

9. ACCOUNTANTS' REPORT (cont'd)**4.4 PMBC**

The following financial information of PMBC is based on the audited financial statements of PMBC for the three financial period/years ended 31 December 2000 to 2002 and financial period ended 30 June 2003.

4.4.1 Summarised Balance Sheets of PMBC

	<-----As at 31 December----->			As at
	2000 RM'000	2001 RM'000	2002 RM'000	30 June 2003 RM'000
Plant and equipment	-	19	173	238
Current assets	168	35,008	25,282	35,691
Current liabilities	(202)	(24,893)	(10,824)	(18,454)
Net current (liabilities)/assets	(34)	10,115	14,458	17,237
	(34)	10,134	14,631	17,475
Financed by :-				
Share capital	4	6,341	6,341	6,341
(Accumulated loss)/Unappropriated profits	(38)	3,793	8,282	11,108
(Deficit)/Surplus in shareholders' funds	(34)	10,134	14,623	17,449
Minority interest	-	-	-	10
Deferred taxation	-	-	8	16
	(34)	10,134	14,631	17,475
NTA per share (RM)	-	0.78	1.12	1.34

Note: -

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)**4.5 PMBF (S)**

The following financial information of PMBF (S) is based on the audited financial statements of PMBF (S) for the four financial period/years ended 31 December 2000 to 30 June 2003.

4.5.1 Summarised Balance Sheets of PMBF (S)

	<-----As at 31 December----->			As at
	2000	2001	2002	30 June
	RM'000	RM'000	RM'000	2003 RM'000
Current assets	54	119	136	127
Current liabilities	(12)	(90)	(85)	(87)
Net current assets	42	29	51	40
	42	29	51	40
Financed by :-				
Share capital	54	54	54	54
Accumulated losses	(12)	(25)	(3)	(14)
	42	29	51	40
NTA per share (RM)	1.68	1.16	2.04	1.60

Note: -

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the period/year end.

9. ACCOUNTANTS' REPORT (cont'd)**4.6 KAI-PMBF**

The following financial information of KAI-PMBF is based on the audited financial statement of KAI-PMBF for the financial period ended 31 December 2001, financial year ended 31 December 2002 and management accounts for the financial period ended 30 June 2003.

4.6.1 Summarised Balance Sheets of KAI-PMBF

	<-----As at 31 December----->		As at
	2001 RM'000	2002 RM'000	30 June 2003 RM'000
Property, plant and equipment	240	174	163
Current assets	1,150	1,246	1,298
Current liabilities	(1,273)	(1,345)	(1,339)
Net current liabilities	(123)	(99)	41
	<u>117</u>	<u>75</u>	<u>122</u>
Financed by: -			
Share capital	260	260	345
Accumulated losses	(143)	(185)	(223)
	<u>117</u>	<u>75</u>	<u>122</u>
NTA per share	<u>2.34</u>	<u>1.50</u>	<u>2.44</u>

Note: -

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)**4.7 EASB Group - Consolidated Balance Sheets**

The following financial information of EASB Group is based on the audited consolidated financial statements of EASB Group for the five financial years ended 31 December 1998 to 2002 and financial period ended 30 June 2003.

4.7.1 Summarised Balance Sheets of EASB Group

	<-----As at 31 December----->					As at 30 June 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Property, plant and equipment	13,056	13,093	13,823	13,348	13,968	14,384
Goodwill	-	37	28	37	32	24
Current assets	31,789	35,754	38,233	28,330	28,602	32,252
Current liabilities	(32,267)	(34,230)	(34,615)	(22,013)	(19,536)	(21,576)
Net current (liabilities)/ assets	(478)	1,524	3,618	6,317	9,066	10,676
	12,578	14,654	17,469	19,702	23,066	25,084
Financed by: -						
Share capital	130	130	130	130	130	130
Share premium	100	100	100	100	100	100
Unappropriated profits	11,502	13,618	16,233	18,100	21,612	23,695
Shareholders' funds	11,732	13,848	16,463	18,330	21,842	23,925
Minority interest	-	7	3	-	-	-
Long term liabilities	451	353	518	747	509	411
Deferred taxation	395	446	485	625	715	748
	12,578	14,654	17,469	19,702	23,066	25,084
NTA per share (RM)	90.25	106.24	126.42	141.00	168.02	184.04

