issue ('000)	4,000	4,000	4,000	4,000	4,000
Gross earnings per share (RM)	0.69	0.02	0.89	1.39	1.11
Net earnings per share (RM)	0.50	0.03	0.61	1.09	0.73
Effective tax rate	28%	-	31%	21%	35%
Gross dividend rate(RM)	-	-	-	-	2.25

Notes:-

- (1) The high effective tax rate of the Company for 1998 and 2000 was attributed to certain expenses being disallowed for tax purposes.

Tax charged for 1999 is in respect of deferred tax liabilities provided on temporary differences at balance sheet date between tax bases of assets and liabilities and their carrying amounts in the financial statements.

The effective tax rate for the financial year ended 31 December 2001 was lower than the statutory rate as there was a gain from the disposal of a leasehold land by JFI which was not subject to income tax.

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

(Prepared for inclusion in the Prospectus)



AF: 0039

5.3 JFI

Notes:-

- (1) The high effective tax rate of the Company for 2002 was attributed to certain expenses being disallowed for tax purposes.
- (2) There were no extraordinary items in the relevant years under review.
- (3) The earnings per share was calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***ERNST & YOUNG**

AF: 0039

5.4 PJSS

	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	<u>18,708</u>	<u>11,624</u>	<u>2,489</u>	<u>7,017</u>	<u>7,651</u>
Gross profit	<u>5,928</u>	<u>3,536</u>	<u>1,231</u>	<u>1,213</u>	<u>2,550</u>
Profit before interest, taxation and depreciation	3,068	1,341	153	263	260
Interest expense	3	32	58	5	3
Depreciation	431	73	63	48	46
Profit before taxation	2,904	1,245	37	252	251
Taxation	<u>(625)</u>		<u>(17)</u>	<u>334</u>	<u>(342)</u>
Profit after taxation	<u>2,279</u>	<u>1,245</u>	<u>20</u>	<u>586</u>	<u>69</u>
No. of ordinary shares in issue ('000)	250	250	250	250	250
Gross earnings per share (RM)	11.62	4.98	0.13	0.95	0.84
Net earnings per share (RM)	9.12	4.95	0.08	2.16	0.28
Effective tax rate (%)	22%	-	46%	-	67%
Gross dividend rate(RM)	-	-	-	-	-

Notes:

- (1) The effective tax rate was lower than statutory tax rate for the financial year ended 31 December 1998 mainly due to the availability of unabsorbed tax losses to partly offset the current year's taxable income.

There was no tax charge in the financial year ended 31 December 1999 as income earned was waived in accordance to the Income Tax (Amendment) Act, 1999.

The effective tax rate of the Company for the financial year ended 31 December 2000 was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.

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

(Prepared for inclusion in the Prospectus)



AF: 0039

5.4 PJSS (CONTD.)

Notes:-

- (1) For the financial year ended 31 December 2001, there was a write back of overprovision of taxation pertaining to financial year ended 31 December 1998.

The high effective tax rate of the Company for 2002 was attributed to certain expenses being disallowed for tax purposes.

- (2) There were no extraordinary items in the relevant years under review.
- (3) The earnings per share was calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant years under review.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

6.0 DIVIDENDS AND BONUS ISSUE**6.1 Dividend**

No dividend has been paid or declared by PJSB, AJ, PJSTS and PJSS during the relevant years under review.

In financial year ended 31 December 2002, JFI paid an interim dividend of 312.5% less tax at 28% amounting to RM9,000,000.

6.2 Bonus Issue

Details of bonus issue by a subsidiary company during the financial year under review are as follows:-

Company	Financial Year	No. of Issued and Paid-Up Capital '000	Basis of Bonus Issue	Resultant No. of Issued and Paid-Up Capital '000
JFI	1999	2,000	One new share for every one existing shares held	4,000

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

7.0 SUMMARISED BALANCE SHEETS

The summarised consolidated balance sheet of PJSB Group and balance sheet of PJSS based on the audited financial statements for the relevant years under review are set out below.

