11. ACCOUNTANTS' REPORT

(Prepared for the inclusion in this Prospectus)

CHARTERED ACCOUNTANTS

Date: 24 June 2002

The Board of Directors
Brite-Tech Berhad
2nd Floor, 17 & 19
Jalan Brunei Barat, Pudu
55100, Kuala Lumpur

Dear Sirs,

This report has been prepared by Yap Yeo & Co, an approved company auditor for inclusion in the Prospectus of Brite-Tech Berhad (hereinafter referred to as "BTB" or the "Company") to be dated 28 June 2002 in connection with the Public Issue of 7,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.35 per share and the Placement of 30,100,000 new ordinary shares of RM0.10 each at a placement price of RM0.35 per share, pursuant to the listing of and quotation for BTB's entire enlarged issued and paid-up share capital of 150,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the KLSE.

1. GENERAL INFORMATION

1.1 Background

BTB was incorporated on 14 June 2001 as a public limited company. The principal activity of the Company is a holding company.

1.2 Share capital

At the date of incorporation, BTB's authorised share capital was RM25,000,000 consisting of 50,000,000 ordinary shares of RM0.50 each. The authorised share capital was subsequently split into 125,000,000 ordinary shares of RM0.20 each on 7 July 2001 and was further split into 250,000,000 ordinary shares of RM0.10 each on 23 May 2002. BTB's issued and paid-up share capital was RM2 consisting of 4 ordinary shares of RM0.50 each at the date of incorporation. The paid-up capital was subsequently split into 10 ordinary shares of RM0.20 each on 7 July 2001 and was further split into 20 ordinary shares of RM0.10 each on 23 May 2002.

Pursuant to the restructuring scheme including the listing of and quotation for the entire paid-up share capital of BTB on the MESDAQ Market of the KLSE as set out below, the issued and fully paid-up share capital of BTB will be increased to RM15,000,000 comprising 150,000,000 ordinary shares of RM0.10 each as follows:

Number of ordinary shares of RM 0.10 each	Issue price per ordinary share RM	Purpose	Issued and fully paid-share capital (Cumulative)
20	0.10	Subscribers' shares	20
112,499,980	0.10	Acquisition of subsidiary companies	112,500,000
30,100,000	0.35	Placement	142,600,000
7,400,000	0.35	Public issue	150,000,000

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1.3 Restructuring and floatation scheme

In conjunction with the listing and quotation of the shares of BTB on the MESDAQ Market of the KLSE, the restructuring and floatation scheme which had been approved by the Securities Commission ("SC") on 14 December 2001, 20 May 2002 and on 25 June 2002; the MESDAQ Market of the KLSE on 14 December 2001, 14 March 2002, 23 May 2002, 3 June 2002 and 12 June 2002; the Ministry of International Trade and Industry ("MITI") on 23 August 2001 and on 12 June 2002; and the Foreign Investment Committee ("FIC") on 18 September 2001, 5 November 2001 and on 20 June 2002, are as follows:

i) Acquisition of Subsidiary Companies

Acquisition by BTB of the issued and paid-up share capital of the following companies:

a. 686,628 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of BCSB for a total purchase consideration of RM4,381,267 satisfied by the issuance of 42,574,226 new ordinary shares in BTB of RM0.10 each at approximately RM0.10 per share;

b. 330,900 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of HCSB for a total purchase consideration of RM2,817,206 satisfied by the issuance of 27,375,728 new ordinary shares in BTB of RM0.10 each at approximately RM0.10 per share;

c. 547,506 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of RCSB for a total purchase consideration of RM1,425,724 satisfied by the issuance of 13,854,232 new ordinary shares in BTB of RM0.10 each at approximately RM0.10 per share;

d. 300,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of SLSB for a total purchase consideration of RM1,876,599 satisfied by the issuance of 18,235,532 new ordinary shares in BTB of RM0.10 each at approximately RM0.10 per share;

e. 233,100 ordinary shares of RM1.00 each representing approximately 70.64% of the issued and paid-up share capital of SLJSB for a total purchase consideration of RM668,324 satisfied by the issuance of 6,494,318 new ordinary shares in BTB of RM0.10 each at approximately RM0.10 per share; and

f. 188,800 ordinary shares of RM1.00 each representing approximately 70.24% of the issued and paid-up share capital of SLPSB for a total purchase consideration of RM408,131 satisfied by the issuance of 3,965,944 new ordinary shares in BTB of RM0.10 each at approximately RM0.10 per share.

