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ACCOUNTANTS' REPORT
(Prepared for inclusion in the Prospectus)

23 September 2004

The Board of Directors
Progressive Impact Corporation Berhad
No 19 Jalan Astaka U8/84
Bukit Jelutong Business & Technology Centre
40150 Shah Alam
Selangor Darul Ehsan

Dear Sirs,

1 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus to be dated 30 September 2004 in connection with the following:-

(a) Disposal of Subsidiaries and Associate

Progressive Impact Corporation Berhad ("PIC" or the "Company") disposed its equity interest in the following companies to the existing shareholders of PIC for a total cash consideration of RM4,601,402 (the "Disposal") :-

Name of companies	No of shares disposed of by PIC in each company	%	Disposal Consideration RM
Foxboro (M) Sendirian Berhad	2,550	51.00	983,698
PI-CSE Systems & Engineering Sdn. Bhd.	150,000	30.00	150,000
PI CAK Sdn. Bhd.	55,001	55.00	1
Progressive Impact Acquaculture Sdn. Bhd.	3,340,002	91.40	1,670,001
PI Trading Sdn. Bhd.	962,997	96.30	1
PI Styrol Block Sdn. Bhd.	70,002	70.00	1
Kajicuaca (Malaysia) Sdn. Bhd.	400,000	80.00	1
Metronic Impact Sdn. Bhd.	59,999	60.00	59,999
Progressive Impact Technology Sdn. Bhd.	2,188,286	100.00	1,535,002
EPS Systems & Engineering Sdn. Bhd.	600,500	100.00	202,698
			4,601,402

The disposal consideration of the abovementioned companies pursuant to the Disposals was arrived at after taking into consideration the audited Net Tangible Assets of the respective companies as at 31 December 2003.

1 **INTRODUCTION (CONTD.)**

(a) **Disposal of Subsidiaries and Associate (Contd.)**

Upon completion of the Disposal, the new group consists of PIC, Alam Sekitar Malaysia Sdn. Bhd. ("ASMA"), ALS Technichem (M) Sdn. Bhd. ("ALS") and Quantum Up Returns Sdn. Bhd. ("QURSB"), collectively known as "PIC Group".

(b) **Revaluation of PIC's Investment and Landed Properties**

Revaluation of investments in ASMA and ALS and landed properties owned by PIC (the "Revaluation").

(c) **Bonus Issue**

Bonus Issue of 17,921,658 new ordinary shares of RM1.00 each in PIC to the existing shareholders of PIC on the basis of approximately 858 new ordinary shares of RM1.00 each for 1,000 existing shares held in PIC after the Revaluation. The Bonus Issue was effected through the capitalisation of revaluation reserves and retained profits of the PIC (the "Bonus Issue").

(d) **Rights Issue**

Rights Issue of 4,700,000 new ordinary shares of RM1.00 each in PIC at an issue price of RM1.00 per ordinary share of RM1.00 each to all the existing shareholders of PIC on the basis of approximately 121 shares for every 1,000 ordinary shares of RM1.00 each held after the Bonus Issue (the "Rights Issue").

(e) **Share Split**

Upon completion of the Disposals, Revaluation, Bonus Issue and Rights Issue, the existing ordinary shares of RM1.00 each are subdivided into ordinary shares of RM0.50 each. (the "Share Split").

(f) **Initial Public Offering**

Public Issue of 7,000,000 new ordinary shares of RM0.50 each in PIC at an issue price of RM0.75 per share and an offer for sale of 18,000,000 ordinary shares of RM0.50 each at in PIC an offer price of RM0.75 per share (the "Initial Public Offering").

(g) **Listing and Quotation**

Listing of and quotation for the entire enlarged share capital comprising 94,000,000 ordinary shares of RM0.50 each in the Company on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Listing").

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2 GENERAL INFORMATION

2.1 Incorporation

Progressive Impact Corporation Berhad ("PIC") was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 27 August 1990 under the name of Zaiyadal Sdn. Bhd. On 8 December 1992, it changed its name to Progressive Impact Corporation Sdn. Bhd. Subsequently, on 10 February 2004, it was converted to a public company and assume its present name.

2.2 Principal Activities

The principal activities of the Company are that of investment holding and the provision of management and administrative services to its subsidiaries.

2.3 Share Capital

PIC was incorporated with an authorised share capital of RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each and an issued and paid up capital of RM2 comprising 2 ordinary shares of RM1.00 each.

