

**10. ACCOUNTANTS' REPORT**  
*(Prepared for inclusion in the Prospectus)*



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18 FEB 2005

The Board of Directors  
Satang Jaya Holdings Berhad  
149-A, Jalan Aminuddin Baki  
Taman Tun Dr Ismail  
60000 Kuala Lumpur

Dear Sirs,

**1. INTRODUCTION**

This report has been prepared by Messrs. Anuarul Azizan Chew & Co., an approved company auditors, for the inclusion in the Prospectus of Satang Jaya Holdings Berhad ("SJHB" or "the Company") dated 23 FEB 2005, in connection with the listing of and quotation for the entire issued and paid-up share capital of 80,000,000 ordinary shares of RM0.50 each ("Shares") in SJHB on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

**2. GENERAL INFORMATION**

**2.1 Background**

SJHB was incorporated in Malaysia as a public limited company under the Companies Act, 1965, on 4 November 2003 under its present name.

**2.2 Principal Activities**

The principal activity of the Company is that of investment holding. The details of its subsidiary companies and associated company are set out in Section 2.5 of this report.

**2.3 Share Capital**

At the date of incorporation, SJHB's authorised share capital was RM100,000 divided into 100,000 ordinary shares of RM1.00 each. SJHB had, on 29 November 2003, subdivided the par value of the authorised share capital to RM0.50 each. On 12 January 2004, the authorised share capital of SJHB was increased to RM100,000,000 comprising 200,000,000 Shares.

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

The changes in SJHB's issued and paid-up share capital since its incorporation are as follows: -

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par value</b>	<b>Purpose</b>	<b>Cumulative total paid-up share capital</b>
		RM		RM
04.11.2003	2	1.00	Subscribers' shares	2
28.11.2003	1,998	1.00	Cash consideration	2,000
29.11.2003	4,000	0.50	Subdivision of shares	2,000
31.12.2004	41,150,000	0.50	Acquisition of SJSB	20,577,000
28.01.2005	28,846,000	0.50	Restricted Issue	35,000,000
*	10,000,000	0.50	Public Issue	40,000,000

\* To be completed before the listing of SJHB on the Second Board of Bursa Securities.

**2.4 Listing Scheme**

In conjunction with and as an integral part of the listing of and quotation for the entire issued and fully paid-up share capital of SJHB on the Second Board of the Bursa Securities, SJHB undertook the Listing Scheme which involved the transactions as set out below.

**2.4.1 Acquisition of Satang Jaya Sdn Bhd ("SJSB") by SJHB ("Acquisition of SJSB")**

As an integral part of the Listing Scheme, SJHB had on 15 January 2004, entered into a conditional Sale and Purchase Agreement with the existing shareholders of SJSB for the acquisition of the entire issued and paid-up share capital of SJSB comprising 7,000,000 ordinary shares of RM1.00 each for a total consideration of RM20,575,000 satisfied by the issuance of 41,150,000 new Shares in SJHB at an issue price of RM0.50 per new SJHB Share.

The purchase consideration of RM20,575,000 was arrived at a willing-buyer-willing-seller basis after taking into consideration the audited consolidated net tangible assets of SJSB and its subsidiary companies and associated company of approximately RM20.6 million as at 30 November 2003. The acquisition of SJSB was completed on 31 December 2004.

Upon completion of the Acquisition of SJSB, the enlarged share capital of SJHB had increased from RM2,000 comprising 4,000 Shares to RM20,577,000 comprising 41,154,000 Shares.

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

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**2.4.2 Restricted Issue**

Upon completion of the Acquisition of SJSB, SJHB undertook a restricted issue of 28,846,000 new Shares at an issue price of RM0.50 per Share ("Restricted Issue") to selected shareholders of SJHB. The Restricted Issue was undertaken on the basis of approximately 0.701 new Shares for every one (1) existing Share held by the selected shareholders of SJHB (after the Acquisition of SJSB).

All new Shares issued pursuant to the Restricted Issue, upon allotment and issue, rank *pari passu* in all respect with the then issued and paid-up share capital of SJHB, except that they will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment of the said Shares.

**2.4.3 Public Issue**

SJHB will issue 10,000,000 new Shares or 12.50% of its enlarged issued and paid-up share capital (after the share issue) at the initial public offering ("IPO") price of RM1.00 per Public Issue Share.

Following the Public Issue, the number of Shares in issue will increase from 70,000,000 to 80,000,000 Shares.

All new Shares issued pursuant to the Public Issue, upon allotment and issue, rank *pari passu* in all respect with the then issued and paid-up share capital of SJHB, except that they will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment of the said Shares.

**2.4.4 Offer for Sale**

The Offerors/Promoters of SJHB to offer 20,000,000 Shares or 25.00% of the enlarged paid-up share capital (after the Public Issue) at the IPO price of RM1.00 per Offer Share, allocated to investors to be identified by SJHB and its subsidiary companies and associated company ("SJHB Group" or "the Group" or "Proforma Group"). All the proceeds arising from the Offer for Sale amounting to RM20.0 million will accrue directly to the Offerors/Promoters of SJHB.

**2.4.5 Listing on the Second Board of the Bursa Securities**

SJHB will seek the listing of and quotation for its enlarged issued and paid-up share capital comprising 80,000,000 Shares on the Second Board of the Bursa Securities. The board lot sizes for the enlarged issued and paid-up share capital of SJHB upon its listing will be standardised at 100 units per board lot.

**10. ACCOUNTANTS' REPORT (Cont'd)****2.5 Subsidiary Companies and Associated Company**

The subsidiary companies and associated company of SJHB at the date of this report and their principal activities are as follows:-

Name of company	Date/Place of incorporation	Authorised share capital RM	Issued and fully paid-up share capital RM	Effective equity interest %	Principal activities
SJSB	27.08.1991 Malaysia	10,000,000	7,000,000	100.00	Distribution and supply of defence, commercial aviation and marine equipment and accessories, contract management and consultant to Original Equipment Manufacturers ("OEMs") and investment holding.
<i>Subsidiary companies of SJSB:-</i>					
SAR Services (M) Sdn. Bhd. ("SAR")	20.11.1995 Malaysia	500,000	250,000	100.00	Maintenance, repairs and overhaul of safety and survival equipments.
MSJ Technical Support Sdn. Bhd. ("MSJ")	04.03.1996 Malaysia	500,000	250,000	100.00	Maintenance, repairs and overhaul of aviation electronics safety equipments and electro-mechanical related accessories.
Satang Cylinder Services Sdn. Bhd. ("SCS")	12.01.2001 Malaysia	500,000	250,000	100.00	Maintenance, repairs and overhaul of aviation related cylinders that include servicing, inspection, recycling and refilling of gas and other related services.
Satang Services Sdn. Bhd. ("SSSB")	12.08.2000 Malaysia	500,000	250,000	100.00	Maintenance, repairs and overhaul of aviation ground support safety equipments and related accessories.
Satang Environmental Sdn. Bhd. ("SESB")	04.05.2001 Malaysia	500,000	80,000	100.00	Supplying and distribution of environmental product, providing consultancy, training and seminar in respect of Environment Management System and other related services.

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Name of company	Date/Place of incorporation	Authorised share capital	Issued and fully paid-up share capital	Effective equity interest	Principal activities
		RM	RM	%	
Triopoint (M) Sdn. Bhd. ("TSB")	27.05.1991 Malaysia	25,000	10,002	100.00	Supplying of defence and aviation equipment and accessories.
Port Marine Safety Services Sdn. Bhd. ("PMSS")	18.01.1993 Malaysia	500,000	150,000	69.00	Supplying and maintenance of marine safety and survival equipment and accessories.
Satang Hi-Tech Security Sdn. Bhd. ("SHT")	15.10.2001 Malaysia	500,000	250,000	99.99*	Providing consultancy and solution services and implementing of high-tech and integrated surveillance security system and its related services.
<i>Associated company of SJSB:-</i>					
The Industrial & Scientific Co. Sdn. Bhd. ("TISC")	06.09.1977 Malaysia	500,000	280,000	38.00	Importing and distributing of all industrial, scientific and marine products and Liquefied Petroleum Gas and also maintenance of safety and survival aviation equipments.

\* There are two (2) subscriber's shares which are held by Colonel (Honorary) Jamaluddin bin Hassan RMAF and Abdul Aziz bin Jamal (both are the Promoters, Substantial Shareholders and Directors of SJHB) each holding one (1) ordinary share of RM1.00 each.

