

10. ACCOUNTANTS' REPORT (Cont'd)**7.4 ALS**

	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	1,553	4,360	4,836	5,358	6,017	5,843
CURRENT ASSETS	2,694	4,194	4,989	6,189	4,356	5,163
CURRENT LIABILITIES	828	3,982	3,343	4,946	3,389	2,509
NET CURRENT ASSETS	1,866	212	1,646	1,243	967	2,654
	3,419	4,572	6,482	6,601	6,984	8,497
REPRESENTED BY:						
Share capital	100	100	100	100	100	100
Retained profits	2,815	4,183	4,581	4,788	5,154	6,688
	2,915	4,283	4,681	4,888	5,254	6,788
Long term borrowings	334	136	1,666	1,533	1,399	1,344
Hire purchase creditors	-	56	38	-	-	-
Deferred taxation	170	97	97	180	331	365
	3,419	4,572	6,482	6,601	6,984	8,497
Net tangible assets per share (RM)	29.15	42.83	46.81	48.88	52.54	67.88

10. ACCOUNTANTS' REPORT (Cont'd)**7.5 QURSB**

	As at 31 December 2003 RM'000	As at 31 May 2004 RM'000
NON CURRENT ASSETS		
Other investment	17,265	17,265
CURRENT ASSETS		
	4	574
CURRENT LIABILITIES		
	17,269	17,839
NET CURRENT LIABILITIES		
	<u>(17,265)</u>	<u>(17,265)</u>
	<u>-</u>	<u>-</u>
REPRESENTED BY:		
Share capital *	-	-
Accumulated losses	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

* Paid-up share capital of QURSB comprising 2 ordinary shares of RM1.00 each.

10. ACCOUNTANTS' REPORT (Cont'd)

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8 PROFORMA STATEMENT OF ASSETS AND LIABILITIES

	Note	←————— Proforma Group —————→ As at 31 May					After (IV) and Share Split and Listing (V) RM'000
		Group Audited as at 31 May 2004 RM'000	After Disposals (I) RM'000	After (I) and Revaluation (II) RM'000	After (II) and Bonus Issue (III) RM'000	After (III) and Rights Issue (IV) RM'000	
NON CURRENT ASSETS							
Property, plant and equipment	C	26,974	24,477	29,638	29,638	29,638	29,638
Investment in associates	D	1,028	-	-	-	-	-
Goodwill on acquisition	E	12,079	12,079	12,079	12,079	12,079	12,079
		40,081	36,556	41,717	41,717	41,717	41,717
CURRENT ASSETS	F	46,801	24,800	24,800	24,800	24,800	24,800
CURRENT LIABILITIES	G	33,916	6,506	6,506	6,506	4,608	4,608
NET CURRENT ASSETS		12,885	18,294	18,294	18,294	20,192	20,192
		52,966	54,850	60,011	60,011	61,909	61,909
REPRESENTED BY:							
Share capital	H	20,878	20,878	20,878	38,800	43,500	47,000
Share premium	I	-	-	-	-	-	250
Retained profits	I	17,755	20,685	20,685	3,778	3,778	3,778
Revaluation reserves	I	-	-	3,716	2,701	2,701	2,701
Shareholders' equity		38,633	41,563	45,279	45,279	49,979	53,729
Minority interest		3,387	2,845	2,845	2,845	2,845	2,845
		42,020	44,408	48,124	48,124	52,824	56,574
Reserves on consolidation		196	196	196	196	196	196
Long term borrowings	J	7,682	7,178	7,178	7,178	4,376	626
Deferred taxation	K	3,068	3,068	4,513	4,513	4,513	4,513
		52,966	54,850	60,011	60,011	61,909	61,909
Net tangible assets per share		0.28	0.31	0.35	0.35	0.40	0.44

Note:

Net tangible assets per shares is based on the enlarged share capital of 94,000,000 shares

10. ACCOUNTANTS' REPORT (Cont'd)



9 NOTES TO THE PROFORMA FINANCIAL STATEMENTS

A SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group have been prepared under the historical cost convention and comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

(b) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

10. ACCOUNTANTS' REPORT (Cont'd)



A SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of consolidation (contd.)