The issued and paid up share capital of the Company as at the date of this report was RM43,500,000 comprising 87,000,000 ordinary shares of RM0.50 each. The movement in the issued and paid-up share capital from the date of incorporation up to the date of this report are as follows:-

Date of Allotment	Number of ordinary shares of RM1.00/ RM0.50 each	Consideration	Total Issued And Paid-Up Share Capital RM
27 August 1990	2	Subscribers' shares	2
4 March 1992	249,998	Cash	250,000
27 October 1992	750,000	Cash	1,000,000
10 May 1993	1,671,578	Cash	2,671,578
30 March 1994	80,000	Cash	2,751,578
25 August 1994	1,981,985	Cash	4,733,563
23 January 1995	78,031	Cash	4,811,594
26 August 1995	3,206,749	Cash	8,018,343
3 December 1996	999,999	Cash	9,018,342
10 January 1997	830,000	Cash	9,848,342
10 January 1997	150,000	Cash	9,998,342
10 January 1997	200,000	Cash	10,198,342
10 January 1997	110,000	Cash	10,308,342
5 April 1997	2,570,000	Cash	12,878,342
19 December 1998	8,000,000	Cash	20,878,342
11 August 2004	17,921,658	Bonus issue	38,800,000
11 August 2004	4,700,000	Cash	43,500,000
16 August 2004	87,000,000	Share split	43,500,000

2 GENERAL INFORMATION (CONTD.)

2.4 Floatation Scheme

In conjunction with and as an integral part of the listing and quotation for its entire enlarged issued and paid-up ordinary share capital of the Company on the Second Board of the Bursa Securities, the issued and paid-up share capital of PIC has been increased from 20,878,342 ordinary shares of RM1.00 each to 94,000,000 ordinary shares of RM0.50 each analysed as follows:-

Issued and fully paid-up share capital

As at 31 May 2004	20,878,342
After Bonus Issue	38,800,000
After Rights Issue	43,500,000
After Share Split	87,000,000
After Public Issue	94,000,000

2.5 Subsidiary Companies

Subsidiary companies 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 following are the subsidiary companies of PIC, which are incorporated in Malaysia, as at the date of this report.

Name of Companies	Principal activities	Effective Equity Interest
Alam Sekitar Malaysia Sdn. Bhd.	Provision of environmental and consulting and monitoring services	100%
ALS Technichem (M) Sdn. Bhd.	Laboratory analysis and reports and consulting services	59%
Quantum Up Returns Sdn. Bhd.	Investment holding	100%

Information on the subsidiary companies, all of which are private limited liability companies and incorporated in Malaysia, under the Companies Act, 1965, are as follows:

2.5.1 Alam Sekitar Malaysia Sdn. Bhd. ("ASMA")

ASMA was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 28 May 1993. under the name of Exquisaga (M) Sdn. Bhd. On 14 July 1994, it changed its name to its current name.

ASMA was incorporated with an authorised share capital of RM5,000,000 comprising 1,052,632 ordinary shares of RM1.00 each and 3,947,368 redeemable non-cumulative preference shares of RM1.00 each and an issued and paid up capital of RM2 comprising 2 ordinary shares of RM1.00 each.

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2 GENERAL INFORMATION (CONTD.)

2.5 Subsidiary Companies (Contd.)

2.5.1 Alam Sekitar Malaysia Sdn. Bhd. ("ASMA")

The issued and paid up share capital of the Company as at the date of this report was RM1,052,632 comprising 1,052,632 ordinary shares of RM1.00 each. The movement in the issued and paid-up share capital from the date of incorporation up to the date of this report are as follows:-

Date of Allotment	Number of ordinary shares of RM1.00 each	Consideration	Total Issued And Paid-Up Share Capital RM
28 March 1993	2	Subscribers' shares	2
28 November 1994	100,000	Cash	100,002
19 December 1995	899,998	Cash	1,000,000
4 June 1999	52,632	Cash	1,052,632

2.5.2 ALS Technichem (M) Sdn. Bhd. ("ALS")

ALS was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 12 April 1984 under the name of Techichem Laboratory Services (M) Sdn. Bhd. On 24 August 1994, it changed its name to ALS Technichem (M) Sdn. Bhd.

ALS was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. and an issued and paid up capital of RM3 comprising 3 ordinary shares of RM1.00 each.