**2.6 Dividends**

Details of dividends declared and paid by SJHB Group in respect of the financial years/periods under review are as follows:

- (i) A special dividend of 130.95% less tax amounting to RM6,600,000, have been declared and paid by SJSB to its shareholders from its unappropriated profit after tax for the period between 1 December 2003 to 31 October 2004 during the financial period ended 31 October 2004; and
- (ii) A special dividend of 333.33% less tax amounting to RM600,000 have been declared and paid by SSSB from its unappropriated profit to SJSB during the financial period ended 31 October 2004.

Other than the above, no dividend has been declared and paid by SJHB Group for the relevant financial years/periods under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****3. AUDITORS AND AUDITED FINANCIAL STATEMENTS**

The audited financial statements of SJHB and its subsidiary companies for all years/periods relevant to this report were audited by other firms of chartered accountants and were not subject to any audit qualification except for the emphasis of matter in the auditors' reports as follows:-

**SJSB**

As regards to the emphasis of matter in auditors' reports for the financial years/period ended 31 December 1999 to 30 June 2001, the auditors had draw attention to the following:-

- (i) in common with many businesses of similar size and organisation, SJSB's system of internal controls is dependent upon the close involvement of the Directors (who are major shareholders). In these circumstances, the auditors have to rely on representation from the Directors that all SJSB's transactions have been reflected and properly recorded in the financial statements; and
- (ii) the financial statements of the subsidiary companies are not consolidated with the financial statements of SJSB as the management has no definite plan to hold the investments on a long-term basis. This represents a departure from the requirements of International Accounting Standards ("IAS") No. 3 and/or Malaysian Accounting Standards Board ("MASB") Standard 11, Consolidated Financial Statements and Investments in Subsidiaries.

As regards to the abovementioned emphasis of matter and based on the auditors' letter, the following measures have been undertaken by SJSB to address the issue:

- (i) Recruitment of additional staff

Additional key personnel has enabled SJSB to allocate and segregate task/job according to their departmental function. Every department is headed by an experienced and capable senior management team which report directly to the Board of Directors. This has resulted in reduction of reliance and close involvement of the Directors. Proper internal control systems have been established (such as segregation of duties, proper documentation, etc) and auditors' tests revealed that the integrity and the functioning of the system have been properly implemented during their course of audit; and

- (ii) Implementation of revised structure

Prior to year 2002, the various companies in SJSB and its subsidiary companies and associated company ("SJSB Group") have significant autonomy in their operations and managements. However in year 2002, SJSB Group had streamlined its management system on a group structure which includes a formal management system.

With the successful implementation of the revised structure of SJSB Group, the Board of Directors has complied with MASB Standard 11, Consolidated Financial Statements and Investments in Subsidiaries by adopting the consolidation financial statements requirement.

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

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**SAR**

As regards to the emphasis of matter in the auditors' reports for the financial years/period ended 31 December 1999 to 30 June 2001, the auditors highlighted that it is in common with many businesses of similar size and organisation, SAR's system of internal controls is dependent upon the close involvement of the Directors (who are major shareholders). In these circumstances, the auditors have to rely on representation from the Directors that all SAR's transactions have been reflected and properly recorded in the financial statements.

Based on the auditors' letter, additional key personnel has enabled SAR to allocate and segregate task/job according to their departmental function. Every department is headed by an experienced and capable senior management team which report directly to the Board of Directors. This has resulted in reduction of reliance and close involvement of the Directors. Proper internal control systems have been established (such as segregation of duties, proper documentation, etc) and auditors' tests revealed that the integrity and the functioning of the system have been properly implemented during audit.

**TSB**

As regards to the emphasis of matter in the auditors' reports for the financial years/period ended 31 December 1999 to 30 June 2001, the auditors highlighted that it is in common with many businesses of similar size and organisation, TSB's system of internal controls is dependent upon the close involvement of the Directors (who are major shareholders). In these circumstances, the auditors have to rely on representation from the Directors that all TSB's transactions have been reflected and properly recorded in the financial statements.

Based on the auditors' letter, close supervision by SJSB and the deployment of SJSB's staff to handle the operation in TSB, has enabled TSB to establish and implement proper internal control procedures, which audit tests showed that the system have been properly implemented.

**SHT**

As regards to the emphasis of matter in the auditors' reports for the financial period/year ended 30 June 2002 and 30 June 2003, the auditors had draw attention to the following:-

- (i) in common with many businesses of similar size and organisation, SHT's system of internal controls is dependent upon the close involvement of the Directors (who are major shareholders). In these circumstances, the auditors have to rely on representation from the Directors that all SHT's transactions have been reflected and properly recorded in the financial statements; and

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

- (ii) SHT has a capital deficiency for the financial period/year under review. Hence, the validity of the continuation as a going concern of SHT is dependent upon future profitable operations and/or obtaining additional finance from the shareholders and/or from other sources. The financial statements of SHT do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should SHT be unable to continue as a going concern.

As regards to the abovementioned emphasis of matter and based on the auditors' letter, the following measures have been undertaken by SHT to address the issue:

- (i) Close supervision by SJSB and the deployment of SJSB's staff to handle the operation in SHT, has enabled SHT to establish and implement proper internal control procedures, which the auditors' audit tests showed that the system have been properly implemented; and
- (ii) When SHT became a subsidiary company of the SJSB Group on 10 November 2003, SJSB had given an undertaking to provide the financial support as and when SHT requires it. The auditors are of the opinion that SJSB is capable and willing to provide financial support to SHT. Consequently, the auditors' audit opinion is expressed to reflect this matter.

The auditors had also highlighted that the following actions had been adopted by SJSB Group to enhance their internal control system:-

- (i) Recruitment of additional staff

SJSB Group's manpower workforce at its various offices and workshop bases, which is headed by an experienced and capable senior management team, has the capability to fully address the emphasis of matter issue that have been highlighted in year 2001 and before.

Additional staff employed has enabled SJSB Group to allocate and segregate task/job according to their departmental function. Proper internal control systems have been established (such as segregation of duties, proper documentation, etc) and auditors' tests revealed that the integrity and the functioning of the system have been properly implemented during their course of audit;

- (ii) ISO 9001:2000

In year 2000, SJSB Group worked towards achieving the MS ISO 9001:2000 Quality Management System. In order to meet the MS ISO 9001:2000 standard, the Quality Assurance Department of the SJSB Group was established to handle the requirements to be fulfilled in order to achieve the ISO standard in Quality Management.



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

On 5 April 2001, SJSB was awarded the MS ISO 9001:2000 Quality Management System Certificate by Sirim Qas International Sdn Bhd. During the implementation of the MS ISO 9001:2000, numerous internal controls in respect of documentations, quality control and human resources were set up which further strengthened and enhanced the SJSB Group's internal control system. A comprehensive company procedural manual was also drafted and implemented by all departments in the SJSB Group; and

(iii) Internal Control Framework

The Board of Directors of SJSB Group acknowledges the importance of internal control system and affirms that it is their responsibilities to maintain a sound internal control system to safeguard the Group's assets. In this respect, an internal audit function was established in 2001 to conduct control reviews and report their findings and recommendations to the Board of Directors. Prior to the establishment of the internal control function, the Board of Directors review the controls based on the results of the financial reports and supplemented with the findings of the External Auditors which were obtained in the course of the statutory audits.

To further strengthen the current risk management practices of SJSB Group, the Internal Auditors were tasked to facilitate the operating and management structures that define the functions, responsibilities and authorities of the management, segregation of duties and responsibilities.

A timely and accurate financial reporting was implemented by SJSB Group to facilitate and monitor management performance measure. The Board of Directors will receive a monthly management financial statements from the Finance & Accounting Department.

The auditors are of the opinion that the procedures applied thereafter are effective in addressing the matters raised. Apart from the emphasis of matters stated above, there were no other emphasis of matter in the auditors' report of SJSB Group for the years/period ended 31 December 1999 to 30 June 2003.

In addition, the auditors' reports on the financial statements for the financial year ended 30 June 2004 and financial period ended 31 October 2004 of the SJSB Group were not subject to any qualification and did not include any emphasis of matters.

**4. ACCOUNTING POLICIES AND STANDARDS**

This report is prepared in accordance with applicable approved accounting standards in Malaysia and is consistent with the accounting policies normally adopted by SJHB Group, a summary of which is set out in Section 8.1.

There was no accounting policy adopted which is peculiar to the SJHB Group's business.