The acquisitions were completed on 23 May 2002.

ii) **Placement**

Placement of 30,100,000 new ordinary shares of RM0.10 each in BTB at a placement price of RM0.35 per ordinary share will be reserved for placees to be identified by the Placement Agent.

The placees to be identified by the Placement Agent are considered part of the public shareholders as each of them are holding less than 5% of the enlarged issued paid-up share capital of the Company.

iii) **Public issue**

Public issue of 7,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.35 per ordinary share.

The placement and public issue will be allocated in the following manner :

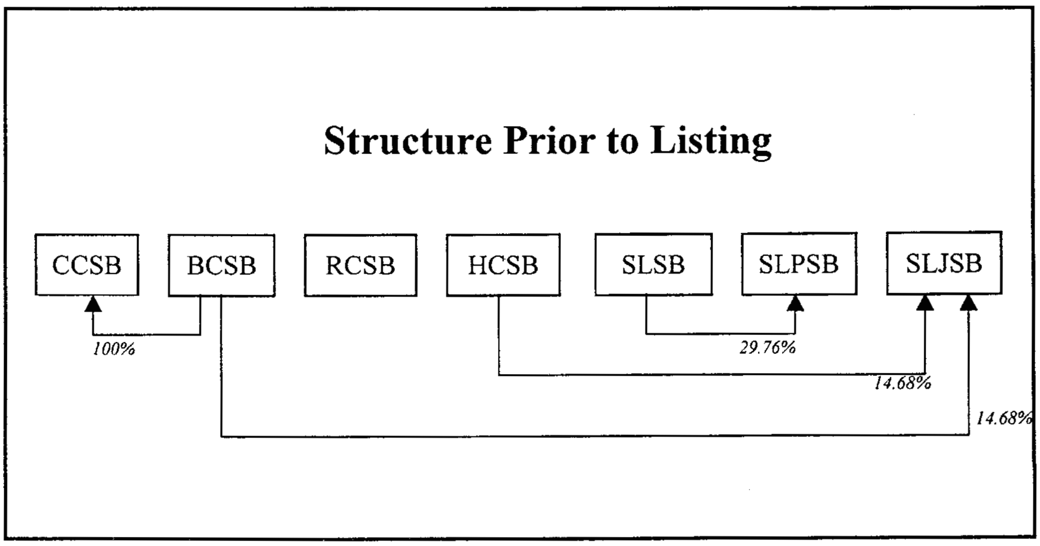
- 5,400,000 new ordinary shares of RM 0.10 will be made available for application by eligible directors and employees of the BTB Group; and
- 2,000,000 new ordinary shares of RM0.10 each will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

iv) **Listing on MESDAQ Market of the KLSE**

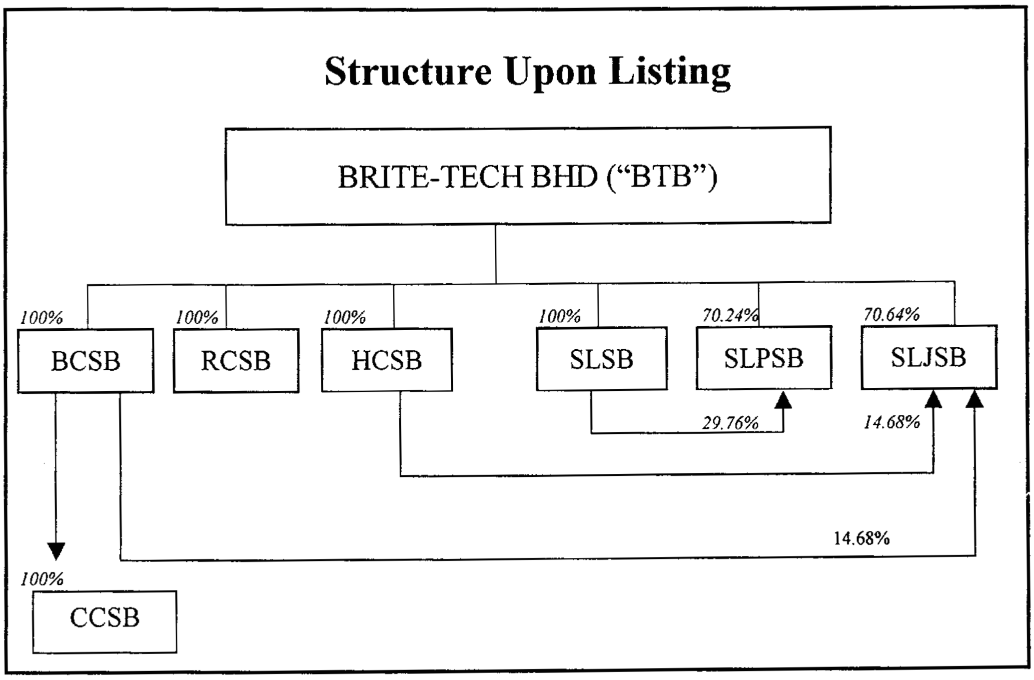
Listing and quotation of the enlarged issued and paid-up share capital of BTB totaling RM15,000,000 comprising 150,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the KLSE.