(ii) Associates

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiary companies at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

(d) Affiliated companies

Affiliated companies are defined as subsidiaries and associated companies of the corporate shareholder of a subsidiary.

(e) Investments

Investments in subsidiaries and associates and other investments are stated at cost less provision for permanent impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

10. ACCOUNTANTS' REPORT (Cont'd)**A SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(f) Property, Plant and Equipment**

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

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset over the estimated useful life at the following annual rates:

Buildings	2%
Renovation	20%
Plant and machinery	12.5% - 20%
Motor vehicles	20%
Office equipment	20%
Furniture and fittings	20%
Ponds development cost	14.29%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

Where an indication of impairment exist, the carrying amount of the assets is written down immediately to its recoverable value.

(g) Contract Work-in-Progress

Contract work-in-progress comprises construction expenditure and is stated at cost plus attributable profit less foreseeable losses. Cost includes direct materials, labour, sub-contract sum and attributable overheads paid or payable to date.

(h) Patent Rights

Patent rights purchased are stated at cost and are amortised over a period of 5 years.

(i) Inventories

Inventories are stated at the lower of cost (determined on weighted average) and net realisable value. Work in-progress and finished goods include direct materials, direct labour and appropriate production overheads.

(j) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and reward incident to ownership. All other leases are classified as operating leases.

10. ACCOUNTANTS' REPORT (Cont'd)**A SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(j) Leases (Contd.)****(i) Finance leases**

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

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note A(f).

(k) Provisions for Liabilities

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

(l) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

10. ACCOUNTANTS' REPORT (Cont'd)**A SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(l) Income Tax (Contd.)**

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(m) Employee Benefits**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(n) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

- (i) Revenue from sales and services are recognised net of discounts when transfer of risks and rewards has been completed.
- (ii) Revenue from contracts are recognised as the percentage of completion method determined based on the proportion of physical completion where the outcome of the projects can be reliably estimated. All anticipated losses on contracts are fully provided for.
- (iii) Dividend income is recognised when the right to receive payment is established.

10. ACCOUNTANTS' REPORT (Cont'd)**A SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(o) Foreign Currency Translation**

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. 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 rate differences are taken to the income statement.

The principal exchange rates used for each respective unit of foreign currency at the balance sheet date are as follows:

	2004	2003
	RM	RM
United States Dollar	3.80	3.80
Singapore Dollar	2.26	2.20
Australian Dollar	2.74	2.85
Euro	4.65	4.74

(p) Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and at bank, deposits at call and short term highly liquid investments that are readily convertible into cash with insignificant risk of changes in value, against which overdraft balances, if any, are deducted.

(q) Financial Instruments

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

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

(i) Receivables

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

10. ACCOUNTANTS' REPORT (Cont'd)



A SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Financial Instruments (Contd.)

(ii) Trade Payables

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

(iii) Interest-bearing borrowing

Interest-bearing bank loan is recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

B GENERAL

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

There have been no significant changes in the nature of these activities during the financial year.

The Company is a private limited company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at Tingkat 2, No.19, Jalan Astaka U8/84, Bukit Jelutong Business and Technology Centre, 40510 Shah Alam, Selangor Darul Ehsan.

The financial statements are expressed in Ringgit Malaysia.

