RUSS OOI & ASSOCIATES
Chartered Accountants

Date: 2 0 JUL 2004

The Board of Directors
COMINTEL CORPORATION BHD
11A & 15, Jalan PJS 7/21
Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan

Dear Sir / Madam,

ACCOUNTANTS' REPORT
(Prepared for inclusion in the Prospectus)

1 INTRODUCTION

This Report has been prepared by Russ Ooi & Associates, an approved company auditor, for inclusion in the Prospectus of Comintel Corporation Bhd ("Comcorp" or "Company") to be dated 2 8 JUL 2004 in connection with the initial public offering of Comcorp ("IPO") comprising the following:

(i) Public issue of 19,420,000 new ordinary shares of RM0.50 each at an issue price of RM0.85 per share ("Public Issue") comprising:-

a) 6,920,000 new ordinary shares of RM0.50 each available for application by eligible directors, employees and business partners of Comcorp and its subsidiary companies ("Comcorp Group" or "Group");

b) 6,500,000 new ordinary shares of RM0.50 each to identified investors by way of private placement; and

c) 6,000,000 new ordinary shares of RM0.50 each available for application by the Malaysian public.

(ii) Offer for sale of 9,220,000 ordinary shares of RM0.50 each to identified investors at an offer price of RM0.85 per share by way of private placement ("Offer for Sale").

(iii) Listing of and quotation for the entire issued and paid-up share capital of Comcorp on the Second Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities") ("Listing").

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2 GENERAL INFORMATION

2.1 Background

Comcorp was incorporated in Malaysia under the Companies Act, 1965 on 2 October 2003 as a private limited company under the name of Comintel Corporation Sdn Bhd. On 10 November 2003, it was converted to a public limited company and adopted its present name.

The principal activity of Comcorp is investment holding. The principal activities of the Subsidiary Companies of Comcorp are set out in paragraph 2.3 below.

2.2 Share Capital

The authorised and issued and paid-up share capital of Comcorp as at the date of this report are as follows:

	No. of shares	Par value *RM*	Amount *RM*
Authorised			
ordinary shares of RM0.50 each	400,000,000	0.50	200,000,000
Issued and fully paid-up			
ordinary shares of RM0.50 each	120,580,000	0.50	60,290,000

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

Date of allotment	No. of ordinary shares alloted	Par value *RM*	Consideration / Type of issue	Cumulative issued and paid-up share capital *RM*
02.10.2003	2	1.00	Cash	2
28.10.2003	4	0.50	Sub-division of par value of shares from RM1.00 to RM0.50 each	2
11.06.2004	68,957,859	0.50	Acquisition of BCM Electronics Corporation Sdn Bhd	34,478,932
11.06.2004	51,622,137	0.50	Acquisition of Comintel Sdn Bhd	60,290,000

Upon completion of the IPO, the issued and paid-up share capital of Comcorp will increase to RM70,000,000 comprising 140,000,000 ordinary shares of RM0.50 each.

2.3 Subsidiary Companies

Information on the subsidiary companies of Comcorp acquired pursuant to the Acquisitions as described in section 3(a) of this report (collectively referred to as "the Subsidiary Companies"), of which all are private limited companies incorporated in Malaysia except for Comintel (HK) Limited, a company incorporated in Hong Kong, and LNC Tech Co., Ltd., a company incorporated in the Republic of Korea, is as follows:-

2.3.1 Comintel Sdn Bhd ("Comintel")

Comintel was incorporated in Malaysia under the Companies Act, 1965 on 20 October 1984 as a private limited company under the name of Hock Bin Engineering Sdn Bhd. On 3 December 1984, it changed its name to Comintel (M) Sdn Bhd. On 26 March 1997, it changed its name to Comintel Sdn Bhd. On 6 May 1997, it was converted to a public limited company. On 2 October 2003, it was converted back to a private limited company and adopted its present name. The authorised and issued and paid-up share capital of Comintel as at the date of this report are RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each and RM13,000,000 comprising 13,000,000 ordinary shares of RM1.00 each respectively.

Comintel is principally engaged in turnkey engineering design and integration, programme management, installation and commissioning as well as investment holding.

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

Name of company	Date of incorporation	Principal activities	Issued & paid-up share capital	Effective equity interest
Incorporated in Malaysia				
Indusmatic Corporation Sdn Bhd ("ICSB")	06.07.1985	Provision of research & development services and dealers of telecommunication and electronic equipment and the provision of related services	RM100,000	100%
Comlenia Sendirian Berhad ("CSB")	15.10.1997	Electronic systems testing and repair, development of test programs and provision of integrated logistic support	RM1,500,000	70%
Light Wave Technology Sdn Bhd ("LWT")	24.05.1993	Carry out research & development work in photonics products	RM100,002	70%
Incorporated in Hong Kong				
Comintel (HK) Limited ("CHK")	07.03.1996	Trading of electronic, engineering and telecommunication equipment and the provision of related services	HK$ 1,000	100%
Incorporated in Republic of Korea				
*LNC Tech Co., Ltd. ("LNC")	27.04.2004	Has not commenced operations	KRW100,000,000	60%

* LNC was acquired subsequent to the financial year ended 31 January 2004, and has not commenced operations as of the date of this report. However , the principal activities of LNC are intended to be the manufacture, development, selling and export of electronic components and engaging in all related business activities incidental to any of the foregoing.

2.3.2 BCM Electronics Corporation Sdn Bhd ("BCM")

BCM was incorporated in Malaysia under the Companies Act, 1965 on 20 August 1993 as a private limited company under the name of Bakti Comintel Manufacturing Sdn Bhd. On 18 August 1997, it changed its name to BCM Electronics Corporation Sdn Bhd. The authorised and issued and paid-up share capital of BCM as at the date of this report are RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each and RM32,869,878 comprising 32,869,878 ordinary shares of RM1.00 each respectively.

BCM is principally engaged in the manufacturing and assembling of electronic components.

3 RESTRUCTURING SCHEME

In conjunction with and as an integral part of the listing of Comcorp on the Second Board of Bursa Securities, Comcorp implemented its restructuring exercise ("Pre-IPO Restructuring"), comprising the following:-

a) **Acquisitions of:**

i) **The entire equity interest in BCM by Comcorp**

On 11 June 2004, Comcorp acquired the entire equity interest in BCM from Just Trading Sdn Bhd ("JTSB") (89.5%) and Power-One, Inc ("Power-One") (10.5%) for a total purchase consideration of RM46,365,822 satisfied by the issue of 68,957,859 new ordinary shares of RM0.50 each in Comcorp at an issue price of approximately RM0.67 per share.

ii) **The entire equity interest in Comintel by Comcorp**

On 11 June 2004, Comcorp acquired the entire equity interest in Comintel from the shareholders of Comintel for a total purchase consideration of RM34,709,645 satisfied by the issue of 51,622,137 new ordinary shares of RM0.50 each in Comcorp at an issue price of approximately RM0.67 per share.

b) **The pre-IPO placement of 11,026,718 ordinary shares of RM0.50 each in Comcorp by Leng Keng Hok @ Lim Keng Hock, JTSB and Power-One to Bumiputera placees nominated by them ("Pre-IPO Placement")**

On 29 June 2004, in line with the National Development Policy whereby Bumiputera shareholdings should be at least 30% upon listing, Leng Keng Hok @ Lim Keng Hock, JTSB and Power-One collectively placed out a total of 11,026,718 ordinary shares of RM0.50 each in Comcorp to Bumiputera placees nominated by them.

4 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 in Malaysia issued by the Malaysian Accounting Standards Board and is presented on a basis consistent with the accounting policies normally adopted by the Group.

