

12. ACCOUNTANTS' REPORT

SJ Grant Thornton 

Chartered Accountants

(PREPARED FOR INCLUSION IN THIS PROSPECTUS)

Date: 7 January 2008

The Board of Directors
SCGM BHD
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sirs,

ACCOUNTANTS' REPORT

SCGM BHD ("SCGM") AND ITS SUBSIDIARY COMPANY ("SCGM GROUP" OR "THE GROUP")

1. INTRODUCTION

This report has been prepared by us, an Approved Company Auditor for inclusion in this prospectus in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of SCGM on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") which includes the following:-

(i) Public Issue


Public Issue of 12,000,000 new ordinary shares of RM0.50 each ("SCGM Shares") at an issue price of RM0.78 per SCGM Share to the Malaysian Public, eligible Directors, employees and other persons who have contributed to the success of SCGM Group and selected investors by way of private placement.

The allocation of the Public Issue is as follows:-

- (a) 6,000,000 new SCGM Shares representing 7.50% of the enlarged issued and paid-up share capital of SCGM will be made available for application by the Malaysian Public to be allocated via ballot, of which 30% will be set aside for Bumiputera investors;
- (b) 4,500,000 new SCGM Shares representing approximately 5.62% of the enlarged issued and paid-up share capital of SCGM will be made available for application by the eligible Directors, employees and other persons who have contributed to the success of the SCGM Group; and
- (c) 1,500,000 new SCGM Shares representing approximately 1.88% of the enlarged issued and paid-up share capital of SCGM will be made available for application by way of private placement to selected investors.

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12. ACCOUNTANTS' REPORT (Cont'd)SJ Grant Thornton **1. INTRODUCTION (CONT'D)****(ii) Offer for Sale**

The Offerors shall offer for sale of 24,000,000 SCGM Shares, representing 30% of the enlarged issued and paid-up share capital of SCGM at an offer price of RM0.78 each per SCGM Share to Bumiputera investors to be approved by the Ministry of International Trade and Industry ("MITI").

[Public Issue and Offer for Sales are collectively referred as "Initial Public Offer"].

(iii) Share Transfer

The Promoters will transfer a portion of their Shares amounting to 24,000,000 SCGM Shares to SCGM Lee Sdn Bhd ("SLSB") for a total consideration of RM12.00 million to be satisfied via the issuance of 1,000 ordinary shares of RM1.00 each in SLSB and the balance of RM11.999 million will remain as amount owing from SLSB to the Promoters.

(iv) Listing and Quotation on the Second Board of Bursa Securities

In conjunction with the Initial Public Offer, SCGM seeks the admission and the listing of and quotation for its entire enlarged issued and paid-up share capital of SCGM comprising 80,000,000 SCGM Shares on the Official List of the Second Board of the Bursa Securities.

2. GENERAL INFORMATION**2.1 Background**

SCGM was incorporated on 29 June 2007 and domiciled in Malaysia under the Companies Act, 1965, as a public limited liability company under the name of SCGM Bhd.

2.1.1 Flotation Exercise

As an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of SCGM, SCGM Group undertook the flotation exercise that was approved by the Securities Commission ("SC") on 14 November 2007. The Flotation Exercise involves the following:-

(i) Acquisition

Acquisition of the entire issued and paid up share capital of Lee Soon Seng Plastic Industries Sdn. Bhd. ("LSSPI") comprising 2,200,000 ordinary shares of RM1.00 each for a consideration of RM30,427,000 satisfied by the issuance of 60,854,000 new SCGM Share at par.

The Acquisition was completed on 18 December 2007.

(ii) Rights Issue

Rights Issue of 7,144,000 new SCGM shares at an issue price of RM0.50 each to the existing shareholders of SCGM on the basis of approximately ten (10) new ordinary shares of RM0.50 each in SCGM for every eighty five (85) SCGM Shares held after the acquisition.

The Rights Issue was completed on 19 December 2007.

12. ACCOUNTANTS' REPORT (Cont'd)SJ Grant Thornton **2. GENERAL INFORMATION (CONT'D)****2.1.1 Flotation Exercise (cont'd)****(iii) Public Issue**

Public Issue of 12,000,000 new SCGM Shares at an issue price of RM0.78 per SCGM Share to the Malaysian Public, eligible Directors, employees and other persons who have contributed to the success of SCGM Group and selected investors by way of private placement.

The allocation of the Public Issue is as follows:-

- (a) 6,000,000 new SCGM Shares representing 7.50% of the enlarged issued and paid-up share capital of SCGM will be made available for application by the Malaysian public to be allocated via ballot, of which 30% will be set aside for Bumiputera investors;
- (b) 4,500,000 new SCGM Shares representing approximately 5.62% of the enlarged issued and paid-up share capital of SCGM will be made available for application by the eligible Directors, employees and other persons who have contributed to the success of the SCGM Group; and
- (c) 1,500,000 new SCGM Shares representing approximately 1.88% of the enlarged issued and paid-up share capital of SCGM will be made available for application by way of private placement to selected investors

(iv) Offer for Sale

The Offerors shall offer for sale of 24,000,000 SCGM Shares, representing 30% of the enlarged issued and paid-up share capital of SCGM at an offer price of RM0.78 each per SCGM Share to Bumiputera investors to be approved by the MITI.

(v) Share Transfer

The Promoters will transfer a portion of their Shares amounting to 24,000,000 SCGM Shares to SCGM Lee Sdn Bhd ("SLSB") for a total consideration of RM12.00 million to be satisfied via the issuance of 1,000 ordinary shares of RM1.00 each in SLSB and the balance of RM11.999 million will remain as amount owing from SLSB to the Promoters.