2 GROUP STRUCTURE

2.1 The structure of BTB and its subsidiary companies before the restructuring is illustrated as follows:



2.2 The Group structure after the restructuring exercise is illustrated as follows:



2.3 Subsidiary companies

2.3.1 Information on companies acquired as subsidiary companies of BTB pursuant to the restructuring and floatation scheme, all of which are private limited companies incorporated in Malaysia, are as follows:

		← Share Capital →		
Name of company	**Date of incorporation**	**Authorised RM**	**Issued and fully paid up RM**	**Principal activities**
Brite-Tech Corporation Sdn Bhd (hereinafter referred to as "BCSB")	3 November 1980	1,000,000	686,628	To provide a complete range of services and products in the field of water treatment, pollution control and fuel treatment as well as engineered and formulated chemical products for water clarification, wastewater treatment, minimizing wastewater sludge generation, steam generation system and cooling water system.

Hooker Chemical Sdn Bhd (hereinafter referred to as "HCSB")	12 August 1986	500,000	330,900	To provide consultation, environmental impact studies, engineering design, construction, installation and commissioning of water purification, recycling and wastewater treatment systems.
Rank Chemical Sdn Bhd (hereinafter referred to as "RCSB")	9 January 1984	5,000,000	547,506	To provide rental of portable ion-exchange resin columns and supply of institutional housekeeping chemicals, industrial maintenance chemicals and hotel amenities.
Spectrum Laboratories Sdn Bhd (hereinafter referred to as "SLSB")	26 December 1987	1,000,000	300,000	To provide analytical laboratory services such as effluent analysis, air and water quality analysis, soil analysis, food analysis and organics analysis; and to provide environmental monitoring services such as air and water quality monitoring, noise level monitoring, air emission monitoring and wastewater characteristic studies.
Spectrum Laboratories (Johore) Sdn Bhd (hereinafter referred to as "SLJSB")	16 September 1993	500,000	330,000	To provide analytical laboratory services such as effluent analysis, air and water quality analysis, soil analysis, food analysis and organics analysis; and to provide environmental monitoring services such as air and water quality monitoring, noise level monitoring, air emission monitoring and wastewater characteristic studies.
Spectrum Laboratories (Penang) Sdn Bhd (hereinafter referred to as "SLPSB")	28 September 1994	500,000	268,800	To provide analytical laboratory services such as effluent analysis, air and water quality analysis, soil analysis, food analysis and organics analysis; and to provide environmental monitoring services such as air and water quality monitoring, noise level monitoring, air emission monitoring and wastewater characteristic studies.
Cybond Chemical Sdn Bhd (hereinafter referred to as "CCSB")	15 May 1990	500,000	2,002	To produce water treatment chemicals and provide other related services.

3. AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial statements of BTB group were audited by another firm of accountants. All the audited financial statements for the relevant financial years/periods were reported without any audit qualification.

4. BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This report is based on audited financial statements which have been prepared in accordance with approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB") and is presented on a basis consistent with the accounting policies normally adopted by the group.

