9. PROFORMA CASH FLOW STATEMENTS – (continued)

	Proforma Group				
	Financial year ended 31 December			Six (6) months financial period ended 30 June	
	2004	2005	2006	2007	#2006
	RM'000	RM'000	RM'000	RM'000	RM'000
Net changes in cash and cash equivalents	2,273	(954)	(4,328)	(1,123)	(6,777)
Cash and cash equivalents brought forward	95	2,368	1,414	(2,914)	1,414
Cash and cash equivalents carried forward	2,368	1,414	(2,914)	(4,037)	(5,363)

NOTES TO CASH FLOW STATEMENTS

(a) Cash and cash equivalents comprise :-

	2004	2005	2006	2007	#2006
Cash & bank balances	2,368	1,417	1,152	842	1,693
Fixed deposit with licensed bank	-	-	-	1,664	-
Bank overdrafts	-	(3)	(4,066)	(6,543)	(7,056)
	2,368	1,414	(2,914)	(4,037)	(5,363)

(b) Analysis of acquisition of property, plant & equipment :-

	2004	2005	2006	2007	#2006
Cash	1,888	3,648	4,191	2,426	1,575
Hire purchase arrangements	-	560	-	160	-
Term loan arrangements	175	1,500	1,450	-	1,450
Issue of shares by a subsidiary	-	-	124	-	-
	2,063	5,708	5,765	2,586	3,025

Note: The six (6) months financial period ended 30 June, 2006 was unaudited and stated for comparative purpose.

9. PROFORMA CASH FLOW STATEMENT - (continued)

	Proforma Group				
	Financial year ended 31 December			Six (6) months financial period ended 30 June	
	2004	2005	2006	2007	#2006
	RM'000	RM'000	RM'000	RM'000	RM'000
NOTES TO CASH FLOW STATEMENTS					
(c) Analysis of acquisition of additional shares in existing subsidiaries :-					
Cash	2	-	-	-	-
Inter-company balance	-	65	-	-	-
	2	65	-	-	-
(d) Analysis of purchase of inventories :-					
Cash	-	4,119	969	689	4,609
Issue of shares by a subsidiary	-	-	121	-	-
	-	4,119	1,090	689	4,609

\# Note: The six (6) months financial period ended 30 June 2006 was unaudited and stated for comparative purpose.

Notes :-

(a) The Proforma Consolidated Cash Flow Statement has been prepared for illustrative purposes only and are based on the audited financial statements of KVSB Group for the six (6) months financial period ended 30 June, 2007 and on accounting policies consistent with those previously adopted in the preparation of the audited financial statements and in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

10. PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

The Proforma Consolidated Statement of Assets and Liabilities set out below are provided for illustrative purposes only to show the effects on the audited financial statements of Proforma Group as at 30 June, 2007 after taking into account the effects of Acquisition of KVSB Group (details of which are as set out in the notes to the Proforma Consolidated Statement of Assets and Liabilities as at 30 June, 2007), had these transactions been effected on that date :-

		Proforma Group
		As at 30.6.2007
		RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	11.2.1	25,455
Quoted investment	11.2.2	35
Intangible asset	11.2.3	271
Goodwill on consolidation	11.2.4	33
Other investment	11.2.5	15
		25,809
Current assets		
Inventories	11.2.6	44,444
Receivables	11.2.7	20,906
Amount due from holding company	11.2.8	14
Fixed deposit with licensed bank		1,664
Cash & bank balances		842
		67,870
Total assets		93,679

10. PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES - (continued)

		Proforma Group
		As at 30.6.2007 RM'000
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	11.2.9	37,138
Unappropriated profit		3,184
		40,322
Minority interest		131
Total equity		40,453
Non-current liabilities		
Borrowings - Non-current portion	11.2.10	11,798
Deferred taxation	11.2.11	560
		12,358
Current liabilities		
Payables	11.2.12	11,954
Borrowings - Current portion	11.2.10	28,180
Provision for taxation		734
		40,868
Total liabilities		53,226
Total equity and liabilities		93,679

10. PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES - (continued)

	Proforma Group As at 30.6.2007
No of shares in issue ('000)	37,138
NTA (RM'000)	40,018
NTA per share (RM)	1.08

Notes :-

(a) The Proforma Consolidated Statement of Assets and Liabilities has been prepared for illustrative purposes only and are based on the audited financial statements of KVSB Group as at 30 June, 2007 and on accounting policies consistent with those previously adopted in the preparation of the audited financial statements and in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

(b) The Proforma Consolidated Statement of Assets and Liabilities incorporates the effects of the Acquisition of KVSB Group. VHB acquired the entire equity interest of KVSB from MFSB, UTSB, JMSB and UUSB at a total purchase consideration of RM37,137,598 to be satisfied through the issuance of 37,137,598 VHB Shares as though they were effected on 30 June, 2007. The Acquisition of KVSB Group was completed on 17 August, 2007.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

11.1 Significant accounting policies

(a) Basis of accounting

The financial statements of the Group have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

The preparation of financial statements in conformity with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

The adoption of the relevant new or revised Financial Reporting Standards ("FRS"), effective for the financial year beginning on or after 1 January, 2007 are as follows :-

FRS 117 Leases
FRS 124 Related Party Disclosures

Standards effective for the financial year beginning on or after 1 January, 2007 but not relevant for the Group's operations are as follows :-

FRS 6 Exploration for and Evaluation of Mineral Resources
Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRSs.

The adoption of the above FRSs does not have significant financial impact on the Group except as disclosed in the Notes to the financial statements.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES - (continued)

11.1 Significant accounting policies – (continued)

(b) Investment in subsidiaries and basis of consolidation

In the Company's separate financial statements, investment in subsidiaries is stated at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investment is taken to the Income Statement.

Subsidiaries are entities in which the Group has power to exercise control over their financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities represents goodwill. The accounting policy of the goodwill on acquisition of subsidiaries is included in Note 11.1(m).

Any excess of the Group's interest in the net fair value of the identified assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in Income Statement.

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.1 Significant accounting policies – (continued)

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated Income Statement.

(c) Property, plant & equipment

Property, plant & equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Certain leasehold land and buildings were revalued by the directors in 1997 based on valuations carried out by independent professional valuers on the open market basis. In accordance with the transitional provisions issued by the Financial Reporting Standards (FRS) on the adoption of Standard 116, "Property, Plant & Equipment", the valuation of these property, plant & equipment have not been updated and they continue to be stated at their previously revalued amounts less accumulated depreciation.

Revaluation surpluses are taken to the asset revaluation reserve, unless they offset previous revaluation losses of the same asset that were taken to the Income Statement. Revaluation losses are taken to the asset revaluation reserve, to the extent that they offset previous revaluation surpluses of the same asset that were taken to the asset revaluation reserve. Other revaluation surpluses or losses are taken to the Income Statement.

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

Freehold land is not depreciated as it has an infinite life.

Depreciation on all other property, plant & equipment is calculated on the straight line basis at rates required to write off the cost of the property, plant & equipment over their estimated useful lives.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.1 Significant accounting policies – (continued)

The principal annual rates of depreciation used are as follows :-

Freehold buildings	2%
Leasehold land & buildings	69 to 89 years
Leasehold condominium	89 years
Counter equipment, furniture & fittings	10% - 20%
Electrical installation	10% - 20%
Fixtures	20%
Furniture & fittings	10% - 20%
Motor vehicles	10% - 20%
Office equipment	10% - 20%
Plant & machinery	10% - 20%
Renovations & improvements	10% - 20%
Signboard	10%
Tools & equipment	20%

Residual values, useful life and depreciation method of assets are reviewed at each financial period-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(d) Impairment of non-financial assets

The carrying values of assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the Income Statement 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 previously recognised revaluation surplus for the same asset.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.1 Significant accounting policies – (continued)

Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the Income Statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the Income Statement, a reversal of that impairment loss is recognised as income in the Income Statement.