Note: -

- (1) Goodwill was a result of the acquisition of PMB Eastern in 1999.
- (2) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)**4.8 EASB**

The following financial information of EASB is based on the audited financial statements of EASB for the five financial years ended 31 December 1998 to 2002 and financial period ended 30 June 2003.

4.8.1 Summarised Balance Sheets of EASB

	<----- As at 31 December----->					As at 30 June 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Property, plant and equipment	12,831	12,633	13,144	12,554	12,314	12,198
Investments in subsidiaries	1,337	1,421	1,421	1,451	1,551	1,551
Current assets	24,903	27,603	28,142	24,279	21,649	17,437
Current liabilities	(26,264)	(26,825)	(26,011)	(19,616)	(14,766)	(10,184)
Net current (liabilities)/assets	(1,361)	778	2,131	4,663	6,883	7,253
	<u>12,807</u>	<u>14,832</u>	<u>16,696</u>	<u>18,668</u>	<u>20,748</u>	<u>21,002</u>
Financed by: -						
Share capital	130	130	130	130	130	130
Unappropriated profits	11,888	13,966	15,730	17,371	19,639	19,984
Shareholders' funds	<u>12,018</u>	<u>14,096</u>	<u>15,860</u>	<u>17,501</u>	<u>19,769</u>	<u>20,114</u>
Long term liabilities	394	290	390	576	388	297
Deferred taxation	395	446	446	591	591	591
	<u>12,807</u>	<u>14,832</u>	<u>16,696</u>	<u>18,668</u>	<u>20,748</u>	<u>21,002</u>
NTA per share (RM)	<u>92.45</u>	<u>108.43</u>	<u>122.00</u>	<u>134.62</u>	<u>152.07</u>	<u>154.72</u>

Note: -

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)**4.9 PMBNorthern (formerly known as EASB (SP))**

The following financial information of PMBNorthern is based on the audited financial statements of PMBNorthern for the five financial years ended 31 December 1998 to 2002 and financial period ended 30 June 2003.

4.9.1 Summarised Balance Sheets of PMB Northern

	<----- As at 31 December ----->					As at 30 June 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Property, plant and equipment	101	91	81	48	45	40
Current assets	1,643	1,613	1,741	2,138	2,450	3,104
Current liabilities	(1,887)	(2,149)	(1,988)	(2,221)	(2,399)	(2,949)
Net current liabilities	(246)	(536)	(247)	(83)	51	155
	(145)	(445)	(166)	(35)	96	195
Financed by: -						
Share capital	*	*	*	*	*	*
Unappropriated profits	(145)	(445)	(166)	(35)	91	190
Deficit in shareholders' funds	(145)	(445)	(166)	(35)	91	190
Deferred taxation	-	-	-	-	5	5
	(145)	(445)	(166)	(35)	96	195
NTA per ordinary share (RM)	-	-	-	-	892.16	1,862.74

* *The issued and paid-up share capital is RM102.*

Note: -

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)**4.10 PMBCentral (formerly known as EGBM)**

The following financial information of PMBCentral is based on the audited financial statements of PMBCentral for the five financial period/years ended 31 December 1998 to 2002 and financial period ended 30 June 2003.