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5. PROFORMA CONSOLIDATED RESULTS

5.1 BTB – The Group
5.1.1 Proforma consolidated results

The proforma historical financial results for the BTB Group for financial years ended 31 December, 1997 to 2001 set out below are based on the audited financial statements of the subsidiary companies and have been presented on the assumption that the Group had been in effect throughout the period under review. BTB, was incorporated on 14 June 2001; accordingly the financial results of BTB was included in the proforma consolidated results for the financial year ended 31 December 2001.

	Financial year ended 31 December				
	1997 RM'000	**1998 RM'000**	**1999 RM'000**	**2000 RM'000**	**2001 RM'000**
Revenue	9,414	10,176	13,209	20,063	15,553
Profit before interest, depreciation and taxation	1,586	1,452	2,895	6,059	6,598
Depreciation	(386)	(364)	(362)	(397)	(459)
Interest expense	(217)	(157)	(85)	(42)	(67)
Research and development expenditure #	-	-	-	-	(34)
Profit before taxation	983	931	2,448	5,620	6,038
Taxation	(268)	(214)	(54)	(1,663)	(1,831)
Net profit after taxation	715	717	2,394	3,957	4,207
Minority interest	-	-	-	-	-
Profit after taxation and minority interest	715	717	2,394	3,957	4,207
Number of ordinary shares in issue ('000)*	112,500	112,500	112,500	112,500	112,500
Gross earnings per share (sen)	0.87	0.83	2.18	5.00	5.37
Net earnings per share (sen)	0.64	0.64	2.13	3.52	3.74

* The number of ordinary shares in issue refers to the number of ordinary shares issued after the Acquisitions but before the completion of the Placement and Public Issue.

\# The research and development expenses prior to year 2001 was not segregated, these expenses have been absorbed into the cost of production and other operating expenses.

Notes on the preparation of the proforma Group's financial results

i. The revenue for the proforma Group increased progressively in the years under review, which is attributed to increasing environmental awareness among the public and more stringent environmental regulations enforced by the environment authorities. The higher revenue for the year ended 31 December 2000 is mainly due to increased demand for the Group's products and services as the economy of the country improved and due to the Group's efforts, mainly through HCSB to expand into water recycling market. Revenue in 2001 decreased mainly due to the deferment of a major overseas project as a result of the uncertain economic conditions arising from the economic slowdown in the USA.

ii. The Acquisitions were completed on 23 May 2002. The proforma consolidated results are consolidated throughout the relevant periods under review using the acquisition method.

iii. In year 2000 and 2001, the financial year end for all the subsidiary companies are as at 31 December. However prior to year 2000, financial results of the following subsidiary companies have been prorated to 31 December, as the financial accounting dates of these subsidiary companies were non-coterminous with BTB group. The subsidiary companies with non-coterminous year ends are as follows:-

Company	Financial year ends
Rank Chemical Sdn Bhd	31 March 1997, 31 March 1998, 31 March 1999, 31 March 2000 - Subsequent change of financial year end in year 2000 to 31 December 2000 which is coterminous with the financial year end of the group.
Hooker Chemical Sdn Bhd	30 June 1997 - Subsequent change of financial year end in year 1998 to 31 December 1998 which is coterminous with the financial year end of the group.
Cybond Chemical Sdn Bhd	30 June 1997, 30 June 1998, 30 June 1999 and 30 June 2000 - Subsequent change of financial year end in 2001 to 31 December 2001 which is coterminous with the financial year end of the group.

iv) BCSB acquired CCSB's entire paid up capital on 31 May 2001 at a purchase consideration of approximately RM106,807. The financial results of BCSB and CCSB have been presented on the assumption that the structure has been in existence throughout the period under review (1996 to 2000) and that the financial year ends of the two companies were coterminous. The financial results of BCSB and CCSB for financial year ended 31 December 2001 was based upon the actual acquisition date of CCSB and the financial year end of CCSB and BCSB for 2001 were coterminous.

v) There was a prior year adjustment for BCSB amounting to RM13,495 made in 1999 to account for under-provision of depreciation in the prior years. Prior year adjustment was also made for RCSB amounting to RM8,101 on deferred taxation for 1999. There are no extraordinary or exceptional items for all the financial years/periods under review.

vi) The gross and net EPS of BTB Group is calculated based on the proforma consolidated profit before taxation and the proforma consolidated profit after taxation and on the share capital of 112,500,000 ordinary shares of RM0.10 each after acquisitions of subsidiary companies.

vii) Tax charge in 1999 is in respect of deferred taxation and tax under provided in previous years. No provision has been made for income tax in respect of business income earned by the company for the financial period ended 1999 pursuant to Section 8 of the Income Tax (Amendment) Act 1999.