The issued and paid up share capital of the Company as at the date of this report was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The movement in the issued and paid-up share capital from the date of incorporation up to to the date of this report are as follows:-

Date of Allotment	Number of ordinary shares of RM1.00 each	Consideration	Total Issued And Paid-Up Share Capital RM
12 April 1984	3	Subscribers' shares	3
24 September 1984	15,997	Cash	16,000
11 March 1986	32,000	Cash	48,000
26 December 1997	52,000	Cash	100,000

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2 GENERAL INFORMATION (CONTD.)

2.5 Subsidiary Companies (Contd.)

2.5.3 Quantum Up Returns Sdn. Bhd.

Quantum Up Returns Sdn. Bhd. ("QURSB") was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 3 September 2003 under its current name.

QURSB was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and an issued and paid up capital of RM2 comprising 2 ordinary shares of RM1.00 each.

The issued and paid up share capital of the Company as at the date of this report was RM2 comprising 2 ordinary shares of RM1.00 each. The movement in the issued and paid-up share capital from the date of incorporation up to the date of this report are as follows:-

Date of Allotment	Number of ordinary shares of RM1.00 each	Consideration	Total Issued And Paid-Up Share Capital RM
3 September 2003	2	Subscribers' shares	2

3 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

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

4 AUDITORS AND FINANCIAL STATEMENTS

We are the auditors of PIC and all its subsidiaries for the years dealt with in this Report.

The financial statements of PIC and all its subsidiaries for the years under review were not subject to any qualification with the exception of the financial statements of ASMA for the two financial years ended 31 December 2002 which included an emphasis of matter note on the exclusion of disputed claims invoiced to the Company by a corporate shareholder amounting to RM735,809.

In 2003, the dispute was resolved with the withdrawal of the above claims by the corporate shareholder.

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5 PROFORMA CONSOLIDATED INCOME STATEMENT

5.1 Proforma Group

The proforma consolidated income statement of the Group as set out below is based on the audited financial statements of PIC, ASMA, ALS and QURSB and have been presented on the basis that the Disposals had been in effect throughout the relevant years under review.

However, the proforma group results for the financial years ended 31 December 1999 to 2002 exclude the financial results of QURSB as the company was incorporated on 3 September 2003. The results of QURSB that is included in the proforma group results for the financial year ended 31 December 2003 are from 3 September to 31 December 2003. Accordingly, the minority interests portion throughout the relevant years under review includes 25% equity interest in ASMA which was acquired by QURSB on 30 December 2003.

	Year ended 31 December					Period ended 31
	1999	2000	2001	2002	2003	May 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	27,715	30,543	33,037	34,010	38,009	16,990
Other income	558	813	570	1,153	1,370	282
Construction costs	(503)	(696)	(60)	(227)	(691)	(597)
Staff costs	(5,975)	(6,965)	(7,210)	(7,067)	(8,983)	(3,747)
Raw materials and consumables used	(3,726)	(4,481)	(3,465)	(4,305)	(4,469)	(1,940)
Depreciation	(3,749)	(4,040)	(4,279)	(4,213)	(4,384)	(1,822)
Provision for doubtful debts	(313)	(153)	(1,013)	(1,230)	(1,322)	(400)
Provision for diminution in value of investments	-	(1,119)	(867)	(126)	-	-
Gain on disposal of investment in unit trusts	-	-	-	-	398	-
Amortisation of goodwill	-	-	-	(49)	(49)	(259)
Other operating expenses	(2,802)	(3,237)	(4,962)	(5,198)	(6,495)	(2,568)
Profit from operations	11,205	10,665	11,751	12,748	13,384	5,939
Finance costs	(1,394)	(1,261)	(1,241)	(989)	(781)	(388)
Profit before taxation and minority interest	9,811	9,404	10,510	11,759	12,603	5,551
Taxation	(3,261)	(3,840)	(3,427)	(4,455)	(4,430)	(1,754)
Profit after taxation	6,550	5,564	7,083	7,304	8,173	3,797
Minority interests	(2,000)	(2,521)	(2.714)	(2,464)	(3,193)	(629)
Net profit for the year	4,550	3,043	4,369	4,840	4,980	3,168
No. of ordinary shares ('000)	20,878	20,878	20,878	20,878	20,878	20,878
Gross earnings per share (RM)	0.47	0.45	0.50	0.56	0.60	0.27
Net earnings per share (RM)	0.22	0.15	0.21	0.23	0.24	0.15
Effective tax rate (%)	33%	41%	33%	38%	35%	32%

The details and commentary of PIC, ASMA, ALS and QURSB are set out in the subsequent sections to this Report.