(e) Intangible asset

Trademark is recognised as intangible asset if it is probable that the future economic benefits that are attributable to such asset will flow to the enterprise and the costs of such asset can be measured reliably.

Trademark is stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 11.1(d). Trademark is not amortised as it has an infinite life.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average method and includes the actual cost of materials and incidentals in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

(g) Receivables

Receivables are stated at cost less any allowances for doubtful debts. Known bad debts are written off and doubtful debts are provided for based on estimates of possible losses which may arise from non-collection of certain receivables accounts.

(h) Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.1 Significant accounting policies – (continued)

(i) Hire purchase

Property, plant & equipment acquired under hire purchase arrangements which in substance transfer the risks and benefits of ownership, are capitalised at the value equivalent to the principal sum of total hire purchase payables. The corresponding obligations are treated as liabilities.

Finance charges are allocated to the Income Statement to give a constant periodic rate of interest on the remaining hire purchase liabilities.

(j) Investments

Investments held on long term basis are stated at cost. An allowance is made when the directors are of the opinion that there is a decline other than temporary in their value. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Unquoted investments are stated at cost while quoted investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to quoted selling prices at the close of business on the balance sheet date. Increases or decreases in the carrying amount of investments are credited/ charged to the Income Statement. An allowance is made for the unquoted investments when the directors are of the opinion that there is a decline in their value which is other than temporary. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/ credited to the Income Statement.

(k) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred, including underwriting expenses. In subsequent financial periods, borrowings are stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.1 Significant accounting policies – (continued)

(l) Income tax

Income tax on the profit or loss for the period 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 or substantively enacted at the balance sheet date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(m) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the fair value of their identifiable net assets at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.1 Significant accounting policies – (continued)

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to a defined contribution plan are charged to the Income Statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the future economic benefits will flow to the Group and the benefits can be reliably measured. The specific recognition criteria for revenue are as follows :-

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyers.

(ii) Rental income

Revenue is recognised on received and receivable basis unless collectibility is in doubt.

(iii) Royalty income

Revenue is recognised on an accrual basis in accordance with substance of the relevant agreement.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.1 Significant accounting policies – (continued)

(iv) Commission income

Revenue is recognised at the fair value of the consideration receivable and is recognised in the Income Statement when it is probable that economic benefits associated with the transactions will flow to the Group.

(p) Borrowing costs

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the Income Statement.

(q) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentational currency.

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(r) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.1 Significant accounting policies – (continued)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on balance sheet is disclosed in the individual accounting policy statement associated with each item.

(iii) Fair value estimation for disclosure purposes

The face value of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year is assumed to approximate their fair values.

(s) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and overdrafts and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the Cash Flow Statement, cash and cash equivalents are presented net of bank overdrafts.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.2.1 Property, plant and equipment

	Cost at 30.6.2007	Accumulated Depreciation at 30.6.2007	Balance at 30.6.2007
	RM'000	RM'000	RM'000
Freehold land at cost	187	-	187
Freehold buildings			
- at cost	4,019	520	3,499
Leasehold land & buildings			
- at 1995 valuation			
(expires in 2064)	1,534	270	1,264
(expires in 2069)	1,533	253	1,280
- at cost			
(expires in 2084)	232	4	228
(expires in 2091)	1,622	191	1,431
(expires in 2093)	905	100	805
(expires in 2096)	4,088	68	4,021
(expires in 2885)	1,859	58	1,801
Leasehold condominium			
- expires in 2085	170	20	150
Counter equipment, furniture & fittings	9,939	2,361	7,578
Electrical installation	434	399	35
Fixtures	82	82	-
Furniture & fittings	1,296	913	383
Motor vehicles	2,744	1,696	1,048
Office equipment	2,588	1,609	979
Plant & machinery	64	20	44
Renovations & improvements	6,014	5,298	716
Signboard	31	25	6
Tools & equipment	54	53	1
	39,395	13,940	25,455

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.2.1 Property, plant and equipment – (continued)

(a) Property, plant & equipment under hire purchase

The net book value of the property, plant & equipment acquired under hire purchase arrangements are as follows :-

