

10. ACCOUNTANTS' REPORT



■ Chartered Accountants
4th Floor, Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

■ Phone : (03) 2144-2333
Fax : (03) 2141-0676
www.ey.com/my

Mail Address:
P.O. Box 11040
50734 Kuala Lumpur, Malaysia

BHS INDUSTRIES BERHAD ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus to be dated 29 October 2007)

3 October 2007

The Board of Directors
BHS Industries Berhad
312, 3rd Floor
Block C, Kelana Square
17, Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

BHS INDUSTRIES BERHAD ACCOUNTANTS' REPORT

1.0 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of BHS Industries Berhad ("BHS" or the "Company") to be dated 29 October 2007, in connection with the Public Issue of 20,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.68 per new ordinary share in BHS and the listing of and quotation for the entire issued and paid-up share capital of BHS on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

2.0 GENERAL INFORMATION

2.1 THE COMPANY

The Company was incorporated in Malaysia on 30 December 2005 as a public limited liability company under the name of BHS Industries Corporation Berhad. Subsequently on 22 February 2006, the Company changed its name to its present name, BHS Industries Berhad.

The authorised and issued and paid-up share capital as at the date of incorporation is RM100,000 and RM2 comprising 200,000 and 4 ordinary shares of RM0.50 each respectively.

The principal activities of the Company are that of investment holding and the provision of management services.

10. ACCOUNTANTS' REPORT (cont'd)



2.2 LISTING SCHEME

The transactions in conjunction with and as an integral part of the listing and quotation of the entire issued and paid-up share capital of BHS on the Second Board of Bursa Malaysia Securities Berhad are as follows:

- (a) Acquisition by BHS of the entire equity interest in Pustaka Sistem Pelajaran Sdn Bhd ("Sistem") comprising 3,618,890 ordinary shares of RM1.00 each in Sistem for a purchase consideration of RM20,704,769 satisfied by the issuance of 41,409,539 new ordinary shares of RM0.50 each in BHS at an issue price of RM0.50 per new ordinary share;
- (b) Acquisitions by BHS of the entire equity interest in BHS Book Printing Sdn Bhd ("BBP") and Star CTP Imaging Sdn Bhd ("Star") comprising 3,950,000 and 150,000 ordinary shares of RM1.00 each respectively from Sistem for a purchase consideration of RM16,878,790 and RM924,000 respectively satisfied by way of cash;
- (c) Capitalisation of advances made by Harta Sistem Sdn Bhd ("Harta") to Sistem and BBP amounting to RM4,320,000 and RM600,000 respectively by the issuance of 9,840,000 new ordinary shares of RM0.50 each in BHS at an issue price of RM0.50 per new ordinary share;
- (d) Rights issue of 8,750,457 new ordinary shares of RM0.50 each in BHS on the basis of ten (10) new ordinary shares of RM0.50 each for approximately every fifty nine (59) existing ordinary shares of RM0.50 each held at an issue price of RM0.50 per new ordinary share to Harta for total cash proceeds of RM4,375,229;
- (e) Offer for sale of 19,600,000 existing ordinary shares of RM0.50 each in BHS at an offer price of RM0.68 per ordinary share to Bumiputera investors ("Offer for Sale") approved by the Ministry of International Trade and Industry ("MITI"); and
- (f) Public issue for cash of 20,000,000 new ordinary shares of RM0.50 each in BHS at an issue price of RM0.68 per new ordinary share ("Public Issue") in the following manner:
 - (i) 6,000,000 Public Issue Shares will be made available for application by the Malaysian citizens, companies, societies, co-operatives and institutions;
 - (ii) 6,000,000 Public Issue Shares will be reserved for application by the eligible directors, employees and business associates of BHS Group;
 - (iii) 4,400,000 Public Issue Shares will be reserved for Bumiputera investors approved by MITI; and
 - (iv) 3,600,000 Public Issue Shares will be reserved for private placement to identified investors.

Thereafter, the entire issued and paid-up share capital of BHS comprising 80,000,000 ordinary shares of RM0.50 each in BHS shall be listed on the Second Board of Bursa Malaysia Securities Berhad ("Listing").

Save for the Offer for Sale and Public Issue, the above transactions have been completed.

10. ACCOUNTANTS' REPORT (cont'd)

AF: 0039

2.2 LISTING SCHEME (CONTD.)

The details of the movement in the issued and fully paid-up share capital of BHS are as follows:

Issued and fully paid-up share capital	Amount	Number of	Par value
	RM	ordinary shares	RM
Existing prior to implementation of the Flotation Scheme	2	4	0.50
Acquisition of Sistem	20,704,769	41,409,539	0.50
Capitalisation of Advances	4,920,000	9,840,000	0.50
Rights Issue	4,375,229	8,750,457	0.50
Public Issue	10,000,000	20,000,000	0.50
Enlarged issued and fully paid-up share capital upon listing	<u>40,000,000</u>	<u>80,000,000</u>	0.50

10. ACCOUNTANTS' REPORT (cont'd)



2.3 SUBSIDIARIES

As at the date of this report, the subsidiaries of BHS are as follows:

2.3.1 Pustaka Sistem Pelajaran Sdn Bhd ("Sistem")

Sistem was incorporated in Malaysia on 12 October 1978 as a private limited liability company under its present name, Pustaka Sistem Pelajaran Sdn Bhd.

The authorised and issued and paid-up share capital as at 30 April 2007 are RM4,000,000 and RM3,618,890 comprising 4,000,000 and 3,618,890 ordinary shares of RM1.00 each respectively.

Sistem is engaged in the business as a book publisher.

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

Date of allotment	No. of ordinary shares	Nominal amount of each share	Consideration	Total issued and paid-up share capital
		RM		RM
12 October 1978	2	1.00	Cash	2
15 March 1980	382,108	1.00	Non-cash	382,110
27 September 1985	250,000	1.00	Cash	632,110
26 June 1991	316,056	1.00	Non-cash	948,166
28 June 1991	513,899	1.00	Non-cash	1,462,065
30 June 1992	2,156,825	1.00	Non-cash	3,618,890

2.3.2 BHS Book Printing Sdn Bhd ("BBP")

BBP was incorporated in Malaysia on 31 December 1982 as a private limited liability company under the name of Percetakan Ban Huat Seng Sdn Bhd. Subsequently on 13 September 1991, BBP changed its name to its present name, BHS Book Printing Sdn Bhd.

The authorised and issued and paid-up share capital as at 30 April 2007 are RM5,000,000 and RM3,950,000 comprising 5,000,000 and 3,950,000 ordinary shares of RM1.00 each respectively.

BBP is principally engaged in the business as a book and magazine printer.

10. ACCOUNTANTS' REPORT (cont'd)

AF: 0039

2.3.2 BHS Book Printing Sdn Bhd ("BBP") (Contd.)

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

Date of allotment	No. of ordinary shares	Nominal amount of each share	Consideration	Total issued and paid-up share capital
		RM		RM
31 December 1982	2	1.00	Cash	2
19 October 1989	599,998	1.00	Non-cash	600,000
30 June 1999	400,000	1.00	Cash	1,000,000
2 November 1999	500,000	1.00	Cash	1,500,000
29 February 2000	1,500,000	1.00	Cash	3,000,000
30 January 2001	500,000	1.00	Cash	3,500,000
27 April 2001	450,000	1.00	Cash	3,950,000

2.3.3 Star CTP Imaging Sdn Bhd ("Star")

Star was incorporated in Malaysia on 4 October 1989 as a private limited liability company under the name of System Autoplastic Industries Sdn Bhd. Star subsequently changed its name to The Star Books Binding Company Sdn Bhd on 18 July 2000. On 5 February 2003, Star changed its name to its present name, Star CTP Imaging Sdn Bhd.

The authorised and issued and paid-up share capital as at 30 April 2007 are RM500,000 and RM150,000 comprising 500,000 and 150,000 ordinary shares of RM1.00 each respectively.

Star is principally engaged in business as a book binder.

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

Date of allotment	No. of ordinary shares	Nominal amount of each share	Consideration	Total issued and paid-up share capital
		RM		RM
4 October 1989	2	1.00	Cash	2
28 September 2000	149,998	1.00	Cash	150,000

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

2.3.4 Pustaka Yakin Pelajar Sdn Bhd ("Yakin")

Yakin was incorporated in Malaysia on 18 May 1983 as a private limited liability company under its present name, Pustaka Yakin Pelajar Sdn Bhd.

The authorised and issued and paid-up share capital as at 30 April 2007 are RM1,000,000 and RM491,382 comprising 1,000,000 and 491,382 ordinary shares of RM1.00 each respectively.

Yakin is principally engaged in the business as a book publisher.

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

Date of allotment	No. of ordinary shares	Nominal amount of each share	Consideration	Total issued and paid-up share capital
		RM		RM
18 May 1983	2	1.00	Cash	2
1 November 1989	491,380	1.00	Non-cash	491,382

2.3.5 System Publishing House Sdn Bhd ("SPH")

SPH was incorporated in Malaysia on 23 June 1989 as a private limited liability company under the name of System Publishing Services Sdn Bhd. Subsequently on 5 September 1997, SPH changed its name to its present name, System Publishing House Sdn Bhd.