(vi) Listing and Quotation on the Second Board of Bursa Securities

In conjunction with the Initial Public Offer, SCGM seeks the admission and the listing of and quotation for its entire enlarged issued and paid-up share capital of SCGM comprising 80,000,000 SCGM Shares on the Official List of the Second Board of the Bursa Securities.

12. ACCOUNTANTS' REPORT (Cont'd)

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2. GENERAL INFORMATION (CONT'D)

2.2 Share capital

The changes in the Company's authorised share capital since its date of incorporation were as follows:-

Date of creation	Number of shares	Par value (RM)	Cumulative total (RM)
29 June 2007	100,000	1.00	100,000
27 July 2007	200,000	0.50	100,000
28 November 2007	199,800,000	0.50	100,000,000

The changes in the Company's issued and fully paid-up share capital since its date of incorporation were as follows:-

Date of allotment	Number of ordinary shares	Par value (RM)	Consideration	Cumulative total (RM)
29 June 2007	2	1.00	Subscribers' shares	2
27 July 2007	4	0.50	Subdivision of shares	2
30 July 2007	1,996	0.50	Cash	1,000
18 December 2007	60,854,000	0.50	Acquisition of subsidiary	30,428,000
19 December 2007	7,144,000	0.50	Rights Issue	34,000,000

2.3 Principal activity

The Company is principally engaged in investment holding and provision of management services.

The subsidiary company is as follows:-

Name of company	Effective ownership	Principal activities	Date and place of incorporation
LSSPI	100%	Manufacturing and trading of plastic products	4 May 1984, Malaysia

12. ACCOUNTANTS' REPORT (Cont'd)

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2. GENERAL INFORMATION (CONT'D)

2.4 Share capital history of subsidiary company

(i) LSSPI

The changes in the Company's authorised share capital since its date of incorporation were as follows:-

Date of creation	No of ordinary shares	Par value RM	Cumulative total RM
4 May 1984	150,000	1.00	150,000
5 May 1992	250,000	1.00	400,000
16 May 1994	600,000	1.00	1,000,000
6 June 1997	4,000,000	1.00	5,000,000

The changes in the Company's issued and fully paid-up share capital since its date of incorporation were as follows:-


Date of allotment	No of ordinary shares	Par value RM	Consideration	Cumulative total RM
4 May 1984	2	1.00	Subscribers' shares	2
5 July 1984	50,000	1.00	Cash	50,002
23 February 1989	50,000	1.00	Cash	100,002
5 May 1992	299,998	1.00	Cash	400,000
16 May 1994	400,000	1.00	Cash	800,000
20 February 1995	200,000	1.00	Cash	1,000,000
6 June 1997	500,000	1.00	Cash	1,500,000
31 May 2000	500,000	1.00	Cash	2,000,000
16 April 2007	200,000	1.00	Cash	2,200,000

3. FINANCIAL STATEMENTS AND AUDITORS

A. LSSPI

The financial statements of LSSPI for the relevant financial years/period under review were audited by us. All the financial statements were reported without any audit qualifications.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton **3. FINANCIAL STATEMENTS AND AUDITORS (CONT'D)****B. SCGM**

The financial statements of SCGM for the relevant financial period under review were audited by us. The financial statements were reported without any audit qualifications.

The auditors reports of the financial statements of SCGM and LSSPI for the relevant financial years and period under review are set out in Appendix I and Appendix II respectively. For the purpose of this prospectus, the translated auditors' reports in Bahasa Malaysia version will be the unsigned copy.

4. ACCOUNTING POLICIES AND STANDARDS**4.1 Basis of Preparation of The Financial Statements**

The financial statements of the Group have been prepared in accordance with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

4.2 Financial Risk Management Policies

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

The main areas of financial risks faced by the Group and the policies in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign currency risk

The Group is not exposed to significant foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia.

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollars and Singapore Dollars.

There is no formal hedging policy with respect to foreign exposure. Exposure to currency risk is monitored on an ongoing basis and the Group endeavors to keep the net exposure at an acceptable level.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton **4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)****4.2 Financial Risk Management Policies (cont'd)****(b) Interest rate risk**

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

(c) Credit risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. An internal credit review is conducted if the credit risk is material.

(d) Market risk

For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable and enters into physical supply agreements, where necessary, to achieve these levels. The Group does not face significant exposure from the risk of changes in debts and equity prices.

(e) Liquidity and cash flow risks

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets or the Group and a flexible, cost-effective borrowing structure. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.

4.3 Significant Accounting Policies**(a) Accounting convention**

The financial statements of the Group are prepared under the historical cost convention, unless otherwise indicated in the other significant accounting policies.

The functional currency of the Group is Ringgit Malaysia (RM).

(b) Adoption of new and revised Financial Reporting Standards ("FRS")

The following applicable FRSs have been adopted by the Group effective for financial period beginning on or after 1 May 2007:-

(i) FRSs that are mandatory for financial periods beginning on or after 1 October 2006:-**(a) FRS 117 - Leases****(b) FRS 124 - Related Party Disclosures**

12. ACCOUNTANTS' REPORT (Cont'd)

4. ACCOUNTING POLICIES AND STANDARDS (CONT'D) 

4.3 Significant Accounting Policies (cont'd)

(b) Adoption of new and revised Financial Reporting Standards ("FRS") (cont'd)

(ii) FRSs and amendments that are mandatory for financial periods beginning on or after 1 January 2007:-

(a) FRS 6 - Exploration for and Evaluation of Mineral Resources

FRS 6 is not relevant to the Company's operations.