**10. ACCOUNTANTS' REPORT (Cont'd)****5. SUMMARISED INCOME STATEMENTS****5.1 SJHB Group**

The summarised proforma consolidated income statements of SJHB Group as set out below are based on the audited financial statements of SJHB and its subsidiary companies for the financial years/periods ended 31 December 1999 to 31 October 2004, which have been prepared for illustrative purposes only, on the assumption that the SJHB Group had been in existence throughout the years/periods under review.

	← Years/Periods ended →						
	31.12.1999	31.12.2000	30.06.2001	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	9,329	16,437	9,836	53,771	54,177	61,218	20,618
Profit before depreciation, interest and minority interest	2,487	3,986	963	9,522	10,770	12,341	4,813
Amortisation	-	-	-	-	-	(31)	(10)
Depreciation	(75)	(385)	(592)	(667)	(841)	(996)	(325)
Interest expense	(34)	(126)	(164)	(443)	(558)	(567)	(229)
Interest income	10	2	6	15	41	221	-
Exceptional items	-	-	-	-	-	310	-
Profit before taxation and minority interest	2,388	3,477	213	8,427	9,412	11,278	4,249
Taxation	(77)	(1,065)	(276)	(2,696)	(3,220)	(3,174)	(1,383)
Profit/(Loss) after taxation before minority interest	2,311	2,412	(63)	5,731	6,192	8,104	2,866
Minority interest	11	(14)	(3)	(14)	46	(16)	(11)
Profit/(Loss) after taxation and minority interest	2,322	2,398	(66)	5,717	6,238	8,088	2,855
No. of ordinary shares of RM0.50 each in issue ('000)	41,154	41,154	41,154	41,154	41,154	41,154	41,154
Gross earnings per share (Sen)	5.83	8.41	++ 1.02	20.44	22.98	27.37	++ 30.89
Net earnings/(loss) per share (Sen)	5.64	5.83	++ (0.32)	13.89	15.16	19.65	++ 20.81

++ Annualised

**Notes to the proforma consolidated income statements of SJHB Group**

(a) The proforma consolidated income statements for the financial years/periods ended 31 December 1999 to 31 October 2004 have been prepared on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of SJHB and its subsidiary companies, and is in accordance with applicable approved accounting standards issued and adopted in Malaysia except for the following:-

- (i) SJSB had adopted MASB 15, Property, Plant and Equipment starting from the financial year ended 30 June 2004 in relation to the depreciation on the leasehold industrial land and leasehold factory. Leasehold industrial land and leasehold factory of SJSB is amortised over the remaining lease period. Prior to the adoption of MASB 15, no depreciation was provided on the leasehold industrial land and leasehold factory. This change of accounting policy has been accounted for prospectively as the Directors are of the opinion that the amount of adjustment that relates to prior periods has no material effect on the results of SJSB; and

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- (ii) Subsidiary companies of SJHB had adopted MASB 25, Income Taxes from the financial year ended 30 June 2004. Prior to the adoption of MASB 25, Income Taxes, deferred tax was provided for using the liability method in respect of significant timing differences and deferred assets were not recognised unless there was reasonable expectation of their realisation. This change of accounting policy has been accounted for prospectively as the Directors are of the opinion that the amount of adjustment that relates to prior periods has no material effect on the results of the SJHB Group.
- (b) All material inter-company transactions and unrealised profit are eliminated on consolidation.
- (c) An investment in associated company, TISC is not accounted for in the consolidated financial statements of SJHB Group under the equity method of accounting as the Directors are of the opinion that this has no material effect on the results of the Group.
- (d) The gross and net earnings/loss per share are calculated based on the consolidated profit before taxation after minority interest and consolidated profit/loss after taxation and minority interest of SJHB Group for the financial years/periods respectively divided by the issued and paid-up share capital of 41,154,000 following the Acquisition of SJSB.
- (e) In year 2001, the financial year end of SJSB, SAR, MSJ and TSB has been changed from 31 December to 30 June. Consequently, the accounting period for 2001 is from 1 January 2001 to 30 June 2001.

However, the financial year end of PMSS was changed from 31 December to 30 June in year 2003, which are not coterminous with the financial year end of the Group for year 2001 to 2003. Accordingly, adjustments have been made on a time apportionment basis to arrive at the above results.

- (f) Save for the financial year ended 30 June 2004, there was no exceptional or extraordinary item in respect of the financial years/periods under review.

The exceptional item for the financial year ended 30 June 2004 represents gain on disposal of subsidiary companies, namely Noda Solar Systems (M) Sdn Bhd and Minda Vision Sdn Bhd.

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

**5.2** The summarised income statements of SJHB Group for the financial years/periods ended 31 December 1999 to 31 October 2004 are as follows:-

**5.2.1 SJHB**

The summarised income statements of SJHB based on its audited financial statements since its incorporation on 4 November 2003 up to the financial period ended 31 October 2004 are set out below:-

	Date of Incorporation to 30 June 2004 RM'000	4 months ended 31 October 2004 RM'000
Turnover	-	-
Loss before depreciation and interest	(2)	(2)
Depreciation	-	-
Interest expense	-	-
Interest income	-	-
Loss before taxation	(2)	(2)
Taxation	-	-
Loss after taxation	(2)	(2)
Weighted average number of ordinary shares of RM0.50 each ('000) #	4	4
Gross loss per share (RM)	(0.50)	++ (1.50)
Net loss per share (RM)	(0.50)	++ (1.50)

# On 29 November 2003, the 2,000 ordinary shares of RM1.00 each were divided into 4,000 ordinary shares of RM0.50 each.

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**Notes to the income statements of SJHB**

- (a) The gross and net loss per share are calculated based on the loss before taxation and loss after taxation attributable to shareholders of SJHB for the financial periods respectively divided by the weighted average number of ordinary shares in issue for the financial period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods under review.
- (c) SJHB has not commenced its business operations since its incorporation on 4 November 2003.

**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.2 SJSB**

The summarised income statements of SJSB based on its audited financial statements for the financial years/periods ended 31 December 1999 to 31 October 2004 are set out below:-

	←————— Years/periods ended —————→						
	31.12.1999	31.12.2000	30.06.2001	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	8,916	15,421	9,428	52,695	52,568	58,893	20,117
Profit before depreciation and interest	2,030	3,585	1,223	8,608	9,054	10,623	4,327
Depreciation	(51)	(340)	(520)	(555)	(658)	(798)	(256)
Interest expense	(32)	(125)	(161)	(436)	(551)	(482)	(226)
Interest income	8	-	6	15	41	219	-
Profit before taxation	1,955	3,130	548	7,632	7,886	9,562	3,845
Taxation	(70)	(978)	(260)	(2,400)	(2,615)	(2,845)	(1,121)
Profit after taxation	1,885	2,152	288	5,232	5,271	6,717	2,724
Weighted average number of ordinary shares of RM1.00 each ('000)	445	1,000	1,000	7,000	7,000	7,000	7,000
Gross earnings per share (RM)	4.39	3.13	++ 1.10	1.09	1.13	1.37	++ 1.65
Net earnings per share (RM)	4.24	2.15	++ 0.58	0.75	0.75	0.96	++ 1.17

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**Notes to the income statements of SJSB**

- (a) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation attributable to shareholders of SJSB for the financial years/periods respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/periods under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.3 SAR**

The summarised income statements of SAR based on its audited financial statements for the financial years/periods ended 31 December 1999 to 31 October 2004 are set out below:-

	← Years/periods ended →						
	31.12.1999	31.12.2000	30.06.2001	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	1,499	2,252	1,300	3,867	6,886	8,295	1,375
Profit/(Loss) before depreciation and interest	448	106	(274)	965	1,638	674	45
Depreciation	(8)	(26)	(64)	(79)	(111)	(125)	(41)
Interest expense	-	-	-	-	-	(23)	(1)
Interest income	-	-	-	-	-	-	-
Profit/(Loss) before taxation	440	78	(338)	886	1,527	526	3
Taxation	-	(17)	-	(180)	(460)	(136)	31
Profit/(Loss) after taxation	440	61	(338)	706	1,067	390	34
Weighted average number of ordinary shares of RM1.00 each ('000)	*	*	144	250	250	250	250
Gross earnings/(loss) per share (RM)	220,000.00	39,000.00	++ (4.69)	3.54	6.11	2.10	++ 0.04
Net earnings/(loss) per share (RM)	220,000.00	30,500.00	++ (4.69)	2.82	4.27	1.56	++ 0.41