4.10.1 Summarised Balance Sheets of PMBCentral

	<----- As at 31 December----->					As at 30 June 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Property, plant and equipment	125	278	314	524	473	634
Current assets	65	2,001	1,787	1,560	1,527	11,489
Current liabilities	(181)	(2,010)	(1,359)	(1,127)	(975)	(10,734)
Net current (liabilities)/assets	(116)	(9)	428	433	552	755
	9	269	742	957	1,025	1,389
Financed by: -						
Share capital	*	*	*	*	*	*
(Accumulated loss)/Unappropriated profits	(48)	230	660	779	911	1,222
(Deficit)/Surplus in shareholders' funds	(48)	231	660	779	911	1,222
Deferred taxation	-	-	39	34	2	112
Hire purchase liabilities	57	38	43	144	112	55
	9	269	742	957	1,025	1,389
NTA per ordinary share (RM)	-	2,264.70	6,470.59	7,637.25	8,931.37	11,980.39

* The issued and paid-up share capital is RM102.

Note: -

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)**4.11 PMBEastern (formerly known as EASB (K))**

The following financial information of PMBEastern is based on the audited financial statements of PMBEastern for the five financial years ended 31 December 1998 to 2002 and financial period ended 30 June 2003.

4.11.1 Summarised Balance Sheets of PMB Eastern

	<----- As at 31 December ----->					As at
	1998	1999	2000	2001	2002	30 June
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
						RM'000
Property, plant and equipment	121	92	139	91	120	101
Preliminary expenditure	5	-	-	-	-	-
Current assets	373	452	1,626	1,659	2,627	2,637
Current liabilities	(350)	(482)	(1,672)	(1,709)	(2,708)	(2,699)
Net current assets/ (liabilities)	23	(30)	(46)	(50)	(81)	(62)
	149	62	93	41	39	39
Financed by: -						
Share capital	150	150	150	150	150	150
Accumulated losses	(63)	(112)	(95)	(113)	(112)	(111)
Shareholders' funds	87	38	55	37	38	39
Hire purchase liabilities	62	24	38	4	1	-
	149	62	93	41	39	39
NTA per share (RM)	0.58	0.25	0.37	0.25	0.25	0.26

Note: -

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)**4.12 EATSB**

The following financial information of EATSB is based on the audited financial statements of EATSB for the four financial period/years ended 31 December 1999 to 2002 and financial period ended 30 June 2003.

4.12.1 Summarised Balance Sheets of EATSB

	<-----As at 31 December----->				As at
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	30 June 2003 RM'000
Property, plant and equipment	-	-	-	901	1,303
Current assets	246	490	342	2,859	3,775
Current liabilities	(210)	(271)	(97)	(1,983)	(2,020)
Net current assets	36	219	245	876	1,755
	36	219	245	1,777	3,058
Financed by: -					
Share capital	*	*	*	100	100
Unappropriated profits	36	219	245	1,561	2,860
Shareholders' funds	36	219	245	1,661	2,960
Deferred taxation	-	-	-	116	98
	36	219	245	1,777	3,058
NTA per share (RM)	18,000	109,500	122,500	16.61	29.60

* *The issued and paid-up share capital is RM2.*

Note: -

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)



4.13 PMBSouthern (EMSB)

The following financial information of PMBSouthern is based on the audited financial statements of PMBSouthern for the three financial period/years ended 31 December 2000 to 2002 and financial period ended 30 June 2003.

4.13.1 Summarised Balance Sheets of PMBSouthern

	<-----As at 31 December----->			As at
	2000 RM'000	2001 RM'000	2002 RM'000	30 June 2003 RM'000
Plant and equipment	144	131	115	109
Current assets	1,120	1,755	708	946
Current liabilities	(1,253)	(1,917)	(1,155)	(1,433)
Net current liabilities	(133)	(162)	(447)	(487)
	11	(31)	(332)	(378)
Financed by: -				
Share capital	*	*	*	*
Accumulated losses	(36)	(54)	(339)	(380)
Deficit in shareholders' funds	(36)	(54)	(339)	(380)
Hire purchase liabilities	47	23	7	2
	11	(31)	(332)	(378)
NTA per ordinary share (RM)	-	-	-	-

* *The issued and paid up share capital is RM100.*

Note: -

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)**4.14 EEM**

The following financial information of EEM is based on the audited financial statements of EEM for the five financial years ended 31 December 1998 to 2002 and financial period ended 30 June 2003.