10. ACCOUNTANTS' REPORT (Cont'd)**C PROPERTY, PLANT AND EQUIPMENT**

Proforma Group	Land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, and furniture and fittings RM'000	Total RM'000
Cost					
At 1 January 2004	10,742	30,183	2,171	14,257	57,353
Additions	-	129	493	341	963
Disposal of subsidiaries	(1,905)	(1,503)	(17)	(3,153)	(6,578)
Revaluation surplus	5,161	-	-	-	5,161
At 31 May 2004	<u>13,998</u>	<u>28,809</u>	<u>2,647</u>	<u>11,445</u>	<u>56,899</u>
Accumulated Depreciation					
At 1 January 2004	1,573	17,893	1,551	8,351	29,368
Charge for the year	74	1,208	119	573	1,974
Disposal of subsidiaries	(1,023)	(921)	(16)	(2,121)	(4,081)
At 31 May 2004	<u>624</u>	<u>18,180</u>	<u>1,654</u>	<u>6,803</u>	<u>27,261</u>
Net book value					
At 31 May 2004	<u>13,374</u>	<u>10,629</u>	<u>993</u>	<u>4,642</u>	<u>29,638</u>

As at 31 May 2004, certain property, plant and equipment of the Proforma Group with a net book value of RM8,953,414 have been pledged to financial institutions for credit facilities granted to the Proforma Group.

Included above are property, plant and equipment of the Proforma Group held under hire purchase and lease agreements with a net book value of RM588,845.

10. ACCOUNTANTS' REPORT (Cont'd)**C PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

Details of the independent professional valuations of freehold land and buildings owned by the Proforma Group are as follows:

Date of valuation	Description of Property	Valuation	
		Amount RM'000	Basis of valuation
12 January 2004	Leasehold land and building in Johor Bahru	440	Open market valuation
13 January 2004	Freehold land and buildings in Bukit Jelutong	12,000	Open market valuation
13 January 2004	Leasehold land and building in Shah Alam	350	Open market valuation
28 January 2004	Lease land in Lumut	500	Open market valuation

10. ACCOUNTANTS' REPORT (Cont'd)**D INVESTMENT IN ASSOCIATES**

	Group Audited as at 31 May 2004 RM'000	Proforma Group as at 31 May 2004 RM'000
Unquoted shares, at cost	184	-
Shares of post acquisition reserves	844	-
	<u>1,028</u>	<u>-</u>

Represented by:

Share of net tangible assets	<u>1,028</u>
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The associate company which is incorporated in Malaysia is:

Name of Company	Principal activity	Effective Equity Interest
PI-CSE Systems & Engineering Sdn. Bhd.*	System integrator, software system and consultancy	30%
Excellent Variety Sdn. Bhd.*	Dormant	34%

*Upon the completion of the Disposal, these companies will no longer be part of PIC Group.

E GOODWILL ON CONSOLIDATION

	Group Audited as at 31 May 2004 RM'000	Proforma Group as at 31 May 2004 RM'000
Arising from purchase of additional shares in subsidiary	12,437	12,437
Less: Accumulated amortisation	(358)	(358)
	<u>12,079</u>	<u>12,079</u>

10. ACCOUNTANTS' REPORT (Cont'd)

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F CURRENT ASSETS

		← Proforma Group → As at 31 May					
		Group Audited as at 2004 RM'000	After Disposals (I) RM'000	After (I) and Revaluation (II) RM'000	After (II) and Bonus Issue (III) RM'000	After (III) and Rights Issue (IV) RM'000	After (IV) and Share Split and Listing (V) RM'000
Inventories and contract work - in-progress	a	8,144	611	611	611	611	611
Other receivables	b	2,679	4,260	4,260	4,260	4,260	4,260
Trade receivables	c	14,416	8,771	8,771	8,771	8,771	8,771
Investment in unit trust	d	132	20	20	20	20	20
Fixed deposits with licensed banks	e	8,089	7,904	7,904	7,904	7,904	7,904
Cash and bank balances		13,341	3,234	3,234	3,234	3,234	3,234
		<u>46,801</u>	<u>24,800</u>	<u>24,800</u>	<u>24,800</u>	<u>24,800</u>	<u>24,800</u>