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6.1 BRITE-TECH BERHAD ("BTB") – The Company

6.1.1 Summary of result

	Financial year ended 31 December 2001 RM
Revenue	-
Loss before depreciation, interest and taxation	(26,452)
Depreciation	-
Interest expense	-
Loss before taxation	(26,452)
Taxation	-
Loss after taxation	(26,452)
Number of ordinary shares of RM0.10 each in issue	20
Weighted average no. of ordinary shares of RM 0.10 each in issue	20
Net earnings per share (sen)	-

Notes:-

i) The first income statement of BTB was presented for the financial year ended 31 December 2001 and represents preliminary and pre-operating expenses written off.

ii) There were no extraordinary items in the relevant years under review.

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6.1.2 Summarised balance sheet

	As at 31 December
	2001
	RM
Current assets	2
Current liabilities	(393,905)
Net current liabilities	(393,903)
Deferred expenditure	367,453
	(26,450)
Financed by:	
Share capital	2
Accumulated loss	(26,452)
	(26,450)
Number of shares in issue at year end	20
Net tangible liability	(26,450)
Net tangible liability per ordinary share (RM)	(1,322.50)
Current ratio (times)	0.00001
Total borrowings (RM)	-
Gearing ratio (times)	-

6.1.3 Cash flow statement for the financial year ended 31 December 2001

	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss before taxation	(26,452)
Changes in working capital	
Creditors	393,905
Net cash from operating activities	367,453
CASH FLOWS FROM INVESTING ACTIVITIES	
Deferred expenditure	(367,453)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceed from issued of share capital	2
Net increase in cash and cash equivalents	2
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	2

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6.2 BRITE-TECH CORPORATION SDN BHD ("BCSB") - Group Level

6.2.1 Summary of result

	Financial year ended 31 December
	2001 **RM**
Revenue	2,703,947
Profit before depreciation, interest and taxation	910,466
Depreciation	(81,635)
Interest expense	(18,535)
Profit before taxation	810,296
Share of profit in associated company	69,046
	879,342
Taxation - company & subsidiary company	(265,828)
- associated company	(25,740)
Profit after taxation	587,774
Number of ordinary shares of RM1.00 each in issue	686,628
Weighted average no. of ordinary shares of RM 1.00 each in issue	686,628
Net earnings per share (sen)	85.60

Notes:-

i) BCSB acquired CCSB on 1 May 2001 and BCSB Group results represent consolidated results of BCSB and CCSB for the year ended 31 December 2001. There were no prior year comparative figures as 2001 was the first year of consolidation.

ii) There were no extraordinary items in the period under review.

6.2.2 Summarised balance sheet

	As at 31 December
	2001
	RM
Property, plant and equipment	5,662,532
Investments	124,420
Current assets	965,190
Current liabilities	(1,307,651)
Net current liabilities	(342,461)
	5,444,491
Financed by:	
Share capital	686,628
Reserve on consolidation	48,927
Unappropriated profit	2,074,039
Revaluation reserve	1,746,959
	4,556,553
Deferred & long term liabilities	887,938
	5,444,491
Number of shares in issue at year end	686,628
Net tangible assets (NTA)	4,556,553
NTA per ordinary share (RM)	6.64
Current ratio (times)	0.74
Total borrowings (RM)	1,204,854
Gearing ratio (times)	0.26

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BRITE-TECH BERHAD
Accountants' Report

6.2.3 Cash flow statement for the financial year ended 31 December 2001

	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit before taxation	879,342
Adjustment for :-	
Share of profit in associated company	(69,046)
Depreciation	81,635
Interest expenses	18,535
Property, plant and equipment written off	289
Interest received	(954)
Operating profit before working capital changes	909,801
Changes in working capital	
Inventories	(68,981)
Debtors	158,984
Creditors	1,037
Cash generated from operations	1,000,841
Interest paid	(18,535)
Income tax paid	(281,378)
Net cash from operating activities	700,928
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	954
Dividend received	43,307
Purchase of property, plant and equipment	(312,309)
Purchase of investments	(88,996)
Net cash used in investing activities	(357,044)
CASH FLOWS FROM FINANCING ACTIVITIES	
Dividend paid	(446,924)
Term loan repaid	(16,636)
Net cash used in financing activities	(463,560)
Net decrease in cash and cash equivalents	(119,676)
Cash and cash equivalents at beginning of year	(149,210)
Cash and cash equivalents at end of year	(268,886)