5.2 PIC - Company Level

	Year ended 31 December					Period ended 31
	1999	2000	2001	2002	2003	May 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	3,523	2,013	3,919	5,146	17,827	4,683
Other income	794	996	917	1,051	1,139	343
Construction costs	(503)	(696)	(60)	(227)	(691)	(597)
Staff costs	(740)	(1,270)	(1,530)	(909)	(2,786)	(1,040)
Depreciation	(415)	(423)	(363)	(246)	(318)	(121)
Provision for doubtful debts	(146)	-	(943)	(1,012)	(951)	-
Provision for diminution in value of investments	-	(1,051)	(4,139)	(1,008)	-	-
Gain on disposal of subsidiary	-	674	-	-	-	-
Gain on disposal of investment in unit trusts	-	-	-	-	398	-
Other operating expenses	(1,440)	(1,152)	(1,032)	(650)	(1,304)	(278)
Profit/ (loss) from operations	1,073	(909)	(3,231)	2,145	13,314	2,990
Finance costs	(436)	(565)	(943)	(862)	(629)	(339)
Profit/(loss) before taxation	637	(1,474)	(4,174)	1,283	12,685	2,651
Taxation	-	-	-	(32)	(4,242)	(892)
Net profit/ (loss) for the year	637	(1,474)	(4,174)	1,251	8,443	1,759
No. of ordinary shares ('000)	20,878	20,878	20,878	20,878	20,878	20,878
Gross earnings/(loss) per share (RM)	0.03	(0.07)	(0.20)	0.06	0.61	0.13
Net earnings/(loss) per share (RM)	0.03	0.00	0.00	0.06	0.40	0.08
Effective tax rate (%)	-	-	-	2%	33%	34%

Commentaries:

(1) Revenue mainly comprise of dividend income and management fees from subsidiaries.

In 1999, management income was the main contributor to the revenue. Management fee earned from ASMA and Foxboro amounted to RM0.3 million and RM1.7 million respectively.

The other main contributor of revenue was commission income mainly earned from ALS and ASMA. Commission income represents PIC's 59% share of annual commission payable by ALS to its shareholders which in turn is based on 10% of its annual revenue. The remaining 40% and 1% will be distributed to ALS's corporate shareholders, Australian Laboratory Services Pty. Ltd. and Haji Zaid bin Haji Abdullah respectively. Commission from ASMA relates to sales commission payable by ASMA by virtue of distribution agreement, whereby PIC would be given exclusive distributorship and earns commission based on a pre-fixed schedule as and when PIC sells any equipment to ASMA.

Revenue decreased by 43% to RM2.0 million in 2000. The decline in revenue was mainly attributed to no management fee earned from Foxboro.

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5.2 PIC - Company Level (CONTD.)

Commentaries:

(1) In 2001, revenue improved by 95% compared to the previous year. The significant turnaround was mainly attributed to the management fee from Foxboro which amounted to RM1.9 million.

Revenue for 2002 improved by 31% to RM5 million. Main factor for the improvement was due to the increase in dividend received from subsidiary companies namely, ASMA and ALS amounted to RM1.9 million and RM1.2 million respectively, compared to only RM0.6 million received from ALS in 2001. Dividend received from ASMA is based on RM6.64 per Redeemable Non Cumulative Preference Shares held by the Company on 27 December 2002. The preference shares was subsequently redeemed on 27 December 2002.

In 2003, increase in revenue is attributed to the higher dividend declared by ASMA and ALS of RM12.7 million and RM2.5 million respectively.

(2) Finance costs decreased slightly to RM0.4 million in 1999 from RM0.5 million in 1998. This was mainly attributed to the decrease in borrowings in 1999 by RM1.3 million, in particular in respect of revolving credits and bank overdraft.

Increase in finance costs by 30% to RM0.6 million in 2000 is mainly due to drawdown of Al - Bai Bithamin Ajil ("ABBA") amounted to RM4.6 million in May 2000. Additional finance charges on ABBA in 2000 amounted to RM0.2 million.

In 2001, finance costs further increased by 67% to RM0.9 million attributed to a full year finance charges on the ABBA amounted to RM0.5 million.

Conversely, finance costs decreased slightly by 9% in 2002 due to the decrease in finance charges on loan stock and hire purchase. This was mainly from the repayment of loan stock and hire purchase creditors of approximately RM0.1 million and RM0.05 million during the year.