4.14.1 Summarised Balance Sheets of EEM

	<----- As at 31 December ----->					As at 30 June
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	7,268	7,268	1,323	1,323	1,313	1,313
Current liabilities	(5,951)	(5,954)	(11)	(16)	(7)	(6)
Net current assets	1,317	1,314	1,312	1,307	1,306	1,307
	1,317	1,314	1,312	1,307	1,306	1,307
Financed by: -						
Share capital	1,337	1,337	1,337	1,337	1,337	1,337
Accumulated losses	(20)	(23)	(25)	(30)	(30)	(30)
Shareholders' funds	1,317	1,314	1,312	1,307	1,307	1,307
NTA per share (RM)	0.98	0.98	0.98	0.98	0.98	0.98

Note:

- (1) Net tangible assets ("NTA") per share is calculated based on NTA over the number of shares in issue at the year/period end.

9. ACCOUNTANTS' REPORT (cont'd)


5 Statement of Assets and Liabilities

The following is the statement of assets and liabilities of the PMBT Group, which have been prepared for illustrative purposes only based on the audited accounts of PMBT and its subsidiaries as at 30 June 2003. The statement of assets and liabilities of the Proforma Group have been prepared on the assumption that the restructuring scheme as mentioned under Paragraph 1.3 of this report had been effected on 30 June 2003 and should be read in conjunction with the notes thereon.

	<i>Note</i>	<i>Balance sheet at 30.6.2003 RM'000</i>	<i>Proforma consolidated balance sheet after stage 1 RM'000</i>	<i>Proforma consolidated balance sheet after stage 2 RM'000</i>	<i>Proforma consolidated balance sheet after stage 3 RM'000</i>
Property, plant and equipment	6.4	-	16,711	16,711	16,711
Goodwill		-	24	24	24
Current assets					
Inventories	6.5	-	12,043	12,043	12,043
Trade receivables	6.6	-	46,157	46,157	46,157
Amount due from contract customers	6.7	-	17,796	17,796	17,796
Other receivables, deposits and prepayments		396	16,768	16,768	16,768
Cash and bank balances	6.8	*	9,506	10,894	13,394
		<u>396</u>	<u>102,270</u>	<u>103,658</u>	<u>106,158</u>
Current liabilities					
Trade payables		-	15,698	15,698	15,698
Other payables and accruals		405	12,718	12,718	12,718
Borrowings	6.9	-	28,943	28,943	22,443
Amount due to a corporate shareholder		-	5,712	5,712	5,712
Proposed dividend		-	4,500	4,500	4,500
Taxation		-	1,640	1,640	1,640
		<u>405</u>	<u>69,211</u>	<u>69,211</u>	<u>62,711</u>
Net Current (Liabilities) / Assets		<u>(9)</u>	<u>33,059</u>	<u>34,447</u>	<u>43,447</u>
		<u>(9)</u>	<u>49,794</u>	<u>51,182</u>	<u>60,182</u>
		=====	=====	=====	=====

9. ACCOUNTANTS' REPORT (cont'd)

	<i>Note</i>	<i>Balance sheet at 30.6.2003 RM'000</i>	<i>Proforma consolidated balance sheet after stage 1 RM'000</i>	<i>Proforma consolidated balance sheet after stage 2 RM'000</i>	<i>Proforma consolidated balance sheet after stage 3 RM'000</i>
Financed by:					
Share capital	6.1 0	*	33,738	35,000	40,000
Share premium	6.1 1	-	3,374	3,500	7,500
Reserves		(9)	11,132**	11,132**	11,132**
Shareholders' Funds		(9)	48,244	49,632	58,632
Minority interest		-	81	81	81
Borrowings		-	510	510	510
Deferred taxation		-	959	959	959
		(9)	49,794	51,182	60,182
Net Tangible Assets per share (RM)		-	0.71	0.71	0.73

* Issued and paid-up share capital of PMB Technology Berhad of RM2.00, representing 4 ordinary shares of RM0.50 each.