6.3 BRITE-TECH CORPORATION SDN BHD ("BCSB") - Company Level

6.3.1 Summary of results

	Financial years ended 31 December				
	1997 RM	**1998 RM**	**1999 RM**	**2000 RM**	**2001 RM**
Revenue	2,366,685	2,067,476	2,669,448	2,832,100	2,708,938
Profit before depreciation, interest and taxation	503,213	318,921	573,940	945,504	972,416
Depreciation	(70,975)	(70,616)	(43,616)	(59,911)	(81,635)
Interest expense	(70,996)	(34,440)	(12,053)	(4,867)	(18,535)
Profit before taxation	361,242	213,865	518,271	880,726	872,246
Taxation	(110,448)	(69,356)	(4,441)	(255,765)	(252,688)
Profit after taxation	250,794	144,509	513,830	624,961	619,558
Number of ordinary shares of RM 1.00 each in issue	686,628	686,628	686,628	686,628	686,628
Net earnings per share (sen)	36.52	21.05	74.83	91.02	90.23

Notes:-

i) The decreasing trend in revenue from 1997 – 1998 was mainly a result of the economic downturn experienced in the region, resulting in a reduction in orders from some of their major customers and deferral of export sales to Indonesia.

In tandem with the gradual economic recovery in the business environment and the stabilisation of the exchange rates in 1999, BCSB experienced favourable growth of 29.1% in turnover. Improvement in the stability in Indonesia enabled BCSB to resume its export sales in 1999. BCSB sustained its upward growth in 2000, and was able to remain competitive through providing of formulated treatment chemicals. In 2001, there was a slight decrease in revenue. Even though local sales for BCSB increased during the year, export sales to Indonesia were temporarily halted as a result of the uncertain political conditions in the country. Export sales to Indonesia are expected to resume in the following year.

ii) The profit before taxation decreased from 1997-1998 due to the effects of the economic downturn. BCSB's performance improved tremendously in 1999, in line with the improved economic conditions. Increased pre-tax profit margin in 2000 and 2001 were in correspondence with increased gross margin during the year.

iii) Prior year adjustment amounting to RM13,495 was made in 1999 to adjust for under-provision of depreciation in the prior years. There were no extraordinary items during the financial years under review.

6.3.2 Summarised balance sheets

	As at 31 December				
	1997 RM	1998 RM	1999 RM	2000 RM	2001 RM
Property, plant and equipment	2,789,625	2,719,437	2,693,237	2,765,188	5,662,532
Investments	32,300	48,450	48,450	48,450	155,257
Current assets	804,882	550,948	637,507	990,375	894,513
Current liabilities	(1,624,576)	(1,221,109)	(1,050,509)	(1,243,147)	(1,360,924)
Net current liabilities	(819,694)	(670,161)	(413,002)	(252,772)	(466,411)
	2,002,231	2,097,726	2,328,685	2,560,866	5,351,378
Financed by:					
Share capital	686,628	686,628	686,628	686,628	686,628
Unappropriated profit	1,261,048	1,405,557	1,632,303	1,857,219	2,029,853
Revaluation reserve	-	-	-	-	1,746,959
	1,947,676	2,092,185	2,318,931	2,543,847	4,463,440
Deferred & long term liabilities	54,555	5,541	9,754	17,019	887,938
	2,002,231	2,097,726	2,328,685	2,560,866	5,351,378
Number of shares in issue at year end	686,628	686,628	686,628	686,628	686,628
Net tangible assets (NTA)	1,947,676	2,092,185	2,318,931	2,543,847	4,463,440
NTA per ordinary share (RM)	2.84	3.05	3.38	3.70	6.50
Current ratio (times)	0.50	0.45	0.61	0.80	0.66
Total borrowings (RM)	966,637	471,368	166,942	363,504	1,204,854
Gearing ratio (times)	0.50	0.23	0.07	0.14	0.27