	As at 30.6.2007 RM'000
Motor vehicles	937

(b) Security

The net book value of the property, plant & equipment that have been charged to financial institutions for facilities granted to the Group are as follows :-

	As at 30.6.2007 RM'000
Freehold land & buildings	3,686
Leasehold land & buildings	10,830
	14,516

(c) Revaluation

Certain land and buildings were revalued by the directors based on valuations carried out by independent professional valuers on the open market value basis. The net book value of the property, plant & equipment that would have been carried at historical cost less accumulated depreciation are as follows :-

	As at 30.6.2007 RM'000
Leasehold land & buildings	1,305

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.2.2 Quoted investments

	As at 30.6.2007 RM'000
Quoted shares in Malaysia	35
At market value	62

11.2.3 Intangible assets - at cost

	As at 30.6.2007 RM'000
Trademark	271

11.2.4 Goodwill on consolidation

	As at 30.6.2007 RM'000
At beginning/end of the period	33

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. During the year, there is no segmental information by activities is prepared as the Group's activities are predominantly in one industry segment.

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the fashion apparel trading business in which the CGU operates.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.2.4 Goodwill on consolidation

Key assumptions used for value-in-use calculations :-

	Trading %
Gross margin [1]	38.5
Growth rate [2]	3.5
Pre-tax discount rate [3]	8.0

1. Budgeted gross margin
2. Weighted average growth rate used to extrapolate cash flows beyond the budget period
3. Pre-tax discount rate applied to the cash flow projections

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used were consistent with the forecasts included in industry report. The discount rates used were pre-tax and reflected specific risks relating to the relevant segment.

11.2.5 Other investment

	As at 30.6.2007 RM'000
At cost	
Transferable club membership	15

11.2.6 Inventories

	As at 30.6.2007 RM'000
Finished goods	44,444

Included in the inventories of the Proforma Group is an amount of RM3,060,000, stated at net realisable value.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.2.7 Receivables

	As at 30.6.2007 RM'000
Trade receivables	13,190
Other receivables	1,678
Deposits	5,165
Prepayments	873
	20,906

The normal credit term of trade receivables are up to 180 days.

Included in other receivables is an amount of RM223,117 being amount owing from a company in which certain of the directors have financial interest.

11.2.8 Amount due from holding company

The holding company is Marvellous Future Sdn. Bhd., a company incorporated in Malaysia.

The amount due from ultimate holding company is unsecured, interest free and has no fixed terms of repayment.

11.2.9 Share capital

	As at 30.6.2007 RM'000
Authorised :-	
100,000,000 ordinary shares of RM1 each	100,000
Issued and fully paid :-	
37,137,600 ordinary shares of RM1 each	37,138

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.2.10 Borrowings

	As at 30.6.2007 RM'000
Current	28,180
Non-current	11,798
	39,978

The details of securities and weighted average effective interest rates of borrowings as at 30 June, 2007 are as follows :-

The bank facilities are secured by :-

(a) legal charges over certain freehold buildings and leasehold land & buildings of KVSB;
(b) legal charges over the related party's properties;
(c) legal charge over freehold building of a subsidiary;
(d) guarantee by credit guarantee corporation of a subsidiary;
(e) corporate guarantee from KVSB; and
(f) personal guarantee by a director.

Weighted average effective interest rate :-

	As at 30.6.2007 %
Bank overdraft	8.1
Bills payable	5.0
Hire purchase liabilities	2.5
Revolving credit	6.4
Term loans	8.0

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES – (continued)

11.2.11 Deferred taxation

	As at 30.6.2007 RM'000
At beginning/ end of the period	560
	========
Subject to income tax	

Property, plant & equipment	
- capital allowances in excess of depreciation	560
	========

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

	As at 30.6.2007 RM'000
Property, plant & equipment	
- capital allowances in excess of depreciation	-
Unabsorbed tax losses	869
Unutilised capital allowances	312

	1,181
	========
Potential tax benefits calculated at 20% tax rate	236
	========

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES - (continued)

11.2.12 Payables

	As at 30.6.2007 RM'000
Trade payables	6,387
Other payables	2,086
Deposits	531
Accruals	2,950
	11,954

The credit term of trade payables granted to the Proforma Group are up to 180 days.