(b) Amendment to FRS 119²⁰⁰⁴: Employee Benefits
- Actuarial Gains and Losses, Group Plans and Disclosures

Amendment to FRS119²⁰⁰⁴ is not relevant to the Company's operations.

(iii) The amendments to published standards, Interpretation Committee ("IC") Interpretations to existing standards and new revised FRSs effective for the Company for the financial period beginning on or after 1 July 2007 are as follows:-

- | | | | |
|----|----------------------|---|--|
| 1) | Amendment to FRS 121 | - | The Effects of Changes in Foreign Exchange Rates
- Net Investment in a Foreign Operation |
| 2) | IC Interpretation 1 | - | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| 3) | IC Interpretation 2 | - | Member's Shares in Co-operative Entities and Similar Instruments |
| 4) | IC Interpretation 5 | - | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| 5) | IC Interpretation 6 | - | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electrical and Electronic Equipment |
| 6) | IC Interpretation 7 | - | Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ Financial Reporting in Hyperinflationary Economics |

12. ACCOUNTANTS' REPORT (Cont'd)

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4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)

4.3 Significant Accounting Policies (cont'd)

(b) Adoption of new and revised Financial Reporting Standards ("FRS") (cont'd)

(iii) cont'd

- | | | | |
|-----|---------------------|---|--|
| 7) | IC Interpretation 8 | - | Scope of FRS 2 |
| 8) | FRS 107 | - | Cash Flow Statements |
| 9) | FRS 111 | - | Construction Contracts |
| 10) | FRS 112 | - | Income Taxes |
| 11) | FRS 118 | - | Revenue |
| 12) | FRS 119 | - | Employee Benefits |
| 13) | FRS 120 | - | Accounting for Government Grants and Disclosure of Government Assistance |
| 14) | FRS 126 | - | Accounting and Reporting by Retirement Benefits Plans |
| 15) | FRS 129 | - | Financial Reporting in Hyperinflationary Economics |
| 16) | FRS 137 | - | Provision, Contingent Liabilities and Contingent Assets |

The Group have not early adopted the above Amendments, Interpretations and FRSs.

The above Interpretations and FRS 111, 126 and 129 are not applicable to the Group.

The initial application of the above Amendments and FRSs are not expected to have any material impact on the financial statements of the Group.

(iv) Deferred FRS 139 – Financial Instruments: Recognition and Measurement

The Malaysian Accounting Standards Board has yet to announce the effective date of this standard.

The adoption of FRS 124 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of FRS 117 - Leases are as follows:-

12. ACCOUNTANTS' REPORT (Cont'd)

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4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)

4.3 Significant Accounting Policies (cont'd)

(b) Adoption of new and revised Financial Reporting Standards ("FRS") (cont'd)

Prior to 1 May 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 May 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and certain comparatives have been restated.

(c) Significant Accounting Estimates and Judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.


(i) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Income taxes

Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

12. ACCOUNTANTS' REPORT (Cont'd)

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4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)

4.3 Significant Accounting Policies (cont'd)

(c) Significant Accounting Estimates and Judgments (cont'd)(i) Key sources of estimation uncertainty (cont'd)**Depreciation of property, plant and equipment**

Property, plant and equipment are depreciated on a straight-line basis over their useful life. Management estimated the useful life of these assets to be within 5 to 50 years. Change in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Critical judgement made in applying accounting policies

The following is the judgement 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.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton **4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)****4.3 Significant Accounting Policies (cont'd)****(d) Basis of consolidation**

The Group financial statements consolidate the audited financial statements of the Company and its subsidiary company, which have been prepared in accordance with the Group's accounting policies.

All intercompany transactions, balances and unrealised gains on transactions between group of companies are eliminated; unrealised losses are also eliminated on consolidation unless cost cannot be recovered.

The financial statements of the Company and its subsidiary company are all drawn up to the same reporting date.

Acquisition of subsidiary company is accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and 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 at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination 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 identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income on the date of acquisition.

Subsidiary companies are consolidated using the acquisition method of accounting from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised or unimpaired balance of goodwill on acquisition and exchange differences.

(e) Property, plant and equipment

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

Depreciation is provided on the straight line method in order to write-off each asset over its estimated useful life. Plant and machinery under construction is not depreciated until it is completed and ready for commercial utilisation.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)

4.3 Significant Accounting Policies (cont'd)

(e) Property, plant and equipment (cont'd)

The principal annual depreciation rates used are as follows:-

Buildings	2%
Factory equipment	10%
Plant and machinery	10%
Fire and electrical installation	10%
Fire extinguishers	10%
Moulds	20%
Signboards	10%
Air-conditioners	10%
Mobile phones	10%
Computers	20%
Motor vehicles	20%
Furniture and fittings	10%
Office equipment	10%

Freehold land is not depreciated.

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing property, plant and equipment beyond its previously assessed standard of performance.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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. Any gain or loss arising on derecognition of the asset is included in the income statement in the financial year in which the asset is derecognised.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton **4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)****4.3 Significant Accounting Policies (cont'd)****(f) Subsidiary company**

A subsidiary company is a company in which the Company or the Group either directly or indirectly owns a power to govern its financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary company is stated at cost in the Company's financial statements. Where an indication of impairment exists, the carrying amount of the subsidiary company is assessed and written down immediately to their recoverable amount.