7.1 PJSB Group

	Year ended 31 December					Proforma Group After Acquisition As At
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	31.12.02 RM'000
Property, plant and equipment	39,654	37,806	36,766	36,696	38,422	38,563
Investments	-	-	-	29,942	29,942	29,942
Intangible	-	-	3,444	3,062	2,679	2,679
Current Assets	89,600	59,542	52,947	37,389	40,247	43,358
Current Liabilities	94,889	54,475	52,155	49,824	41,847	43,746
Net Current (Liabilities)/Assets	(5,289)	5,067	792	(12,435)	(1,600)	(388)
	<u>34,365</u>	<u>42,873</u>	<u>41,002</u>	<u>57,265</u>	<u>69,443</u>	<u>70,796</u>
FINANCED BY:						
Share Capital	12,513	12,513	12,513	12,513	12,513	12,926
Share Premium	-	-	-	-	-	871
Capital Reserve	-	2,000	2,000	2,000	2,000	2,000
Reserve on consolidation	-	-	-	-	-	69
Retained Profits	13,734	15,232	19,748	27,406	36,306	36,306
	<u>26,247</u>	<u>29,745</u>	<u>34,261</u>	<u>41,919</u>	<u>50,819</u>	<u>52,172</u>
Long Term Liabilities	7,465	12,508	5,961	14,566	18,380	18,380
Deferred Taxation	653	620	780	780	244	244
	<u>34,365</u>	<u>42,873</u>	<u>41,002</u>	<u>57,265</u>	<u>69,443</u>	<u>70,796</u>

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

(Prepared for inclusion in the Prospectus)



AF: 0039

7.0 SUMMARISED BALANCE SHEETS (CONTD.)

7.1 PJSB Group (contd.)

Notes:-

- (1) The proforma balance sheet of PJSB Group as at 31 December 2002 set out above is prepared based on the audited financial statements of PJSB Group and PJSS (acquired by PJSB pursuant to the Acquisition and has been presented on the basis that the Acquisition had been in effect as at 31 December 2002).

- (2) As the purchase consideration for the Acquisition is calculated on Net Tangible Assets based on the audited financial statements of PJSS as at 31 December 2002, it is therefore impracticable to present proforma balance sheets of PJSB Group throughout the years under review. Accordingly, proforma balance sheet of PJSB Group has only been presented in respect of 31 December 2002 based on the latest audited financial statements as at 31 December 2002 as shown in Section 8.0 of this Report.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

7.2 PJSB (Company Level)

	Year ended 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	22,006	20,719	20,121	21,220	21,699
Subsidiary companies	(21,075)	(24,262)	(11,471)	5,736	20,463
Intangible	-	-	3,444	3,062	2,679
Current Assets	85,711	54,147	42,110	29,047	31,840
Current Liabilities	60,624	22,272	29,643	26,467	20,790
Net Current Assets	25,087	31,875	12,467	2,580	11,050
	<u>26,018</u>	<u>28,332</u>	<u>24,561</u>	<u>32,598</u>	<u>55,891</u>
FINANCED BY:					
Share Capital	12,513	12,513	12,513	12,513	12,513
Retained Profits	6,290	9,072	11,158	14,447	29,310
	<u>18,803</u>	<u>21,585</u>	<u>23,671</u>	<u>26,960</u>	<u>41,823</u>
Long Term Liabilities	6,715	6,247	390	5,138	13,938
Deferred Taxation	500	500	500	500	130
	<u>26,018</u>	<u>28,332</u>	<u>24,561</u>	<u>32,598</u>	<u>55,891</u>

During the financial year ended 31 December 2001, PJSB acquired Aeration Job Sdn. Bhd. ("AJ") as a direct wholly owned subsidiary company.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***ERNST & YOUNG**

AF: 0039

7.3 JFI

	Year ended 31 December				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Property, plant and equipment	17,113	17,087	16,645	15,473	16,721
Current Assets	30,521	34,907	24,294	34,283	19,430
Current Liabilities	<u>36,785</u>	<u>35,454</u>	<u>22,499</u>	<u>27,427</u>	<u>20,725</u>
Net Current (Liabilities)/Assets	(6,264)	(547)	1,795	6,856	(1,295)
	<u>10,849</u>	<u>16,540</u>	<u>18,440</u>	<u>22,329</u>	<u>15,426</u>

FINANCED BY:

Share Capital	2,000	4,000	4,000	4,000	4,000
Retained Profits	<u>8,042</u>	<u>6,160</u>	<u>8,590</u>	<u>12,959</u>	<u>6,870</u>
	10,042	10,160	12,590	16,959	10,870
Long Term Liabilites	654	6,260	5,570	5,090	4,442
Deferred Taxation	153	120	280	280	114
	<u>10,849</u>	<u>16,540</u>	<u>18,440</u>	<u>22,329</u>	<u>15,426</u>

In the financial year ended 31 December 1999, the Company increased its issued and paid-up capital from 2,000,000 ordinary shares of RM1 each to 4,000,000 ordinary shares of RM 1 each by way of a bonus issue on a basis of one new shares for every one existing share held through the capitalisation of its retained profits.