The authorised and issued and paid-up share capital as at 30 April 2007 are RM1,000,000 and RM20,000 comprising 1,000,000 and 20,000 ordinary shares of RM1.00 each respectively.

SPH is principally engaged in the business of book publishing and trading in books. As at 30 April 2007, SPH was inactive.

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

Date of allotment	No. of ordinary shares	Nominal amount of each share	Consideration	Total issued and paid-up share capital
		RM		RM
23 June 1989	2	1.00	Cash	2
25 June 1993	19,998	1.00	Cash	20,000

10. ACCOUNTANTS' REPORT (cont'd)

AF: 0039

2.3.6 System Multimedia and Internet Sdn Bhd ("Multimedia")

Multimedia was incorporated in Malaysia on 21 August 2000 as a private limited liability company under its present name, System Multimedia and Internet Sdn Bhd.

The authorised and issued and paid-up share capital as at 30 April 2007 are RM1,000,000 and RM902,000 comprising 1,000,000 and 902,000 ordinary shares of RM1.00 each respectively.

Multimedia is principally engaged in business as a book publisher using information and communication technology.

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

Date of allotment	No. of ordinary shares	Nominal amount of each share	Consideration	Total issued and paid-up share capital
		RM		RM
21 August 2000	2	1.00	Cash	2
21 December 2001	328,000	1.00	Cash	328,002
30 May 2003	571,998	1.00	Cash	900,000
30 June 2005	2,000	1.00	Cash	902,000

(BHS, Sistem, BBP, Yakin, Star, SPH and Multimedia are collectively referred to as the "Group" or "BHS Group")

3.0 DIVIDENDS

- (a) Sistem paid an interim dividend of 7.7372% less 28% taxation, amounting to RM201,600 on 20 January 2005 in respect of the financial year ended 30 June 2005.

Sistem paid an interim dividend of 165.7967% less 28% taxation, amounting to RM4,320,000 on 28 June 2006 in respect of the financial year ended 30 June 2006.

No other dividend was paid or declared by Sistem during the periods under review.

- (b) BBP paid an interim dividend of 63.29113% less 28% taxation, amounting to RM1,800,000 on 28 June 2006 in respect of the financial year ended 30 June 2006.

No other dividend was paid or declared by BBP during the periods under review.

- (c) Yakin paid an interim dividend of 190.0% less 28% taxation, amounting to RM672,211 on 28 June 2006 in respect of the financial year ended 30 June 2006.

No other dividend was paid or declared by Yakin during the periods under review.

- (d) No dividend was paid or declared by BHS, Star, SPH and Multimedia during the periods under review.

10. ACCOUNTANTS' REPORT (cont'd)

**4.0 ACCOUNTING POLICIES AND STANDARDS**

This report is prepared on a basis consistent with the accounting policies adopted by BHS and its subsidiaries as disclosed in Note 10.5.1, and the information presented in this report has been prepared in accordance with applicable Financial Reporting Standards ("FRS") in Malaysia.

At the beginning of the financial period ended 1 July 2006 to 30 April 2007, the Group had adopted new and revised FRSs issued by the Malaysian Accounting Standards Board ("MASB") which are mandatory for financial periods beginning on or after 1 January 2006.

The adoption of the new and revised FRSs did not result in significant changes in the accounting policies of the BHS Group.

5.0 AUDITORS, FINANCIAL STATEMENTS AND FINANCIAL ACCOUNTING DATE

We have acted as auditors of BHS since its incorporation on 30 December 2005 and have reported on the financial statements for the financial period from 30 December 2005 to 30 June 2006, and the financial period ended 30 April 2007 without qualification. In addition, our auditors' report did not include any emphasis of matter.

We have acted as auditors of Sistem, BBP and Yakin for the financial years ended 30 June 2005 to 2006 and the financial period ended 30 April 2007 and have reported on the financial statements without qualification. In addition, our auditors' reports did not include any emphasis of matter. The financial statements of Sistem, BBP and Yakin for the financial year ended 30 June 2004 were audited by another firm of chartered accountants, Messrs KPMG, who have reported on the financial statements without qualification. In addition, the auditors' reports did not include any emphasis of matter.

The financial statements of Star for the financial year ended 30 June 2004 were audited by another firm of chartered accountants, Messrs Wee & Co., who have reported on the financial statements without qualification. In addition, the auditors' report did not include any emphasis of matter. We have acted as auditors of Star for the financial years ended 30 June 2005 to 2006 and the financial period ended 30 April 2007 and have reported on the financial statements without qualification. In addition, our auditors' reports did not include any emphasis of matter.

The financial statements of SPH and Multimedia for the financial year ended 30 June 2004 were audited by another firm of chartered accountants, Messrs P. L. Ong & Co., who have reported on the financial statements without qualification. In addition, the auditors' reports did not include any emphasis of matter. We have acted as auditors of SPH and Multimedia for the financial years ended 30 June 2005 to 2006 and the financial period ended 30 April 2007 and have reported on the financial statements without qualification. In addition, our auditors' reports did not include any emphasis of matter.

10. ACCOUNTANTS' REPORT (cont'd)

AF: 0039

6.0 INCOME STATEMENTS

The following income statements of BHS, Sistem, BBP, Star, Yakin, SPH and Multimedia set out below are based on their respective audited financial statements for the financial period/years ended 30 June 2004 to 2006 and financial period from 1 July 2006 to 30 April 2007 and, the unaudited management accounts for the financial period from 1 July 2005 to 30 April 2006.

6.1 BHS

	← Audited →	Unaudited	
	Period from date of incorporation to 30.6.2006 RM	Period from 1.7.2006 to 30.4.2007 RM	Period from 1.7.2005 to 30.4.2006 RM
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Administrative expenses	(6,466)	(4,133)	(4,379)
Loss before taxation	(6,466)	(4,133)	(4,379)
Taxation	-	-	-
Loss after taxation	(6,466)	(4,133)	(4,379)
Gross profit margin (%)	N/A	N/A	N/A
Loss after taxation margin (%)	N/A	N/A	N/A
Number of ordinary shares of RM0.50 each in issue in BHS	4	4	4
Loss per share	(1,616.50)	(1,033.25)	(1,094.75)
Trade receivables' turnover period (days)	N/A	N/A	N/A
Trade payables' turnover period (days)	N/A	N/A	N/A
Inventories' turnover period (days)	N/A	N/A	N/A

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

6.2 Sistem

	Audited			Unaudited	
	Financial year ended 30 June			Period from	Period from
	2004	2005	2006	1.7.2006	1.7.2005
	RM	RM	RM	to 30.4.2007	to 30.4.2006
				RM	RM
Revenue	10,645,331	8,935,411	5,582,455	5,226,183	5,073,361
Cost of sales	(5,143,925)	(5,102,938)	(2,774,160)	(2,567,592)	(2,312,221)
Gross profit	5,501,406	3,832,473	2,808,295	2,658,591	2,761,140
Other income	14,498	1,999	3,433,626	-	-
Administrative and other operating expenses	(3,761,774)	(3,083,789)	(2,539,790)	(1,914,764)	(2,086,313)
Profit from operations	1,754,130	750,683	3,702,131	743,827	674,827
Finance costs	(6,587)	(32)	(930)	-	(309)
Profit before taxation	1,747,543	750,651	3,701,201	743,827	674,518
Taxation	(486,746)	(75,704)	(1,057,000)	(250,000)	(196,298)
Profit after taxation	1,260,797	674,947	2,644,201	493,827	478,220
Gross profit margin (%)	51.68	42.89	50.31	50.87	54.42
Profit after taxation margin (%)	11.84	7.55	47.37	9.45	9.43
Number of ordinary shares of RM1.00 each in issue in Sistem	3,618,890	3,618,890	3,618,890	3,618,890	3,618,890
Earnings per share	0.35	0.19	0.73	0.14	0.13
Trade receivables' turnover period (days)	108	127	175	239	N/A
Trade payables' turnover period (days)	57	126	270	96	N/A
Inventories' turnover period (days)	103	140	261	189	N/A

10. ACCOUNTANTS' REPORT



6.3 BBP

	Audited			Unaudited	
	Financial year ended 30 June			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Revenue	22,116,296	29,108,078	31,298,559	27,500,675	27,037,797
Cost of sales	(18,679,767)	(23,956,323)	(25,609,942)	(23,283,494)	(21,715,511)
Gross profit	3,436,529	5,151,755	5,688,617	4,217,181	5,322,286
Other income	300,451	489,612	279,915	691,373	163,915
Administrative and other operating expenses	(607,809)	(710,390)	(735,758)	(958,154)	(571,455)
Profit from operations	3,129,171	4,930,977	5,232,774	3,950,400	4,914,746
Finance costs	(424,032)	(333,096)	(491,893)	(286,590)	(393,676)
Profit before taxation	2,705,139	4,597,881	4,740,881	3,663,810	4,521,070
Taxation	(40,901)	(888,656)	(1,375,545)	(548,000)	(1,296,039)
Profit after taxation	2,664,238	3,709,225	3,365,336	3,115,810	3,225,031
Gross profit margin (%)	15.54	17.70	18.18	15.33	19.68
Profit after taxation margin (%)	12.05	12.74	10.75	11.33	11.93
Number of ordinary shares of RM1.00 each in issue in BBP	3,950,000	3,950,000	3,950,000	3,950,000	3,950,000
Earnings per share	0.67	0.94	0.85	0.79	0.82
Trade receivables' turnover period (days)	93	148	142	115	N/A
Trade payables' turnover period (days)	28	46	56	45	N/A
Inventories' turnover period (days)	80	89	152	73	N/A