(g) Leases

The up-front payments made for the leasehold land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 May 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of FRS 117 at 1 May 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and certain comparative amounts as at 30 April 2007 have been restated.

(h) Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants relating to expenditure on property, plant and equipment are credited to the income statement on the straight line basis over the expected useful lives of the related property, plant and equipment. Government grants used for financial support, assistance or to reimburse costs incurred by the Group are recognised in the income statement of the period in which they become receivable.

(i) Investment properties

Investment properties consist of land and building held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Group. Investment properties are treated as long-term investments and are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton **4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)****4.3 Significant Accounting Policies (cont'd)****(i) Investment properties (cont'd)**

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gain or losses arising from changes in the fair values of investment properties are included in the income statement in the financial year in which they arise.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the income statement in the financial year of retirement or disposal.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value, determined on the first-in-first-out method. Cost of raw materials includes the original cost of purchase plus the incidental cost incurred in bringing the inventories to their present location and condition. Cost of work-in-progress and finished goods includes cost of materials, direct labour and an appropriate proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Allowance is made for damaged, obsolete and slow-moving inventories.

(k) Deferred tax liabilities and assets

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences at the balance sheet date between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the 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 by the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton **4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)****4.3 Significant Accounting Policies (cont'd)****(l) Assets acquired under hire-purchase and lease arrangements**

The cost of property, plant and equipment acquired under hire purchase and finance lease arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised. The depreciation policy on these assets is similar to that of the Group's property, plant and equipment depreciation policy. Outstanding obligation due under hire purchase and finance lease arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on hire purchase and finance lease arrangements are allocated to income statement over the period of the respective agreements.

(m) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An allowance is made for doubtful debts based on a review of all outstanding amounts at the financial year end.

(n) Foreign currency transactions and balances

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at balance sheet date.

Gains and losses from conversion of short term assets and liabilities, whether realised or unrealised, are included in income statement as they arise.

All other foreign exchange differences are taken to the income statement in the financial year in which they arise.

(o) Revenue recognition

Revenue from sale of goods is recognised when the goods are delivered.

Other revenues are recognised on the following bases:-

- i) Interest on bank fixed deposits is recognised on time proportion basis.
- ii) Rental income is recognised when the rent is due.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton **4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)****4.3 Significant Accounting Policies (cont'd)****(p) Impairment of assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its 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.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An impairment loss is recognised as an expense in the income statement immediately.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

All reversals of impairment losses are recognised as income immediately in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

(q) Payables

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

(r) Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton **4. ACCOUNTING POLICIES AND STANDARDS (CONT'D)****4.3 Significant Accounting Policies (cont'd)****(s) Employee benefits****(i) Short term benefits**

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

(ii) Defined contribution plans

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 contribution 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 income statement as incurred. As required by law, the Group made such contributions to the Employee Provident Fund ("EPF").

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, short term demand deposits and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the balance sheet, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the balance sheet date are classified as non-current asset.

(u) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION


(a) Summarised income statements

(i) SCGM

The following table sets out the summary of the financial results prepared based on the audited financial statements of SCGM for the financial period ended 31 October 2007:-

Period ended	31/10/2007 RM
Revenue	-
Gross profit	-
Loss before amortisation, depreciation, interest and taxation	(5,000)
Amortisation	-
Depreciation	-
Interest expenses	-
Loss before taxation but after amortisation, depreciation and interest ("LBT")	(5,000)
Taxation	-
Loss after taxation ("LAT")	(5,000)
Gross profit margin (%)	-
LBT margin (%)	-
LAT margin (%)	-
Effective tax rate (%)	-
Weighted average number of ordinary shares issued	1,508
Gross loss per share ("LPS") (sen) #	663.13*
Net LPS (sen) #	663.13*

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(a) Summarised income statements (cont'd)

(i) SCGM (cont'd)

Notes:-

- (i) There were no extraordinary or exceptional items in the financial period under review.
 - (ii) There were no accounting policies which are peculiar to SCGM due to the nature of business or industry it is involved in that would affect the determination of SCGM Group's income or financial position.
 - (iii) No revenue was generated during the financial period.
- * Annualised.
- # Based on weighted average number of ordinary shares issued during the financial year.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(a) Summarised income statements (cont'd)

(ii) LSSPI

The following table sets out the summary of the financial results prepared based on the audited financial statements of LSSPI for the past three (3) financial years ended 30 April 2005 to 2007 and the financial period ended 31 October 2007-

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Revenue	35,576,409	39,842,812	49,392,750	31,650,516
Gross profit	9,337,789	11,547,558	13,970,920	8,288,079
Profit before amortisation, depreciation, interest and taxation	6,259,200	7,515,258	10,163,344	6,749,500
Amortisation	-	-	(2,186)	(1,094)
Depreciation	(1,023,153)	(1,656,580)	(1,979,937)	(1,218,844)
Interest expenses	(163,222)	(268,357)	(538,093)	(314,275)
Profit before taxation but after amortisation, depreciation and interest ("PBT")	5,072,825	5,590,321	7,643,128	5,215,287
Taxation	(1,282,813)	(1,206,474)	(1,532,599)	(970,856)
Profit after taxation ("PAT")	3,790,012	4,383,847	6,110,529	4,244,431
Gross profit margin (%)	26.25	28.98	28.29	26.19
PBT margin (%)	14.26	14.03	15.47	16.48
PAT margin (%)	10.65	11.00	12.37	13.41
Effective tax rate (%) **	22.91	19.92	20.34	21.84
Weighted average number of ordinary shares issued	2,000,000	2,000,000	2,008,219	2,200,000
Gross earnings per share ("EPS") (sen) #	253.64	279.52	380.59	474.12*
Net EPS (sen) #	189.50	219.19	304.28	385.86*