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5 FINANCIAL STATEMENTS AND AUDITORS

The present financial year end of Comintel and its subsidiaries is 31 January, whereas the present financial year end for BCM is 30 September. The financial years / periods of the companies in the Comcorp Group under review for this report during which we have acted as the auditors are as follows:

Company	Financial Year / Period Ended
Comcorp	*Since incorporation on 2 October 2003*
Comintel	31 January 2000 to 2004
ICSB	31 January 2000 to 2004
CSB	31 January 2000 to 2004
LWT	1 April 2003 to 31 January 2004
LWT	31 March 2000 to 2003
BCM	30 September 1999 and 2003

We have been re-appointed auditors of BCM for the financial year ended 30 September 2003. We have not acted as auditors of BCM for the financial years ended 30 September 2000 to 2002.

We have not acted as auditors of CHK for all the relevant years under review for this report.

We have not acted as auditors of LNC, a new subsidiary company of Comintel incorporated in the Republic of Korea.

As we did not have access to the audit working papers for BCM and CHK for the aforementioned financial years which we did not act as auditors, the information relating to those financial years as set out in this report has been prepared based on the audited financial statements and information / representations provided by the management of BCM and CHK respectively.

None of the financial statements of the companies within the Group for all the financial years / periods under review were subject to any audit qualification.

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6 SUMMARISED FINANCIAL RESULTS OF THE GROUP

6.1 Summary of Proforma Consolidated Income Statements

The summarised proforma consolidated income statements of Comcorp Group for the past 5 years ended 31 January 2000 to 2004 as set out below have been prepared for illustrative purposes only after making such adjustments that we considered necessary and assuming that Comcorp Group has been in existence throughout the relevant years under review.

Comcorp Group

	<-------- Financial year ended 31 January -------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Revenue	146,804	208,134	271,844	305,787	349,845
Cost of sales	(121,024)	(174,123)	(231,628)	(262,969)	(302,078)
Gross profit	25,780	34,011	40,216	42,818	47,767
Other operating income	752	763	1,188	344	642
Operating expenses	(16,322)	(19,169)	(20,241)	(22,413)	(24,782)
Profit before R&D expense, depreciation, interest, amortisation, exceptional items and taxation	10,210	15,605	21,163	20,749	23,627
R&D expense	(10)	(9)	(39)	(37)	(30)
Depreciation	(3,604)	(5,283)	(5,919)	(6,366)	(8,261)
Interest expense	(2,073)	(3,467)	(4,735)	(5,648)	(4,548)
Amortisation	(121)	(86)	(86)	(86)	(92)
Profit before exceptional items and taxation	4,402	6,760	10,384	8,612	10,696
Exceptional items	626	(471)	(942)	-	(46)
Profit before taxation	5,028	6,289	9,442	8,612	10,650
Taxation	(1,224)	(1,855)	(2,956)	(2,012)	(3,164)
Profit after taxation	3,804	4,434	6,486	6,600	7,486
Minority interests	399	316	129	82	105
Profit for the year	4,203	4,750	6,615	6,682	7,591
No. of ordinary shares assumed in issue ('000)	120,580	120,580	120,580	120,580	120,580
Gross earnings per share ("EPS") (sen)	4.17	5.22	7.83	7.14	8.83
Net EPS (sen)	3.49	3.94	5.49	5.54	6.30
Effective tax rate (%)	24	29	31	23	30

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6.1 Summary of Proforma Consolidated Income Statements (cont'd)

Commentary notes:

(1) The proforma consolidated income statements have been prepared on a time apportionment basis due to the different accounting periods as noted in Section 5, and all under / over provisions for taxation made in the subsidiary companies' audited financial statements have been adjusted to the relevant year concerned.

(2) The proforma consolidated income statements for the financial years ended 31 January 2000 to 2003 have been restated to incorporate prior year adjustments made. The prior year adjustments were in relation to the change in accounting policy on deferred taxation arising from the adoption of MASB No. 25, Income Taxes issued by the Malaysian Accounting Standards Board, the details of which are as follows:

	<-------- Financial year ended 31 January -------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Profit after taxation before adjustments	5,059	6,212	7,712	6,854	7,591
Prior year adjustments:					
Effect of adopting MASB 25					
- Recognition of deferred tax	(703)	(1,401)	(1,088)	(191)	-
- Minority interest adjustments on deferred tax	(153)	(61)	(9)	19	-
Profit after taxation re-stated after adjustments	4,203	4,750	6,615	6,682	7,591

(3) During the financial year ended 31 January 1997, Comintel Group acquired Bakti Comintel Services Sdn Bhd. Subsequently, Bakti Comintel Services Sdn Bhd changed its name to Budi Comintel Services Sdn Bhd which was disposed of during the financial year ended 31 January 2000. Accordingly, the proforma consolidated income statements exclude the financial results of Budi Comintel Services Sdn Bhd.

(4) During the financial year ended 31 January 2004, Comintel disposed of its entire 70% equity interest in Comintel Sistem Niaga Sdn Bhd on 29 August 2003. Accordingly, the proforma consolidated income statements exclude the financial results of Comintel Sistem Niaga Sdn Bhd.

(5) Subsequent to the financial year ended 31 January 2004, Comintel acquired 60% equity interest in LNC on 27 April 2004. The proforma consolidated income statements exclude the financial results of LNC.

(6) The proforma consolidated income statements have not incorporated the effects of the Pre-IPO Placement, Offer for Sale and Public Issue.

(7) In conjunction with, and as an integral part of the listing of Comcorp, Comintel's entire 28% equity interest in JTSB was disposed of to Leng Keng Hok @ Lim Keng Hock on 8 June 2004 and as such, the proforma consolidated income statements exclude the financial results of JTSB.

6.1 Summary of Proforma Consolidated Income Statements (cont'd)

(8) The gross EPS of the Group is calculated based on the profit before taxation divided by the number of shares assumed in issue of 120,580,000 ordinary shares of RM0.50 each, which is arrived at after the Acquisitions but before the IPO.

(9) The net EPS of the Group is calculated based on the profit for the year divided by the number of shares assumed in issue of 120,580,000 ordinary shares of RM0.50 each, which is arrived at after the Acquisitions but before the IPO.

(10) The effective tax rate is calculated based on the taxation charged for the year divided by the profit before taxation.

(11) There were no extraordinary or exceptional items included in the proforma consolidated income statements for the relevant years under review other than the following exceptional items :

	<-------- Financial year ended 31 January -------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Gain on disposal of subsidiaries	626	-	-	-	82
Compensation on lost shipment	-	(232)	(463)	-	-
Restructuring exercise expenses	-	(239)	(479)	-	-
Amount due from subsidiary written off	-	-	-	-	(128)
	626	(471)	(942)	-	(46)

(12) **Financial year ended 31 January 2000**

The revenue of the Group for the financial year ended 31 January 2000 was mainly attributable to growth in revenue for BCM arising from increased sales orders in the telecommunications sector from its major customers. Revenue growth for BCM also contributed to the improved profit before taxation achieved by BCM. However, the spillover of the economic downturn in 1999 had affected Comintel's revenue and profit before taxation.

The effective tax rate for 2000 was lower than the statutory tax rate due to the availability of unabsorbed capital allowances, tax losses brought forward and reinvestment allowances to set-off against business income.

(13) **Financial year ended 31 January 2001**

The increase in revenue of the Group of approximately RM61.3 million or 41.8% in 2001 was mainly attributable to the growth in revenue for BCM arising from increased sales orders in the telecommunications sector from its major customers as well as additional new customers mainly from the North American region. However, the impact of the slowdown of the world economy in general, and its effect on the Malaysian economy, continued to affect growth in Comintel's revenue and profit before taxation.

The group achieved a higher profit before taxation of approximately RM6.3 million in 2001 mainly because of the higher revenue recorded by BCM during the year.

6.1 Summary of Proforma Consolidated Income Statements (cont'd)

(13) **Financial year ended 31 January 2001 (cont'd)**

The effective tax rate for 2001 was higher than the statutory tax rate due to deferred tax recognised in the income statement for the year.