Included in accruals of the Group is post-employment defined contribution plan of RM263,144 in respect of Employees Provident Fund.

11.2.13 Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The directors are of the opinion that it is not practicable within the constraints of cost to estimate the impairment of goodwill. However, it is the directors' view that the carrying value of goodwill has not been impaired as the subsidiary is profitable and has a positive net tangible assets position.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES - (continued)

11.2.14 The new or revised financial reporting standards

The new or revised Financial Reporting Standards have been published that are mandatory for accounting periods beginning on or after 1 January, 2008 or later period, are as follow :-

(a) Standards that are not yet effective and have not been early adopted
(b) Standards that are not yet effective and not relevant for the Group's operations

(a) Standards that are not yet effective and have not been early adopted

(i) FRS 107 Cash Flow Statements (effective for accounting periods beginning on or after 1 July, 2007)
FRS 118 Revenue (effective for accounting periods beginning on or after 1 July, 2007)
FRS 137 Provisions, Contingent Liabilities and Contingent Assets (effective for accounting periods beginning on or after 1 July, 2007)

Implementation of above FRSs are not expected to significantly affect the financial statements for the year ending 31 December, 2008.

(ii) FRS 119 Employee Benefits
FRS 126 Accounting and Reporting by Retirement Benefits Plans
FRS 129 Financial Reporting in Hyperinflationary Economies

The following three FRS, which have the same effective dates as their original standards, are renamed as :-

- FRS 119 Employee Benefits (which supersedes FRS 119_{2004} Employee Benefits and Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures)
- FRS 126 Accounting and Reporting by Retirement Benefits Plans (which supersedes FRS 126_{2004} Accounting and Reporting by Retirement Benefits Plans)
- FRS 129 Financial Reporting in Hyperinflationary Economies (which supersedes FRS 129_{2004} Financial Reporting in Hyperinflationary Economies)

(iii) FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July, 2007)

(iv) FRS 134 Interim Financial Reporting (effective for accounting periods beginning on or after 1 July, 2007)

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES - (continued)

11.2.14 The new or revised financial reporting standards – (continued)

(v) FRS 139 Financial Instruments : Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board)

This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Company will apply this standard when effective.

(b) Standards that are not yet effective and not relevant for the Group's operations

(i) FRS 111 Construction Contracts (effective for accounting periods beginning on or after 1 July, 2007)

(ii) FRS 120 Accounting for Government Grants and Disclosure of Government Assistance (effective for accounting periods beginning on or after 1 July, 2007)

(iii) Amendment to FRS 121 The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 July, 2007)

11.2.15 Subsequent Events

On 17 August, 2007, the Company acquired the entire equity interest of Kumpulan Voir Sdn. Bhd. from Marvellous Future Sdn. Bhd. for a purchase consideration of RM37,137,598 via the issuance of 37,137,598 ordinary shares of RM1.00 of the Company.

At the same date, the Company became 70% owned subsidiary of Marvellous Future Sdn. Bhd., a company incorporated in Malaysia.

Other than above, there was no material subsequent events since the last financial statements used in the preparation of this report and the date of this report which will affect materially the contents of this report.

11.2.16 Financial instruments

The carrying amount of financial assets and liabilities of the Group at the balance sheet date approximate their fair values.

11. NOTES TO PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES - (continued)

11.2.17 Audited financial statements

No audited financial statements were prepared in respect of any period subsequent to 30 June, 2007.

Yours faithfully,

HLB LER LUM
(Firm No: AF 0276)
Chartered Accountants

LUM TUCK CHEONG
1005/3/09(J/PH)
Partner of the Firm

Company No: 169951-A

LER LUM & CO. AF 0276
Chartered Accountants

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APPENDIX I

AUDITORS' REPORT TO THE MEMBERS OF

KUMPULAN VOIR SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 9 to 46. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :-

    (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

    (ii) the state of affairs of the Group and of the Company as at 31 December, 2004 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries, of which we are the auditors, have been properly kept in accordance with the provisions of the said Act.