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(a) Summarised income statements (cont'd)

(ii) LSSPI (cont'd)

Notes:-

- (i) There were no extraordinary or exceptional items in all the financial years/period under review.
 - (ii) There were no accounting policies which are peculiar to LSSPI due to the nature of business or industry it is involved in that would affect the determination of LSSPI's income or financial position.
 - (iii) Revenue represents sales of goods, net of discounts and returns.
- * Annualised.
- # Based on weighted average number of ordinary shares issued during the financial year.
- ** After adjustment for under/overprovision of taxation in the respective years/period under review.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised balance sheets

(i) SCGM

The following table sets out the summary of balance sheet prepared based on the audited financial statements of SCGM for the financial period ended 31 October 2007:-

Period ended	Note	31/10/2007 RM
Share capital		1,000
Accumulated loss		(5,000)
Shareholders' equity		(4,000)
Current assets	(i)	1,000
Current liability	(ii)	5,000
Net current liability		(4,000)
		(4,000)
Net tangible liabilities ("NTL")		(4,000)
NTL per share (RM)		2.00

Notes:-


(i) Current assets

Period ended	31/10/2007 RM
Cash in hand	1,000

(ii) Current liability

Period ended	31/10/2007 RM
Other payables	5,000

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)


(b) Summarised balance sheets (cont'd)

(ii) LSSPI

The following table sets out the summary of balance sheets prepared based on the audited financial statements of LSSPI for the past three (3) financial years ended 30 April 2005 to 2007 and the financial period ended 31 October 2007-

Year/Period ended	Note	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Share capital		2,000,000	2,000,000	2,200,000	2,200,000
Share premium		-	-	2,300,000	2,300,000
Unappropriated profit		15,427,250	19,811,097	25,927,621	30,172,052
Shareholders' equity		17,427,250	21,811,097	30,427,621	34,672,052
Deferred income – government grant	(i)	-	-	219,784	198,036
Borrowings	(ii)	-	5,921,342	4,950,284	4,479,326
Finance creditors	(iii)	1,331,755	537,063	2,061,542	1,641,187
Deferred taxation	(iv)	943,852	976,477	1,347,000	1,689,000
		19,702,857	29,245,979	39,006,231	42,679,601
Property, plant and equipment	(v)	15,034,280	17,426,855	21,225,257	21,607,581
Investment properties	(vi)	-	-	500,000	530,000
Prepaid land lease payment		-	-	186,113	185,019
Fixed deposits with a licensed bank		86,898	90,798	-	-
Current assets	(vii)	17,528,831	18,639,720	25,311,001	30,164,975
Current liabilities	(viii)	12,947,152	6,911,394	8,216,140	9,807,974
Net current assets		4,581,679	11,728,326	17,094,861	20,357,001
		19,702,857	29,245,979	39,006,231	42,679,601
Net tangible assets (“NTA”)		17,427,250	21,811,097	30,427,621	34,672,052
NTA per share (RM)		8.71	10.91	13.83	15.76

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised balance sheets (cont'd)

(ii) LSSPI (CONT'D)

Notes:-

(i) Deferred income - government grant

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
At the beginning of financial year/period	-	-	-	263,280
Addition during the financial year/period	-	-	326,729	-
Charged to income statement	-	-	(45,325)	-
Amortised during the financial year/period	-	-	(18,124)	(21,748)
At end of financial year/period	-	-	263,280	241,532
Analysed as:-				
Amortised within 12 months	-	-	43,496	43,496
Amortised after 12 months	-	-	219,784	198,036
	-	-	263,280	241,532

(ii) Borrowings

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
<u>Current</u>				
Secured:-				
Term loan	-	781,677	875,555	920,585
Bankers acceptance	-	408,000	1,396,000	1,742,000
	-	1,189,677	2,271,555	2,662,585
<u>Non-current</u>				
Secured:-				
Term loan	-	5,921,342	4,950,284	4,479,326
	-	7,111,019	7,221,839	7,141,911

The above borrowings are secured against the landed properties of the Company, joint and several guarantee by the Directors of the Company and fixed deposits.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised balance sheets (cont'd)

(ii) LSSPI (CONT'D)

Notes (cont'd):-

(iii) Finance creditors

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Minimum lease payment				
- within 1 year	1,427,191	1,508,301	1,925,444	1,743,211
- after 1 year but not later than 5 years	1,704,056	598,952	2,275,988	1,812,279
	3,131,247	2,107,253	4,201,432	3,555,490
Less: Interest in suspense	(307,949)	(212,051)	(401,178)	(335,795)
	2,823,298	1,895,202	3,800,254	3,219,695
Total present value payable				
- within 1 year	1,491,543	1,358,139	1,738,712	1,578,508
- after 1 year but not later than 5 years	1,331,755	537,063	2,061,542	1,641,187
	2,823,298	1,895,202	3,800,254	3,219,695

The amount payable within one year has been included in the other payables.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised balance sheets (cont'd)

(ii) LSSPI (CONT'D)