(14) **Financial year ended 31 January 2002**

In line with the economic recovery and its continued marketing efforts overseas, the Comcorp Group showed a marked increase in its gross revenue in 2002.

The growth in revenue for Comintel contributed to the higher profit before taxation achieved by the Comcorp Group. However, the power modules sector of BCM registered a gross loss margin due to the higher initial set up cost and the product familiarisation process. This contributed to the lower profit before taxation for BCM.

The effective tax rate for 2002 was higher than the statutory tax rate due to certain expenses disallowed for tax purposes.

(15) **Financial year ended 31 January 2003**

With the Malaysian economy making rapid recovery, the Comcorp Group continued to register an increase in its gross revenue in 2003. The maintenance contract for the Electronic Combat System which was awarded to CSB by the Government of Malaysia also contributed to the growth in revenue for the Comcorp Group.

The increasing trend in pre-tax profit margins in Comintel was largely due to the company's positioning in a niche market, thereby commanding better margins in contract negotiations as well as cost control measures implemented in keeping project costs low. However, a general shift from the consignment business to the turnkey manufacturing business resulted in higher revenues but lower profit margins for BCM. In line with the shift towards the turnkey manufacturing business, finance costs have increased from the additional requirements for trade facilities. The increase in finance costs was also attributable to the financing requirements for the construction of Phase 2 of BCM's factory building.

The effective tax rate for 2003 was lower than the statutory tax rate due to the excess of capital allowances over depreciation and the availability of unabsorbed capital allowances, tax losses brought forward and reinvestment allowances to set-off against business income.

(16) **Financial year ended 31 January 2004**

The Group's revenue increased by nearly 15% in 2004 mainly due to a marked increase in Comintel's revenue. The increase is substantially attributable to the C4I and the Non-Aligned Movement contracts. Profit before taxation also rose against the backdrop of higher revenue. Subsequent to the shift from the consignment business to turnkey manufacturing, BCM has sustained a healthy growth, and coupled with better pricing from both suppliers and customers together with stringent cost control procedures, BCM has also achieved higher profit margins.

The effective tax rate for 2004 was higher than the statutory tax rate due to certain expenses disallowed for tax purposes.

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6.2 Summary of Income Statements of the Subsidiary Companies

We set out below the summarised income statements of the companies in Comcorp Group for the 5 financial years / period under review:-

6.2.1 BCM

	<------ Financial year ended 30 September ------>				
	1999	2000	2001	2002	2003
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	109,729	170,700	219,854	235,720	249,796
Cost of sales	(96,405)	(147,893)	(193,584)	(214,588)	(224,891)
Gross profit	13,324	22,807	26,270	21,132	24,905
Other operating income	-	314	1,232	443	192
Operating expenses	(7,265)	(11,496)	(12,167)	(11,483)	(14,627)
Profit before R&D expense, depreciation, interest, exceptional items and taxation	6,059	11,625	15,335	10,092	10,470
R&D expense	(6)	(3)	-	-	-
Depreciation	(1,691)	(3,425)	(4,432)	(4,999)	(5,596)
Interest expense	(1,489)	(2,560)	(3,895)	(4,577)	(4,252)
Profit before exceptional items and taxation	2,873	5,637	7,008	516	622
Exceptional items	-	-	(1,413)	-	-
Profit before taxation	2,873	5,637	5,595	516	622
Taxation	(1,012)	(1,617)	(1,622)	(117)	(162)
Profit after taxation	1,861	4,020	3,973	399	460
Weighted average number of ordinary shares in issue ('000)	6,822	16,406	25,745	27,168	27,621
Gross EPS (RM)	0.42	0.34	0.22	0.02	0.02
Net EPS (RM)	0.27	0.25	0.15	0.01	0.02
Effective tax rate (%)	35	29	29	23	26

Notes:

(1) The gross EPS is calculated based on the profit before taxation divided by the weighted average number of ordinary shares in issue.

(2) The net EPS is calculated based on the profit after taxation divided by the weighted average number of ordinary shares in issue.

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6.2.1 **BCM (cont'd)**

(3) The proforma consolidated income statements for the financial years ended 30 September 1999 to 2002 have been restated to incorporate prior year adjustments made. The prior year adjustments were in relation to the change in accounting policy on deferred taxation arising from the adoption of MASB No. 25, Income Taxes issued by the Malaysian Accounting Standards Board, the details of which are as follows:

	<------ Financial year ended 30 September ------>				
	1999	**2000**	**2001**	**2002**	**2003**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Profit after taxation before adjustments	2,862	5,617	5,595	516	460
Prior year adjustments:					
Reversal of interest on loan capitalised under the long term leasehold land	(173)	-	-	-	-
Under statement of depreciation of plant and machinery	184	-	-	-	-
Effect of adopting MASB 25					
- Recognition of deferred tax	(1,012)	(1,597)	(1,622)	(117)	-
Profit after taxation re-stated after adjustments	1,861	4,020	3,973	399	460

(4) The effective tax rate is calculated based on the taxation charged for the year divided by the profit before taxation.

No tax liability was provided on business income for the financial year ended 30 September 1999, as it constitutes the basis period for the year of assessment 2000 (preceeding year basis), wherein tax on income other than dividend income was waived pursuant to the provisions of the Income Tax (Amendment) Act 1999. The taxation for the financial year ended 30 September 1999 relates to deferred tax recognised in the income statement.

The taxation for the financial year ended 30 September 2000 is in respect of interest income and deferred tax recognised in the income statement.

There is no tax charge for the financial years ended 30 September 2001 to 2003 due to the availability of unabsorbed capital allowances, tax losses brought forward and reinvestment allowances to set-off against business income. The taxation for the financial years ended 30 September 2001 to 2003 relates to deferred tax recognised in the income statement.

(5) There were no extraordinary or exceptional items included in the income statements for the relevant years under review other than the following exceptional items:

Financial year ended 30 September 2001	***RM'000***
Compensation on lost shipment	(695)
Restructuring exercise expenses	(718)
	(1,413)

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6.2.2 Comintel

	<-------- Financial year ended 31 January -------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Revenue	16,679	22,934	45,136	53,224	84,329
Cost of sales	(7,985)	(13,745)	(30,836)	(34,122)	(64,431)
Gross profit	8,694	9,189	14,300	19,102	19,898
Other operating income	161	172	217	52	469
Operating expenses	(6,183)	(6,147)	(7,298)	(9,108)	(8,672)
Profit before depreciation, interest, amortisation, exceptional item and taxation	2,672	3,214	7,219	10,046	11,695
Depreciation	(593)	(826)	(595)	(540)	(1,524)
Interest expense	(223)	(457)	(609)	(1,056)	(497)
Amortisation	(55)	(55)	(55)	(55)	(55)
Profit before exceptional item and taxation	1,801	1,876	5,960	8,395	9,619
Exceptional item	(500)	-	-	-	-
Profit before taxation	1,301	1,876	5,960	8,395	9,619
Taxation	(514)	(416)	(1,930)	(1,821)	(3,016)
Profit after taxation	787	1,460	4,030	6,574	6,603
No. of ordinary shares in issue ('000)	13,000	13,000	13,000	13,000	13,000
Gross EPS (RM)	0.10	0.14	0.46	0.65	0.74
Net EPS (RM)	0.06	0.11	0.31	0.51	0.51
Effective tax rate (%)	40	22	32	22	31

Notes:

(1) The gross EPS is calculated based on the profit before taxation divided by the number of ordinary shares in issue.

(2) The net EPS is calculated based on the profit after taxation divided by the number of ordinary shares in issue.

6.2.2 **Comintel (cont'd)**

(3) The effective tax rate is calculated based on the taxation charged for the year divided by the profit before taxation.