** Included in reserves is negative goodwill of RM11,141,000.

9. ACCOUNTANTS' REPORT (cont'd)



6. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

6.1. Restructuring Scheme

The statement of assets and liabilities are for illustrative purposes only to incorporate the following transactions as though they were effective on 30 June 2003.

Stage 1

- Proposed acquisition of 3,900,000 ordinary shares of HKD1.00 (RM0.49) each representing 30% of PMB Cyberwall Ltd. ("PMBC"), a subsidiary of PMB Facade Technology Sdn. Bhd. ("PMBF"), for a purchase consideration of RM6,062,638 based on the average valuation of 31 December 2002 and 31 December 2003 actual and forecast earnings of PMBC to be satisfied by the issuance of 192,126 new ordinary shares of RM1.00 each in PMBF valued at approximately RM31.56 per ordinary share.
- Proposed acquisition of 692,126 ordinary shares of RM1.00 each representing the entire issued and paid-up of share capital PMBF for a purchase consideration of RM18,818,076 based on the net tangible assets of the PMBF Group as at 31 December 2001 to be fully satisfied by the issuance of 34,214,684 new ordinary shares of RM0.50 each in PMBT valued at approximately RM0.55 per ordinary shares.
- Proposed acquisition of 130,110 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Everlast Aluminium (M) Sdn. Bhd. ("EASB") for a purchase consideration of RM18,293,857 based on the net tangible assets of the EASB Group as at 31 December 2001 to be fully satisfied by the issuance of 33,261,558 new ordinary shares of RM0.50 each in PMBT valued at approximately RM0.55 per ordinary shares.

Stage 2

- Proposed rights issue of 2,523,754 new ordinary shares of RM0.50 each at an issue price of RM0.55 per ordinary share to the existing shareholders of PMBT.

Stage 3

- Proposed offer for sale of 26,200,000 ordinary shares of RM0.50 each at an issue price of RM1.05 per ordinary share comprising of 24,000,000 ordinary shares of RM0.50 each to bumiputra investors approved by the Ministry of International Trade and Industry ("MITI") and 2,200,000 ordinary shares of RM0.50 each available for application.
- Proposed public issue of 10,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.05 per ordinary shares comprising of 6,000,000 new ordinary shares of RM0.50 each available for application by the Malaysian public and 4,000,000 new ordinary shares of RM0.50 each available for application by eligible directors and employees and business associates of PMBT Group of companies.
- Proposed listing of and quotation for the entire issued and paid-up share capital of PMBT comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stocks Exchange ("KLSE").

9. ACCOUNTANTS' REPORT (cont'd)

- The gross proceeds from the proposed rights and public issues amounting to RM11,888,000 would be received by the last quarter of the financial year ending 31 December 2003 and utilised as follows :

	<i>RM'000</i>
Repayment of bank borrowings	6,500
Working capital requirements	3,888
Listing expenses	1,500

	11,888
	=====

6.2 Basis of preparation of proforma financial statements

The financial statements of the Proforma Group and the Company have been prepared in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

6.3 Summary of Significant Accounting Policies

The following accounting policies are adopted by the Proforma Group and the Company and are consistent with those adopted in previous years.

(a) Basis of accounting

The financial statements of the Proforma Group and the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of Consolidation

The Proforma Group financial statements have been prepared based on the audited financial statements of the Company and its subsidiaries as at 30 June 2003. The results of the subsidiaries are included in the consolidated financial statements from the date of acquisition. All material related company transactions and balances have been eliminated on consolidation.