10. ACCOUNTANTS' REPORT (cont'd)



6.4 Star

	Audited			Unaudited	
	Financial year ended 30 June			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Revenue	881,069	1,126,254	1,736,249	2,252,288	1,133,132
Cost of sales	(753,810)	(753,219)	(762,302)	(1,133,286)	(616,459)
Gross profit	127,259	373,035	973,947	1,119,002	516,673
Other income	-	80,000	-	-	-
Administrative expenses	(126,584)	(159,275)	(168,891)	(191,691)	(138,013)
Profit from operations	675	293,760	805,056	927,311	378,660
Finance costs	(95,093)	(74,313)	(61,977)	(26,455)	(40,456)
(Loss)/profit before taxation	(94,418)	219,447	743,079	900,856	338,204
Taxation	(17,700)	-	(55,147)	(51,000)	(28,359)
(Loss)/profit after taxation	(112,118)	219,447	687,932	849,856	309,845
Gross profit margin (%)	14.44	33.12	56.09	49.68	45.60
(Loss)/profit after taxation margin (%)	(12.73)	19.48	39.62	37.73	27.34
Number of ordinary shares of RM1.00 each in issue in Star	150,000	150,000	150,000	150,000	150,000
(Loss)/earnings per share	(0.75)	1.46	4.59	5.67	2.07
Trade receivables' turnover period (days)	39	81	211	267	N/A
Trade payables' turnover period (days)	29	-	38	119	N/A
Inventories' turnover period (days)	8	3	3	-	N/A

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

6.5 Yakin

	Audited			Unaudited	
	Financial year ended 30 June			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Revenue	142,664	371,374	1,695,803	885,765	1,353,661
Cost of sales	(83,044)	(148,700)	(850,917)	(660,146)	(528,008)
Gross profit	59,620	222,674	844,886	225,619	825,653
Other income	12,000	-	-	-	-
Administrative and other operating expenses	(262,644)	(127,332)	(167,155)	(109,330)	(62,098)
(Loss)/profit before taxation	(191,024)	95,342	677,731	116,289	763,555
Taxation	-	-	-	(26,231)	-
(Loss)/profit after taxation	(191,024)	95,342	677,731	90,058	763,555
Gross profit margin (%)	41.79	59.96	49.82	25.47	60.99
(Loss)/profit after taxation margin (%)	(133.90)	25.67	39.97	10.17	56.41
Number of ordinary shares of RM1.00 each in issue in Yakin	491,382	491,382	491,382	491,382	491,382
(Loss)/earnings per share	(0.39)	0.19	1.38	0.18	1.55
Trade receivables' turnover period (days)	247	181	320	388	N/A
Trade payables' turnover period (days)	38	60	315	238	N/A
Inventories' turnover period (days)	677	210	142	242	N/A

10. ACCOUNTANTS' REPORT (cont'd)



6.6 SPH

	Audited			Unaudited	
	Financial year ended 30 June			Period from	Period from
	2004	2005	2006	1.7.2006	1.7.2005
	RM	RM	RM	to 30.4.2007	to 30.4.2006
				RM	RM
Revenue	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit	-	-	-	-	-
Administrative expenses	(3,363)	(3,000)	(2,365)	(1,736)	(1,173)
Loss before taxation	(3,363)	(3,000)	(2,365)	(1,736)	(1,173)
Taxation	673	-	-	-	-
Loss after taxation	(2,690)	(3,000)	(2,365)	(1,736)	(1,173)
Gross profit margin (%)	N/A	N/A	N/A	N/A	N/A
Loss after taxation margin (%)	N/A	N/A	N/A	N/A	N/A
Number of ordinary shares of RM1.00 each in issue in SPH	20,000	20,000	20,000	20,000	20,000
Loss per share	(0.13)	(0.15)	(0.12)	(0.09)	(0.06)
Trade receivables' turnover period (days)	N/A	N/A	N/A	N/A	N/A
Trade payables' turnover period (days)	N/A	N/A	N/A	N/A	N/A
Inventories' turnover period (days)	N/A	N/A	N/A	N/A	N/A

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

6.7 Multimedia

	Audited			Unaudited	
	Financial year ended 30 June			Period from	Period from
	2004	2005	2006	1.7.2006	1.7.2005
	RM	RM	RM	to 30.4.2007	to 30.4.2006
				RM	RM
Revenue	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit	-	-	-	-	-
Administrative expenses	(10,170)	(16,816)	(10,489)	(3,441)	(1,178)
Loss before taxation	(10,170)	(16,816)	(10,489)	(3,441)	(1,178)
Taxation	2,034	-	-	-	-
Loss after taxation	(8,136)	(16,816)	(10,489)	(3,441)	(1,178)
Gross profit margin (%)	N/A	N/A	N/A	N/A	N/A
Loss after taxation margin (%)	N/A	N/A	N/A	N/A	N/A
Number of ordinary shares of RM1.00 each in issue in Multimedia	900,000	902,000	902,000	902,000	902,000
Loss per share	(0.01)	(0.02)	(0.01)	-	-
Trade receivables' turnover period (days)	N/A	N/A	N/A	N/A	N/A
Trade payables' turnover period (days)	N/A	N/A	N/A	N/A	N/A
Inventories' turnover period (days)	N/A	N/A	N/A	N/A	N/A

10. ACCOUNTANTS' REPORT (cont'd)

AF: 0039

7.0 BALANCE SHEETS

The balance sheets of BHS, Sistem, BBP, Star, Yakin, SPH and Multimedia set out below are based on their respective audited financial statements for the relevant periods under review.

7.1 BHS

	As at 30 June 2006 RM	As at 30 April 2007 RM
Current Assets		
Other receivables	198,153	627,946
Cash on hand	2	2
	<u>198,155</u>	<u>627,948</u>
Current Liabilities		
Amount due to a director and shareholder	7,352	11,947
Other payables	197,267	626,598
	<u>204,619</u>	<u>638,545</u>
Net Current Liabilities	<u>(6,464)</u>	<u>(10,597)</u>
Financed by:		
Share capital	2	2
Accumulated losses	(6,466)	(10,599)
Shareholders' deficit	<u>(6,464)</u>	<u>(10,597)</u>

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

7.2 Sistem

	← As at 30 June		→ As at	
	2004	2005	2006	30 April 2007
	RM	RM	RM	RM
Non-Current Assets				
Property, plant and equipment	219,076	203,036	143,691	104,375
Investments in subsidiaries	7,090,724	6,948,046	6,948,046	6,948,046
	<u>7,309,800</u>	<u>7,151,082</u>	<u>7,091,737</u>	<u>7,052,421</u>
Current Assets				
Inventories	1,454,178	1,960,308	1,982,114	1,596,558
Trade receivables	3,149,073	3,113,953	2,669,110	4,108,779
Other receivables	84,522	2,801	90,094	192,882
Amount due from subsidiaries	-	-	2,547,995	601,693
Tax recoverable	-	-	253,969	237,915
Cash and bank balances	368,209	517,785	362,194	489,296
	<u>5,055,982</u>	<u>5,594,847</u>	<u>7,905,476</u>	<u>7,227,123</u>
Current Liabilities				
Trade payables	799,448	1,768,180	2,048,932	807,186
Other payables	50,686	172,106	166,871	197,121
Amount due to holding company	500,000	401,600	4,320,000	4,320,000
Amount due to a subsidiary company	475,613	135,258	-	-
Taxation	876,173	131,576	-	-
	<u>2,701,920</u>	<u>2,608,720</u>	<u>6,535,803</u>	<u>5,324,307</u>
Net Current Assets				
	<u>2,354,062</u>	<u>2,986,127</u>	<u>1,369,673</u>	<u>1,902,816</u>
	<u>9,663,862</u>	<u>10,137,209</u>	<u>8,461,410</u>	<u>8,955,237</u>
Financed by:				
Share capital	3,618,890	3,618,890	3,618,890	3,618,890
Retained profits	6,011,226	6,484,573	4,808,774	5,302,601
Shareholders' funds	9,630,116	10,103,463	8,427,664	8,921,491
Deferred tax liability	33,746	33,746	33,746	33,746
	<u>9,663,862</u>	<u>10,137,209</u>	<u>8,461,410</u>	<u>8,955,237</u>