The effective tax rates for the financial years ended 31 January 2000, 2002 and 2004 were higher than the statutory tax rate due to certain expenses disallowed for tax purposes.

The effective tax rate for the financial year ended 31 January 2001 was lower than the statutory rate due to excess of capital allowances over depreciation.

The effective tax rate for financial year ended 31 January 2003 was lower than the statutory rate due to excess of capital allowances over depreciation and the availability of reinvestment allowances.

(4) There were no extraordinary or exceptional items included in the income statement for the relevant years under review other than for an exceptional item arising from the loss on disposal of a subsidiary company in the financial year ended 31 January 2000.

6.2.3 ICSB

	<-------- Financial year ended 31 January -------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Revenue	371	-	-	-	-
Cost of sales	(255)	-	-	-	-
Gross profit	116	-	-	-	-
Other operating income	5	1	-	-	-
Operating expenses	(227)	(209)	(257)	(170)	(276)
Loss before R&D expense, depreciation, interest and taxation	(106)	(208)	(257)	(170)	(276)
R&D expense	(5)	(7)	(39)	(37)	(7)
Depreciation	(20)	(22)	(19)	(19)	(19)
Interest expense	-	-	-	-	(1)
Loss before taxation	(131)	(237)	(315)	(226)	(303)
Taxation	(7)	1	1	5	5
Loss after taxation	(138)	(236)	(314)	(221)	(298)
No. of ordinary shares in issue ('000)	100	100	100	100	100
Gross loss per share (RM)	(1.31)	(2.37)	(3.15)	(2.26)	(3.03)
Net loss per share (RM)	(1.38)	(2.36)	(3.14)	(2.21)	(2.98)
Effective tax rate (%)	-	-	-	-	-

Notes:

(1) The gross loss per share is calculated based on the loss before taxation divided by the number of ordinary shares in issue.

(2) The net loss per share is calculated based on the loss after taxation divided by the number of ordinary shares in issue.

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6.2.3 ICSB (cont'd)

(3) The proforma consolidated income statements for the financial years ended 31 January 2000 to 2003 have been restated to incorporate prior year adjustments made. The prior year adjustments were in relation to the change in accounting policy on deferred taxation arising from the adoption of MASB No. 25, Income Taxes issued by the Malaysian Accounting Standards Board, the details of which are as follows:

	<-------- Financial year ended 31 January -------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Loss after taxation before adjustments	(131)	(237)	(315)	(226)	(303)
Prior year adjustments:					
Effect of adopting MASB 25					
- Recognition of deferred tax	(7)	1	1	5	-
Loss after taxation re-stated after adjustments	(138)	(236)	(314)	(221)	(303)

(4) The effective tax rate is calculated based on the taxation charged for the year divided by the profit before taxation.

There was no provision for taxation for the relevant financial years under review in view of the losses incurred. The taxation for the relevant financial years under review relates to deferred tax recognised in the income statement.

(5) There were no extraordinary or exceptional items included in the income statement for the relevant years under review.

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6.2.4 CSB

	<-------- Financial year ended 31 January -------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Revenue	-	-	1,565	8,665	5,479
Cost of sales	-	-	(113)	(6,452)	(2,961)
Gross profit	-	-	1,452	2,213	2,518
Other operating income	473	216	23	-	-
Operating expenses	(1,123)	(918)	(1,260)	(1,684)	(1,845)
(Loss) / Profit before depreciation, interest and taxation	(650)	(702)	215	529	673
Depreciation	(667)	(675)	(683)	(690)	(597)
Interest expense	(3)	(4)	(5)	(6)	(28)
(Loss) / Profit before taxation	(1,320)	(1,381)	(473)	(167)	48
Taxation	511	372	93	(64)	(45)
(Loss) / Profit after taxation	(809)	(1,009)	(380)	(231)	3
No. of ordinary shares in issue ('000)	1,500	1,500	1,500	1,500	1,500
Gross (loss per share) / EPS (RM)	(0.88)	(0.92)	(0.32)	(0.11)	0.03
Net (loss per share) / EPS (RM)	(0.54)	(0.67)	(0.25)	(0.15)	<0.01
Effective tax rate (%)	-	-	-	-	94

Notes:

(1) The gross (loss per share) / EPS is calculated based on the (loss) / profit before taxation divided by the number of ordinary shares in issue.

(2) The net (loss per share) / EPS is calculated based on the (loss) / profit after taxation divided by the number of ordinary shares in issue.

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6.2.4 CSB (cont'd)

(3) The proforma consolidated income statements for the financial years ended 31 January 2000 to 2003 have been restated to incorporate prior year adjustments made. The prior year adjustments were in relation to the change in accounting policy on deferred taxation arising from the adoption of MASB No. 25, Income Taxes issued by the Malaysian Accounting Standards Board, the details of which are as follows:

	<-------- Financial year ended 31 January -------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
(Loss) / Profit after taxation before adjustments	(1,320)	(1,213)	(411)	(167)	3
Prior year adjustments: Effect of adopting MASB 25 - Recognition of deferred tax	511	204	31	(64)	-
(Loss) / Profit after taxation re-stated after adjustments	(809)	(1,009)	(380)	(231)	3

(4) The effective tax rate is calculated based on the taxation charged for the year divided by the profit before taxation.

There was no provision for taxation for the financial years ended 31 January 2000 to 2003 in view of the losses incurred. The taxation for the relevant financial years under review relates to deferred tax recognised in the income statement.

(5) There were no extraordinary or exceptional items included in the income statement for the relevant years under review.

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6.2.5 CHK

	<-------- Financial year ended 31 January -------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Revenue	1,566	2,743	1,843	1,513	1,205
Cost of sales	(1,082)	(1,884)	(1,345)	(891)	(566)
Gross profit	484	859	498	622	639
Other operating income	8	8	3	9	-
Operating expenses	(11)	(15)	(103)	(229)	(384)
Profit before depreciation, interest and taxation	481	852	398	402	255
Depreciation	-	-	-	-	-
Interest expense	-	-	(1)	(1)	(3)
Profit before taxation	481	852	397	401	252
Taxation	-	-	-	-	-
Profit after taxation	481	852	397	401	252
No. of ordinary shares in issue ('000)	1	1	1	1	1
Gross / Net EPS (RM)	481.00	852.00	397.00	401.00	252.00
Effective tax rate (%)	-	-	-	-	-

Notes:

(1) The gross / net EPS is calculated based on the profit before / after taxation divided by the number of ordinary shares in issue.

(2) The effective tax rate is calculated based on the taxation charged for the year divided by the profit before taxation.

No taxation has been provided for the relevant financial years under review as the profits are tax exempted arising from offshore transactions.

(3) There were no extraordinary or exceptional items included in the income statement for the relevant years under review.

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6.2.6 LWT

	Financial year / period ended				
	31 March				31 January
	2000	2001	2002	2003	2004
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	-	-	-	-	0.4
Cost of sales	-	-	-	-	-
Gross profit	-	-	-	-	0.4
Operating expenses	-	-	-	-	(37.2)
Pre-operating expenses	(0.4)	(0.4)	(0.6)	(3.0)	-
Loss before preliminary expense, depreciation, interest and taxation	(0.4)	(0.4)	(0.6)	(3.0)	(36.8)
Preliminary expense	-	-	-	(2.5)	-
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	(0.2)
Loss before taxation	(0.4)	(0.4)	(0.6)	(5.5)	(37.0)
Taxation	-	-	-	-	-
Loss after taxation	(0.4)	(0.4)	(0.6)	(5.5)	(37.0)
No. of ordinary shares in issue	*	*	*	*	100,002
Gross / Net loss per share (RM)	(200.00)	(200.00)	(300.00)	(2,750.00)	(0.37)
Effective tax rate (%)	-	-	-	-	-

* The issued and paid-up capital of LWT is 2 ordinary shares of RM1.00 each.