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the proforma consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the proforma Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate. The negative goodwill is recognised as income at the date of acquisition.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

9. ACCOUNTANTS' REPORT (cont'd)**(c) Property, plant and equipment**

Property, plant and equipment, except for freehold land and construction-in-progress, are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

Property, plant and equipment acquired under hire purchase arrangements are capitalised at their purchase costs and depreciated on the same basis as owned assets. The total amount payable under hire purchase arrangements are included as hire purchase liabilities.

The interest element of the rental obligation is charged to the income statement over the period of hire purchase.

Depreciation

Freehold land and construction-in-progress are not depreciated.

Long term leasehold land is amortised in equal instalments over the unexpired lease period of the leasehold land. Other property, plant and equipment are depreciated on a straight line basis to write off the cost of property, plant and equipment over the term of their estimated useful lives.

The principal annual rates of depreciation are as follows:-

Leasehold land	Over unexpired period of lease
Buildings	2%
Plant and machinery	4% - 20%
Office equipment	10%
Motor vehicles	10% - 20%
Furniture and fittings	10%

(d) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill on consolidation is set-off against negative goodwill, where available, and any excess is amortised to the income statement over 5 years.

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the income statement.

9. ACCOUNTANTS' REPORT (cont'd)

**(e) Investment in subsidiaries**

Investment in subsidiaries are stated at cost less impairment loss where applicable.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value with first-in-first-out (FIFO) being the main basis for costs.

For finished goods and work-in-progress, cost consists of cost of materials, direct labour and an appropriate proportion of production overheads.

The cost of raw materials and trading goods comprise the original cost of purchase and all direct expenses incurred in bringing the inventories to their present location and condition.

(g) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(h) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

(i) Liabilities

Borrowings and trade and other payables are stated at cost.

(j) Amount due from contract customers

Amount due from contract customers is stated at cost plus attributable profits less foreseeable losses and progress billings. Cost includes all direct construction costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in trade and other payables as amount due to contract customer in the financial statements.

(k) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(l) Impairment

The carrying amount of the Group's assets, other than inventories, assets arising from construction contracts and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

9. ACCOUNTANTS' REPORT (cont'd)



The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

(m) Income tax

Tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(n) Revenue***i) Goods sold and services rendered***

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the proportion of costs incurred to date that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

9. ACCOUNTANTS' REPORT (cont'd)**ii) Construction contracts**

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of that contract costs incurred for contract work performed to date that reflect work performed bear to the total estimated contract costs.

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

An expected loss on a contract is recognised immediately in the income statement.

(o) Foreign currency**(i) Transactions in foreign currency**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

(ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Ringgit Malaysia at the exchange rates ruling at the balance sheet date (2000 - non-monetary assets and liabilities of foreign operations were translated at historical rates. If year end rates are used last year, the results would not have been materially different). The revenues and expenses of foreign operations are translated at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation, are recognised in the equity.

The closing rates used in translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows: -

	RM
1HKD	0.49
1SGD	2.16
1TAKA	0.07
1 USD	3.77
1 GBP	6.10

(p) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

9. ACCOUNTANTS' REPORT (cont'd)



(q) Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

9. ACCOUNTANTS' REPORT (cont'd)
6.4 Property, plant and equipment

Proforma Group	Freehold land and buildings RM'000	Long term leasehold land and buildings RM'000	Plant and machinery RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Office renovation RM'000	Capital work-in-progress/Construction-in-progress RM000	Total RM'000
Cost									
At 1 January 2003	6,110	3,809	5,176	1,435	3,736	1,216	218	61	21,761
Additions	189	2	579	217	37	176	28	153	1,381
Disposals	-	-	-	-	(86)	(1)	-	-	(87)
Write-off	-	-	-	-	-	(5)	-	-	(5)
At 30 June 2003	6,299	3,811	5,755	1,652	3,687	1,386	246	214	23,050
Accumulated depreciation									
At 1 January 2003	548	395	1,811	899	1,553	500	29	-	5,735
Charge for the year	45	34	269	76	177	66	12	-	679
Disposals	-	-	-	-	(72)	-	-	-	(72)
Write-off	-	-	-	-	-	(3)	-	-	(3)
At 30 June 2003	593	429	2,080	975	1,658	563	41	-	6,339
Net book value									
At 30 June 2003	5,706	3,382	3,675	677	2,029	823	205	214	16,711