11. ACCOUNTANTS' REPORT *(Cont'd)**(Prepared for inclusion in the Prospectus)***ERNST & YOUNG**

AF: 0039

7.4 PJSS

	Year ended 31 December				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Property, plant and equipment	128	218	188	163	141
Current Assets	4,462	4,072	3,509	4,233	3,553
Current Liabilities	4,941	3,444	2,928	3,102	2,340
Net Current (Liabilities)/Assets	(479)	628	581	1,131	1,213
	<u>(351)</u>	<u>846</u>	<u>769</u>	<u>1,294</u>	<u>1,354</u>

FINANCED BY:

Share Capital	250	250	250	250	250
(Accumulated Losses)/ Retained Profits	(777)	468	490	1,035	1,104
	<u>(527)</u>	<u>718</u>	<u>740</u>	<u>1,285</u>	<u>1,354</u>
Long Term Liabilites	176	128	29	9	-
	<u>(351)</u>	<u>846</u>	<u>769</u>	<u>1,294</u>	<u>1,354</u>

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

8.0 PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The detailed Proforma Statement of Assets and Liabilities set out below are provided for illustrative purposes only and are based on the audited financial statements of PJSB Group and PJSS as at 31 December 2002 to show the effects of the Flotation Scheme had it been effected on 31 December 2002. The statements are to be read in conjunction with the notes thereto:-

	Note	Group Audited as at 31.12.2002 RM'000	← Proforma Group →	
			After Acquisition, Bonus Issue and Rights Issue (I) RM'000	After (I) and IPO and Listing (II) RM'000
Property, plant and equipment	C	38,422	38,563	38,563
Investment	D	29,942	29,942	29,942
Intangible	E	2,679	2,679	2,679
Current Assets	F	40,247	43,358	43,358
Current Liabilities	G	41,847	38,506	30,881
Net Current (Liabilities)/Assets		(1,600)	4,852	12,477
		<u>69,443</u>	<u>76,036</u>	<u>83,661</u>
FINANCED BY:				
Share Capital	H	12,513	43,500	50,000
Share Premium	I	-	871	3,621
Capital Reserve		2,000	2,000	2,000
Reserves on consolidation		-	69	69
Retained Profits		36,306	10,972	10,972
		<u>50,819</u>	<u>57,412</u>	<u>66,662</u>
Long Term Liabilities	J	18,380	18,380	16,755
Deferred Taxation		244	244	244
		<u>69,443</u>	<u>76,036</u>	<u>83,661</u>
Net Tangible Assets Per Share		3.85	1.26	1.28

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

(Prepared for inclusion in the Prospectus)



AF: 0039

9.0 NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES**A. SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of Accounting**

The financial statements of the PJSB Group, PJSS and the Proforma Group are prepared under the historical cost convention modified to include the revaluation of certain assets and comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB"). Certain properties of the PJSB Group were revalued by the Directors in periods prior to 1996. As permitted by MASB No. 15, Property, Plant and Equipment, these assets are stated at their previous revalued amount (subject to continuity in depreciation policy and the requirement to write an asset down to its recoverable amount) on the basis that the revaluation carried out then, was a one off isolated event and not intended to be the adoption of a revaluation policy in place of a cost policy.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**(c) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9A(n). Freehold land and capital work-in progress are not depreciated.

Leasehold land and buildings are amortised over the period of the lease.

Depreciation is calculated on a straight line method to write off the cost of property, plant and equipment over their estimated useful lives as follows:-

Furniture, fittings, equipment, renovations and machinery	- 5 to 10 years
Motor vehicles	- 5 years

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

(d) Investment in Subsidiaries

The Company's investments in subsidiaries and associates company are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 9A(n).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

(e) Intangible Asset

License purchased

Cost relating to license which is acquired is capitalised and amortised on a straight line basis over its 10 year useful life.