Notes:

(1) The gross / net loss per share is calculated based on the loss before / after taxation divided by the number of ordinary shares in issue.

(2) The effective tax rate is calculated based on the taxation charged for the year divided by the profit before taxation.

There was no provision for taxation for the relevant financial years under review in view of the losses incurred.

(3) There were no extraordinary or exceptional items included in the income statement for the relevant years under review.

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7 DIVIDENDS

Except as described below, all the companies in the Comcorp Group have not paid or declared any dividend in respect of the previous past 5 financial years / period under review:-

Subsidiary Company	Financial Year	Issued and Paid-up Share Capital '000	Net Dividend Rate %	Net Dividend RM'000
Comintel	2004	13,000	63.8	8,299
Comintel	2005	13,000	7.7	1,000

8 SUMMARISED BALANCE SHEETS

8.1 Summary of Proforma Consolidated Balance Sheets

As the purchase consideration for the Acquisitions as stated in Section 3(a) of this report is calculated based on the net tangible assets of the individual subsidiaries as at 30 September 2003, it is therefore impractical to present the proforma balance sheets of the Proforma Group throughout the financial years under review in this report. Accordingly, the proforma Comcorp Group has only been presented by way of proforma statement of assets and liabilities as at 31 January 2004, based on the latest financial statements as at 31 January 2004 of Comcorp and its subsidiary companies, in Section 10 of this report.

8.2 Summary of Balance Sheets of the Subsidiary Companies

The summarised balance sheets of each of the companies in the Comcorp Group based on the audited financial statements for the relevant financial years / period under review are set out below:

8.2.1 BCM

	As at 30 September				
	1999	**2000**	**2001**	**2002**	**2003**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
NON-CURRENT ASSETS					
Property, plant and equipment	18,171	42,900	51,942	58,466	71,161
Long term receivable	-	-	-	1,658	-
Deferred tax assets *	5,647	5,158	4,480	4,559	5,908
	23,818	48,058	56,422	64,683	77,069
CURRENT ASSETS	41,504	81,013	90,340	82,037	92,836
CURRENT LIABILITIES	(56,384)	(93,542)	(98,256)	(92,155)	(99,179)
NET CURRENT LIABILITIES	(14,880)	(12,529)	(7,916)	(10,118)	(6,343)
	8,938	35,529	48,506	54,565	70,726
SHAREHOLDERS' EQUITY					
Share capital	12,000	20,000	27,168	27,168	32,870
Share premium	-	-	-	-	12,994
(Accumulated losses) / Retained profits *	(7,342)	(3,322)	651	1,050	498
Revaluation reserve *	-	-	1,323	1,323	84
	4,658	16,678	29,142	29,541	46,446
LONG TERM LIABILITIES	2,449	15,912	15,123	20,587	18,332
Deferred tax liabilities *	1,831	2,939	4,241	4,437	5,948
	8,938	35,529	48,506	54,565	70,726
No. of ordinary shares in issue ('000)	12,000	20,000	27,168	27,168	32,870
NTA per share (RM)	0.39	0.83	1.07	1.09	1.41

* The deferred tax assets, deferred tax liabilities and the (accumulated losses) / retained profits as at 30 September 1999 to 2002 and the revaluation reserve as at 30 September 2001 have been re-stated to incorporate the prior year adjustments made in the financial year ended 30 September 2003. The prior year adjustment was in relation to the change in accounting policy on deferred tax arising from the adoption of MASB 25, Income Taxes issued by the Malaysian Accounting Standards Board.

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8.2.2 Comintel

	<------------------ As at 31 January ------------------>				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
NON-CURRENT ASSETS					
Property, plant and equipment	9,722	11,526	11,022	15,033	15,291
Investment in subsidiaries	1,720	1,736	1,736	1,736	1,820
Investment in associated companies	-	56	56	56	56
	11,442	13,318	12,814	16,825	17,167
CURRENT ASSETS	27,119	32,471	26,683	60,081	45,935
CURRENT LIABILITIES	(17,442)	(24,345)	(15,234)	(45,778)	(33,457)
NET CURRENT ASSETS	9,677	8,126	11,449	14,303	12,478
	21,119	21,444	24,263	31,128	29,645
SHAREHOLDERS' EQUITY					
Share capital	13,000	13,000	13,000	13,000	13,000
Retained profits	5,344	6,804	10,834	17,408	15,713
	18,344	19,804	23,834	30,408	28,713
LONG TERM LIABILITIES	2,658	1,455	161	74	113
Deferred tax liabilities	117	185	268	646	819
	21,119	21,444	24,263	31,128	29,645
No. of ordinary shares in issue ('000)	13,000	13,000	13,000	13,000	13,000
NTA per share (RM)	1.41	1.52	1.83	2.34	2.21

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8.2.3 ICSB

	<------------------ As at 31 January ------------------>				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
NON-CURRENT ASSETS					
Property, plant and equipment	150	134	115	98	79
CURRENT ASSETS	1,993	1,671	138	153	129
CURRENT LIABILITIES	(1,438)	(1,336)	(98)	(322)	(581)
NET CURRENT ASSETS / (LIABILITIES)	555	335	40	(169)	(452)
	705	469	155	(71)	(373)
SHAREHOLDERS' EQUITY					
Share capital	100	100	100	100	100
Retained profits / (Accumulated losses) *	572	337	24	(197)	(494)
	672	437	124	(97)	(394)
Deferred tax liabilities *	33	32	31	26	21
	705	469	155	(71)	(373)
No. of ordinary shares in issue ('000)	100	100	100	100	100
NTA / (NTL) per share (RM)	6.72	4.37	1.24	(0.97)	(3.94)

* The deferred tax liabilities and the retained profits / (accumulated losses) as at 31 January 2000 to 2003 have been re-stated to incorporate the prior year adjustments made in the financial year ended 31 January 2004. The prior year adjustment was in relation to the change in accounting policy on deferred tax arising from the adoption of MASB 25, Income Taxes issued by the Malaysian Accounting Standards Board.

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8.2.4 CSB

	<------------------ As at 31 January ------------------>				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
NON-CURRENT ASSETS					
Property, plant and equipment	2,553	1,887	1,263	596	371
Deferred tax assets *	467	753	784	720	675
	3,020	2,640	2,047	1,316	1,046
CURRENT ASSETS	3,463	2,142	1,951	6,734	5,661
CURRENT LIABILITIES	(2,580)	(1,991)	(1,656)	(5,939)	(4,593)
NET CURRENT ASSETS	883	151	295	795	1,068
	3,903	2,791	2,342	2,111	2,114
SHAREHOLDERS' EQUITY					
Share capital	1,500	1,500	1,500	1,500	1,500
Retained profits *	2,231	1,222	842	611	614
	3,731	2,722	2,342	2,111	2,114
LONG TERM LIABILITIES	24	7	-	-	-
Deferred tax liabilities *	148	62	-	-	-
	3,903	2,791	2,342	2,111	2,114
No. of ordinary shares in issue ('000)	1,500	1,500	1,500	1,500	1,500
NTA per share (RM)	2.49	1.81	1.56	1.41	1.41

* The deferred tax assets and retained profits as at 31 January 2000 to 2003 and the deferred tax liabilities as at 31 January 2000 have been re-stated to incorporate the prior year adjustments made in the financial year ended 31 January 2004. The prior year adjustment was in relation to the change in accounting policy on deferred tax arising from the adoption of MASB 25, Income Taxes issued by the Malaysian Accounting Standards Board.