Notes (cont'd):-

(iv) Deferred taxation

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
At beginning of financial year/period	782,000	943,852	976,477	1,347,000
Transferred from income statement	161,852	32,625	370,523	342,000
At end of financial year/period	943,852	976,477	1,347,000	1,689,000

The balance in the deferred taxation is made up of temporary differences arising from: -

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Tax effects of differences between carrying amount of qualifying property, plant and equipment and their tax base	943,852	976,477	1,347,000	1,689,000

(v) Property, plant and equipment

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Net carrying amount				
Land and buildings	7,194,469	8,861,670	8,765,096	8,695,330
Furniture, fittings and others	296,884	303,840	723,153	717,088
Equipment, plant and machinery	6,155,217	7,152,259	10,922,796	11,448,938
Motor vehicles	1,387,710	1,109,086	814,212	746,225
	15,034,280	17,426,855	21,225,257	21,607,581

(vi) Investment property

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Fair value				
Freehold land	-	-	50,350	53,371
Freehold buildings	-	-	449,650	476,629
	-	-	500,000	530,000

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(vii) Summarised balance sheets (cont'd)

(vii) LSSPI (CONT'D)

Notes (cont'd):-

(vii) Current assets

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Inventories	6,207,476	8,045,610	10,249,551	10,619,514
Trade receivables	9,317,829	9,562,740	12,829,496	16,160,157
Other receivables	1,218,592	451,213	938,339	2,061,968
Tax recoverable	170,829	181,030	70,822	71,131
Fixed deposits with licensed bank	-	-	94,698	96,648
Cash and bank balances	614,105	399,127	1,128,095	1,155,557
	<u>17,528,831</u>	<u>18,639,720</u>	<u>25,311,001</u>	<u>30,164,975</u>

Details disclosure on inventories are as below:-

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Raw materials	5,042,200	6,794,896	8,918,317	8,835,062
Work in progress	190,496	231,948	212,080	392,316
Finished goods	974,780	1,018,766	1,123,087	1,412,965
	<u>6,207,476</u>	<u>8,045,610</u>	<u>10,253,484</u>	<u>10,640,343</u>
Less: Allowance for slow moving inventories	-	-	(3,933)	(20,829)
Net inventories	<u>6,207,476</u>	<u>8,045,610</u>	<u>10,249,551</u>	<u>10,619,514</u>
Cost of sales	<u>26,238,620</u>	<u>28,295,254</u>	<u>35,421,830</u>	<u>23,362,437</u>
Inventories' turnover period (month) #	2.18	3.02	3.10	2.68*

Based on average inventories' balances.

* Annualised.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised balance sheets (cont'd)

(vii) LSSPI (CONT'D)

Notes (cont'd):-

(vii) Current assets (cont'd)

Details disclosure on trade receivables are as follows:-

Year/period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Amount due from a Company connected with Directors	456,498	397,570	656,123	648,972
Trade receivables	9,129,061	9,568,631	12,713,548	16,011,988
	9,585,559	9,966,201	13,369,671	16,660,960
Less: Allowance for doubtful debts	(267,730)	(403,461)	(540,175)	(500,803)
Net trade receivables	9,317,829	9,562,740	12,829,496	16,160,157
Revenue	35,576,409	39,842,812	49,392,750	31,650,516
% of trade receivables to revenue #	24.67	23.69	22.67	22.90*
Trade receivables' turnover period (month) #	2.96	2.84	2.72	2.75*

Based on average trade receivables balances

* Annualised.

Ageing analysis of trade receivables as at 31 October 2007.

No. of days	0-30 days RM	31-60 days RM	61-90 days RM	Exceeding credit period of 90 days			Total RM
				91-180 days RM	181-365 days RM	>365 days RM	
Trade receivables	5,212,905	3,823,481	3,920,191	3,156,501	87,983	459,899	16,660,960
Less: Allowance for doubtful debts	-	-	-	-	(40,904)	(459,899)	(500,803)
Net trade receivables	5,212,905	3,823,481	3,920,191	3,156,501	47,079	-	16,160,157
% of trade receivables	32.26	23.66	24.26	19.53	0.29	-	100.00

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised balance sheets (cont'd)

(vii) LSSPI (CONT'D)

Notes (cont'd):-

(viii) Current liabilities

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Trade payables	5,896,231	2,960,830	2,844,339	3,215,303
Other payables	6,810,030	2,760,887	3,056,750	3,886,590
Amount due Directors	240,891	-	-	-
Borrowings	-	1,189,677	2,271,555	2,662,585
Deferred income- government grant	-	-	43,496	43,496
	<u>12,947,152</u>	<u>6,911,394</u>	<u>8,216,140</u>	<u>9,807,974</u>

Details disclosure on trade payables are as follows:-

Year ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Trade payables	<u>5,896,231</u>	<u>2,960,830</u>	<u>2,844,339</u>	<u>3,215,303</u>
Cost of sales	<u>26,238,620</u>	<u>28,295,254</u>	<u>35,421,830</u>	<u>23,362,437</u>
% of trade payables to cost of sales #	<u>18.28</u>	<u>15.65</u>	<u>8.19</u>	<u>6.48*</u>
Trade payables' turnover period (month) #	<u>2.19</u>	<u>1.88</u>	<u>0.98</u>	<u>0.78*</u>

Based on average trade payables' balances.

* Annualised.

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(b) Summarised balance sheets (cont'd)

(ii) LSSPI (CONT'D)

Notes (cont'd):-

(viii) Current liabilities (cont'd)

Ageing analysis of trade payables as at 31 October 2007.