\* Represents RM2.00

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**Notes to the income statements of SAR**

- (a) The gross and net earnings/loss per share are calculated based on the profit/loss before taxation and profit/loss after taxation attributable to shareholders of SAR for the financial years/periods respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/periods under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.4 MSJ**

The summarised income statements of MSJ based on its audited financial statements for the financial years/periods ended 31 December 1999 to 31 October 2004 are set out below:-

	← Years/periods ended →						
	31.12.1999	31.12.2000	30.06.2001	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	-	-	-	700	1,389	626	212
(Loss)/Profit before depreciation and interest	-	(3)	(2)	73	144	4	11
Depreciation	-	-	-	(2)	(2)	(7)	(3)
Interest expense	-	-	-	-	-	(1)	^
Interest income	-	-	-	-	-	-	-
(Loss)/Profit before taxation	-	(3)	(2)	71	142	(4)	8
Taxation	-	-	-	(21)	(37)	^	-
(Loss)/Profit after taxation	-	(3)	(2)	50	105	(4)	8
Weighted average number of ordinary shares of RM1.00 each ('000)	*	*	*	162	250	250	250
Gross (loss)/earnings per share (RM)	-	(1,000.00)	++(1,333.33)	0.44	0.57	(0.02)	++0.10
Net (loss)/earnings per share (RM)	-	(1,000.00)	++(1,333.33)	0.31	0.42	(0.02)	++0.10

^ Amount less than RM1,000.00

\* Represents RM3.00

++ Annualised

**Notes to the income statements of MSJ**

- (a) The gross and net loss/earnings per share are calculated based on the loss/profit before taxation and loss/profit after taxation attributable to shareholders of MSJ for the financial years/periods respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/periods under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.5 SCS**

The summarised income statements of SCS based on its audited financial statements for the financial periods/years ended 30 June 2002 to 31 October 2004 are set out below:-

	<----- Periods/years ended ----->			
	30.06.2002 RM'000	30.06.2003 RM'000	30.06.2004 RM'000	31.10.2004 RM'000
Turnover	656	498	1,278	269
Profit/(Loss) before depreciation and interest	60	(119)	108	10
Depreciation	(4)	(20)	(24)	(8)
Interest expense	(5)	(2)	-	-
Interest income	-	-	-	-
Profit/(Loss) before taxation	51	(141)	84	2
Taxation	(14)	(7)	-	-
Profit/(Loss) after taxation	37	(148)	84	2
Weighted average number of ordinary shares of RM1.00 each ('000)	110	250	250	250
Gross earnings/(loss) per share (RM)	0.46	(0.56)	0.34	++ 0.02
Net earnings/(loss) per share (RM)	0.34	(0.59)	0.34	++ 0.02

++ Annualised

**Notes to the income statements of SCS**

- (a) The gross and net earnings/loss per share are calculated based on the profit/loss before taxation and profit/loss after taxation attributable to shareholders of SCS for the financial periods/years respectively divided by the weighted average number of ordinary shares in issue for each financial period/year under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods/years under review.



**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.6 SSSB**

The summarised income statements of SSSB based on its audited financial statements for the financial periods/years ended 30 June 2001 to 31 October 2004 are set out below:-

	← Periods/years ended →				
	30.06.2001 RM'000	30.06.2002 RM'000	30.06.2003 RM'000	30.06.2004 RM'000	31.10.2004 RM'000
Turnover	-	1,774	2,153	5,237	5,386
(Loss)/Profit before depreciation and interest	(4)	197	308	852	1,546
Depreciation	-	(1)	(4)	(7)	(6)
Interest expense	-	-	-	(54)	(1)
Interest income	-	-	-	-	-
(Loss)/Profit before taxation	(4)	196	304	791	1,539
Taxation	-	(57)	(84)	(180)	(491)
(Loss)/Profit after taxation	(4)	139	220	611	1,048
Weighted average number of ordinary shares of RM1.00 each ('000)	*	162	250	250	250
Gross (loss)/earnings per share (RM)	(1,333.33)	1.21	1.22	3.16	++ 18.47
Net (loss)/earnings per share (RM)	(1,333.33)	0.86	0.88	2.44	++ 12.58

\* Represents RM3.00

++ Annualised

**Notes to the income statements of SSSB**

- (a) The gross and net loss/earnings per share are calculated based on the loss/profit before taxation and loss/profit after taxation attributable to shareholders of SSSB for the financial periods/years respectively divided by the weighted average number of ordinary shares in issue for each financial period/year under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods/years under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.7 SESB**

The summarised income statements of SESB based on its audited financial statements for the financial periods/years ended 30 June 2002 to 31 October 2004 are set out below:-

	←----- Periods/years ended ----->			
	30.06.2002 RM'000	30.06.2003 RM'000	30.06.2004 RM'000	31.10.2004 RM'000
Turnover	325	615	1,293	7
(Loss)/Profit before depreciation and interest	(322)	52	238	(317)
Depreciation	(7)	(7)	(9)	(2)
Interest expense	-	-	-	-
Interest income	-	-	2	-
(Loss)/Profit before taxation	(329)	45	231	(319)
Taxation	-	-	-	-
(Loss)/Profit after taxation	(329)	45	231	(319)
Weighted average number of ordinary shares of RM1.00 each ('000)	26	80	80	80
Gross (loss)/earnings per share (RM)	(12.65)	0.56	2.89	++ (11.96)
Net (loss)/earnings per share (RM)	(12.65)	0.56	2.89	++ (11.96)

++ Annualised

**Notes to the income statements of SESB**

- (a) The gross and net loss/earnings per share are calculated based on the loss/profit before taxation and loss/profit after taxation attributable to shareholders of SESB for the financial periods/years respectively divided by the weighted average number of ordinary shares in issue for each financial period/year under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods/years under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.8 TSB**

The summarised income statements of TSB based on its audited financial statements for the financial years/periods ended 31 December 1999 to 31 October 2004 are set out below:-

	← Years/periods ended →						
	31.12.1999	31.12.2000	30.06.2001	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	135	542	81	-	202	269	-
Profit/(Loss) before depreciation and interest	23	217	(28)	(44)	(6)	(48)	(27)
Depreciation	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	(2)	-
Interest income	-	-	-	-	*	*	-
Profit/(Loss) before taxation	23	217	(28)	(44)	(6)	(50)	(27)
Taxation	-	(61)	-	-	-	-	-
Profit/(Loss) after taxation	23	156	(28)	(44)	(6)	(50)	(27)
Weighted average number of ordinary shares of RM1.00 each ('000)	10	10	10	10	10	10	10
Gross earnings/(loss) per share (RM)	2.30	21.70	++ (5.60)	(4.40)	(0.60)	(5.00)	++ (8.10)
Net earnings/(loss) per share (RM)	2.30	15.60	++ (5.60)	(4.40)	(0.60)	(5.00)	++ (8.10)

\* Represents amount less than RM1,000.00

++ Annualised

**Notes to the income statements of TSB**

- (a) The gross and net earnings/loss per share are calculated based on the profit/loss before taxation and profit/loss after taxation attributable to shareholders of TSB for the financial years/periods respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/periods under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.9 PMSS**

The summarised income statements of PMSS based on its audited financial statements for the financial years/periods ended 31 December 1999 to 31 October 2004 are set out below:-

	← Years/periods ended →						
	31.12.1999	31.12.2000	31.12.2001	31.12.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	278	348	531	500	165	418	296
(Loss)/Profit before depreciation and interest	(14)	71	70	48	(80)	76	96
Depreciation	(16)	(17)	(14)	(23)	(25)	(23)	(8)
Interest expense	(2)	(1)	(2)	(6)	(2)	(5)	(1)
Interest income	2	2	-	-	-	-	-
(Loss)/Profit before taxation	(30)	55	54	19	(107)	48	87
Taxation	(7)	(9)	(23)	(34)	-	(13)	(35)
(Loss)/Profit after taxation	(37)	46	31	(15)	(107)	35	52
Weighted average number of ordinary shares of RM1.00 each ('000)	150	150	150	150	150	150	150
Gross (loss)/earnings per share (RM)	(0.20)	0.37	0.36	0.13	++ (1.43)	0.32	++ 1.74
Net (loss)/earnings per share (RM)	(0.25)	0.31	0.21	(0.10)	++ (1.43)	0.23	++ 1.04