(f) Inventories

Inventories include materials used in the contracting business and sales to third parties. Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, includes the cost of materials and, where appropriate, labour and overheads.

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

(Prepared for inclusion in the Prospectus)



AF: 0039

A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Amount Due from Contract Customers

Amount due from contract customers are stated at cost plus attributable profits less foreseeable losses and progress billings up to balance sheet date. Cost includes cost of development expenditure, interest charges related to the financing of development and on allocation of overhead expenses.

Where aggregate amount of cost plus attributable profits less foreseeable losses in respect of individual contracts exceed progress billings, the balances are shown as amount due from customers under current assets. Where progress billings in respect of individual contracts exceed the aggregate amount of cost plus attributable profits less foreseeable losses, the balances are shown as amount due to customers under current liabilities.

(h) Provisions

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

(i) Hire Purchase and Finance Lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 9A(c).

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

(Prepared for inclusion in the Prospectus)



AF: 0039

A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Deferred Taxation

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(k) Foreign Currency Transactions

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

(l) Revenue Recognition

(i) Contract Revenue

Contract revenue is recognised on the percentage of completion method measured by reference to the percentage of cost incurred as at balance sheet date to the estimated total contract cost for each project. Provision is made for all expected future losses when identifiable.

(ii) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

(iii) Services rendered

Revenue from services rendered is recognised when services are rendered and invoiced.

(m) Dividend income

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

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

(Prepared for inclusion in the Prospectus)



AF: 0039

A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**(n) Impairment Assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, assets arising from construction contracts, deferred tax assets and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(o) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial classified as equity are charged directly to equity. Financial instruments are offset when the Group has legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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

(Prepared for inclusion in the Prospectus)



AF: 0039

A. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Financial Instruments (contd.)

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiary company are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in value of investments and is recognised as an expense in the period in which the decline occurred.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(ii) Trade Receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

(iii) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services rendered.

(iv) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(p) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, fixed deposits and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

B. GENERAL

The registered office is located at National Aerospace & Defence Industries (NADI) Building, PT 192, Jalan Lapangan Terbang Subang, Shah Alam, Subang, 47200 Selangor Darul Ehsan. The principal place of business is located at Lot 46, 2nd Floor, Jalan Setiawangsa 11A, 54200 Kuala Lumpur.

The principal activities of the Company are to carry on business to manufacture, design, trade, install and maintain all kinds of work of Fibre Reinforced Plastic and Reinforced Concrete Sewage Treatment Plants and Underground Storage Tanks.

The consolidated financial statements of the Group and Proforma Group are expressed in Ringgit Malaysia.

Details of subsidiary companies of the Proforma Group as at 31 December 2002 are:-

Name of Companies	Principal Activities	Date and Place of Incorporation	Proforma Group's Effective Interest %
Johan Fibres Industries Sdn. Bhd. ("JFI")	Manufacture and sale of Fibre Reinforced Plastic (FRP) sewage treatment plants, underground storage tanks (UST) and other FRP products.	22 June 1979 Malaysia	100
Aeration Job Sdn. Bhd. ("AJ")	Investment holding, solid waste management, garbage collection, area cleansing and other related business.	23 April 1994 Malaysia	100
PJS Services Sdn. Bhd. ("PJSS")	Provision of management expertise in wastewater treatment and as a subcontractor to design, install and maintain sewage treatment plants.	14 April 1994 Malaysia	100

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

B. GENERAL (CONTD.)

Name of Companies	Principal Activities	Date and Place of Incorporation	Proforma Group's Effective Interest %
Subsidiary company of <u>Aeration Job Sdn. Bhd.</u>			
PJS Technology System Sdn. Bhd. ("PJSTS")	Dormant	2 July 1996 Malaysia	100