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

7.3 BBP

	As at 30 June		As at 30 April	
	2004 RM	2005 RM	2006 RM	2007 RM
Non-Current Assets				
Property, plant and equipment	9,025,938	10,580,182	9,276,309	15,264,805
Other investments	12,688	12,688	12,688	12,688
Deferred tax assets	158,007	-	-	-
	<u>9,196,633</u>	<u>10,592,870</u>	<u>9,288,997</u>	<u>15,277,493</u>
Current Assets				
Inventories	4,105,999	5,812,311	10,688,769	5,593,154
Trade receivables	5,626,666	11,779,753	12,163,304	10,383,712
Other receivables	20,700	24,443	225,417	592,030
Amount due from immediate holding company	368,206	-	-	-
Amount due from a related company	75,598	-	-	-
Tax recoverable	420	592	837	30,052
Cash and bank balances	141,811	277,068	210,738	1,307,990
	<u>10,339,400</u>	<u>17,894,167</u>	<u>23,289,065</u>	<u>17,906,938</u>
Current Liabilities				
Trade payables	1,415,971	3,031,454	3,898,091	3,430,790
Other payables	168,679	1,278,381	1,444,321	7,628,490
Amount due to ultimate holding company	2,150,000	1,300,000	600,000	600,000
Amount due to immediate holding company	-	-	1,800,000	-
Borrowings	4,189,944	6,028,018	6,403,563	322,041
Taxation	143,959	463,959	392,499	-
	<u>8,068,553</u>	<u>12,101,812</u>	<u>14,538,474</u>	<u>11,981,321</u>
Net Current Assets	<u>2,270,847</u>	<u>5,792,355</u>	<u>8,750,591</u>	<u>5,925,617</u>
	<u>11,467,480</u>	<u>16,385,225</u>	<u>18,039,588</u>	<u>21,203,110</u>
Financed by:				
Share capital	3,950,000	3,950,000	3,950,000	3,950,000
Capital reserve	253,033	253,033	253,033	253,033
Retained profits	7,126,847	10,836,072	12,401,408	15,517,218
Shareholders' funds	<u>11,329,880</u>	<u>15,039,105</u>	<u>16,604,441</u>	<u>19,720,251</u>
Borrowings	137,600	952,127	295,609	30,321
Deferred tax liability	-	393,993	1,139,538	1,452,538
	<u>137,600</u>	<u>1,346,120</u>	<u>1,435,147</u>	<u>1,482,859</u>
	<u>11,467,480</u>	<u>16,385,225</u>	<u>18,039,588</u>	<u>21,203,110</u>

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

7.4 Star

	← As at 30 June →			As at
	2004	2005	2006	30 April
	RM	RM	RM	RM
Non-Current Asset				
Property, plant and equipment	1,372,352	1,370,679	852,505	789,024
Current Assets				
Inventories	15,623	5,595	6,909	-
Trade receivables	93,288	249,074	1,001,762	1,974,486
Other receivables	400	400	4,480	4,480
Cash on hand	2	2	-	-
	<u>109,313</u>	<u>255,071</u>	<u>1,013,151</u>	<u>1,978,966</u>
Current Liabilities				
Trade payables	59,125	-	79,426	444,072
Other payables	42,482	448,923	17,099	97,067
Borrowings	691,750	731,491	601,355	363,317
Taxation	-	-	23,000	24,552
	<u>793,357</u>	<u>1,180,414</u>	<u>720,880</u>	<u>929,008</u>
Net Current (Liabilities)/Assets	<u>(684,044)</u>	<u>(925,343)</u>	<u>292,271</u>	<u>1,049,958</u>
	<u>688,308</u>	<u>445,336</u>	<u>1,144,776</u>	<u>1,838,982</u>
Financed by:				
Share capital	150,000	150,000	150,000	150,000
(Accumulated losses)/retained profits	(133,546)	85,901	773,833	1,623,689
Shareholders' funds	<u>16,454</u>	<u>235,901</u>	<u>923,833</u>	<u>1,773,689</u>
Borrowings	629,854	167,435	178,943	23,293
Deferred tax liability	42,000	42,000	42,000	42,000
	<u>671,854</u>	<u>209,435</u>	<u>220,943</u>	<u>65,293</u>
	<u>688,308</u>	<u>445,336</u>	<u>1,144,776</u>	<u>1,838,982</u>

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

7.5 Yakin

	← As at 30 June →			As at
	2004	2005	2006	30 April 2007
	RM	RM	RM	RM
Non-Current Asset				
Property, plant and equipment	77,617	60,181	42,745	28,734
Current Assets				
Inventories	153,945	85,404	330,820	525,350
Trade receivables	96,493	183,653	1,486,812	1,129,727
Other receivables	5,647	4,646	88,818	48,897
Amount due from immediate holding company	107,407	135,258	-	-
Tax recoverable	86,754	86,754	86,754	64,303
Cash and bank balances	123,305	134,641	110,377	70,602
	<u>573,551</u>	<u>630,356</u>	<u>2,103,581</u>	<u>1,838,879</u>
Current Liabilities				
Trade payables	8,559	24,477	735,379	516,910
Other payables	8,921	12,628	8,000	8,000
Amount due to immediate holding company	-	-	743,995	593,693
Amount due to a related company	75,598	-	-	-
	<u>93,078</u>	<u>37,105</u>	<u>1,487,374</u>	<u>1,118,603</u>
Net Current Assets	<u>480,473</u>	<u>593,251</u>	<u>616,207</u>	<u>720,276</u>
	<u>558,090</u>	<u>653,432</u>	<u>658,952</u>	<u>749,010</u>
Financed by:				
Share capital	491,382	491,382	491,382	491,382
Retained profits	66,708	162,050	167,570	257,628
Shareholders' funds	<u>558,090</u>	<u>653,432</u>	<u>658,952</u>	<u>749,010</u>

10. ACCOUNTANTS' REPORT



7.6 SPH

	← As at 30 June →			As at
	2004	2005	2006	30 April
	RM	RM	RM	2007
				RM
Non-Current Asset				
Deferred tax asset	2,804	2,804	2,804	2,804
Current Asset				
Cash at bank	2,445	808	443	707
Current Liabilities				
Other payables	1,607	4,255	5,255	5,255
Amount due to immediate holding company	1,285	-	1,000	3,000
Taxation	249	249	249	249
	<u>3,141</u>	<u>4,504</u>	<u>6,504</u>	<u>8,504</u>
Net Current Liabilities	<u>(696)</u>	<u>(3,696)</u>	<u>(6,061)</u>	<u>(7,797)</u>
	<u>2,108</u>	<u>(892)</u>	<u>(3,257)</u>	<u>(4,993)</u>
Financed by:				
Share capital	20,000	20,000	20,000	20,000
Accumulated losses	(17,892)	(20,892)	(23,257)	(24,993)
Shareholders' funds/(deficit)	<u>2,108</u>	<u>(892)</u>	<u>(3,257)</u>	<u>(4,993)</u>

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

7.7 Multimedia

	← As at 30 June →			As at
	2004	2005	2006	30 April
	RM	RM	RM	2007 RM
Non-Current Assets				
Property, plant and equipment	762,698	756,346	749,995	2,256
Intangible asset	-	-	-	747,183
Deferred tax asset	20,611	20,611	20,611	20,611
	<u>783,309</u>	<u>776,957</u>	<u>770,606</u>	<u>770,050</u>
Current Assets				
Other receivables	5,795	-	-	-
Cash and bank balances	4,437	1,965	2,027	1,542
	<u>10,232</u>	<u>1,965</u>	<u>2,027</u>	<u>1,542</u>
Current Liabilities				
Other payables	1,403	1,600	2,800	3,200
Amount due to immediate holding company	-	-	3,000	5,000
	<u>1,403</u>	<u>1,600</u>	<u>5,800</u>	<u>8,200</u>
Net Current Assets/(Liabilities)	<u>8,829</u>	<u>365</u>	<u>(3,773)</u>	<u>(6,658)</u>
	<u>792,138</u>	<u>777,322</u>	<u>766,833</u>	<u>763,392</u>
Financed by:				
Share capital	900,000	902,000	902,000	902,000
Accumulated losses	(107,862)	(124,678)	(135,167)	(138,608)
Shareholders' funds	<u>792,138</u>	<u>777,322</u>	<u>766,833</u>	<u>763,392</u>

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

8.0 STATEMENTS OF CHANGES IN EQUITY

The following statements of changes in equity of BHS, Sistem, BBP, Star, Yakin, SPH and Multimedia set out below are based on their respective audited financial statements for the financial period/years ended 30 June 2004 to 2006 and financial period from 1 July 2006 to 30 April 2007 and, the unaudited management accounts for the financial period from 1 July 2005 to 30 April 2006.