++ Annualised

**Notes to the income statements of PMSS**

- (a) The gross and net loss/earnings per share are calculated based on the loss/profit before taxation and loss/profit after taxation attributable to shareholders of PMSS for the financial years/periods respectively divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years/periods under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.10 SHT**

The summarised income statements of SHT based on its audited financial statements for the financial periods/years ended 30 June 2002 to 31 October 2004 are set out below:-

	<----- Periods/years ended ----->			
	30.06.2002 RM'000	30.06.2003 RM'000	30.06.2004 RM'000	31.10.2004 RM'000
Turnover	-	-	-	-
Loss before depreciation and interest	(95)	(213)	(183)	(41)
Depreciation	(1)	(2)	(3)	(1)
Interest expense	-	-	-	-
Interest income	-	-	-	-
Loss before taxation	(96)	(215)	(186)	(42)
Taxation	-	-	-	-
Loss after taxation	(96)	(215)	(186)	(42)
Weighted average number of ordinary shares of RM1.00 each ('000)	*	*	159	250
Gross loss per share (RM)	(48,000.00)	(107,500.00)	(1.17)	++ (0.50)
Net loss per share (RM)	(48,000.00)	(107,500.00)	(1.17)	++ (0.50)

\* Represents RM2.00  
++ Annualised

**Notes to the income statements of SHT**

- (a) The gross and net loss per share are calculated based on the loss before taxation and loss after taxation attributable to shareholders of SHT for the financial periods/years respectively divided by the weighted average number of ordinary shares in issue for each financial period/year under review.
- (b) There was no exceptional or extraordinary item in respect of the financial periods/years under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****5.2.11 TISC**

The summarised income statements of TISC based on its audited financial statements for the financial years ended 31 December 1999 to 31 December 2003 are set out below:-

	← Years ended →				
	31.12.1999	31.12.2000	31.12.2001	31.12.2002	31.12.2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	1,706	1,438	1,507	1,474	1,575
Profit before depreciation and interest	71	65	73	73	77
Depreciation	(39)	(36)	(37)	(29)	(40)
Interest expense	(17)	(13)	(15)	(14)	(13)
Interest income	-	-	-	-	-
Profit before taxation	15	16	21	30	24
Taxation	-	(7)	(7)	(7)	(10)
Profit after taxation	15	9	14	23	14
Weighted average number of ordinary shares of RM1.00 each ('000)	200	253	280	280	280
Gross earnings per share (RM)	0.08	0.06	0.08	0.11	0.09
Net earnings per share (RM)	0.08	0.04	0.05	0.08	0.05

*Note: No audited financial statements is prepared for the ten (10) months period ended 31 October 2004 and the Directors of TISC are of the opinion that there is no significant change or material transactions that have material impact to the financial statements of TISC during the course of its business operations from 1 January 2004 to 31 October 2004.*

**Notes to the income statements of TISC**

- (a) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation attributable to shareholders of TISC for the financial years respectively divided by the weighted average number of ordinary shares in issue for each financial year under review.
- (b) There was no exceptional or extraordinary item in respect of the financial years under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****6. SUMMARISED BALANCE SHEETS****6.1 SJHB Group – Consolidated Balance Sheets**

As the Group was in placed with effect from 31 December 2004, it is therefore impractical to present consolidated balance sheets of the SJHB Group throughout the years/periods under review. Accordingly, we set out below the summarised audited balance sheets of SJHB and its subsidiary companies and associated company for the relevant financial years/periods under review.

**6.1.1 SJHB**

	<----- As at ----->	
	30.06.2004	31.10.2004
	RM'000	RM'000
<b>ASSETS EMPLOYED</b>		
Deferred expenditure	77	77
Current assets	*	*
Current liabilities*	(77)	(79)
Net current liabilities	(77)	(79)
	*	(2)
<b>FINANCED BY</b>		
Share capital	2	2
Accumulated loss	(2)	(4)
	*	(2)
Net liabilities ("NL") per share (RM)	(19.25)	(19.75)

\* Amount less than RM1,000.00

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.2 SJSB**

	← As at →						
	31.12.1999	31.12.2000	30.06.2001	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS EMPLOYED</b>							
Property, plant and equipment	925	3,890	3,535	3,376	3,543	3,455	3,280
Investment in subsidiary companies	28	268	476	1,146	1,161	1,638	1,638
Investment in associated companies	196	240	240	160	160	160	160
Other investment	-	-	-	-	23	23	23
Amount due from subsidiary companies	893	1,798	2,156	1,209	2,802	1,975	1,857
Amount due from associated company	12	12	12	12	12	11	11
Pre-listing expenditure	-	-	-	-	-	506	546
Pre-contract expenditure	-	-	-	-	-	-	87
Current assets	4,446	6,437	7,007	14,360	31,186	37,787	37,753
Current liabilities*	(3,162)	(5,639)	(6,163)	(6,272)	(17,854)	(17,768)	(20,998)
Net current assets	1,284	798	844	8,088	13,332	20,019	16,755
	<u>3,338</u>	<u>7,006</u>	<u>7,263</u>	<u>13,991</u>	<u>21,033</u>	<u>27,787</u>	<u>24,357</u>
<b>FINANCED BY</b>							
Share capital	500	1,000	1,000	7,000	7,000	7,000	7,000
Retained profits	2,668	4,320	4,607	3,839	9,110	15,827	11,951
	<u>3,168</u>	<u>5,320</u>	<u>5,607</u>	<u>10,839</u>	<u>16,110</u>	<u>22,827</u>	<u>18,951</u>
Long-term liabilities							
- Term loan	152	936	926	873	1,248	164	56
- Hire purchase/lease payables*	18	751	651	549	620	472	456
Deferred taxation	-	-	-	-	-	82	19
Amount due to subsidiary companies	-	-	79	1,730	3,055	4,242	4,875
	<u>3,338</u>	<u>7,006</u>	<u>7,263</u>	<u>13,991</u>	<u>21,033</u>	<u>27,787</u>	<u>24,357</u>
NTA per share (RM)	6.34	5.32	5.61	1.55	2.30	3.19	2.62

\* For the purpose of this report and to ensure comparability, the balance sheets as at 31 December 1999, 31 December 2000 and 30 June 2001 have been restated. The restatement relates to the reclassification of hire purchase payables under current liabilities that is repayable after one year to long-term liabilities.



**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.3 SAR**

	← As at →						
	31.12.1999 RM'000	31.12.2000 RM'000	30.06.2001 RM'000	30.06.2002 RM'000	30.06.2003 RM'000	30.06.2004 RM'000	31.10.2004 RM'000
<b>ASSETS EMPLOYED</b>							
Property, plant and equipment	71	253	241	231	284	311	314
Amount due from holding company	-	-	-	843	2,411	2,631	2,307
Pre-listing expenditure	-	-	-	-	-	1	1
Current assets	196	155	201	112	103	81	128
Current liabilities	(54)	(134)	(200)	(294)	(838)	(675)	(366)
Net current assets/(liabilities)	142	21	1	(182)	(736)	(594)	(238)
	<u>213</u>	<u>274</u>	<u>242</u>	<u>892</u>	<u>1,969</u>	<u>2,349</u>	<u>2,384</u>
<b>FINANCED BY</b>							
Share capital	*	*	250	250	250	250	250
Retained profits/(Accumulated losses)	213	274	(66)	642	1,709	2,099	2,134
	<u>213</u>	<u>274</u>	<u>185</u>	<u>892</u>	<u>1,969</u>	<u>2,349</u>	<u>2,384</u>
Amount due to holding company	-	-	57	-	-	-	-
	<u>213</u>	<u>274</u>	<u>242</u>	<u>892</u>	<u>1,969</u>	<u>2,349</u>	<u>2,384</u>
NTA per share (RM)	106,500.00	137,000.00	0.74	3.57	7.84	9.39	9.53

\* Represents RM2.00

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.4 MSJ**

	←----- As at ----->						
	31.12.1999	31.12.2000	30.06.2001	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS EMPLOYED</b>							
Property, plant and equipment	-	-	-	9	7	38	34
Amount due from holding company	-	-	-	240	-	118	69
Expenditure carried forward	8	-	-	-	-	-	-
Pre-listing expenditure	-	-	-	-	-	1	1
Current assets	*	*	4	71	490	273	308
Current liabilities	(8)	(11)	(2)	(33)	(44)	(42)	(16)
Net current (liabilities)/assets	(8)	(11)	2	38	446	231	292
	*	(11)	2	287	453	388	396
<b>FINANCED BY</b>							
Share capital	*	*	*	250	250	250	250
(Accumulated losses)/Retained profits	-	(11)	(13)	37	142	138	146
	*	(11)	(13)	287	392	388	396
Amount due to holding company	-	-	15	-	61	-	-
	*	(11)	2	287	453	388	396
(NL)/NTA per share (RM)	(2,666.67)	(3,666.67)	(4,333.33)	1.15	1.57	1.55	1.58