(a) Inventories and contract work-in-progress

	Group Audited as at 31 May 04 RM'000	Proforma Group as at 31 May 04 RM'000
Stocks:		
Spares	610	611
Finished goods	372	-
Work-in-progress	218	-
	<u>1,200</u>	<u>611</u>
Contract work-in-progress:		
Contract expenditure	6,944	-
	<u>8,144</u>	<u>611</u>

10. ACCOUNTANTS' REPORT (Cont'd)**F CURRENT ASSETS (CONTD.)****(b) Other receivables**

	Group Audited as at 31 May 2004 RM'000	Proforma Group as at 31 May 2004 RM'000
Deposits	779	319
Prepayments	239	218
Tax recoverable	143	285
Due from affiliated companies	30	-
Due from corporate shareholders	3	-
Due from associates	5	-
Due from former subsidiary	-	2,561
Sundry receivables	1,842	1,029
	<u>3,041</u>	<u>4,412</u>
Less: Provision for doubtful debts	(362)	(152)
	<u>2,679</u>	<u>4,260</u>

Amount due from affiliated companies are unsecured, interest free and have no fixed term of repayment.

The Proforma Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

(c) Trade receivables

	Group Audited as at 31 May 2004 RM'000	Proforma Group as at 31 May 2004 RM'000
Trade receivables	15,926	9,446
Less: Provision for doubtful debts	(1,510)	(675)
	<u>14,416</u>	<u>8,771</u>

The Proforma Group's normal credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by case basis.

Included in the Proforma Group's trade receivables is an amount due from Department of Environment amounting to RM4,795,223, with whom a subsidiary company has entered into a 20 years concession agreement to install, operate and maintain a network of air and water quality monitoring stations throughout Malaysia.

10. ACCOUNTANTS' REPORT (Cont'd)**F CURRENT ASSETS (CONTD.)****(d) Investment in unit trusts**

	Group Audited as at 31 May 2004 RM'000	Proforma Group as at 31 May 2004 RM'000
At cost	180	20
Less: Provision for diminution in value	(48)	-
	<u>132</u>	<u>20</u>
At market value	<u>113</u>	<u>16</u>

(e) Fixed deposits with licensed banks

Certain fixed deposits with licensed banks of the Proforma Group amounting to RM555,614 are pledged to financial institutions for banking facilities granted.

The average interest rates and average maturities of deposits during the financial year are 2.20% -2.90% (2003: 2.20%- 2.90%) and 1 days - 30 days (2003: 1 days - 30 days) respectively

G CURRENT LIABILITIES

		← Proforma Group →					
		As at 31 May					
		Group Audited as at 2004 RM'000	After Disposals (I) RM'000	After (I) and Revaluation (II) RM'000	After (II) and Bonus Issue (III) RM'000	After (III) and Rights Issue (IV) RM'000	After (IV) and Share Split and Listing (V) RM'000
Other payables	a	23,829	3,624	3,624	3,624	3,624	3,624
Trade payables	b	1,680	879	879	879	879	879
Due to associates		950	-	-	-	-	-
Due to directors		796	105	105	105	105	105
Taxation		72	-	-	-	-	-
Short term borrowings	c	6,589	1,898	1,898	1,898	-	-
		<u>33,916</u>	<u>6,506</u>	<u>6,506</u>	<u>6,506</u>	<u>4,608</u>	<u>4,608</u>

Due to associates and directors are unsecured, interest free and have no fixed terms of repayment.

10. ACCOUNTANTS' REPORT (Cont'd)

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G CURRENT LIABILITIES (CONTD.)**(a) Other payables**

	Group Audited as at 31 May 2004 RM'000	Proforma Group as at 31 May 2004 RM'000
Due to affiliated companies	17,964	-
Due to corporate shareholder of a subsidiary	532	532
Due to corporate shareholder	45	-
Hire purchase creditors	94	94
Accruals	3,374	1,598
Dividend payables	451	451
Sundry payables	1,369	949
	<u>23,829</u>	<u>3,624</u>

Amount due to affiliated companies and corporate shareholders are unsecured, interest free and have no fixed terms of repayment.