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

C. PROPERTY, PLANT AND EQUIPMENT

Proforma Group	Freehold land RM	Long term leasehold land and buildings RM	Furniture, fittings, equipment and machinery RM	Office renovations RM	Motor vehicles RM	Capital work-in progress RM	Total RM
Cost							
At 1 January 2002	67	22,984	8,826	52	4,825	9,183	45,937
Additions	-	-	769	9	56	2,423	3,257
Disposals	-	-	(50)	-	(66)	-	(116)
Transfers	-	1,102	-	-	-	(1,102)	-
At 31 December 2002	67	24,086	9,545	61	4,815	10,504	49,078
Accumulated Depreciation							
At 1 January 2002	-	1,184	5,221	50	2,624	-	9,079
Depreciation charge for the year	-	268	642	2	582	-	1,494
Disposals	-	-	(31)	-	(27)	-	(58)
At 31 December 2002	-	1,452	5,832	52	3,179	-	10,515
Net book value							
At 31 December 2002	67	22,634	3,713	9	1,636	10,504	38,563

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

C. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

**Proforma
Group
As at 31.12.02
RM'000**

Analysis of cost or deemed cost of long term leasehold land and buildings:

At deemed cost (or valuation) in 1991	1,000
At cost	23,086
	24,086

All other property, plant and equipment are stated at cost.

Certain properties of the Group and of the Company were revalued by the Directors based on open market valuations by an independent professional firm of valuers in periods prior to 1996. As permitted by MASB 15, Property, Plant and Equipment, these assets have continued to be stated on the basis of their prior years valuations which are now regarded as deemed cost. No disclosure has been made on the net book value of assets at valuation had they been stated at cost as it is impractical to obtain such information.

The title deeds for certain leasehold land of the Group and of the Company have yet to be issued by the relevant authorities.

The net book value of the property, plant and equipment acquired under hire purchase financing is as follows:-

**Proforma
Group
As at 31.12.02
RM'000**

Hire purchase	2,077
Lease	-
	2,077

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

C. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

The leasehold land and buildings with a net book value of RM22,634,613 (2001: RM21,799,622) to licenced banks as securities for banking facilities granted to the Group and the Company.

The freehold land with a net book value of RM66,917 (2001 : RM66,917) has been charged to licensed banks as securities for banking facilities granted to the Group and the Company.

Borrowing costs capitalised during the financial year under capital-in-progress amounted to RM234,978 (2001 : RM Nil). The total amount of interest capitalised todate is RM444,513 (2001 : RM209,535).

D. INVESTMENT

**Proforma
Group
As at 31.12.02
RM'000**

At cost:

Shares in unquoted corporation in Malaysia

29,942

The investment pertains to 15% equity interest in Alam Flora Sdn. Bhd. held by a subsidiary company which was acquired during the year. The shares of Alam Flora Sdn. Bhd. are pledged to a third party for an advance made to the PJS Industries Sdn. Bhd.

E. INTANGIBLE

**Proforma
Group
As at 31.12.02
RM'000**

License purchased:

At cost

3,827

Accumulated amortisation

(1,148)

2,679

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

F. CURRENT ASSETS

		← Proforma Group →	
		After Acquisition, Bonus Issue and Rights Issue (I) RM'000	After (I) and IPO and Listing (II) RM'000
	Group Audited as at 31.12.2002 RM'000		
Amount due from contract customers	(a) -	143	143
Inventories	(b) 3,417	3,417	3,417
Trade receivables	(c) 18,680	21,302	21,302
Other receivables	(d) 2,302	2,566	2,566
Amount due from related companies	(e) 765	829	829
Deposits with licensed financial banks	(f) 10,776	10,776	10,776
Cash and bank balances	4,307	4,325	4,325
	<u>40,247</u>	<u>43,358</u>	<u>43,358</u>

(a) Amount due from contract customers

	Proforma Group As at 31.12.02 RM'000
Cost incurred to date	13,154
Attributable profit	<u>1,410</u>
	14,564
Less: Progress billings received and receivable	<u>(14,421)</u>
	<u>143</u>

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

AF: 0039

F. CURRENT ASSETS (CONTD.)

(b) Inventories

	Proforma Group As at 31.12.02 RM'000
At cost:	
Goods in transit	747
Raw materials	866
Work-in-progress	53
Finished goods	<u>979</u>
	2,645
At net realisable value:	
Accessories	<u>772</u>
	<u><u>3,417</u></u>

(c) Trade receivables

	Proforma Group As at 31.12.02 RM'000
Trade receivables	28,803
Less: Provision for doubtful debts	<u>(7,501)</u>
	<u><u>21,302</u></u>

(d) Other receivables

	Proforma Group As at 31.12.02 RM'000
Sundry receivables	453
Staff advance	599
Deposits	586
Prepayment	<u>928</u>
	<u><u>2,566</u></u>

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

(Prepared for inclusion in the Prospectus)



AF: 0039

F. CURRENT ASSETS (CONTD.)

(e) Holding company and Related companies

The ultimate holding company is PJS Industries Sdn. Bhd., a company incorporated in Malaysia.