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8.2.5 CHK

	As at 31 January				
	2000	2001	2002	2003	2004
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
NON-CURRENT ASSETS					
Property, plant and equipment	-	-	-	-	-
CURRENT ASSETS	2,331.4	3,580.9	3,994.8	4,380.6	4,599.3
CURRENT LIABILITIES	(19.2)	(25.0)	(24.6)	(9.9)	(9.8)
NET CURRENT ASSETS	2,312.2	3,555.9	3,970.2	4,370.7	4,589.5
	2,312.2	3,555.9	3,970.2	4,370.7	4,589.5
SHAREHOLDERS' EQUITY					
Share capital	0.3	0.3	0.3	0.3	0.3
Foreign exchange reserve	-	391.6	409.2	408.4	375.1
Retained profits	2,311.9	3,164.0	3,560.7	3,962.0	4,214.1
	2,312.2	3,555.9	3,970.2	4,370.7	4,589.5
No. of ordinary shares in issue ('000)	1.0	1.0	1.0	1.0	1.0
NTA per share (RM)	2,312.20	3,555.90	3,970.20	4,370.70	4,589.50

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8.2.6 LWT

	As at 31 March				As at 31 January
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
NON-CURRENT ASSETS					
Property, plant and equipment	-	-	-	-	0.6
CURRENT ASSETS	-	-	2.5	-	72.8
CURRENT LIABILITIES	(0.7)	(1.1)	(4.1)	(7.1)	(17.6)
NET CURRENT (LIABILITIES) / ASSETS	(0.7)	(1.1)	(1.6)	(7.1)	55.2
	(0.7)	(1.1)	(1.6)	(7.1)	55.8
SHAREHOLDERS' EQUITY					
Share capital	*	*	*	*	100.0
Accumulated losses	(0.7)	(1.1)	(1.6)	(7.1)	(44.2)
	(0.7)	(1.1)	(1.6)	(7.1)	55.8
No. of ordinary shares in issue	2	2	2	2	100,002
(NTL) / NTA per share (RM)	(350.00)	(550.00)	(800.00)	(3,550.00)	0.56

* The issued and paid-up capital of LWT is 2 ordinary shares of RM1.00 each.

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9 PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of the Comcorp Group as set out below has been prepared for illustrative purposes after making such adjustments that we considered necessary and assuming that the Comcorp Group has been in existence throughout the relevant years under review.

	Proforma Comcorp Group for the year ended 31 January 2004*
	RM'000
Cash flows from operating activities	
Profit before taxation	10,650
Adjustments for :	
Amortisation of leasehold properties	634
Depreciation of property, plant and equipment	7,681
Interest expenses	4,548
Gain on disposal of subsidiary	(97)
Gain on disposal of property, plant and equipment	(40)
Interest income from fixed deposits	(379)
Operating cash flow before working capital changes	22,997
Stocks	(11,651)
Trade receivables	482
Other receivables, deposits and prepayments	(5,864)
Amounts owing by related parties	7,392
Trade payables	16,121
Other payables and accruals	15,173
Amounts owing to related parties	(294)
Net cash flow from operations	44,356
Interest paid	(2,626)
Income tax paid	(3,208)
Net operating cash flow	38,522
Cash flows from investing activities	
Purchase of property, plant and equipment	(3,748)
Proceeds from disposal of property, plant and equipment	45
Interest income received	379
Net investing cash flow	(3,324)
Balance carried forward	35,198

(*) After the Pre-IPO Restructuring and IPO

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9 PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

	Proforma Comcorp Group for the year ended 31 January 2004* *RM'000*
Balance brought forward	35,198
Cash flows from financing activities	
Net repayment of bank borrowings	(13,076)
Proceeds from term loan	1,232
Repayment of term loan	(12,691)
Funding from hire purchase and lease liabilities	238
Repayment of hire purchase and lease liabilities	(894)
Proceeds from issuance of shares	14,507
Dividend paid	(8,299)
Net financing cash flow	(18,983)
Net changes in cash and cash equivalents	16,215
Cash and cash equivalents at the beginning of the year	17,609
Cash and cash equivalents at the end of the year	33,824
Cash and cash equivalents at the end of the year	
Fixed deposits with financial institutions	16,852
Cash and bank balances	17,189
Bank overdraft	(217)
	33,824

(*) After the Pre-IPO Restructuring and IPO

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10 PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The Proforma Consolidated Balance Sheets of the Comcorp Group have been prepared for illustrative purposes only and are based on the audited financial statements of the companies in the Comcorp Group as at 31 January 2004. The proforma consolidated balance sheets have been presented on the basis that the Acquisitions had been in effect as at 31 January 2004 and should be read in conjunction with the notes thereon.

	Note	Proforma Company as at 31 January 2004	Proforma Group As at 31 January 2004 (I)	(II)
		RM'000	*RM'000*	*RM'000*
NON-CURRENT ASSETS				
Property, plant and equipment	C	-	84,561	84,561
Goodwill on consolidation		-	93	93
Deferred tax assets	D	-	6,583	6,583
		-	91,237	91,237
CURRENT ASSETS	E	*	161,948	168,455
CURRENT LIABILITIES	F	-	(147,618)	(147,618)
NET CURRENT ASSETS		-	14,330	20,837
		-	105,567	112,074
SHAREHOLDERS' EQUITY				
Share capital	G	*	60,290	70,000
Share premium	H	-	20,785	25,582
		-	81,075	95,582
Hire purchase and lease creditors	F(c)	-	152	152
Term loans	F(d)	-	16,901	8,901
Deferred tax liabilities	D	-	6,788	6,788
Minority interests		-	651	651
		-	105,567	112,074

* The issued and paid-up share capital of Comcorp is 2 ordinary shares at RM1.00 each as at the date of incorporation. Subsequently, on 28 October 2003, the Company subdivided its shares to RM0.50 per ordinary share and increased the authorised share capital from RM100,000 to RM200,000,000 by the creation of 399,800,000 ordinary shares of RM0.50 each. As at 31 January 2004, the paid-up capital is RM2.00 comprising 4 ordinary shares of RM0.50 each.

(I) : After Pre-IPO Restructuring.
(II) : After (I), the IPO, the Listing and utilisation of proceeds.

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11 NOTES TO THE PROFORMA FINANCIAL STATEMENTS

A SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain properties and comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

During the financial year ended 31 January 2004, the Comcorp Group adopted the following MASB Standards for the first time:

MASB 23	Impairment of Assets
MASB 24	Financial Instruments: Disclosure and Presentation
MASB 25	Income Taxes
MASB 27	Borrowing Costs

The effect of adopting MASB 25 is disclosed in Section 6.1, note (2) above. The adoption of MASB 23, MASB 24 and MASB 27 has not given rise to any adjustments to the financial statements.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies made up to the end of the financial year using the acquisition method of accounting. The results of the subsidiary companies acquired or disposed during the financial year are included in the group financial statements from the effective date of acquisition or to the effective date of disposal.

Inter-company transactions are eliminated on consolidation.

Goodwill arising on consolidation, if any, represents the excess of the purchase price over the Company's share of the value of net assets of the subsidiary company at the date of acquisition. Goodwill arising on consolidation is netted off against the reserve on consolidation, if any, and the resultant balance is amortised over 5 years on a straight line basis.

For foreign subsidiary companies which are consolidated, all monetary items are translated into Ringgit Malaysia at the closing rate; non-monetary items that are recorded in terms of past events are translated at the exchange rates that existed when the relevant transactions occurred and income statement items are translated at average exchange rates that existed during the financial year. The net exchange difference for the financial year is taken to reserves.

(c) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and buildings which have been subsequently revalued, are shown at fair value less amortisation. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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A SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (cont'd)

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

The carrying amounts of the property, plant and equipment at valuation is regularly reviewed such that the carrying amounts at balance sheet date are not materially different from their fair values.

Depreciation of property, plant and equipment is calculated to write off the cost of the assets on a straight line basis over the expected useful lives of the assets. Freehold land is not depreciated. Leasehold land and buildings are amortised over the terms of the lease period.