In 2003, the decrease in finance costs is due to settlement of PUNB Convertible Redeemable Guaranteed Loan Stocks in February 2003. New loan from AmBank of RM6 million was only drawdown in December 2003.

(3) Profit before taxation has increased from RM0.1 million in 1998 to RM0.6 million in 1999, in line with the improvement in pretax profit margin from 9% in 1998 to 18% in 1999. This is mainly driven by the increase in revenue in particular from management fees and commission income by RM1.0 million and RM0.4 million respectively. This in turn was offset by the increase in other operating expenses in particular for Directors' salaries and other emoluments by RM0.5 million.

In 2000, the Company recorded a loss before taxation of RM1.5 million. This was due to the a provision for diminution in value of investment in unit trust amounted to RM1.1 million was made during the year.

This is offset by the disposal of 125,000 ordinary shares in PI-CSE Systems & Engineering (M) Sdn. Bhd. which generated a gain on disposal of RM0.7 million.

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5.2 PIC - Company Level (CONTD.)

Commentaries:

(3) Further deterioration in the Company's result in 2001 which saw an increase in the loss before taxation to RM4.2 million despite the increase in revenue by RM2 million was mainly due to the increase in provision made in respect for doubtful debts and diminution in value of investments in loss making subsidiaries of RM0.9 million and RM4.1 million respectively.

Profit before taxation was significantly higher than 2001 by 132%. The improvement is mainly attributed to the lower provision for diminution in value of investment made in 2002. The improvement in revenue further contributed to the increase in profit before taxation.

Further increase in profit before taxation was due to lower director's remuneration. The diretor was on sabbatical leave for four months and no salary was paid during this period.

Profit before taxation increased significantly in 2003 compared to 2002, contributed by the higher dividend declared by ASMA and ALS.

(4) Tax charge of the Company for 2002 is in respect of profit derived from short term deposits placed with licensed banks.

Tax charged for 2003 is in respect of dividend income from subsidiaries.

(5) There were no extraordinary items in the relevant years under review.

(6) The earnings per share was calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant years under review.

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5.3 ASMA

	Year ended 31 December					Period ended 31
	1999	2000	2001	2002	2003	May 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	23,637	27,104	27,144	28,425	30,557	13,215
Other income	69	103	232	401	550	44
Staff costs	(4,261)	(4,498)	(4,185)	(4,754)	(5,592)	(2,030)
Raw materials and consumables used	(2,903)	(3,309)	(3,073)	(3,468)	(3,813)	(1,654)
Depreciation	(3,095)	(3,301)	(3,512)	(3,498)	(3,495)	(1,429)
Provision for doubtful debts	-	-	-	(105)	(30)	(211)
Other operating expenses	(5,075)	(6,040)	(7,077)	(7,566)	(7,944)	(3,634)
Profit from operations	8,372	10,059	9,529	9,435	10,233	4,301
Finance costs	(1,043)	(683)	(159)	(9)	-	-
Profit before taxation	7,329	9,376	9,370	9,426	10,233	4,301
Taxation	(3,200)	(3,031)	(2,692)	(3,187)	(2,982)	(1,242)
Net profit for the year	4,129	6,345	6,678	6,239	7,251	3,059
No. of ordinary shares ('000)	1,053	1,053	1,053	1,053	1,053	1,053
Gross earnings per share (RM)	6.96	8.90	8.90	8.95	9.72	4.08
Net earnings per share (RM)	3.92	6.03	6.34	5.92	6.89	2.91
Effective tax rate (%)	44%	32%	29%	34%	29%	29%

Commentaries:

(1) Revenue of ASMA is mainly derived from the Malaysian Department of Environment (DOE).

ASMA also manages the Environmental Data Centre that provides quality environmental data to DOE, as well as to other interested parties such as to industrial customers and environmental consultants for their environmental management needs. ASMA is therefore the primary source for air and water quality data for Malaysia.

Revenue increased by 15% to RM27 million in 2000 compared to 1999. This was mainly due to the fact that all 50 Continuous Air Quality Monitoring ("CAQM") stations were fully built and ready for operations. In the year 1999, the stations were not fully completed and ASMA was unable to bill the DOE based on the the concession agreement, which was to operate 50 CAQM stations.

Revenue for the years 2001 and 2002 remained fairly consistent due to the revenue derived from DOE is based on the concession agreement which will generate approximately between RM24 million to RM25 million per annum. Increase in revenue from Non-DOE in 2002 was mainly attributed to the opening of five new monitoring stations to cater for increasing demand from Non-DOE customers.