8.1 BHS

	Share Capital RM	Accumulated Losses RM	Total RM
At date of incorporation	2	-	2
Net loss for the period	-	(6,466)	(6,466)
At 30 June 2006	2	(6,466)	(6,464)
Net loss for the period	-	(4,133)	(4,133)
At 30 April 2007	2	(10,599)	(10,597)
Unaudited:			
At date of incorporation	2	-	2
Net loss for the period	-	(4,379)	(4,379)
At 30 April 2006	2	(4,379)	(4,377)

8.2 Sistem

	Share Capital RM	Retained Profits RM	Total RM
At 1 July 2003	3,618,890	4,750,429	8,369,319
Net profit for the year	-	1,260,797	1,260,797
At 30 June 2004	3,618,890	6,011,226	9,630,116
Net profit for the year	-	674,947	674,947
Dividend	-	(201,600)	(201,600)
At 30 June 2005	3,618,890	6,484,573	10,103,463
Net profit for the year	-	2,644,201	2,644,201
Dividend	-	(4,320,000)	(4,320,000)
At 30 June 2006	3,618,890	4,808,774	8,427,664
Net profit for the period	-	493,827	493,827
At 30 April 2007	3,618,890	5,302,601	8,921,491
Unaudited:			
At 30 June 2005	3,618,890	6,484,573	10,103,463
Net profit for the period	-	478,220	478,220
At 30 April 2006	3,618,890	6,962,793	10,581,683

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

8.3 BBP

	Share Capital RM	Non- Distributable Capital Reserves RM	Distributable Retained Profits RM	Total RM
At 1 July 2003	3,950,000	253,033	4,462,609	8,665,642
Net profit for the year	-	-	2,664,238	2,664,238
At 30 June 2004	3,950,000	253,033	7,126,847	11,329,880
Net profit for the year	-	-	3,709,225	3,709,225
At 30 June 2005	3,950,000	253,033	10,836,072	15,039,105
Net profit for the year	-	-	3,365,336	3,365,336
Dividend	-	-	(1,800,000)	(1,800,000)
At 30 June 2006	3,950,000	253,033	12,401,408	16,604,441
Net profit for the period	-	-	3,115,810	3,115,810
At 30 April 2007	3,950,000	253,033	15,517,218	19,720,251
Unaudited:				
At 30 June 2005	3,950,000	253,033	10,836,072	15,039,105
Net profit for the period	-	-	3,225,031	3,225,031
At 30 April 2006	3,950,000	253,033	14,061,103	18,264,136

8.4 Star

	Share Capital RM	(Accumulated Losses) / Retained Profits RM	Total RM
At 1 July 2003	150,000	(21,428)	128,572
Net loss for the year	-	(112,118)	(112,118)
At 30 June 2004	150,000	(133,546)	16,454
Net profit for the year	-	219,447	219,447
At 30 June 2005	150,000	85,901	235,901
Net profit for the year	-	687,932	687,932
At 30 June 2006	150,000	773,833	923,833
Net profit for the period	-	849,856	849,856
At 30 April 2007	150,000	1,623,689	1,773,689
Unaudited:			
At 30 June 2005	150,000	85,901	235,901
Net profit for the period	-	309,845	309,845
At 30 April 2006	150,000	395,746	545,746

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

8.5 Yakin

	Share Capital RM	Retained Profits RM	Total RM
At 1 July 2003	491,382	257,732	749,114
Net loss for the year	-	(191,024)	(191,024)
At 30 June 2004	491,382	66,708	558,090
Net profit for the year	-	95,342	95,342
At 30 June 2005	491,382	162,050	653,432
Net profit for the year	-	677,731	677,731
Dividend	-	(672,211)	(672,211)
At 30 June 2006	491,382	167,570	658,952
Net profit for the period	-	90,058	90,058
At 30 April 2007	491,382	257,628	749,010
Unaudited:			
At 30 June 2005	491,382	162,050	653,432
Net profit for the period	-	763,555	763,555
At 30 April 2006	491,382	925,605	1,416,987

8.6 SPH

	Share Capital RM	Accumulated Losses RM	Total RM
At 1 July 2003	20,000	(15,202)	4,798
Net loss for the year	-	(2,690)	(2,690)
At 30 June 2004	20,000	(17,892)	2,108
Net loss for the year	-	(3,000)	(3,000)
At 30 June 2005	20,000	(20,892)	(892)
Net loss for the year	-	(2,365)	(2,365)
At 30 June 2006	20,000	(23,257)	(3,257)
Net loss for the period	-	(1,736)	(1,736)
At 30 April 2007	20,000	(24,993)	(4,993)
Unaudited:			
At 30 June 2005	20,000	(20,892)	(892)
Net loss for the period	-	(1,173)	(1,173)
At 30 April 2006	20,000	(22,065)	(2,065)

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

8.7 Multimedia

	Share Capital RM	Accumulated Losses RM	Total RM
At 1 July 2003	900,000	(99,726)	800,274
Net loss for the year	-	(8,136)	(8,136)
At 30 June 2004	900,000	(107,862)	792,138
Issue of ordinary shares for cash	2,000	-	2,000
Net loss for the year	-	(16,816)	(16,816)
At 30 June 2005	902,000	(124,678)	777,322
Net loss for the year	-	(10,489)	(10,489)
At 30 June 2006	902,000	(135,167)	766,833
Net loss for the period	-	(3,441)	(3,441)
At 30 April 2007	902,000	(138,608)	763,392
Unaudited:			
At 30 June 2005	902,000	(124,678)	777,322
Net loss for the period	-	(1,178)	(1,178)
At 30 April 2006	902,000	(125,856)	776,144

10. ACCOUNTANTS' REPORT (cont'd)

AF: 0039

9.0 CASH FLOW STATEMENTS

The following cash flow statements of BHS, Sistem, BBP, Star, Yakin, SPH and Multimedia set out below are based on their respective audited financial statements for the financial period/years ended 30 June 2004 to 2006 and financial period from 1 July 2006 to 30 April 2007 and, the unaudited management accounts for the financial period from 1 July 2005 to 30 April 2006.

9.1 BHS

	← Audited →	Unaudited	
	Period from date of incorporation to 30.6.2006 RM	Period from 1.7.2006 to 30.4.2007 RM	Period from 1.7.2006 to 30.4.2006 RM
Cash Flows From Operating Activities			
Loss before taxation	(6,466)	(4,133)	(4,379)
Increase in other receivables	(198,153)	(429,793)	(196,701)
Increase in amount due to a director and shareholder	7,352	4,595	5,803
Increase in other payables	197,267	429,331	195,277
Net cash generated from operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents as at date of incorporation/1 July	<u>2</u>	<u>2</u>	<u>2</u>
Cash and cash equivalents as at 30 June/30 April	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>2</u></u>

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

9.2 Sistem

	Audited			Unaudited	
	Financial year ended 30 June			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Cash Flows From Operating Activities					
Profit before taxation	1,747,543	750,651	3,701,201	743,827	674,518
Adjustments for:					
Depreciation	87,097	73,075	69,525	49,621	50,394
Interest expense	6,587	32	930	-	309
Bad debt written off	19,347	-	-	-	-
Impairment loss on investment	-	144,678	-	-	-
Allowance for doubtful debts	-	30,060	19,292	144,865	-
Inventories written off	-	-	-	63,222	-
Inventories written down	-	-	-	33,000	-
Gain on disposal of property, plant and equipment	(14,498)	(1,999)	-	-	-
Dividend income	-	-	(3,433,626)	-	-
Operating profit before working capital changes	1,846,076	996,497	357,322	1,034,535	725,221
(Increase)/decrease in inventories	(653,525)	(506,130)	(21,806)	289,334	(41,475)
Decrease/(increase) in receivables	845,237	86,781	338,258	(1,687,322)	(92,863)
(Decrease)/increase in payables	(336,023)	721,946	275,517	(1,211,496)	14,579
(Decrease)/increase in amount due to holding company	(790,000)	(98,400)	3,918,400	-	(401,600)
(Increase)/decrease in amount due from subsidiaries	(341,580)	27,851	(2,683,253)	1,946,302	(1,300)
Cash generated from operations	570,185	1,228,545	2,184,438	371,353	202,562
Interest paid	(6,587)	(32)	(930)	-	(309)
Tax paid	(246,823)	(820,301)	(481,130)	(233,946)	(381,130)
Net cash generated from/(used in) operating activities	316,775	408,212	1,702,378	137,407	(178,877)
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	(176,602)	(57,036)	(10,180)	(10,305)	(4,780)
Proceeds from disposal of property, plant and equipment	14,500	2,000	-	-	-
Additional investment in a subsidiary company	-	(2,000)	-	-	-
Net dividend income received	-	-	2,472,211	-	-
Dividends paid	-	(201,600)	(4,320,000)	-	-
Net cash used in investing activities	(162,102)	(258,636)	(1,857,969)	(10,305)	(4,780)
Net increase/(decrease) in cash and cash equivalents	154,673	149,576	(155,591)	127,102	(183,657)
Cash and cash equivalents at 1 July	213,536	368,209	517,785	362,194	517,785
Cash and cash equivalents at 30 June/30 April	368,209	517,785	362,194	489,296	334,128