The principal annual rates applied are as follows :-

Leasehold land and buildings	54 - 67 years
Motor vehicles	20%
Plant and machinery	10% - 20%
Furniture, fittings and equipment	10% - 20%

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

(d) Stocks

Stocks are valued at the lower of cost and net realisable value after due provision is made for any obsolete or slow moving items. Cost is determined on a first-in first-out or weighted average basis. Cost of finished goods and work-in-progress includes direct materials, direct labour and appropriate proportion of manufacturing overheads and the aggregate cost of purchase and other incidentals incurred in bringing the stocks to their present condition and location.

(e) Receivables

Receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts as at balance sheet date. Bad debts are written off when identified.

(f) Payables

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

(g) Hire purchase and lease obligations

Assets acquired under hire purchase and lease arrangements are capitalised in the financial statements and their corresponding obligations are recorded as liabilities. Assets acquired under hire purchase and lease arrangements are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement on the straight line method over the duration of the agreements.

A SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Provisions for liabilities

Provision for liabilities are recognised when the Group 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) Impairment of assets

The carrying amounts of the Group's assets, other than inventories and receivables, are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(j) Foreign currency

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.

All exchange gains and losses are included in the income statement.

(k) Revenue recognition

(i) Recognition of contract income

The Group's contracts stipulate an invoicing schedule directly related to the volume of work performed. Income is recognised progressively as work on the contract is completed. Provision is made for all anticipated losses, if any, on contract works.

(ii) Sales of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

A SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Revenue recognition (cont'd)

(iii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield.

(l) Taxation

The taxation charge for the financial year, if any, comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantially enacted at the balance sheet date.

Previously, deferred taxation, if any, was provided using the liability method on all material timing differences except where no liability was expected to arise in the foreseeable future. Deferred tax benefit was only recognised when there was reasonable expectation of realisation in the foreseeable future.

During the financial year, the accounting policy for deferred taxation has been changed to comply with MASB 25 Income Taxes. Deferred taxation will now be provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances, deposits with licensed financial institutions, banks overdrafts and other short term, highly liquid investments that are readily convertible to known amount of cash and are subject to insignificant risk of changes in value.

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B FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its currency, interest rate, market, credit, liquidity and cash flow risks. The Group operates within defined guidelines that are approved by the Board of Directors ("Board") and the policies in respect of the major areas of treasury activity are as follows :

Currency risk

The Group is exposed to foreign exchange risk on sales and purchases that are substantially denominated in US Dollar and EURO Dollar.

Interest rate risk

The Group's exposure to interest rate risk arises from the Company's borrowings and deposits.

The Group's bank borrowings are subject to the prime lending rate of the banks while hire purchase and lease financing are based on fixed rates. Investment in financial assets are short term in nature and are placed as short term deposits with a licensed financial institution.

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

Market risk

The Group does not have any quoted investments and hence not exposed to market risks.

Credit risk

The Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from trade debtors. The Group manages its exposure to credit risk by the application of monitoring procedures on an ongoing basis.

The Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Liquidity and cash flow risks

The Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

Liquidity and cash flow risks are addressed by annual and continuous review and forward planning of cash flow in relation to business plans to ensure a balanced and prudent portfolio of cash and other liquid assets and credit facilities are maintained. Borrowings are arranged so as not to go beyond the Group's ability to repay or refinance.

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C PROPERTY, PLANT AND EQUIPMENT

Group	Long-term leasehold land and buildings *RM'000*	Long-term freehold land *RM'000*	Motor vehicles *RM'000*	Plant and machinery *RM'000*	Furniture, fittings and equipment *RM'000*	Capital work-in-progress *RM'000*	Total *RM'000*
Cost / Valuation							
At 1 February 2003	34,795	6,342	1,928	40,313	17,098	-	100,476
Additions during the year	-	-	692	18,110	969	423	20,194
Disposals / Write off	-	-	(331)	-	(26)	-	(357)
At 31 January 2004	34,795	6,342	2,289	58,423	18,041	423	120,313
Analysed by:							
Cost	-	6,342	2,289	58,423	18,041	423	85,518
Valuation	34,795	-	-	-	-	-	34,795
Accumulated depreciation							
At 1 February 2003	1,151	-	1,493	16,767	8,364	-	27,775
Charge for the year	634	-	321	5,404	1,956	-	8,315
Disposals / write back	-	-	(328)	-	(10)	-	(338)
At 31 January 2004	1,785	-	1,486	22,171	10,310	-	35,752
Net book value							
At 31 January 2004	33,010	6,342	803	36,252	7,731	423	84,561

	2004 *RM'000*
Included in the cost of property, plant and equipment are assets acquired under hire purchase and finance lease as follows :-	
Plant and machinery	289
Motor vehicles	708
	997

C PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the financial year, the Group purchased property, plant and equipment under the following categories :

	Proforma Group As at 31 January 2004 *RM'000*
Cash	3,448
Hire purchase and finance lease	300
Ordinary shares issued at a premium	16,446
	20,194

The leasehold properties and the freehold industrial land are charged to financial institutions for the banking facilities made available to the subsidiary companies.

The title deeds for certain leasehold properties are in the process of being issued by the relevant authorities.

D DEFERRED TAX

	Proforma Company as at 31 January 2004 *RM'000*	Proforma Group As at 31 January 2004 After Pre-IPO Restructuring (I) *RM'000*	Proforma Group As at 31 January 2004 After (I) and Listing (II) *RM'000*
Balance brought forward	-	116	116
Recognised in the income statement	-	(321)	(321)
Balance carried forward	-	(205)	(205)
Presented after appropriate offsetting as follows:			
Deferred tax assets	-	6,583	6,583
Deferred tax liabilities	-	(6,788)	(6,788)
	-	(205)	(205)

The deferred tax assets are in respect of the following:

Unutilised capital allowances	1,916
Unutilised reinvestment allowances	1,832
Unabsorbed tax losses	2,683
Temporary differences on capital allowances	152
	6,583

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D DEFERRED TAX (CONT'D)

	Proforma Group As at 31 January 2004 *RM'000*
The deferred tax liabilities are in respect of the following:	
Surplus on revaluation	(358)
Accelerated capital allowances	(6,430)
	(6,788)

Subject to confirmation from the Inland Revenue Board, the potential tax benefits for the Group arising from unutilised reinvestment allowances not accounted for in the financial statements is estimated to be RM10,301,000 (2003 : RM7,102,000).

E CURRENT ASSETS

	Note	Proforma Company as at 31 January 2004 *RM'000*	Proforma Group As at 31 January 2004 After Pre-IPO Restructuring (I) *RM'000*	After (I) and Listing (II) *RM'000*
Stocks	E(a)	-	54,079	54,079
Trade receivables	E(b)	-	61,781	61,781
Other receivables, deposits and prepayments		-	16,104	16,104
Amounts owing by related parties	E(c)	-	2,450	2,450
Fixed deposits with financial institutions	E(d)	-	16,852	16,852
Cash and bank balances		*	10,682	17,189
		-	161,948	168,455

* Proceeds from issuance of subscribers' shares of RM2.

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E CURRENT ASSETS (CONT'D)

	Proforma Group As at 31 January 2004 *RM'000*
(a) Stocks	
At cost,	
Raw materials	36,493
Work in progress	6,109
Finished goods	9,199
Goods for resale and spares	2,278
	54,079
(b) Trade receivables	
Trade receivables	64,599
Less: Provision for doubtful debts	(2,818)
	61,781
The currency exposure profile of trade receivables is as follows:	
Ringgit Malaysia	15,981
US Dollar	45,800
	61,781

The Group's normal trade credit term ranges from 15 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

(c) Amounts owing by related parties

The related parties share common directors with the subsidiary companies.

The amounts owing by the related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(d) Fixed deposits with financial institutions

Fixed deposits have been pledged to financial institutions for the banking facilities made available to the subsidiary companies.