Revenue continued to increase in 2003 contributed from the higher revenue generated from Non-DOE sales which is consistent with the management's strategy to expand their customer base, thus reducing the reliance on concession related revenue from DOE.

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AF: 0039

5.3 ASMA (CONTD.)

Commentaries:

(2) Finance costs mainly relates to finance charges on term loan, hire purchase, bank overdraft and shareholder loan. The decrease in finance cost over the years under review is in line with the overall decrease in borrowings.

In 1995, ASMA has obtained term loan facility of RM13 million at a interest rate of 1.75% per annum above the base lending rate of the lending bank from DCB Bank to finance the purchase of machinery and equipment for the the monitoring stations. The term loan is for 63 months and repayable by six quarterly instalments of RM0.4 million each commencing 24 months after first drawdown, thereafter by eight quarterly instalments of RM1.3 million each. The term loan was fully settled by March 2001.

In 2000, finance costs decreased by 35% to RM0.7 million. This is mainly due to lower level of borrowings by 64% to RM3.0 million due to annual repayments of term loan. In addition, interest rate also fell from between an average of 12.1% in 1999 to 8.4% in 2000. Further, interest on shareholder loan also decrease due to full settlement of the interest bearing portion.

Finance costs decreased further in 2001 onwards due to full settlement of the term loan. In 2001 and 2002, finance costs was mainly from hire purchase creditors, which was fully settled by end of 2002.

(3) Pretax profit margin remained fairly constant for the years/period under review ranging from 31% to 35%.

In 2000, PBT increased by 28% to RM9.4 million. This increase was mainly driven by the increase in revenue by 15% or RM3.5 million. Further improvement in PBT is attributed to the reduction in finance cost by 35% or RM0.4 million.

In 2001, despite the drop in finance cost by 77% or RM0.5 million, PBT remained fairly constant as compared to 2000. This is mainly due to higher repair and maintenance on machinery and equipment located in monitoring stations.

In 2002, PBT has remained fairly constant with 2001 despite the increase in revenue by 5% or RM1.3 million due to the increase in staff cost and other operating expenses. Higher staff costs is in line with the increase in work force to meet the increasing demand from Non-DOE customers. Other operating expenses increased due to repair and replacement of equipment located in monitoring station including cost of transportation of the equipment to the five new stations opened during the year.

PBT increased by 8% in 2003 compared to 2002, in line with 8% increase in revenue.

5.3 ASMA (CONTD.)

Commentaries:

(4) There was no tax charge in 1999 as it constituted the basis period for the year assessment 2000 (preceeding year basis), in respect of which tax on income other than dividend income was waived by legislation pursuant to the provisions of the Income Tax (Amendment) Act, 1999.

The effective tax rates for 2000, 2001, 2002, 2003 and 2004 were higher than the statutory rate due to the non deductibility of certain expenses for tax purposes.

(5) There were no extraordinary items in the relevant years under review.

(6) The earnings per share was calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant years under review.

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5.4 ALS

	Year ended 31 December					Period ended 31
	1999	2000	2001	2002	2003	May 2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	4,524	5,766	6,618	7,803	9,959	4,368
Other income	6	10	7	20	12	5
Staff costs	(974)	(1,198)	(1,496)	(1,404)	(1,895)	(675)
Raw materials and consumables used	(823)	(1,172)	(392)	(837)	(656)	(286)
Depreciation	(239)	(316)	(404)	(470)	(571)	(272)
Provision for doubtful debts	(17)	(56)	(47)	-	(82)	(189)
Other operating expenses	(410)	(519)	(1,506)	(1,551)	(1,873)	(862)
Profit from operations	2,067	2,515	2,780	3,561	4,894	2,089
Finance costs	(49)	(46)	(149)	(118)	(107)	(44)
Profit before taxation	2,018	2,469	2,631	3,443	4,787	2,045
Taxation	(61)	(807)	(735)	(1,236)	(1,421)	(512)
Profit after taxation	1,957	1,662	1,896	2,207	3,366	1,533
No. of ordinary shares ('000)	100	100	100	100	100	100
Gross earnings per share (RM)	20.18	24.69	26.31	34.43	47.87	20.45
Net earnings per share (RM)	19.57	16.62	18.96	22.07	33.66	15.33
Effective tax rate (%)	3%	33%	28%	36%	30%	25%

Commentaries:

(1) Revenue represents the invoiced analysis fees less discounts.