\* Represents RM3.00

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.5 SCS**

	<----- As at ----->			
	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS EMPLOYED</b>				
Property, plant and equipment	14	74	81	97
Amount due from holding company	175	-	151	45
Pre-listing expenditure	-	-	1	1
Current assets	137	123	73	103
Current liabilities	(39)	(4)	(82)	(21)
Net current assets/(liabilities)	98	119	(9)	82
	<u>287</u>	<u>193</u>	<u>224</u>	<u>225</u>
<b>FINANCED BY</b>				
Share capital	250	250	250	250
Retained profit/(Accumulated losses)	37	(110)	(26)	(25)
	<u>287</u>	<u>140</u>	<u>224</u>	<u>225</u>
Amount due to holding company	-	53	-	-
	<u>287</u>	<u>193</u>	<u>224</u>	<u>225</u>
NTA per share (RM)	1.15	0.56	0.89	0.90

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.6 SSSB**

	←----- As at ----->				
	30.06.2001	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS EMPLOYED</b>					
Property, plant and equipment	-	2	16	54	96
Amount due from holding company	-	429	447	1,269	2,414
Pre-listing expenditure	-	-	-	1	1
Current assets	4	64	284	156	30
Current liabilities	(4)	(110)	(143)	(265)	(878)
Net current assets/(liabilities)	^	(46)	141	(109)	(848)
	^	385	604	1,215	1,663
<b>FINANCED BY</b>					
Share capital	*	250	250	250	250
(Accumulated loss)/Retained profits	(4)	135	354	965	1,413
	(4)	385	604	1,215	1,663
Amount due to holding company	4	-	-	-	-
	^	385	604	1,215	1,663
(NL)/NTA per share (RM)	(1,333.33)	1.54	2.42	4.86	6.65

^ Amount less than RM1,000.00  
 \* Represents RM3.00

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.7 SESB**

	<----- As at ----->			
	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS EMPLOYED</b>				
Property, plant and equipment	15	8	12	9
Pre-listing expenditure	-	-	1	1
Pre-contract expenditure	-	-	76	128
Current assets	86	610	1,688	1,184
Current liabilities	(7)	(53)	(99)	(132)
Net current assets	79	557	1,589	1,052
	<b>94</b>	<b>565</b>	<b>1,678</b>	<b>1,190</b>
<b>FINANCED BY</b>				
Share capital	80	80	80	80
Accumulated losses	(329)	(283)	(53)	(372)
	<b>(249)</b>	<b>(203)</b>	<b>27</b>	<b>(292)</b>
Amount due to holding company	343	768	1,651	1,482
	<b>94</b>	<b>565</b>	<b>1,678</b>	<b>1,190</b>
(NL) per share (RM)	(3.11)	(2.54)	(0.63)	(5.26)

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.8 TSB**

	← As at →						
	31.12.1999	31.12.2000	30.06.2001	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS EMPLOYED</b>							
Amount due from holding company	-	-	79	43	197	73	41
Pre-listing expenditure	-	-	-	-	-	1	1
Current assets	139	358	165	121	126	45	44
Current liabilities	(7)	(40)	(39)	(3)	(188)	(14)	(8)
Net current assets/(liabilities)	132	318	126	118	(42)	31	36
	132	318	205	161	155	105	78
<b>FINANCED BY</b>							
Share capital	10	10	10	10	10	10	10
Retained profits	67	223	195	151	145	95	68
	77	233	205	161	155	105	78
Amount due to holding company	55	85	-	-	-	-	-
	132	318	205	161	155	105	78
NTA per share (RM)	7.70	23.30	20.50	16.10	15.50	10.40	7.70

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.9 PMSS**

	← As at →						
	31.12.1999 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2002 RM'000	30.06.2003 RM'000	30.06.2004 RM'000	31.10.2004 RM'000
<b>ASSETS EMPLOYED</b>							
Property, plant and equipment	46	31	58	87	72	51	43
Pre-listing expenses	-	-	-	-	-	^	^
Current assets	196	228	213	195	176	303	337
Current liabilities*	(117)	(91)	(48)	(54)	(99)	(150)	(122)
Net current assets	81	137	165	141	77	153	215
	127	168	223	228	149	204	258
<b>FINANCED BY</b>							
Share capital	150	150	150	150	150	150	150
(Accumulated losses)/Retained profits	(31)	15	46	31	(76)	(42)	10
	119	165	196	181	74	108	160
Long-term liabilities							
- Hire purchase/Lease payables*	8	3	27	46	41	26	21
Amount due to holding company	-	-	-	1	34	70	77
	127	168	223	228	149	204	258
NTA per share (RM)	0.79	1.10	1.31	1.21	0.49	0.72	1.07

\* For the purpose of this report and to ensure comparability, the balance sheets as at 30 June 2003 and 30 June 2004 have been restated. The restatement relates to the reclassification of hire purchase payables under current liabilities that is repayable after one year to long-term liabilities.

^ Represents amount less than RM1,000.00

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.10 SHT**

	<----- As at ----->			
	30.06.2002	30.06.2003	30.06.2004	31.10.2004
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS EMPLOYED</b>				
Property, plant and equipment	2	4	2	1
Current assets	1	9	13	11
Current liabilities	(99)	(324)	(8)	(4)
Net current (liabilities)/assets	(98)	(315)	5	7
	(96)	(311)	7	8
<b>FINANCED BY</b>				
Share capital	*	*	250	250
Accumulated losses	(96)	(311)	(497)	(540)
	(96)	(311)	(247)	(290)
Amount due to holding company	-	-	254	298
	(96)	(311)	7	8
NL per share (RM)	(48,000.00)	(155,500.00)	(0.99)	(1.16)

\* Represents RM2.00



**10. ACCOUNTANTS' REPORT (Cont'd)****6.1.11 TISC**

	←----- As at ----->				
	31.12.1999 RM'000	31.12.2000 RM'000	31.12.2001 RM'000	31.12.2002 RM'000	31.12.2003 RM'000
<b>ASSETS EMPLOYED</b>					
Property, plant and equipment	312	287	265	290	310
Investment in associated company	37	81	81	81	81
Current assets	569	395	359	378	346
Current liabilities	(459)	(267)	(278)	(275)	(219)
Net current assets	110	128	81	103	127
	459	496	427	474	518
<b>FINANCED BY</b>					
Share capital	200	280	280	280	280
Accumulated losses	(99)	(90)	(76)	(53)	(39)
	101	190	204	227	241
Long-term liabilities					
- Hire purchase payables	34	11	-	26	48
Amount due to directors	324	295	223	221	229
	459	496	427	474	518
NTA per share (RM)	0.51	0.68	0.73	0.81	0.86

*Note: No audited financial statements is prepared for the ten (10) months period ended 31 October 2004 and the Directors of TISC are of the opinion that there is no significant change or material transactions that have material impact to the financial statements of TISC during the course of its business operations from 1 January 2004 to 31 October 2004.*

**10. ACCOUNTANTS' REPORT (Cont'd)****7. PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

The following proforma consolidated cash flow statement has been prepared for illustrative purposes only based on the audited financial statements of SJHB and its subsidiary companies for the financial period ended 31 October 2004 and on the basis and assumption that the SJHB Group had been in existence throughout the period under review pursuant to the Listing Scheme as detailed in Section 2.4 had been effected on 31 October 2004.