No. of days	Within credit period			Exceeding credit period of 90 days			Total RM
	0-30 days	31-60 days	61-90 days	91-180 days	181-365 days	More than 365 days	
Trade payables (RM)	2,706,461	330,022	178,820	-	-	-	3,215,303
% of trade payables	84.17	10.26	5.57	-	-	-	100.00

Details disclosure on borrowings are set out in section 5(b)(ii)(ii).

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(c) Cash flow statements

(i) SCGM

The following sets out the summary of cash flows prepared based on the audited financial statements of SCGM for the financial period ended 31 October 2007:-

	31/10/2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before taxation/Operating loss before working capital changes	(5,000)
Changes in working capital:-	
Payables	<u>5,000</u>
Net cash generated from operating activities	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITY	
Proceeds from issuance of shares	<u>1,000</u>
Net cash generated from financing activity	<u>1,000</u>
CASH AND CASH EQUIVALENTS	
Net changes/Carried forward	<u>1,000</u>

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)


(c) Cash flow statements (cont'd)

(ii) LSSPI

The following sets out the summary of cash flows prepared based on the audited financial statements of LSSPI for the past three (3) financial years ended 30 April 2005 to 2007 and the financial period ended 31 October 2007:-

Year/Period ended	Note	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		5,072,825	5,590,321	7,643,128	5,215,287
Adjustments for:-					
Allowance for doubtful debts no longer required		(94,408)	(6,725)	(127,969)	(80,276)
Amortisation of prepaid land lease payments		-	-	2,186	1,094
Allowance for doubtful debts		159,229	142,456	264,683	40,904
Depreciation		1,023,153	1,656,580	1,979,937	1,218,844
Interest expenses		163,222	268,357	538,093	314,275
Bad debts written off		55,891	3,551	6,936	-
Fair value adjustment for investment properties		-	-	-	(30,000)
Allowance for slow moving inventories		-	-	3,933	16,896
Interest income		(3,890)	(3,900)	(3,900)	(1,950)
Amortisation of deferred income-government grant		-	-	(18,124)	(21,748)
Government grant received		-	-	(45,325)	-
Unrealised gain on foreign exchange		(81,058)	(234,869)	(108,961)	(133,543)
Operating profit before changes in working capital		6,294,964	7,415,771	10,134,617	6,539,783
Inventories		(2,860,589)	(1,838,134)	(2,207,874)	(386,859)
Payables		2,555,590	(6,768,739)	(36,813)	1,428,514
Receivables		(1,779,295)	535,653	(3,626,230)	(4,348,881)
Directors		6,974	(240,891)	-	-
Bills payables		-	408,000	988,000	346,000
Cash generated from/(used in) operations		4,217,644	(488,340)	5,251,700	3,578,557
Interest income		3,890	3,900	3,900	1,950
Interest paid		(163,222)	(268,357)	(538,093)	(314,275)
Tax paid		(1,281,488)	(1,184,050)	(1,051,868)	(629,165)
Net cash generated from/(used in) operating activities		2,776,824	(1,936,847)	3,665,639	2,637,067

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(c) Cash flow statements (cont'd)

(ii) LSSPI (cont'd)

Year/Period ended	Note	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(439,788)	(3,281,503)	(2,700,747)	(1,164,304)
Net cash used in investing activities		(439,788)	(3,281,503)	(2,700,747)	(1,164,304)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of borrowings		-	7,000,000	-	-
Repayment of hire purchase and finance lease creditors		(1,936,151)	(1,695,747)	(1,854,844)	(1,017,423)
Repayment of borrowings		-	(296,981)	(877,180)	(425,928)
Proceeds from issuance of shares		-	-	2,500,000	-
(Increase)/Decrease in deposit pledged to a licensed bank		(3,890)	(3,900)	90,798	-
Net cash (used in)/ generated from financing activities		(1,940,041)	5,003,372	(141,226)	(1,443,351)
CASH AND CASH EQUIVALENTS					
Net increase/(decrease)		396,995	(214,978)	823,666	29,412
Brought forward		217,110	614,105	399,127	1,222,793
Carried forward	A	614,105	399,127	1,222,793	1,252,205

NOTE TO THE CASH FLOW STATEMENTS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheets amounts:-

Year/Period ended	30/4/2005 RM	30/4/2006 RM	30/4/2007 RM	31/10/2007 RM
Fixed deposits with licensed banks	-	-	94,698	96,648
Cash and bank balances	614,105	399,127	1,128,095	1,155,557
	614,105	399,127	1,222,793	1,252,205

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)


(d) Statements of changes in equity

(i) SCGM

The following table sets out the summary of changes in equity prepared based on the audited financial statements of SCGM for the financial period ended 31 October 2007.