The foreign currency exposure of amount due to affiliated companies is:

Due to affiliated companies

US Dollar	16,856	-
Euro	24	-
Singapore Dollar	2,176	-
	<u>19,056</u>	<u>-</u>

(b) Trade payables

The normal trade credit terms granted to the Proforma Group range from 60 to 120 days.

(c) Short term borrowings

← Proforma Group →
As at 31 May

Group Audited as at 2004 RM'000	After Disposals (I) RM'000	After (I) and Revaluation (II) RM'000	After (II) and Bonus Issue (III) RM'000	After (III) and Rights Issue (IV) RM'000	After (IV) and Share Split and Listing (V) RM'000

Secured:

Al-Bai Bithaman Ajil	6,589	1,898	1,898	1,898	-	-
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10. ACCOUNTANTS' REPORT (Cont'd)

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G CURRENT LIABILITIES (CONTD.)**(c) Short term borrowings (contd.)**

The short term borrowings of the Proforma Group are secured by certain property, plant and equipment and fixed deposits of the Proforma Group as disclosed in Note C and Note F(e).

H SHARE CAPITAL

	← Proforma Group → As at 31 May					
	Group Audited as at 2004 RM'000	After Disposals (I) RM'000	After (I) and Revaluation (II) RM'000	After (II) and Bonus Issue (III) RM'000	After (III) and Rights Issue (IV) RM'000	After (IV) and Share Split and Listing (V) RM'000
Authorised:						
Number of Ordinary shares of RM1.00 each	25,000	100,000	100,000	100,000	100,000	-
Number of Ordinary shares of RM0.50 each	-	-	-	-	-	200,000
	<u>25,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Issued and fully paid:						
Number of Ordinary shares of RM1.00 each	20,878	20,878	20,878	38,800	43,500	-
Number of Ordinary shares of RM0.50 each	-	-	-	-	-	94,000
	<u>20,878</u>	<u>20,878</u>	<u>20,878</u>	<u>38,800</u>	<u>43,500</u>	<u>94,000</u>
Authorised:						
Ordinary shares of RM1.00 each	25,000	100,000	100,000	100,000	100,000	-
Ordinary shares of RM0.50 each	-	-	-	-	-	200,000
	<u>25,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Issued and fully paid:						
Ordinary shares of RM1.00 each	20,878	20,878	20,878	38,800	43,500	-
Ordinary shares of RM0.50 each	-	-	-	-	-	47,000
	<u>20,878</u>	<u>20,878</u>	<u>20,878</u>	<u>38,800</u>	<u>43,500</u>	<u>47,000</u>

10. ACCOUNTANTS' REPORT (Cont'd)**I RESERVES**

The movements in the reserves of the Proforma are as follows:

	Share Premium RM'000	Retained Profits RM'000	Revaluation Reserve RM'000	Total RM'000
As at 31 May 2004	-	17,755	-	17,755
Disposal	-	2,930	-	2,930
As per Proforma I	-	20,685	-	20,685
Revaluation	-	-	3,716	3,716
As per Proforma II	-	20,685	3,716	24,401
Bonus Issue	-	(16,907)	(1,015)	(17,922)
As per Proforma III	-	3,778	2,701	6,479
Rights Issue	-	-	-	-
As per Proforma IV	-	3,778	2,701	6,479
Share Split and Public Issue	1,750	-	-	1,750
Listing expenses	(1,500)	-	-	(1,500)
As per Proforma IV	250	3,778	2,701	6,729