In 1999, fees receivable was mainly from ASMA, related to environmental testing works under the concession agreement signed between ASMA and the Malaysian Department of Environment.

ALS recorded a 27% increase in turnover, mainly driven by the improvement in sales to non-ASMA clients as part of the management's effort to decrease their dependency on ASMA.

In 2000, ALS recorded a 27% increase in turnover, mainly driven by the improvement in sales to non-ASMA clients as part of the management's effort to decrease their dependency on ASMA.

Revenue continued the increasing trend in 2001, 2002 and 2003 due to the aggressive marketing efforts implemented by Management. Major customers other than ASMA were Petronas Research & Scientific Services Sdn. Bhd., ENSR International Phil, Inc., ENSR Environmental International, Inc., and ENSR Corporation Sdn. Bhd.

ERNST & YOUNG
AF: 0039

5.4 ALS (CONTD.)

Commentaries:

(2) Finance costs mainly relate to finance charges on Al-Bai Bithaman Ajil financing ("ABBA") and term loan.

Finance costs incurred in 1999 and 2000 were mainly related to term loan from Bank Of Commerce ("BOC") taken up in September 1998 at an interest rate of 8% per annum. The purpose of the term loan is to part finance the laboratory equipment.

The finance cost was higher for the year 2001 and 2002 due to new financing facility, ABBA, obtained from Public Bank Berhad amounted to RM2 million. The purpose of the facility is to acquire a three storey semi detached factory office at No.9, Jalan Astaka U8/84, Bukit Jelutong, Shah Alam. The term loan from BOC was settled in August 2001, resulting in a reduction in finance cost in 2002.

(3) Increase in profit before taxation over the years under review was mainly driven by the increasing trend in revenue (annualised profit before taxation for 2004 is RM4.9 million). Pretax profit margin remained fairly consistent throughout the years under review with a margin between 40% to 46%.

(4) There was no tax charge in 1999 as it constituted the basis period for the year assessment 2000 (preceeding year basis), in respect of which tax on income other than dividend income was waived by legislation pursuant to the provisions of the Income Tax (Amendment) Act, 1999.

The effective tax rates for 2000, 2002 and 2003 were higher than the statutory rate due to the non deductibility of certain expenses for tax purposes.

In 2004, the effective tax rate is lower than the statutory rate due to deferred tax assets arising from general provisions.

(5) There were no extraordinary items in the relevant years under review.

(6) The earnings per share was calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant years under review.

ERNST & YOUNG
AF: 0039

5.5 QURSB

	Period ended 31 Dec 2003 RM'000	Period ended 31 May 2004 RM'000
Revenue	590	797
Other operating expenses	(2)	(2)
Profit from operations	588	795
Profit before taxation	588	795
Taxation	(165)	(223)
Net profit for the year	423	572
No. of ordinary shares	2	2
Gross earnings per share (RM)	294.00	397.50
Net earnings per share (RM)	211.50	286.00
Effective tax rate (%)	28%	28%

Commentaries:

(1) In 2003 and 2004, revenue represents dividend income received from ASMA.

(2) Tax charged for 2003 and 2004 are in respect of dividend income from ASMA.

(3) There were no extraordinary items in the relevant period under review.

(4) The earnings per share was calculated based on the profit after taxation and on the number of ordinary shares in issue in the period under review.

ERNST & YOUNG
AF: 0039

6 DIVIDENDS

6.1 Dividends

Details of dividends declared or paid by the subsidiaries in respect of the financial years under review are as follows: -

Subsidiary Company	Financial Year Ended	Ordinary issued and paid-up capital	Gross rate of dividend %	Net dividend declared RM'000
ALS				
- Final tax exempt dividend	31 December 1999	100,000	294	294
- Final tax exempt dividend	31 December 2000	100,000	498	498
- Final tax exempt dividend	31 December 2001	100,000	1,000	1,000
- Final tax exempt dividend	31 December 2002	100,000	2,000	2,000
- Final dividend	31 December 2003	100,000	4,167	3,000
ASMA				
- First interim dividend	31 December 2002	1,052,632	277	2,100
- Second interim dividend	31 December 2002	1,052,632	277	2,100
- First interim dividend	31 December 2003	1,052,632	350	2,653
- Second interim dividend	31 December 2003	1,052,632	392	2,973
- Final dividend	31 December 2003	1,052,632	224	1,700
- First interim dividend	31 December 2004	1,052,632	303	2,295
QURSB				
- Final dividend	31 December 2003	2	29,406,700	423
- First interim dividend	31 December 2004	2	39,671,700	572