	Share capital RM	Accumulated loss RM	Total RM
At date of incorporation	1,000	-	1,000
Net loss for the financial period	-	(5,000)	(5,000)
At 31 October 2007	1,000	(5,000)	(4,000)

12. ACCOUNTANTS' REPORT (Cont'd)

SJ Grant Thornton 

5. HISTORICAL FINANCIAL INFORMATION (CONT'D)

(d) Statements of changes in equity (cont'd)

(ii) LSSPI

The following table sets out the summary of changes in equity prepared based on the audited financial statements of LSSPI for the past three (3) financial years ended 30 April 2005 to 2007 and the financial period ended 31 October 2007:-

	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM
At 1 May 2004	2,000,000	-	11,637,238	13,637,238
Net profit for the financial year	-	-	3,790,012	3,790,012
At 30 April 2005	2,000,000	-	15,427,250	17,427,250
Net profit for the financial year	-	-	4,383,847	4,383,847
At 30 April 2006	2,000,000	-	19,811,097	21,811,097
Effect of adoption of FRS 140 - realisation of accumulated depreciation to investment properties	-	-	5,995	5,995
Balance at 1 May 2006	2,000,000	-	19,817,092	21,817,092
Issuance of share capital	200,000	2,300,000	-	2,500,000
Net profit for the financial year	-	-	6,110,529	6,110,529
At 30 April 2007	2,200,000	2,300,000	25,927,621	30,427,621
Net profit for the financial period	-	-	4,244,431	4,244,431
At 31 October 2007	2,200,000	2,300,000	30,172,052	34,672,052

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

SJ Grant Thornton 

6. SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

There are no significant events subsequent to the balance sheet date other than the approval obtained from the SC, completion of the Acquisition and Rights Issue as mentioned in section 2.1.1.

7. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 October 2007.


Yours faithfully,



SJ GRANT THORNTON

Firm Number: AF 0737

Chartered Accountants



Approval Number: 708/03/08 (J/PH)

Partner of the Firm

12. ACCOUNTANTS' REPORT (Cont'd)

Appendix I 2007

Shamsir Jasani Grant Thornton 

Chartered Accountants

Company No: 779028 H

REPORT OF THE AUDITORS TO THE DIRECTORS OF

**SCGM BERHAD
(Incorporated in Malaysia)**


We have audited the financial statements set out on pages 4 to 13 of SCGM Berhad.

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 these financial statements and to report our opinion to you, as a body and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the 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, the financial statements are properly drawn up in accordance with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Company as at 31 October 2007 and of the results of operations and cash flows of the Company for the financial period from 29 June 2007 (date of incorporation) to 31 October 2007.


SHAMSIR JASANI GRANT THORNTON
(NO. AF : 0737)
CHARTERED ACCOUNTANTS

Johor Bahru
13 November 2007

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12. ACCOUNTANTS' REPORT (Cont'd)

Appendix II 2007 (1/3)

Shamsir Jasani Grant Thornton 

Chartered Accountants

Company No: 119117 M

**REPORT OF THE AUDITORS TO THE DIRECTORS OF
LEE SOON SENG PLASTIC INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)**


We have audited the financial statements set out on pages 4 to 34 of Lee Soon Seng Plastic Industries Sdn. Bhd..

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 these financial statements and to report our opinion to you, and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the 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, the financial statements have been properly drawn up in accordance with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Company as at 31 October 2007, results of operations and cash flows of the Company for the financial period ended on that date.


SHAMSIR JASANI GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

Johor Bahru
12 December 2007

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12. ACCOUNTANTS' REPORT (Cont'd)

Appendix II 2007 (2/3)

Shamsir Jasani Grant Thornton 

Chartered Accountants

Company No: 119117 M

**REPORT OF THE AUDITORS TO THE MEMBERS OF
LEE SOON SENG PLASTIC INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 10 to 36 of Lee Soon Seng Plastic Industries Sdn. Bhd..

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 these 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 towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the 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 properly drawn up 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 state of affairs of the Company as at 30 April 2007 and of the results of operations and cash flows of the Company for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;

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12. ACCOUNTANTS' REPORT (Cont'd)


Appendix II 2007 (3/3)


Shamsir Jasani Grant Thornton 

Company No: 119117 M

and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.


SHAMSIR JASANI GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS


DATO' N. K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/08(J/PH))
PARTNER

Johor Bahru
19 July 2007

Shamsir Jasani Grant Thornton

Chartered Accountants

Company No: 119117 M

**REPORT OF THE AUDITORS TO THE MEMBERS OF
LEE SOON SENG PLASTIC INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 10 to 28 of Lee Soon Seng Plastic Industries Sdn. Bhd..

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 these 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 towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the 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 properly drawn up 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 state of affairs of the Company as at 30 April 2006, results of operations and cash flows of the Company for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;

and

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12. ACCOUNTANTS' REPORT (Cont'd)


Appendix II 2006 (2/2)

Shamsir Jasani Grant Thornton 

Company No: 119117 M

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


SHAMSIR JASANI GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS


DATO' N. K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/08(J/PH))
PARTNER

Johor Bahru
28 July 2006

12. ACCOUNTANTS' REPORT (Cont'd)

Appendix II 2005 (1/2)

Shamsir Jasani Grant Thornton 

Chartered Accountants

Company No: 119117 M

REPORT OF THE AUDITORS TO THE MEMBERS OF

**LEE SOON SENG PLASTIC INDUSTRIES SDN. BHD.
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 10 to 27 of Lee Soon Seng Plastic Industries Sdn. Bhd.

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 these 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 towards any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the 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 properly drawn up 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 state of affairs of the Company as at 30 April 2005 and of the results and cash flows of the Company for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;

and

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12. ACCOUNTANTS' REPORT (Cont'd)

Appendix II 2005 (2/2)

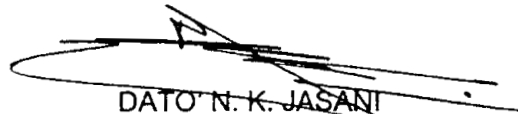
Shamsir Jasani Grant Thornton 

Company No: 119117 M

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



SHAMSIR JASANI GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS



DATO N. K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/06(J/PH))
PARTNER

Johor Bahru
10 June 2005