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F CURRENT LIABILITIES

	Note	Proforma Company as at 31 January 2004 *RM'000*	Proforma Group As at 31 January 2004 After Pre-IPO Restructuring (I) *RM'000*	After (I) and Listing (II) *RM'000*
Trade payables	F(a)	-	51,913	51,913
Other payables and accruals		-	39,638	39,638
Amounts owing to related parties	F(b)	-	3,993	3,993
Hire purchase and lease creditors	F(c)	-	178	178
Term loans	F(d)	-	3,889	3,889
Bank borrowings	F(e)	-	48,007	48,007
		-	147,618	147,618

(a) Trade payables

The currency exposure profile of trade payables is as follows:

	Proforma Group As at 31 January 2004 *RM'000*
Ringgit Malaysia	9,905
US Dollar	38,877
EURO Dollar	2,179
Others	952
	51,913

The normal trade credit term ranges from 15 to 90 days.

(b) Amounts owing to related parties

The related parties share common directors with the subsidiary companies.

The amounts owing to the related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

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F CURRENT LIABILITIES (CONT'D)

	Proforma Group As at 31 January 2004 *RM'000*
(c) Hire purchase and lease creditors	
Minimum hire purchase and lease payments:	
- not later than 1 year	216
- later than 1 year and not later than 5 years	179
	395
Future hire purchase and lease interest charges	(65)
Hire purchase and lease liabilities	330
Hire purchase and lease liabilities:	
- not later than 1 year	178
- later than 1 year and not later than 5 years	152
	330

The hire purchase and finance lease bear interest at balance sheet date of between 3.4% to 9.9% per annum.

(d) Term loans	
Maturity of term loans:	
- later than 1 year and not later than 5 years	6,974
- later than 5 years	1,927
	8,901
- not later than 1 year	3,889
	12,790

The term loans are secured as follows :-

i) a legal charge over a subsidiary company's factory equipment and machinery.
ii) legal charges over a subsidiary company's leasehold land.
iii) debenture over all a subsidiary company's present and future assets.
iv) corporate guarantee for RM99.6 million.
v) personal guarantees from the directors of a subsidiary company for RM87.1 million.
vi) joint and several guarantee from the directors of a subsidiary company for RM21.1 million.
vii) letter of undertaking in respect of a trade receivable to direct all payments to a designated account with Mayban Berhad and Alliance Bank Malaysia Berhad.
viii) Against the fixed deposits of a subsidiary company.

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F CURRENT LIABILITIES (CONT'D)

(d) Term loans (cont'd)

Interest is charged at rates ranging from 1.25% to 2% above the banks' base lending rate calculated on a monthly rest basis. The term loans are repayable in monthly instalments ranging from RM5,208 to RM148,148 per month in year 2003 to year 2009.

The weighted average effective interest rate as at 31 January 2004 for term loans was 8.3%. The term loans are repayable in monthly instalments ranging from RM7,209 to RM137,549 per month in year 2006 to year 2010.

(e) Bank borrowings

	Proforma Group As at 31 January 2004 *RM'000*
Bankers' acceptances	47,790
Bank overdrafts	217
	48,007

The weighted average effective interest rate at the balance sheet date for bank borrowings were as follows:

	%
Bankers' acceptances	4.0
Bank overdrafts	8.1

The bank borrowings are secured as follows :-

i) Deed of assignment over a subsidiary company's leasehold properties.
ii) First and second party all monies legal charge over the freehold industrial land.
iii) First legal third party charge of RM700,000 on the property belonging to a director of a subsidiary company.
iv) Second legal third party charge of RM2,900,000 on the property belonging to a director of a subsidiary company.
v) A joint and several guarantee by two of the directors of a subsidiary company, limited to RM5,200,000.
vi) A personal guarantee by a director of a subsidiary company amounting to RM88,350,000.
vii) Against the fixed deposits of a subsidiary company.
viii) Debenture over fixed and floating assets of a subsidiary company.
ix) Other securities as stated in Note F(d).

G SHARE CAPITAL

	Proforma Company as at 31 January 2004 *RM'000*	Proforma Group As at 31 January 2004 After Pre-IPO Restructuring (I) *RM'000*	Proforma Group As at 31 January 2004 After (I) and Listing (II) *RM'000*
Authorised :			
Ordinary shares of RM0.50 each	100	200,000	200,000
Issued and fully paid :			
Ordinary shares of RM0.50 each	*	60,290	70,000

* The issued and paid-up share capital of Comcorp is 2 ordinary shares at RM1.00 each as at the date of incorporation. Subsequently, on 28 October 2003, the Company subdivided its shares to RM0.50 per ordinary share and increased the authorised share capital from RM100,000 to RM200,000,000 by the creation of 399,800,000 ordinary shares of RM0.50 each. As at 31 January 2004, the paid-up capital is RM2.00 comprising 4 ordinary shares of RM0.50 each.

H SHARE PREMIUM

	Proforma Company as at 31 January 2004 *RM'000*	Proforma Group As at 31 January 2004 After Pre-IPO Restructuring (I) *RM'000*	Proforma Group As at 31 January 2004 After (I) and Listing (II) *RM'000*
Share premium	-	20,785	25,582 #

\# The estimated expenses of RM2 million relating to the IPO have been set-off against Share Premium.

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I CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENT

(a) Changes in Accounting Policies

During the financial year ended 31 January 2004, the Comcorp Group applied four new MASB Standards (as disclosed in Section 11A (a) of this report), and accordingly modified certain accounting policies. The change in accounting policy which resulted in prior year adjustment is discussed below:

MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group has commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(b) Prior Year Adjustment

The change in accounting policy has been applied retrospectively. The effect of change in accounting policy is disclosed in Section 6.1 note (2) above.

J CAPITAL COMMITMENT

	Proforma Group As at 31 January 2004 *RM'000*
Capital commitment contracted for	15,236

K SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to the financial year ended 31 January 2004,

a) On 28 May 2004 and 9 June 2004, Comintel declared and paid dividends of approximately 10.68 sen less tax 28% on each of the 13,000,000 Comintel Shares, amounting to RM1,000,000 to its then shareholders.

b) Comintel's entire 28% equity interest in JTSB was disposed of to Leng Keng Hok @ Lim Keng Hock on 8 June 2004.

c) Comintel acquired 60% equity interest in LNC on 27 April 2004.

12 PROCEEDS FROM LISTING

The proceeds from the Listing will be utilised in the following manner:-

	RM'000
Repayment of term loans	8,000
Working capital requirements	6,507
Estimated Listing expenses	2,000
	16,507

13 PROFORMA NET TANGIBLE ASSETS COVER

Based on the financial position of the Proforma Group as at 31 January 2004, the net tangible assets and enlarged paid-up capital are set out below:-

(a) Net tangible assets

	Proforma Group *RM'000*
Net Tangible Assets of the Proforma Group after Acquisitions	80,982
Add: Proceeds from Listing	16,507
	97,489
Less: Estimated Listing expenses	(2,000)
	95,489

(b) Share capital

	No. of shares *'000*
At date of incorporation	*
Add: Acquisitions	120,580
Add: Public Issue	19,420
On completion of IPO	140,000

* The issued and paid-up capital of Comcorp is 2 ordinary shares at RM1.00 each. As at 31 January 2004, the issued and paid-up share capital of Comcorp is 4 ordinary shares of RM0.50 each.

Based on the proforma net tangible assets of RM95.5 million and enlarged paid-up share capital of 140 million, the proforma net tangible assets per share is RM0.68.

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14 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 January 2004.

Yours faithfully,

RUSS OOI & ASSOCIATES
No. A.F. 0152
Chartered Accountants

OOI JIT HUAT
No. 1373 / 5 / 05 (J)
Partner