Subsidiary Company	Financial Year Ended	Preference issued and paid-up capital	Gross rate of dividend %	Net dividend declared RM'000
ASMA				
- Interim dividend	31 December 2002	543	664	2,599

ERNST & YOUNG
AF: 0039

7 PROFORMA CONSOLIDATED BALANCE SHEETS

7.1 PIC (Group)

The summarised proforma consolidated balance sheets of the PIC Group at the end of the relevant financial years are set out below:

	As at 31 December					As at 31 May
	1999	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON CURRENT ASSETS						
Property, plant and equipment	23,436	30,134	28,331	26,915	25,422	24,477
Other investments	21	21	21	14	14	-
Goodwill on consolidation	-	-	-	930	12,338	12,083
	23,457	30,155	28,352	27,859	37,774	36,560
CURRENT ASSETS	32,039	34,695	39,860	46,298	29,374	33,286
CURRENT LIABILITIES	11,946	15,173	16,943	19,698	14,590	5,074
NET CURRENT ASSETS	20,093	19,522	22,917	26,600	14,784	28,212
	43,550	49,677	51,269	54,459	52,558	64,772
REPRESENTED BY:						
Share capital	20,878	20,878	20,878	20,878	20,878	20,878
Retained profits	3,591	6,634	11,003	15,843	20,823	24,665
Reserve on consolidation	196	196	196	196	196	196
	24,665	27,708	32,077	36,917	41,897	45,739
Minority interest	5,206	7,606	9,706	8,456	2,159	2,788
Long term borrowings	10,309	10,385	6,220	5,737	5,504	13,178
Deferred taxation	3,370	3,978	3,266	3,349	2,998	3,067
	43,550	49,677	51,269	54,459	52,558	64,772
Net tangible assets per share (RM)	1.18	1.33	1.54	1.72	1.42	1.61

7.2 PIC (Company)

			As at 31 December			As at 31 May
	1999	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON CURRENT ASSETS						
Property, plant and equipment	1,957	6,762	6,579	6,061	6,393	6,770
Investment in subsidiaries	8,714	9,827	10,014	7,045	7,248	6,264
Investment in associates	-	150	150	150	150	150
Other investments	21	21	21	14	14	-
	10,692	16,760	16,764	13,270	13,805	13,184
CURRENT ASSETS	16,124	12,114	7,831	13,780	22,064	23,876
CURRENT LIABILITIES	2,822	2,924	8,392	9,810	10,285	7,988
NET CURRENT ASSETS/ (LIABILITIES)	13,302	9,190	(561)	3,970	11,779	15,888
	23,994	25,950	16,203	17,240	25,584	29,072
REPRESENTED BY:						
Share capital	20,878	20,878	20,878	20,878	20,878	20,878
(Accumulated losses) / retained profits	(3,445)	(4,919)	(9,093)	(7,842)	601	2,360
	17,433	15,959	11,785	13,036	21,479	23,238
Long term borrowings	6,561	9,991	4,418	4,204	4,105	5,834
	23,994	25,950	16,203	17,240	25,584	29,072
Net tangible assets per share (RM)	0.83	0.76	0.56	0.62	1.03	1.11

ERNST & YOUNG
AF: 0039

7.3 ASMA

	As at 31 December					As at 31 May
	1999	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON CURRENT ASSETS						
Property, plant and equipment	19,926	19,011	16,916	15,496	13,012	11,864
CURRENT ASSETS	9,744	14,646	19,985	26,042	15,204	17,982
CURRENT LIABILITIES	8,475	8,650	6,032	12,561	4,015	4,846
NET CURRENT ASSETS	1,269	5,996	13,953	13,481	11,189	13,136
	21,195	25,007	30,869	28,977	24,201	25,000
REPRESENTED BY:						
Share capital	1,596	1,596	1,596	1,053	1,053	1,053
Share premium	4,890	4,890	4,890	543	543	543
Retained profits	8,095	14,438	21,116	24,212	19,938	20,702
	14,581	20,924	27,602	25,808	21,534	22,298
Long term borrowings	3,414	202	98	-	-	-
Deferred taxation	3,200	3,881	3,169	3,169	2,667	2,702
	21,195	25,007	30,869	28,977	24,201	25,000
Net tangible assets per share (RM)	9.14	13.11	17.29	24.51	20.45	21.18