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

9.3 BBP

	Audited			Unaudited	
	Financial year ended 30 June			Period from	Period from
	2004	2005	2006	1.7.2006	1.7.2005
	RM	RM	RM	to 30.4.2007	to 30.4.2006
				RM	RM
Cash Flows From Operating Activities					
Profit before taxation	2,705,139	4,597,881	4,740,881	3,663,810	4,521,070
Adjustments for:					
Depreciation	1,064,108	1,209,666	1,305,273	1,124,759	906,527
Interest expense	424,032	333,096	491,893	286,590	393,676
Impairment loss on investment	4,112	-	-	-	-
Allowance for doubtful debts	-	-	-	221,794	-
Gain on disposal of property, plant and equipment	(100,728)	(4,999)	-	(492,498)	-
Inventories written off	-	-	-	71,691	-
Dividend income	(270)	(613)	(875)	(875)	-
Operating profit before working capital changes	4,096,393	6,135,031	6,537,172	4,875,271	5,821,273
(Increase)/decrease in inventories	(1,217,935)	(1,706,312)	(4,876,458)	5,023,924	(2,813,705)
Decrease/(increase) in receivables	1,591,135	(5,713,198)	(584,770)	1,192,022	(621,603)
(Decrease)/increase in payables	(1,045,736)	4,402,295	1,731,524	(20,324)	(190,598)
Increase/(decrease) in amount due to holding company	2,150,000	(850,000)	1,100,000	(1,800,000)	(700,000)
Cash generated from operations	5,573,857	2,267,816	3,907,468	9,270,893	1,495,367
Tax paid	-	(16,656)	(701,460)	(657,551)	(701,705)
Interest paid	(424,032)	(333,096)	(491,893)	(286,590)	(393,676)
Net cash generated from operating activities	5,149,825	1,918,064	2,714,115	8,326,752	399,986
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	(4,577,053)	(2,763,911)	(1,400)	(7,800,757)	(1,400)
Proceeds from disposal of property, plant and equipment	112,500	5,000	-	1,180,000	-
Net dividend income received	270	613	875	875	-
Dividends paid	-	-	(1,800,000)	-	-
Net cash used in investing activities	(4,464,283)	(2,758,298)	(1,800,525)	(6,619,882)	(1,400)
Cash Flows From Financing Activities					
Net (repayment)/drawdown of term loans	(665,273)	888,742	(777,953)	(592,113)	(664,776)
Net (repayment)/drawdown of hire purchase payables	(16,576)	48,996	(21,006)	(17,505)	(20,130)
Net cash (used in)/generated from financing activities	(681,849)	937,738	(798,959)	(609,618)	(684,906)
Net increase/(decrease) in cash and cash equivalents	3,693	97,504	114,631	1,097,252	(286,320)
Cash and cash equivalents at 1 July	(5,090)	(1,397)	96,107	210,738	96,107
Cash and cash equivalents at 30 June/30 April	(1,397)	96,107	210,738	1,307,990	(190,213)

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

9.4 Star

	Audited			Unaudited	
	Financial year ended 30 June			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Cash Flows From Operating Activities					
(Loss)/profit before taxation	(94,418)	219,447	743,079	900,856	338,204
Adjustments for:					
Depreciation	524,176	521,673	518,174	296,600	388,630
Gain on disposal of property, plant and equipment	-	(80,000)	-	-	-
Bad debt written off	-	-	3,640	-	-
Interest expense	95,093	74,313	61,977	26,455	40,456
Operating profit before working capital changes	524,851	735,433	1,326,870	1,223,911	767,290
(Increase)/decrease in inventories	(15,623)	10,028	(1,314)	6,909	5,595
Decrease/(increase) in receivables	495,747	(155,786)	(760,408)	(972,724)	(351,912)
Increase/(decrease) in payables	9,541	347,316	(352,398)	444,614	(333,439)
Decrease in holding company indebtedness	(260,000)	-	-	-	-
Cash generated from operations	754,516	936,991	212,750	702,710	87,534
Interest paid	(93,193)	(74,313)	(61,977)	(26,455)	(40,456)
Tax paid	-	-	(32,147)	(49,448)	(22,298)
Net cash generated from operating activities	661,323	862,678	118,626	626,807	24,780
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	(1,100,000)	(550,000)	-	(233,119)	-
Proceeds from disposal of property, plant and equipment	-	110,000	-	-	-
Net cash used in investing activities	(1,100,000)	(440,000)	-	(233,119)	-
Cash Flows From Financing Activities					
Drawdown of term loan	800,000	-	400,000	-	-
Repayment of term loans	(338,415)	(428,050)	(544,921)	(323,521)	(57,380)
Net cash generated from/(used in) financing activities	461,585	(428,050)	(144,921)	(323,521)	(57,380)
Net increase/(decrease) in cash and cash equivalents	22,908	(5,372)	(26,295)	70,167	(32,600)
Cash and cash equivalents at 1 July	(286,096)	(263,188)	(268,560)	(294,855)	(268,560)
Cash and cash equivalents at 30 June/30 April	(263,188)	(268,560)	(294,855)	(224,688)	(301,160)

10. ACCOUNTANTS' REPORT



9.5 Yakin

	Audited			Unaudited	
	Financial year ended 30 June			Period from 1.7.2006 to 30.4.2007	Period from 1.7.2005 to 30.4.2006
	2004 RM	2005 RM	2006 RM	RM	RM
Cash Flows From Operating Activities					
(Loss)/profit before taxation	(191,024)	95,342	677,731	116,289	763,555
Adjustments for:					
Depreciation	21,264	17,436	17,436	14,011	13,077
Write back of unclaimed royalty fees	-	(1,378)	-	-	-
Bad debt written off	1,570	-	-	-	-
Gain on sale of property, plant and equipment	(12,000)	-	-	-	-
Operating (loss)/profit before working capital changes	(180,190)	111,400	695,167	130,300	776,632
(Increase)/decrease in inventories	(10,911)	68,541	(245,416)	(194,530)	(238,276)
Decrease/(increase) in receivables	194,279	(86,159)	(1,387,331)	397,006	(1,179,302)
(Decrease)/increase in payables	(30,488)	21,003	706,274	(218,469)	569,611
Increase/(decrease) in amount due to holding company	341,580	(27,851)	879,253	(150,302)	(700)
Decrease in related company indebtedness	(236,419)	(75,598)	-	-	-
Cash generated from/(used in) operating activities	77,851	11,336	647,947	(35,995)	(72,035)
Taxes paid	-	-	-	(3,780)	-
Net cash generated from/(used in) operating activities	77,851	11,336	647,947	(39,775)	(72,035)
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment	12,000	-	-	-	-
Dividend paid	-	-	(672,211)	-	-
Net cash generated from/(used in) investing activities	12,000	-	(672,211)	-	-
Net increase/(decrease) in cash and cash equivalents	89,851	11,336	(24,264)	(39,775)	(72,035)
Cash and cash equivalents at 1 July	33,454	123,305	134,641	110,377	134,641
Cash and cash equivalents at 30 June/30 April	123,305	134,641	110,377	70,602	62,606

10. ACCOUNTANTS' REPORT (cont'd)



9.6 SPH

	← Audited →			→ Unaudited	
	← Financial year ended 30 June →			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Cash Flows From Operating Activities					
Loss before taxation	(3,363)	(3,000)	(2,365)	(1,736)	(1,173)
(Decrease)/increase in payables	(99)	2,648	1,000	-	-
Increase/(decrease) in amount due to holding company	1,285	(1,285)	1,000	2,000	1,000
Net cash (used in)/generated from operating activities	(2,177)	(1,637)	(365)	264	(173)
Net (decrease)/increase in cash and cash equivalents	(2,177)	(1,637)	(365)	264	(173)
Cash and cash equivalents as at 1 July	4,622	2,445	808	443	808
Cash and cash equivalents as at 30 June/30 April	2,445	808	443	707	635

9.7 Multimedia

	← Audited →			→ Unaudited	
	← Financial year ended 30 June →			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Cash Flows From Operating Activities					
Loss before taxation	(10,170)	(16,816)	(10,489)	(3,441)	(1,178)
Adjustments for:					
Depreciation	7,604	6,352	6,351	556	-
Bad debts written off	-	5,795	-	-	-
Operating loss before working capital changes	(2,566)	(4,669)	(4,138)	(2,885)	(1,178)
(Decrease)/increase in payables	(350)	197	1,200	400	1,000
Increase in amount due to holding company	-	-	3,000	2,000	-
Net cash (used in)/generated from operating activities	(2,916)	(4,472)	62	(485)	(178)
Cash Flows From Financing Activity					
Proceeds from issuance of ordinary shares	-	2,000	-	-	-
Net cash generated from financing activity	-	2,000	-	-	-
Net (decrease)/increase in cash and cash equivalents	(2,916)	(2,472)	62	(485)	(178)
Cash and cash equivalents at 1 July	7,353	4,437	1,965	2,027	1,965
Cash and cash equivalents at 30 June/30 April	4,437	1,965	2,027	1,542	1,787

10. ACCOUNTANTS' REPORT (cont'd)

AF: 0039

10.0 PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP

The summarised pro forma consolidated financial statements (consolidated income statements, consolidated balance sheets, consolidated statements of changes in equity and consolidated cash flow statements) of the BHS Group set out below are presented for illustrative purposes only on the basis assuming that Sistem, BBP, Star, Yakin, SPH and Multimedia had been held as subsidiaries by BHS throughout the relevant periods under review.

The summarised pro forma consolidated financial statements of BHS Group for the financial years ended 30 June 2004 to 2006 and financial period from 1 July 2006 to 30 April 2007 are based on the audited financial statements of BHS, Sistem, BBP, Star, Yakin, SPH and Multimedia for the financial years ended 30 June 2004 to 2006 and financial period from 1 July 2006 to 30 April 2007 respectively and, the unaudited management accounts for the financial period from 1 July 2005 to 30 April 2006.