10. ACCOUNTANTS' REPORT (Cont'd)**J LONG TERM BORROWINGS**

	← Proforma Group → As at 31 May					
	Group Audited as at 2004 RM'000	After Disposals (I) RM'000	After (I) and Revaluation (II) RM'000	After (II) and Bonus Issue (III) RM'000	After (III) and Rights Issue (IV) RM'000	After (IV) and Share Split and Listing (V) RM'000
Bank overdrafts	3,168	-	-	-	-	-
Al-Bai Bithaman Ajil	10,718	8,691	8,691	8,691	3,991	241
Repayment due within 12 months included in short term borrowings (Note G(c))	(6,589)	(1,898)	(1,898)	(1,898)	-	-
	<u>7,297</u>	<u>6,793</u>	<u>6,793</u>	<u>6,793</u>	<u>3,991</u>	<u>241</u>
Hire purchase creditors	593	593	593	593	593	593
Less: Interest in suspense	(114)	(114)	(114)	(114)	(114)	(114)
Due within 12 months included in other payables (Note G(a))	479	479	479	479	479	479
	(94)	(94)	(94)	(94)	(94)	(94)
	<u>385</u>	<u>385</u>	<u>385</u>	<u>385</u>	<u>385</u>	<u>385</u>
	<u>7,682</u>	<u>7,178</u>	<u>7,178</u>	<u>7,178</u>	<u>4,376</u>	<u>626</u>

The bank overdraft is secured by first party legal charge over certain property, plant and equipment as disclosed in Note C and joint and several guarantee by certain directors for RM9,000,000. The bank overdraft bear fixed profit rate of 6.00% per annum.

The Al-Bai Bithaman Ajil financing is a financing facility based on the Islamic principles. This loan is secured by the following:

- (i) pledge of 263,158 ordinary shares of RM1 each in a subsidiary, Alam Sekitar (M) Sdn. Bhd. with third party Memorandum of Deposit duly executed by another subsidiary, Quantum-Up Returns Sdn. Bhd;
- (ii) first/third party General Investment Account for RM500,000 together with a Memorandum of Deposit and Letter of Set-Off duly executed;
- (iii) negative pledge over the assets of the Company;
- (iv) first party second legal charge over certain property, plant and equipment as disclosed in Note C;
- (v) joint and several guarantee by certain directors;
- (vi) a pledge over certain deposits of the Company as disclosed in Note F; and
- (vii) a debenture for RM7,480,000 incorporating a fixed and floating charge over the present and future assets of the Company.

10. ACCOUNTANTS' REPORT (Cont'd)**K DEFERRED TAXATION**

	Group Audited as at 31 May 2004 RM'000	Proforma Group as at 31 May 2004 RM'000
At 1 January	2,998	2,998
Recognised in income statements	70	70
Revaluation of land and building	-	1,445
At 31 May	<u>3,068</u>	<u>4,513</u>

Deferred Tax Asset Not Recognised

Deferred tax assets have not been recognised in respect of the following items:

	Group Audited as at 31 May 2004 RM'000	Proforma Group as at 31 May 2004 RM'000
Unutilised business losses	7,312	5,060
Unabsorbed capital allowances	233	233
Other deductible temporary differences	4,135	4,134
	<u>11,680</u>	<u>9,427</u>

The benefits of tax losses, capital allowances and other deductible temporary differences can be carried forward indefinitely and will be obtained when the Company and the relevant subsidiaries derive future assessable income of a nature and of an amount sufficient for these tax losses, capital allowances and other deductible temporary differences to be utilised respectively.

L CAPITAL COMMITMENTS

	Group Audited as at 31 May 2004 RM'000	Proforma Group as at 31 May 2004 RM'000
Authorised but not contracted for	<u>962</u>	<u>962</u>

10. ACCOUNTANTS' REPORT (Cont'd)



M FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Proforma Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Proforma Group's businesses whilst managing its liquidity and credit risks. The Proforma Group operates within clearly defined guidelines that are approved by the Board and the Proforma Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Proforma Group's primary interest rate risk relates to interest-bearing debt. Financial asset is mainly deposits held with licensed banks which is short term in nature and is not held for speculative purposes.

(c) Liquidity risk

The Proforma Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Proforma Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(d) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Proforma Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Proforma Group management reporting procedures.