	<b>Company Audited RM'000</b>	<b>Proforma Group RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation	(2)	4,249
Adjustment for:		
Amortisation of goodwill on consolidation	-	10
Depreciation of property, plant and equipment	-	325
Interest expense	-	86
Operating (loss)/profit before working capital changes	<u>(2)</u>	<u>4,670</u>
Increase in inventories	-	(204)
Increase in receivables	-	(292)
Increase in payables	1	5,455
Increase/(Decrease) in amount due to Directors	1	(9)
Decrease in amount due from related parties	-	2,973
<b>Cash generated from operations</b>	<u>-</u>	<u>12,593</u>
Tax paid	-	(1,110)
Interest paid	-	(86)
Pre-contract expenditure	-	(139)
<b>Net cash generated from operating activities</b>	<u>-</u>	<u>11,258</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Placement of fixed deposit pledged	-	(1,346)
Purchase of property, plant and equipment	-	(8,198)
<b>Net cash used in investing activities</b>	<u>-</u>	<u>(9,544)</u>

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

	Company Audited RM'000	Proforma Group RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(6,600)
Proceeds from restricted issue	-	14,423
Proceeds from public issue	-	10,000
Repayment of bank borrowings	-	(1,413)
Repayment of hire purchase payables	-	(767)
Estimated listing expenses	-	(1,109)
<b>Net cash from financing activities</b>	<u>-</u>	<u>14,534</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	16,248
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	*	157
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>*</u>	<u>16,405</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	<u>*</u>	<u>16,405</u>

\* Amount less than RM1,000.00

**10. ACCOUNTANTS' REPORT (Cont'd)****8. PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**

The following proforma consolidated statement of assets and liabilities of SJHB Group and the Company which is prepared solely for illustrative purposes only is based on the audited financial statements of SJHB and its subsidiary companies as at 31 October 2004 and on the basis that the SJHB Group pursuant to the Listing Scheme as detailed in Section 2.4 had been effected on 31 October 2004. The proforma consolidated statements of assets and liabilities are to be read in conjunction with the notes thereto.

	Note	Company RM'000	Proforma Group RM'000
<b>ASSETS EMPLOYED</b>			
PROPERTY, PLANT AND EQUIPMENT	8.2	-	11,875
INVESTMENT IN ASSOCIATED COMPANY	8.3	-	160
OTHER INVESTMENT	8.4	-	23
AMOUNT DUE FROM ASSOCIATED COMPANY	8.5	-	11
GOODWILL ON CONSOLIDATION	8.6	-	270
PRE-LISTING EXPENDITURES		77	-
PRE-CONTRACT EXPENDITURES		-	216
<b>CURRENT ASSETS</b>			
Inventories	8.7	-	336
Trade receivables	8.8	-	22,371
Other receivables and deposits		-	6,975
Deposits with licensed banks	8.9	-	7,004
Tax recoverable		-	159
Cash and bank balances		*	16,405
		<u>*</u>	<u>53,250</u>
<b>LESS: CURRENT LIABILITIES</b>			
Trade payables		-	2,542
Other payables and accruals		3	3,889
Bills payable	8.10	-	10,153
Amount due to Directors	8.11	76	76
Amount due to related parties	8.12	-	17
Provision for taxation		-	4,481
		<u>79</u>	<u>21,158</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(79)</u>	<u>32,092</u>
		<u>(2)</u>	<u>44,647</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONT'D)**

	Note	Company RM'000	Proforma Group RM'000
<b>FINANCED BY</b>			
SHARE CAPITAL	8.13	2	40,000
ACCUMULATED LOSS		(4)	(4)
RESERVE ON CONSOLIDATION		-	1,282
SHARE PREMIUM ACCOUNT	8.14	-	3,300
		(2)	44,578
MINORITY INTEREST		-	50
LONG TERM LIABILITIES			
Deferred taxation	8.15	-	19
		(2)	44,647

\* Amount less than RM1,000.00

**NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES****8.1 SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of accounting**

The financial statements of the Group and the Company are prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

**(b) Basis of consolidation****(i) Subsidiary Companies**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial period.

The financial statements of subsidiary companies acquired and disposed of during the financial period are included in the consolidated financial statements based on the acquisition method from the effective date of acquisition or up to the effective date of disposal respectively.

Intragroup transactions and 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.

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

The excess between the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill on consolidation and is amortised using the straight-line method over its estimated useful life or 10 years, whichever is shorter. Goodwill on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

The deficit between the cost of an acquisition over the fair value of the Group's share of net assets of the acquired subsidiary companies at the date of acquisition is included in the consolidated balance sheet as reserve on consolidation. Reserve on consolidation is not amortised.

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 statements.

**(ii) Associated Companies**

Associated companies 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.

Investment in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated companies. Under the equity method of accounting, the Group's share of post acquisition profits less losses of the associated companies during the period is included in the consolidated income statements. The Group's interest in associated companies 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 associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless cost cannot be recovered.

However, an investment in an associated company is not accounted for in the consolidated financial statements of SJHB Group under the equity method as the Directors are of the opinion that this has no material effect on the results of the Group.

**(c) Property, plant and equipment and depreciation**

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

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

Gains or losses arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

Leasehold industrial land and leasehold factory is amortised over the remaining lease period.

Other property, plant and equipment are depreciated on the straight-line method at rates based on their estimated useful lives. The principal annual rates used are as follows: -

	%
Furniture and fittings	10 – 20
Office equipment	10 – 20
Tools and equipment	10 – 20
Motor vehicles	20
Renovation	20
Computers	20 – 33.33

**(d) Impairment of assets**

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

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

**(e) Subsidiary companies**

A subsidiary company is a company in which the Group owns, directly or indirectly, more than 50% of the equity share capital and has control over its financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies are stated at historical cost less any provision for diminution in value. Provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. It is recognised as an expense in the period in which it is made.

**(f) Associated company**

An associated company refers to that company in which the Group has a long term effective interest between 20% to 50% of the equity capital and the Group is in a position to exercise significant influence on the management.

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

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Investments in an associated company is stated at historical cost less any provision for diminution in value. Provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. It is recognised as an expense in the period in which it is made.

**(g) Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out (FIFO) basis.

**(h) Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, to the extent that it prevents the other party from fully pursuing its own separate interest, in making financial and operating decisions.

**(i) Foreign currency transactions**

Foreign currency transactions are converted into Ringgit Malaysia at the rates of exchange prevailing at transaction dates and, where settlements have not taken place at balance sheet date, at the approximate rate prevailing at that date. All gains and losses on exchange conversion are included in the income statements.

**(j) Pre-contract expenditure**

Where the outcome of a contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date, to estimated total contract costs.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on contracts plus recognised profit (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contract. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contract.



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

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**(k) Provision for liabilities**

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event 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**

Taxation in the income statements represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the period and any adjustments recognised in the period for current tax of prior years.

Deferred tax is recognised, using the liability method, on all temporary differences except where the temporary differences 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. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxation authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

**(m) Revenue recognition**

Revenue are recognised when goods are delivered, services rendered and accepted by customers.

**(n) Cash and cash equivalents**

The Group and the Company adopt the indirect method in the preparation of the cash flow statement.

Cash and cash equivalents are short term, highly liquid investments with maturities of three (3) months or less from the date of acquisition and are readily convertible to cash with insignificant risk of change in value.

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

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Deposits with financial institutions which have been pledged for banking facilities are classified as investments, and are excluded from cash and cash equivalents.

**(o) Employees Benefit****(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which employees of the Group render the associated services. 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. Such contributions are recognised as an expense in the income statements as incurred.

**(p) Financial instruments**

Financial instruments are recognised in the balance sheet when the Group 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 agreement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a 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) Other non-current investments**

Non-current investments other than investments in subsidiary companies, associated companies and joint ventures are stated at cost less impairment losses.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

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

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**(ii) Receivables**

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

**(iii) Payables**

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

**(iv) Interest-bearing borrowings**

Interest bearing bank loans is recorded at the face value of the loan amount.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expenses in the income statements in the period in which they are incurred.

**(v) Equity instruments**

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

**10. ACCOUNTANTS' REPORT (Cont'd)****8.2 PROPERTY, PLANT AND EQUIPMENT****Proforma Group****COST**

	Balance at 01.07.2004 RM'000	Additions RM'000	Disposals RM'000	Balance at 31.10.2004 RM'000
Leasehold industrial land	1,191	-	-	1,191
Leasehold factory	599	-	-	599
Freehold land	-	4,000	-	4,000
Building	-	4,000	-	4,000
Furniture and fittings	362	6	-	368
Office equipment	630	7	-	637
Tools and equipment	961	60	-	1,021
Motor vehicles	2,331	37	-	2,368
Renovation	673	50	-	723
Computers	708	38	-	746
	<b>7,455</b>	<b>8,198</b>	<b>-</b>	<b>15,653</b>

**ACCUMULATED DEPRECIATION**

	Balance at 01.07.2004 RM'000	Charges for the period RM'000	Disposals RM'000	Balance at 31.10.2004 RM'000
Leasehold industrial land	12	5	-	17
Leasehold factory	7	2	-	9
Freehold land	-	-	-	-
Building	-	-	-	-
Furniture and fittings	195	14	-	209
Office equipment	387	23	-	410
Tools and equipment	664	60	-	724
Motor vehicles	1,576	116	-	1,692
Renovation	296	46	-	342
Computers	315	60	-	375
	<b>3,452</b>	<b>326</b>	<b>-</b>	<b>3,778</b>

**NET BOOK VALUE**

	Balance at 31.10.2004 RM'000
Leasehold industrial land	1,174
Leasehold factory	590
Freehold land	4,000
Building	4,000
Furniture and fittings	159
Office equipment	227
Tools and equipment	297
Motor vehicles	676
Renovation	381
Computers	371
	<b>11,875</b>

**10. ACCOUNTANTS' REPORT (Cont'd)**
 AnuarulAzizanChew

The Group's properties are charged to banks for credit facilities granted to the Group.