10.1 PRO FORMA CONSOLIDATED INCOME STATEMENTS OF BHS GROUP

		← Pro Forma Group →				
		← Financial year ended 30 June →			Period from	Period from
		2004	2005	2006	to 30.4.2007	1.7.2005
Note		RM	RM	RM	RM	RM
	Revenue	29,038,205	34,471,454	35,783,760	31,480,638	31,224,595
	Cost of sales	(19,913,391)	(24,891,517)	(25,468,015)	(23,260,245)	(21,798,843)
	Gross profit	9,124,814	9,579,937	10,315,745	8,220,393	9,425,752
	Other income	326,949	571,611	279,915	691,373	163,915
	Administrative and other operating expenses	(4,772,344)	(3,955,924)	(3,630,914)	(3,183,249)	(2,864,609)
	Profit from operations	4,679,419	6,195,624	6,964,746	5,728,517	6,725,058
	Finance costs	(525,712)	(407,441)	(554,800)	(313,045)	(434,441)
	Profit before taxation	4,153,707	5,788,183	6,409,946	5,415,472	6,290,617
	Taxation	(542,640)	(964,360)	(1,526,277)	(875,231)	(1,520,696)
	Profit after taxation	3,611,067	4,823,823	4,883,669	4,540,241	4,769,921

10. ACCOUNTANTS' REPORT (cont'd)



10.2 PRO FORMA CONSOLIDATED BALANCE SHEETS OF BHS GROUP

Note	Pro Forma Group				
	As at 30 June		As at		
	2004 RM	2005 RM	2006 RM	30.4.2007 RM	
Non-Current Assets					
Property, plant and equipment	10.5.9	11,457,681	12,970,424	11,065,245	16,189,194
Intangible assets	10.5.10	-	-	-	747,183
Other investments	10.5.11	12,688	12,688	12,688	12,688
Deferred tax asset	10.5.12	181,422	23,415	23,415	23,415
		<u>11,651,791</u>	<u>13,006,527</u>	<u>11,101,348</u>	<u>16,972,480</u>
Current Assets					
Inventories	10.5.13	5,729,745	7,863,618	13,008,612	7,715,062
Trade receivables	10.5.14	8,965,520	13,967,021	14,326,363	14,700,852
Other receivables	10.5.15	115,779	32,290	410,695	840,637
Tax recoverable		87,174	87,346	341,560	332,270
Cash and bank balances		640,211	932,271	685,781	1,870,139
		<u>15,538,429</u>	<u>22,882,546</u>	<u>28,773,011</u>	<u>25,458,960</u>
Current Liabilities					
Trade payables		2,283,103	3,464,699	3,767,203	2,303,106
Other payables	10.5.16	273,778	1,917,893	1,652,698	7,952,080
Amount due to holding company	10.5.17	2,650,000	1,701,600	4,920,000	4,920,000
Borrowings	10.5.18	4,881,694	6,759,509	7,004,918	685,358
Taxation		1,020,381	595,784	415,748	24,801
		<u>11,108,956</u>	<u>14,439,485</u>	<u>17,760,567</u>	<u>15,885,345</u>
Net Current Assets		<u>4,429,473</u>	<u>8,443,061</u>	<u>11,012,444</u>	<u>9,573,615</u>
		<u>16,081,264</u>	<u>21,449,588</u>	<u>22,113,792</u>	<u>26,546,095</u>
Financed by:					
Share capital		20,704,771	20,704,771	20,704,771	20,704,771
Reserves		(5,466,707)	(844,484)	(280,815)	4,259,426
Shareholders' funds		<u>15,238,064</u>	<u>19,860,287</u>	<u>20,423,956</u>	<u>24,964,197</u>
Borrowings	10.5.18	767,454	1,119,562	474,552	53,614
Deferred tax liabilities	10.5.20	75,746	469,739	1,215,284	1,528,284
		<u>843,200</u>	<u>1,589,301</u>	<u>1,689,836</u>	<u>1,581,898</u>
		<u>16,081,264</u>	<u>21,449,588</u>	<u>22,113,792</u>	<u>26,546,095</u>

10. ACCOUNTANTS' REPORT (cont'd)



10.3 PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF BHS GROUP

	← Pro Forma Group →			Total RM
	Share Capital RM	← Reserves → Merger Deficit RM	Retained Profits RM	
At 1 July 2003	20,704,771	(9,077,774)	-	11,626,997
Net profit for the year	-	-	3,611,067	3,611,067
At 30 June 2004	20,704,771	(9,077,774)	3,611,067	15,238,064
Net profit for the year	-	-	4,823,823	4,823,823
Dividend	-	-	(201,600)	(201,600)
At 30 June 2005	20,704,771	(9,077,774)	8,233,290	19,860,287
Net profit for the year	-	-	4,883,669	4,883,669
Dividend	-	-	(4,320,000)	(4,320,000)
At 30 June 2006	20,704,771	(9,077,774)	8,796,959	20,423,956
Net profit for the period	-	-	4,540,241	4,540,241
At 30 April 2007	20,704,771	(9,077,774)	13,337,200	24,964,197
Unaudited:				
At 30 June 2005	20,704,771	(9,077,774)	8,233,290	19,860,287
Net profit for the period	-	-	4,769,921	4,769,921
At 30 April 2006	20,704,771	(9,077,774)	13,003,211	24,630,208

10. ACCOUNTANTS' REPORT (cont'd)



10.4 PRO FORMA CONSOLIDATED CASH FLOW STATEMENTS OF BHS GROUP

	Pro Forma Group				
	← Financial year ended 30 June →			Period from	Period from
	2004	2005	2006	to 1.7.2006	to 1.7.2005
	RM	RM	RM	RM	RM
Cash Flows From Operating Activities					
Profit before taxation	4,153,707	5,788,183	6,409,946	5,415,472	6,290,617
Adjustments for					
Depreciation	1,704,249	1,828,202	1,916,759	1,485,547	1,358,628
Interest expense	525,712	407,441	554,800	313,045	434,441
Impairment loss on investment	4,112	-	-	-	-
Allowance for doubtful debts	-	30,060	19,292	366,659	-
Bad debts written off	20,917	5,795	3,640	-	-
Gain on disposal of property, plant and equipment	(127,226)	(86,998)	-	(492,498)	-
Inventories written down	-	-	-	33,000	-
Inventories written off	-	-	-	134,913	-
Write back of unclaimed royalty fees	-	(1,378)	-	-	-
Dividend income	(270)	(613)	(875)	(875)	(875)
Operating profit before working capital changes	6,281,201	7,970,692	8,903,562	7,255,263	8,082,811
(Increase)/decrease in inventories	(1,897,994)	(2,133,873)	(5,144,994)	5,125,637	(3,087,862)
Decrease/(increase) in receivables	1,789,938	(4,953,867)	(760,681)	(1,171,090)	(1,045,605)
(Decrease)/increase in payables	(506,880)	4,504,199	736,256	(901,907)	(1,135,542)
Increase/(decrease) in amount due to holding company	1,360,000	(948,400)	3,218,400	-	(1,101,600)
Cash generated from operations	7,026,265	4,438,751	6,952,543	10,307,903	1,712,202
Tax paid	(301,772)	(837,129)	(1,214,980)	(943,888)	(1,105,133)
Interest paid	(523,812)	(407,441)	(554,800)	(313,045)	(434,441)
Net cash generated from operating activities	6,200,681	3,194,181	5,182,763	9,050,970	172,628
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	(5,853,655)	(3,370,947)	(11,580)	(8,044,181)	(6,180)
Proceeds from disposal of property, plant and equipment	139,000	117,000	-	1,180,000	-
Net dividend income received	270	613	875	875	875
Dividends paid	-	(201,600)	(4,320,000)	-	-
Net cash used in investing activities	(5,714,385)	(3,454,934)	(4,330,705)	(6,863,306)	(5,305)
Cash Flows From Financing Activities					
Net (repayment)/drawdown of term loans	(203,688)	460,692	(922,874)	(915,634)	(722,156)
Net (repayment)/drawdown of hire purchase payables	(16,576)	48,996	(21,006)	(17,505)	(20,130)
Net cash (used in)/generated from financing activities	(220,264)	509,688	(943,880)	(933,139)	(742,286)
Net increase/(decrease) in cash and cash equivalents	266,032	248,935	(91,822)	1,254,525	(574,963)
Cash and cash equivalents at 1 July	(32,219)	233,813	482,748	390,926	482,748
Cash and cash equivalents at 30 June/30 April	233,813	482,748	390,926	1,645,451	(92,215)

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



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP

10.5.1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia. At the beginning of the financial period ended 1 July 2006 to 30 April 2007, the Group had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 10.5.2.

The financial statements of the Group have also been prepared on a historical basis except for certain plant and machinery included within property, plant and equipment which is fully described in Note 10.5.1(c).

The financial statements are presented in Ringgit Malaysia (RM).

(b) Subsidiaries and Basis of Consolidation

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

Investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

The consolidated financial statements comprise the financial statements of BHS and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated using the purchase method except for subsidiaries arising from common control transfers. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities assumed at the date of the acquisition. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss. The common control transfers are acquisition of entities whereby these entities have common ultimate controlling parties prior to and immediately after such transfers. The difference between the carrying value of the investment and the nominal value of ordinary shares acquired is treated as a merger reserve or merger deficit. Merger deficit is adjusted against suitable reserves of the subsidiaries acquired to the extent that laws or statutes do not prohibit the use of such reserves. The results and financial position of the companies being merged are included as if the merger had been effected throughout the entire year.

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)

10.5.1 Summary of Significant Accounting Policies (Contd.)

(b) Subsidiaries and Basis of Consolidation (Contd.)