The name of the subsidiary of which we have not acted as auditors is indicated in Note 8 to the financial statements. We have considered the financial statements of this subsidiary and the auditors' report thereon.

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HLB LER LUM AF 0276
Chartered Accountants

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APPENDIX I

AUDITORS' REPORT TO THE MEMBERS OF

KUMPULAN VOIR SDN. BHD.
(Incorporated in Malaysia) - (Continued)

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Companies Act, 1965.

LER LUM & CO.
(Firm Number : AF 0276)
Chartered Accountants

LER CHENG CHYE
871/3/07(J/PH)
Partner of the Firm

Dated : 13 JUN 2005
Kuala Lumpur

Company No: 169951-A

HLB LER LUM AF 0276
Chartered Accountants

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APPENDIX II

AUDITORS' REPORT TO THE MEMBERS OF

KUMPULAN VOIR SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 9 to 46. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :-

  (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

  (ii) the state of affairs of the Group and of the Company as at 31 December, 2005 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries, of which we are the auditors, have been properly kept in accordance with the provisions of the said Act.

The name of the subsidiary of which we have not acted as auditors is indicated in Note 8 to the financial statements. We have considered the financial statements of this subsidiary and the auditors' report thereon.

Company No: 169951-A

HLB LER LUM AF 0276
Chartered Accountants

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APPENDIX II

AUDITORS' REPORT TO THE MEMBERS OF

KUMPULAN VOIR SDN. BHD.
(Incorporated in Malaysia) - (Continued)

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Companies Act, 1965.

HLB Ler Lum

HLB LER LUM
(Firm Number : AF 0276)
Chartered Accountants

LER CHENG CHYE
871/3/07(J/PH)
Partner of the Firm

Dated : 13 JUN 2006
Kuala Lumpur

Company No: 169951-A

HLB LER LUM AF 0276
Chartered Accountants

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APPENDIX III

AUDITORS' REPORT TO THE MEMBERS OF

KUMPULAN VOIR SDN. BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 9 to 56. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :-

  (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

  (ii) the state of affairs of the Group and of the Company as at 31 December, 2006 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries, of which we are the auditors, have been properly kept in accordance with the provisions of the said Act.

Company No: 169951-A

HLB LER LUM AF 0276
Chartered Accountants

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APPENDIX III

AUDITORS' REPORT TO THE MEMBERS OF

KUMPULAN VOIR SDN. BHD.
(Incorporated in Malaysia) - (Continued)

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Companies Act, 1965.

HLB LER LUM
(Firm Number : AF 0276)
Chartered Accountants

LUM TUCK CHEONG
1005/3/09(J/PH)
Partner of the Firm

Dated : - 6 APR 2007
Kuala Lumpur

Company No: 169951-A

HLB LER LUM AF 0276
Chartered Accountants

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APPENDIX IV

AUDITORS' REPORT TO THE MEMBERS OF

KUMPULAN VOIR SDN. BHD.
(Company No: 169951-A)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 4 to 53. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of :-

   (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

   (ii) the state of affairs of the Group and of the Company as at 30 June, 2007 and of the results of the operations and cash flows of the Group and of the Company for the six (6) months period ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries, of which we are the auditors, have been properly kept in accordance with the provisions of the said Act.

Company No: 169951-A

HLB LER LUM AF 0276
Chartered Accountants

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APPENDIX IV

AUDITORS' REPORT TO THE MEMBERS OF

KUMPULAN VOIR SDN. BHD.
(Company No: 169951-A)
(Incorporated in Malaysia) - (Continued)

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Companies Act, 1965.

HLB LER LUM
(Firm Number : AF 0276)
Chartered Accountants

LUM TUCK CHEONG
1005/3/09(J/PH)
Partner of the Firm

Dated : 29 AUG 2007
Kuala Lumpur