Related companies in these financial statements refer to companies within the PJS Industries Sdn. Bhd. Group.

The amount due from or to related companies is unsecured, interest free and has no fixed terms of repayment.

(f) Deposits with licensed financial banks

Certain deposits with licensed banks of the Proforma Group are pledged to financial institutions for banking facilities granted.

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

ERNST & YOUNG

AF: 0039

G. CURRENT LIABILITIES

		← Proforma Group →	
		After Acquisition, Bonus Issue and Rights Issue (I) RM'000	After (I) and IPO and Listing (II) RM'000
	Group Audited as at 31.12.2002 RM'000		
Trade payables	8,292	4,097	-
Other payables	7,040	7,564	4,036
Hire purchase creditors	(a) 558	560	560
Amounts due to			
- ultimate holding company	F(g) 129	724	724
- related companies	F(g) 833	391	391
Amount due to directors	(b) 116	116	116
Short term borrowings	(c) 13,554	13,554	13,554
Taxation	11,325	11,500	11,500
	<u>41,847</u>	<u>38,506</u>	<u>30,881</u>

(a) Hire purchase creditors

	Proforma Group As at 31.12.02 RM'000
Gross amounts payable within:	
1 year	708
More than 2 years but not later than 5 years	1,364
More than 5 years	<u>71</u>
	2,143
Less: Interest-in-suspense	<u>(466)</u>
	1,677
Less: Portion in long term liabilities (Note J)	<u>(1,117)</u>
	<u>560</u>

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

G. CURRENT LIABILITIES (CONTD.)**(b) Amount due to directors**

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

(c) Short term borrowings

	Proforma Group As at 31.12.02 RM'000
Advances under factoring arrangement	-
Bills payable	6,256
Bank overdrafts	2,924
Term Loans (Note J)	<u>4,374</u>
	<u><u>13,554</u></u>

The term loans, bills payable and bank overdrafts are secured by:

- (i) a first and fixed charge over the land and buildings of the PJSB Group
- (ii) a debenture over the fixed and floating assets of the PJSB Group, both present and future.
- (iii) a pledge over certain deposits and assets of PJSB and a subsidiary company.
- (iv) joint and several guarantee by certain Directors and a third party.
- (v) a pledge over proceeds received from contract works.

The term loans of the Proforma Group bear interest from 2.25% to 2.50% per annum above the respective banks/finance company's base lending rates.

The bills payable for the Proforma Group bear interest at 2.0% to 2.5% per annum and 2.00% to 2.5% (2001: 2.00% to 2.50%) per annum respectively above the lending banks' base rate.

The bank overdrafts for the Proforma Group bear interest rate of 2.0% to 2.5% per annum respectively above the lending banks' base lending rate.

The factoring facility bears interest of 2.8% (2001: 1.5%) per annum above the factoring company's base rate.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

H. SHARE CAPITAL

	← Proforma Group →		
	Group Audited as at 31.12.2002 RM'000	After Acquisition, Bonus Issue and Rights Issue (I) RM'000	After (I) and IPO and Listing (II) RM'000
Authorised:			
Ordinary shares of RM1.00 each	25,000	100,000	100,000
Issued and fully paid:			
Ordinary shares of RM1.00 each	12,513	43,500	50,000

I. SHARE PREMIUM

	← Proforma Group →		
	Group Audited as at 31.12.2001 RM'000	After Acquisition, Bonus Issue and Rights Issue (I) RM'000	After (I) and IPO and Listing (II) RM'000
Share premium	-	871	3,621 #

The estimated expenses of RM1.8 million relating to the Floatation Scheme has been set-off against Share Premium.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

J. LONG TERM LIABILITIES

	Proforma Group As at 31.12.02 RM'000
Amount due to ultimate holding company	-
Hire purchase creditors	1,117
Term loans	20,012
Less: Portion in current liabilities (Note G (c))	(4,374)
	<u>15,638</u>
	<u>16,755</u>

The details of the term loans are set out in Note G(c) to the Report.