In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs 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 derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for certain plant and machinery, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Certain plant and machinery of the Group were revalued by the directors in periods prior to 1989. As permitted by FRS 116 Property, Plant and Equipment, these assets are stated at their previous revalued amount (subject to continuity in depreciation policy and the requirement to write an asset down to its recoverable amount) on the basis that the revaluation carried out then, was a one-off isolated event and not intended to be an adoption of a revaluation policy in place of historical cost.

Leasehold land is depreciated over the period of the lease at 95 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Plant and machinery	5% - 20%
Electrical installations	10% - 25%
Office equipment, furniture, fixtures and fittings	10%
Factory equipment	10%
Renovation and signboard	10%
Computers	25%
Motor vehicles	20%

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



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)

10.5.1 Summary of Significant Accounting Policies (Contd.)

(c) Property, Plant and Equipment and Depreciation (Contd.)

The residual values, useful life and depreciation method are reviewed at each financial year-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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(d) Inventories

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

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

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

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 10.5.1(c).

10. ACCOUNTANTS' REPORT (cont'd)

**10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)****10.5.1 Summary of Significant Accounting Policies (Contd.)****(f) Income Tax**

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises 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 when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(g) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of books

Revenue from the sale of books is recognised upon delivery of goods to the customers net of discounts, returns and sales taxes.

(ii) Revenue from services

Revenue from services is recognised net of discounts as and when the services are performed.

(iii) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

10. ACCOUNTANTS' REPORT



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)

10.5.1 Summary of Significant Accounting Policies (Contd.)

(h) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(i) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

10. ACCOUNTANTS' REPORT (cont'd)

**10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)****10.5.1 Summary of Significant Accounting Policies (Contd.)**

- (i) Foreign Currencies (Contd.)
- (ii) Foreign Currency Transactions (Contd.)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit and loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

- (j) Impairment of Non-Financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets, 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.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)**10.5.1 Summary of Significant Accounting Policies (Contd.)****(k) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(l) 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 arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in 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) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash and bank balances, net of outstanding bank overdraft.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

(iii) Trade Receivables

Trade 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 as at the balance sheet date.

10. ACCOUNTANTS' REPORT (cont'd)


10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)
10.5.1 Summary of Significant Accounting Policies (Contd.)

(l) Financial Instruments (Contd.)

(iv) Trade Payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest-Bearing Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

(vi) Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(m) Development Costs

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

10. ACCOUNTANTS' REPORT (cont'd)

AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)**10.5.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs**

On 1 July 2006, the Group adopted the following FRSs mandatory for financial periods beginning on and after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the new and revised FRSs above did not result in significant changes in the accounting policies of the Group.

Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs, Amendments to FRS and Interpretations		Effective for financial periods beginning on or after
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 119	Employee Benefits	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 126	Accounting and Reporting by Retirement Benefit Plans	1 July 2007

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)

10.5.2 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

Standards and Interpretations Issued but Not Yet Effective (Contd.)

FRSs, Amendments to FRS and Interpretations		Effective for financial periods beginning on or after
FRS 129	Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities Arising from Participation in a Specific Market - Waste Electrical and Electrical Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The Group has not early adopted FRS 117, FRS 124 and FRS 139 and is exempted from disclosing the possible impact of applying these FRSs.

The above FRSs, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group upon their initial application.

10.5.3 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Allowance for Doubtful Debts

The policy for allowance for doubtful debts of the Group is based on the evaluation of collectibility and ageing analysis of the receivables and on directors judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, additional allowances may be required. Further details are given in Note 10.5.14.

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)

10.5.3 Significant Accounting Estimates and Judgements (Contd.)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial period end, 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.

(i) Depreciation of Plant and Machinery

The cost of plant and machinery for the printing machines is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 5 to 20 years.

(ii) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value as at 30 April 2007 of recognised tax losses and capital allowances of the Group was RM92,000 and the unrecognised tax losses and capital allowances of the Group was RM317,000.

10.5.4 Revenue

	← Financial year ended 30 June →			Period from	Period from
	2004	2005	2006	1.7.2006	1.7.2005
	RM	RM	RM	to 30.4.2007	to 30.4.2006
Sale of books	10,787,995	9,306,785	7,157,218	6,054,508	6,427,022
Printing services	18,244,810	25,154,079	28,603,369	25,382,163	24,774,400
Binding services	5,400	10,590	23,173	43,967	23,173
	<u>29,038,205</u>	<u>34,471,454</u>	<u>35,783,760</u>	<u>31,480,638</u>	<u>31,224,595</u>

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)

10.5.5 Profit From Operations

Profit from operations is stated after charging/(crediting):

	← Financial year ended 30 June →			Period from	Period from
	2004	2005	2006	1.7.2006	1.7.2005
	RM	RM	RM	to 30.4.2007	to 30.4.2006
			RM	RM	RM
Auditors' remuneration					
Statutory audit	27,600	27,600	28,600	28,600	-
Overprovision in prior year	-	(1,000)	-	-	-
Depreciation	1,704,249	1,828,202	1,916,759	1,485,547	1,358,628
Staff costs (Note 10.5.6)	4,947,800	4,426,203	3,888,052	2,832,488	3,327,131
Allowance for doubtful debts	-	30,060	19,292	366,659	-
Bad debts written off	20,917	5,795	3,640	-	-
Inventories written off	-	-	-	134,913	-
Inventories written down	-	-	-	33,000	-
Rental of premises	548,670	549,060	520,850	439,100	433,650
Rental of equipment	10,253	5,700	6,000	4,500	4,500
Foreign exchange loss	-	-	21,661	41,426	16,099
Bad debts recovered	-	(384,000)	(179,040)	(88,000)	163,041
Impairment loss on investment	4,112	-	-	-	-
Gain on disposal of property, plant and equipment	(127,226)	(86,998)	-	(492,498)	-
Dividend income	(270)	(613)	(875)	(875)	(875)

10.5.6 Staff Costs

Salaries and wages	4,500,002	3,989,490	3,475,386	2,520,448	2,988,778
Employees Provident Fund	338,667	306,621	259,186	185,346	218,013
Other staff benefits	109,131	130,092	153,480	126,694	120,340
	4,947,800	4,426,203	3,888,052	2,832,488	3,327,131
Directors' remuneration	309,057	315,092	215,040	202,964	166,000

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)

10.5.7 Finance Costs

	← Financial year ended 30 June →			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Interest expense:					
Bank overdraft	30,300	28,277	25,548	25,432	20,613
Trust receipts	284,015	251,483	367,950	219,376	315,296
Bankers' acceptances	5,073	10,200	14,269	14,392	9,625
Hire purchase	5,810	2,100	3,150	2,625	-
Term loans	163,372	86,648	113,175	40,024	63,849
Others	37,142	28,733	30,708	11,196	25,058
	<u>525,712</u>	<u>407,441</u>	<u>554,800</u>	<u>313,045</u>	<u>434,441</u>

10.5.8 Taxation

	← Financial year ended 30 June →			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Income tax:					
Malaysian income tax	657,000	569,000	778,585	536,000	777,088
Under/(over) provided in prior years	15,908	(156,640)	2,147	26,231	-
	<u>672,908</u>	<u>412,360</u>	<u>780,732</u>	<u>562,231</u>	<u>777,088</u>
Deferred tax:					
Relating to origination and reversal of temporary differences	(130,268)	553,194	740,950	350,295	743,608
Relating to changes in tax rates	-	-	-	(40,824)	-
(Over)/underprovision in prior years	-	(1,194)	4,595	3,529	-
	<u>(130,268)</u>	<u>552,000</u>	<u>745,545</u>	<u>313,000</u>	<u>743,608</u>
	<u>542,640</u>	<u>964,360</u>	<u>1,526,277</u>	<u>875,231</u>	<u>1,520,696</u>

10. ACCOUNTANTS' REPORT (cont'd)



AF: 0039

10.5 NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF BHS GROUP (CONTD.)

10.5.8 Taxation (Contd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	← Financial year ended 30 June →			Period from	Period from
	2004	2005	2006	1.7.2006 to 30.4.2007	1.7.2005 to 30.4.2006
	RM	RM	RM	RM	RM
Profit before taxation	4,153,707	5,788,183	6,409,946	5,415,472	6,290,617
Taxation at Malaysian statutory tax rate	1,163,037	1,620,692	1,794,785	1,462,177	1,761,373
Effect of different tax rates for small and medium scale companies	23,918	(23,598)	(112,119)	(70,548)	(87,602)
Effect of expenses not deductible for tax purposes	22,439	42,108	65,830	111,279	65,830
Effect of changes in tax rates on opening balance of deferred tax	-	-	-	(40,824)	-
Utilisation of reinvestment allowances	(746,552)	(452,979)	(95,985)	(645,453)	(85,929)
Deferred tax assets recognised on previously unutilised tax losses and unabsorbed capital allowances	-	(67,992)	(135,547)	(23,358)	(135,547)
(Over)/underprovision of deferred tax in prior years	-	(1,194)	4,595	3,529	-
Deferred tax assets not recognised on unutilised tax losses and unabsorbed capital allowances	67,503	3,963	2,571	1,035	2,571
Deferred tax assets not recognised on other temporary differences	-	-	-	51,163	-
Under/(over) provision of tax expense in prior years	15,908	(156,640)	2,147	26,231	-
Other items	(3,613)	-	-	-	-
Tax expense for the year/period	542,640	964,360	1,526,277	875,231	1,520,696