9. ACCOUNTANTS' REPORT (cont'd)

The cost of property, plant and equipment acquired under finance lease and hire purchase arrangements which are included in the above are as follows:

	<i>Proforma Group RM'000</i>
<i>Hire purchase</i>	
Factory equipment/machinery	238
Motor vehicles	1,119
Plant and machinery	339
	<u>1,696</u>

6.5 Inventories

	<i>Proforma Group RM'000</i>
At cost:	
Raw materials	2,954
Finished goods	1,037
Trading inventories	7,218
Manufactured inventories	184
Work-in-progress	650
	<u>12,043</u>

6.6 Trade receivables

	<i>Proforma Group RM'000</i>
Trade receivables	22,211
Progress billings receivable	14,909
Retention sum	9,037
	<u>46,157</u>

9. ACCOUNTANTS' REPORT (cont'd)

**6.7 Amount due from contract customers**

	<i>Proforma Group RM'000</i>
Cost incurred to date	227,022
Attributable profit	<u>41,587</u>
	268,619
Less: Progress billings	<u>(251,619)</u>
	17,000
Gross amount due to contract customers reclassified	<u>796</u>
	<u><u>17,796</u></u>

6.8 Cash and cash equivalents

	<i>Proforma Group RM'000</i>
Cash and bank balances after acquisition of PMBF and EASB	9,506
Proceeds from rights issue	<u>1,388</u>
	10,894
Proceeds from public issue	<u>10,500</u>
Balance after acquisition, rights and public issue	21,394
Less:	
Repayment of borrowings	(6,500)
Estimated listing expenses	<u>(1,500)</u>
Balance after acquisition, public issue and estimated listing expenses	<u><u>13,394</u></u>

9. ACCOUNTANTS' REPORT (cont'd)**6.9 Borrowings (unsecured)**

	<i>Proforma Group RM'000</i>
Current	
Term loan	91
Bank overdraft	914
Revolving credit	7,098
Bills payable	13,996
Bankers' acceptance	6,500
Hire purchase liabilities	344
	<u>28,943</u>
Less: Repayment of bank borrowings from listing proceeds	<u>(6,500)</u>
	<u>22,443</u>
Non current	
Hire purchase liabilities	<u>510</u>

The borrowings of the Proforma Group are secured by a corporate guarantee from Press Metal Berhad.

The bank borrowings bear the following interest charges:

	Interest rate
Term loan	6.50% per annum
Bank overdraft	7.40% to 8.00% per annum
Revolving credit	3.20% to 4.80% per annum
Bills payables	3.10% to 4.70% per annum
Bankers' acceptance	3.71% to 4.50% per annum

9. ACCOUNTANTS' REPORT (cont'd)

**6.10 Share Capital**

	<i>Proforma Group RM'000</i>
Ordinary shares of RM0.50 each :	
Authorised	<u>100,000</u>
Issued and fully paid	
Balance as per PMBT as at 30 June 2003	*
34,214,684 new ordinary shares at an issue price of RM0.55 per share issued for the acquisition of PMBF's entire issued and paid up capital	17,107
33,261,558 new ordinary shares at an issue price of RM0.55 per share issued for the acquisition of EASB's entire issue and paid up capital	<u>16,631</u>
Balance after Stage 1	33,738
Rights issue of 2,523,754 new ordinary shares at an issue price of RM0.55	<u>1,262</u>
Balance after Stage 2	35,000
Public issue of 10,000,000 new ordinary shares at an issue price of RM1.05 per share	<u>5,000</u>
Balance after Stage 2 and public issue	<u>40,000</u>

* The issued and fully paid-up share capital is RM2 representing 4 ordinary shares of RM0.50 each.