K. CAPITAL COMMITMENTS

	Proforma Group As at 31.12.02 RM'000
Approved but uncontracted for	1,873
Approved and contracted for	<u>1,600</u>

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

10.0 PROFORMA CASH FLOW STATEMENT

The proforma cash flow statement of PJSB Group set out below is based on the audited financial statements of PJSB Group and PJSS for the financial year ended 31 December 2002 and is presented on the basis that the Floatation Scheme had been effected on 31 December 2002.

	Proforma Group As at 31.12.02 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	14,279
Adjustments for:	
Depreciation of property, plant and equipment	1,494
Amortisation of intangible	383
Gain on disposal of property, plant and equipment	(21)
Provision for doubtful debts	2,750
Property, plant and equipment written off	40
Inventories written off	233
Bad debts written off	449
Interest expenses	2,182
Interest income	(114)
Operating profit before working capital changes	21,675
Changes in working capital:	
Inventories	479
Amount due from contract customers	1,639
Receivables	2,492
Ultimate holding company	(5,328)
Related companies	(716)
Directors	(24)
Payables	(16,589)
Cash generated from operations	3,628
Income tax paid	(4,029)
Net cash flow used in operating activities	(401)

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

10.0 PROFORMA CASH FLOW STATEMENT (CONTD.)

	Proforma Group As at 31.12.02 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES	
Fixed deposits pledged to financial institutions	(8,731)
Purchase of property, plant and equipment	(2,905)
Proceeds from disposal of property, plant and equipment	40
Interest income	114
	<u>(11,482)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of share capital	16,290
Repayment of listing expenses	(1,800)
Repayment of hire purchase	(664)
Net drawdown of term loan	2,195
Net repayment of short term borrowings	(1,011)
Interest paid	(2,182)
	<u>12,828</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	945
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2002	907
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2002	<u>1,852</u>

Cash and cash equivalents as at 31 December 2002 comprise the following:-

Cash and bank balances	4,325
Bank overdrafts	(2,924)
Deposits with licensed financial banks	10,776
	<u>12,177</u>
Less: Deposits pledged	(10,325)
	<u>1,852</u>

11. ACCOUNTANTS' REPORT *(Cont'd)**(Prepared for inclusion in the Prospectus)*

AF: 0039

11.0 PROCEEDS FROM PROPOSED RIGHTS ISSUE AND PROPOSED OFFER FOR SALE

The cash proceeds of RM16,290,000 from the Rights Issue and Public Issue will be utilised in the following manner:-

	RM'000
Working capital	12,865
Repayment of term loans	1,625
Finance estimated listing expenses	1,800
	<u>16,290</u>

12.0 PROFORMA NET TANGIBLE ASSETS COVER

Based on the financial position of the Proforma Group as at 31 December 2002, the net tangible assets and enlarged paid-up capital are set out below:-

(i) Net Tangible Assets

	Proforma Group As at 31.12.02 RM'000
Net Tangible Assets of the Proforma Group after Acquisition and Bonus Issue	49,494
Add: Proceeds from Rights Issue	5,240
Add: Proceeds from IPO	<u>11,050</u>
	65,784
Less: Estimated Listing expenses	<u>(1,800)</u>
	<u><u>63,984</u></u>

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

AF: 0039

12.0 PROFORMA NET TANGIBLE ASSETS COVER (CONTD.)

(ii) Share Capital	No. of shares '000
At 31 December 2002	12,513
Add: Acquisition	413
Add: Bonus Issue	25,334
Add: Rights Issue	5,240
Add: IPO	<u>6,500</u>
On completion of Flotation Scheme	<u><u>50,000</u></u>

Based on the proforma net tangible assets of RM63.9 million and enlarged paid-up share capital of RM50 million, the proforma net tangible assets per share is RM1.28.

13.0 AUDITED FINANCIAL STATEMENTS

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

Yours faithfully

Ernst & Young

AF: 0039

Chartered Accountants

Dato' Nordin Baharuddin

837/03/04(J)

Partner

Kuala Lumpur, Malaysia