The leasehold industrial land with a remaining lease term of ninety-two (92) years is expiring on 11 December 2096 while the leasehold land of the leasehold factory with a remaining lease term of eighty-nine (89) years is expiring on 8 May 2093.

Motor vehicles of the Group amounting to RM2,237,312 at cost are being acquired under hire purchase arrangements.

**8.3 INVESTMENT IN ASSOCIATED COMPANY**

	<b>Proforma Group RM'000</b>
Unquoted shares - at cost	<u>160</u>

Details of the associated company are as follows:-

Name	: The Industrial & Scientific Co. Sdn. Bhd.
% equity held	: 38%
Country of incorporation	: Malaysia
Principal activities	: Importing and distributing of all industrial, scientific and marine products and Liquefied Petroleum Gas and also maintenance of safety and survival aviation and marine equipments

An investment in associated company is not accounted for in the consolidated financial statements of SJHB under the equity method of accounting as the Directors are of the opinion that this has no material effect on the results of the Group.

**8.4 OTHER INVESTMENT**

This represents investment in local golf club and resort which entitle the Group's management and staff to utilise the facilities.

**8.5 AMOUNT DUE FROM ASSOCIATED COMPANY**

This amount is interest-free, unsecured and have no fixed term of repayment.

**10. ACCOUNTANTS' REPORT (Cont'd)**
 AnuarulAzizanChew
**8.6 GOODWILL ON CONSOLIDATION**

	<b>Proforma Group RM'000</b>
<b>Goodwill on consolidation</b>	
At beginning of period	311
Additions during the period	-
At end of period	<u>311</u>
<b>Cumulative amortisation</b>	
At beginning of period	(31)
Amortisation for the period	(10)
At end of period	<u>(41)</u>
<b>Net at end of period</b>	<u>270</u>

**8.7 INVENTORIES**

	<b>Proforma Group RM'000</b>
<b>At Cost:-</b>	
Spare parts and consumables	416
Less: Allowance for slow moving inventories	(80)
	<u>336</u>

These amounts were determined by the Directors at the lower of cost and net realisable value.

**8.8 TRADE RECEIVABLES**

	<b>Proforma Group RM'000</b>
Trade receivables	22,432
Less: Allowance for doubtful debts	(61)
	<u>22,371</u>

The Directors, after considering all pertinent information available, are of the opinion that these overdue debts are recoverable in full and adequate allowance for doubtful debts had been made.

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

Ageing analysis of total trade receivables is as follows:

	<b>Proforma Group RM'000</b>
Current 1 - 30 days	13,901
31 - 60 days	2,507
61 - 90 days	1,906
91 - 180 days	3,846
181 days and above	211
	<u>22,371</u>

The Group's normal trade credit terms range from 30 to 90 days.

**8.9 DEPOSITS WITH LICENSED BANKS**

	<b>Proforma Group RM'000</b>
Deposits with licensed banks	<u>7,004</u>

The deposits with licensed banks are pledged to the banks to secure the Islamic Trade Finance Facilities granted to the Group. In accordance with the Islamic Trade Finance Facilities, the fixed deposit interest will be accounted for upon the withdrawal of the fixed deposits.

**8.10 BILLS PAYABLE**

The bills payable bears interest at prevailing commercial rate. These banking facilities are secured by the following:-

- a. A legal charge over the Group's properties;
- b. First debenture covering fixed and floating charges over all present and future assets of the Group;
- c. A pledge of the fixed deposit receipts; and
- d. Jointly and severally guaranteed by the Group's Directors.

**8.11 AMOUNT DUE TO DIRECTORS**

These amounts are interest-free, unsecured and have no fixed term of repayment.

**10. ACCOUNTANTS' REPORT (Cont'd)**
 AnuarulAzizanChew
**8.12 AMOUNT DUE TO RELATED PARTIES**

These amounts are interest-free, unsecured and have no fixed term of repayment.

**8.13 SHARE CAPITAL**

	<b>Proforma Group RM'000</b>
Authorised:	
Ordinary shares of RM0.50 each	<u>100,000</u>
Issued and fully paid:	
Subscribers' shares - 2 ordinary shares of RM1.00 each	*
Cash consideration and subdivision of shares - 4,000 ordinary shares of RM0.50 each	2
Acquisition of SJSB	20,575
Restricted issue	14,423
Public Issue	5,000
	<u>40,000</u>

\* Represents RM2.00

**8.14 SHARE PREMIUM ACCOUNT**

	<b>Proforma Group RM'000</b>
As at 31 October 2004	
Arising from Public Issue	5,000
Finance estimated listing expenses written off	(1,700)
	<u>3,300</u>

**8.15 DEFERRED TAXATION**

	<b>Proforma Group RM'000</b>
At beginning of period	82
Recognised in the income statements	(63)
At end of period	<u>19</u>



**9. FINANCIAL INSTRUMENTS****(a) Financial Risk Management Policies**

The Group is exposed to a variety of risks in the normal course of business. The Group's risk management seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks are as follows: -

**(i) Foreign Currency Risk**

The Group undertakes trade transactions with trade receivables and trade payables where the amounts outstanding are exposed to currency translation risks.

In order to minimise foreign exchange risks, the management closely monitor its foreign currency liabilities to ensure that they are closely matched against foreign assets.

**(ii) Interest Rate Risk**

The Group is exposed to interest risk through the impact of rate changes on interest bearing assets and liabilities.

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

**(iii) Credit Risk**

The Group is exposed to credit risk mainly from trade and other receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

The Group's exposure to credit risk in relation to its trade and other receivables, should all its customers fail to perform their obligations as at the period end is the carrying amount of these receivables as disclosed in the balance sheet.

The Group places its fixed deposits with credit worthy institutions. The carrying amount of financial assets in the financial statements, net of any provision of losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

**(iv) Cash Flow Risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flow associated with its monetary financial instruments.

**10. ACCOUNTANTS' REPORT (Cont'd)****(b) Fair Values**

The carrying amounts of the financial assets and financial liabilities as reflected in the balance sheet approximate their respective net fair values.

**(i) Financial Assets**

The Group's principal financial assets are investment in subsidiary companies, intangible assets, trade and other receivables, cash and bank balances and amounts owing by subsidiary companies.

The accounting policies applicable to the major financial assets are disclosed in Section 8.1.

**(ii) Financial Liabilities**

Debts are classified as liabilities in accordance with the substance of the contractual agreement.

Significant financial liabilities include trade and other payables and accrued expenses.

**10. CAPITAL COMMITMENT**

As at 31 October 2004, SJHB Group has no material capital commitments.

**11. NET TANGIBLE ASSETS PER ORDINARY SHARE**

Based on the proforma consolidated statements of assets and liabilities of SJHB Group as at 31 October 2004, the net tangible assets per share is calculated as follows:-

Net tangible assets (RM'000)	<u>44,092</u>
Total number of ordinary shares of RM0.50 each in issue ('000)	<u>80,000</u>
Net tangible assets per ordinary share of RM0.50 each (RM)	<u>0.55</u>

**12. AUDITED FINANCIAL STATEMENTS**

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

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

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**13. EVENTS SUBSEQUENT TO BALANCE SHEET DATE AS AT 31 OCTOBER 2004**

Other than the completion of Acquisition of SJSB and Restricted Issue as referred to in Section 2.4.1 and Section 2.4.2, no event has arisen subsequent to the balance sheet date, which require disclosure in this report.

Yours faithfully,



**ANUARUL AZIZAN CHEW & CO.**  
Firm Number : AF0791  
Chartered Accountants



**TEE GUAN PIAN**  
Approved Number: 1886/05/06 (J/PH)  
Partner of Firm