9. ACCOUNTANTS' REPORT (cont'd)**6.11 Share premium**

	<i>RM'000</i>
Balance at 30 June 2003	-
Stage 1:	
Acquisition of PMBF's entire issued and paid-up share capital	1,711
Acquisition of EASB's entire issued and paid-up share capital	1,663
	<hr/>
Balance after Stage 1	3,374
Stage 2:	
Proposed rights issue	126
	<hr/>
Balance after Stage 2	3,500
Stage 3:	
Proposed public issue	5,500
Listing expenses	(1,500)
	<hr/>
Balance after Stage 3	7,500
	<hr/> <hr/>

6.12 Net Tangible Assets Per Ordinary Share

Based on the proforma statement of assets and liabilities of PMBT Group (after public issue) at 30 June 2003, the net tangible assets per share is calculated as follows :-

	<i>RM'000</i>
Net tangible assets as at 30 June 2003	58,608
	<hr/>
Number of ordinary shares of RM0.50 each in issue ('000)	80,000
	<hr/>
Net tangible assets per ordinary shares (RM)	0.73
	<hr/> <hr/>

9. ACCOUNTANTS' REPORT (cont'd)


7 Proforma Consolidated Cashflow Statement

The following proforma consolidated cashflow statement for the financial period ended 30 June 2003 of PMBT Group is prepared based on the assumption that the PMBT Group had been in existence throughout the period under review after rights and public issue.

	<i>Proforma Group</i>	<i>Company</i>
	<i>RM'000</i>	<i>RM'000</i>
Cash flows from operating activities		
Profit/(Loss) before taxation	6,336	(3)
Adjustments for:		
Depreciation	679	-
Interest income	(10)	-
Interest expense	638	-
Loss on disposal of property, plant and equipment	3	-
Goodwill amortisation	8	-
Property, plant & equipment written off	2	-
Operating profit/(loss) before working capital changes	7,656	(3)
Changes in working capital		
Inventories	(1,699)	-
Trade and other receivables	(13,753)	(227)
Trade and other payables	5,411	230
Cash used in operations	(2,385)	-
Interest received	10	-
Interest paid	(490)	-
Tax paid	(1,074)	-
Net cash used in operating activities	<u>(3,939)</u>	<u>-</u>
Cash flows from investing activities		
Dividend paid		-
Purchase of property, plant and equipment	(1,373)	-
Proceeds from disposal of property, plant and equipment	12	-
Purchase of additional shares in a subsidiary	-	-
Net cash used in investing activities	<u>(1,361)</u>	<u>-</u>
Cash flows from financing activities		
Proceed from right issue	1,388	-
Proceed from public issue	10,500	-
Payment of listing expenses	(1,500)	-
Proceed from BA/RC	44,431	-
Repayment of BA/RC	(35,582)	-

9. ACCOUNTANTS' REPORT (cont'd)

Repayment of loan	(6,768)	-
Repayment to HP creditors	(233)	-
Interest paid	(148)	-
Net cash generated from financing activities	12,088	-
Net increase in cash and cash equivalents	6,788	-
Cash and cash equivalents at beginning of year	5,692	*
Cash and cash equivalents at end of year	12,480	*
	<i>Proforma Group</i>	<i>Company</i>
	<i>RM'000</i>	<i>RM'000</i>
Cash and cash equivalents comprise		
Cash and bank balances	13,394	*
Bank overdrafts	(914)	-
	12,480	*

* RM2

8 Audited Financial Statements

No audited financial statements of PMBF and its subsidiaries and EASB and its subsidiaries have been made up in respect of any period subsequent to 30 June 2003.

Yours faithfully

KPMG

Firm Number: AF0758

Chartered Accountants

HEW LEE LAM SANG

Partner

Approval Number: 1862/10/03(J)