(e) Fair Values

The fair value of all financial assets and financial liabilities approximate their respective carrying values on the balance sheet of the Proforma Group.

10. ACCOUNTANTS' REPORT (Cont'd)**10 PROFORMA CASH FLOW STATEMENT**

The proforma cash flow statement of the Group set below is based on the audited financial statements of the Group for the financial period ended 31 May 2004 and is presented on the basis that the Floatation Scheme had been effected on 31 May 2004.

	Proforma Group as at 31 May 2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	8,108
Adjustments for:	
Amortisation of goodwill	259
Depreciation	1,974
Gain on disposal of subsidiaries and associates	(2,930)
Provision for diminution in value of investment written back	(20)
Gain on disposal of quoted investments	(1)
Provision for doubtful debts	401
Unrealised foreign exchange gain	(2)
Shares of results in associates	(96)
Finance costs paid	408
Operating profit before working capital changes	<u>8,101</u>
Changes in working capital:	
Receivables	3,399
Inventories and contract work-in-progress	(1,665)
Associates	394
Directors	(969)
Payables	(1,191)
Cash generated from operations	<u>8,069</u>
Finance costs paid	(408)
Taxation paid	(1,270)
Net cash generated from operating expenses	<u>6,391</u>

10. ACCOUNTANTS' REPORT (Cont'd)**10 PROFORMA CASH FLOW STATEMENT (CONTD.)**

**Proforma
Group As
at 31 May 2004
RM'000**

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of shares in associates	(34)
Proceeds from disposal of property, plant and equipment	(5,691)
Proceeds from disposal of investment	15
Purchase of property, plant and equipment	(533)
Net cash used in investing activities	(6,243)

CASH FLOWS FROM FINANCING ACTIVITIES

Upliftment of deposits with licensed banks	200
Listing expenses	(1,500)
Proceeds from listing exercise	9,950
Repayment of borrowings	(17,929)
Drawdown of borrowings	6,055
Net dividend paid	(779)
Net cash used in financing activities	(4,003)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,855)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14,438
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10,583

Cash and Cash Equivalent as at 31 May 2004 comprise the followings:

Cash and bank balances	3,234
Fixed deposits with licensed banks	7,904
	11,138
Less: Deposits under lien	(555)
	10,583

10. ACCOUNTANTS' REPORT (Cont'd)**11 PROCEEDS FROM RIGHTS ISSUE AND LISTING**

The proceeds from the Rights Issue and Public Issue will be utilised in the following manner: -

	RM'000
Repayment of bank borrowings	6,000
Working capital requirements	2,450
Estimated listing expenses	1,500
	<u>9,950</u>

12 PROFORMA NET TANGIBLE ASSETS COVER

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

(i) Net Tangible Assets	Proforma Group RM'000
Net Tangible Assets of the Proforma Group after Disposals, Revaluation and Bonus Issue	33,200
Add : Proceeds from Rights Issue	4,700
Add : Proceeds from Listing	5,250
	<u>43,150</u>
Less : Estimated listing expenses	<u>(1,500)</u>
	<u>41,650</u>
(ii) Share Capital	<u>No. of shares '000</u>
As at 31 May 2004	20,878
Add: Bonus Issue	17,922
Add: Rights Issue	4,700
Add: Share Split	43,500
Add: Public Issue	7,000
On completion of Flotation Scheme	<u>94,000</u>

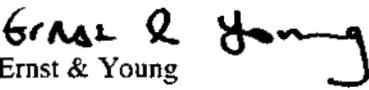
10. ACCOUNTANTS' REPORT (Cont'd)

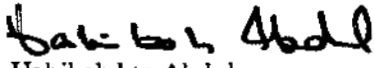


13 AUDITED FINANCIAL STATEMENTS

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

Yours faithfully


Ernst & Young
AF:0039
Chartered Accountant


Habibah bte Abdul
1210/05/06(J)
Partner

Kuala Lumpur