6.3.3 Cash flow statements for the financial years ended 31 December 1997-2001

	1997 RM	1998 RM	1999 RM	2000 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit before taxation	361,242	213,865	531,766	880,726	872,246
Adjustment for :-					
Gain on disposal of property, plant and equipment	-	-	-	(31,298)	-
Depreciation	70,975	70,616	43,616	59,911	81,635
Interest expenses	70,996	34,440	12,053	4,867	18,535
Property, plant and equipment written off	-	-	16,678	-	289
Bad debt written off	-	-	-	3,199	-
Dividend received	-	-	-	-	(60,148)
Interest received	-	-	-	(1,840)	(954)
Exceptional items	-	-	(13,495)	-	-
Operating profit before working capital changes	503,213	318,921	590,618	915,565	911,603
Changes in working capital					
Inventories	(5,967)	11,765	(85)	(40,884)	(61,527)
Debtors	(219,935)	244,713	(16,325)	(151,845)	(40,542)
Creditors	54,287	99,890	151,824	(56,108)	183,023
Cash generated from operations	331,598	675,289	726,032	666,728	992,557
Interest paid	(19,660)	(10,363)	(11,790)	(4,867)	(18,535)
Income tax paid	(159,455)	(127,813)	(111,729)	(146,265)	(271,525)
Net cash from operating activities	152,483	537,113	602,513	515,596	702,497
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	-	-	-	1,840	954
Dividend received	-	-	-	-	43,307
Proceed from sales of property, plant and equipment	-	-	-	31,300	-
Purchase of property, plant and equipment	(114,824)	(428)	(20,600)	(131,864)	(312,309)
Purchase of investments	(16,150)	(16,150)	-	-	(106,807)
Net cash used in investing activities	(130,974)	(16,578)	(20,600)	(98,724)	(374,855)

CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	-	-	(300,578)	(400,046)	(446,924)
Term loan repaid	(283,745)	(309,540)	(28,807)	-	(16,636)
Net cash used in financing activities	(283,745)	(309,540)	(329,385)	(400,046)	(463,560)
Net increase/(decrease) in cash and cash equivalents	(262,236)	210,995	252,528	16,826	(135,918)
Cash and cash equivalents at beginning of year	(367,323)	(629,559)	(418,564)	(166,036)	(149,210)
Cash and cash equivalents at end of year	(629,559)	(418,564)	(166,036)	(149,210)	(285,128)

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6.4 HOOKER CHEMICAL SDN BHD ("HCSB") – Company Level

6.4.1 Summary of results

	Financial years ended 30.6.1997 RM	18 months ended 31.12.1998 RM	Financial years ended 31 December 1999 RM	2000 RM	2001 RM
Revenue	2,736,193	3,951,323	4,304,993	10,040,719	6,275,740
Profit before depreciation, interest and taxation	299,354	264,716	723,794	2,568,223	2,885,392
Depreciation	(57,304)	(54,826)	(31,833)	(37,562)	(43,194)
Interest expense	(13,054)	(9,941)	(5,922)	(5,980)	(22,461)
Profit before taxation	228,996	199,949	686,039	2,524,681	2,819,737
Taxation	(69,166)	(66,726)	2,294	(725,610)	(768,737)
Profit after taxation	159,830	133,223	688,333	1,799,071	2,051,000
Number of ordinary shares of RM1.00 each in issue	330,900	330,900	330,900	330,900	330,900
Net earnings per share (sen)	48.30	40.26	208.02	543.69	619.82

Notes:-

i) The gradual increase in revenue over the period from 1997 to 1999 was mainly attributed to the increase in volume of business. Despite unfavorable economic conditions, experienced in Malaysia in 1998, HCSB managed to secure and embarked on more contracts during the year.

In line with the market recovery in year 2000, HCSB's turnover surged to RM10,040,719 which is an increase of 133% during the year. There was significant growth in contract income as a result of the continuous improvement in the economy coupled with increased public environmental awareness. In line with HCSB's expansion visions and through working closely with Kinetico Inc. of the USA, HCSB managed to secure major projects locally as well as overseas.

In 2001, revenue decreased by 37% to RM6,275,740, mainly due the deferment of a major overseas project by HCSB's multi-national as a result of the economic uncertainties arising from the economic slowdown in the USA.

ii) Higher profit before taxation in 1997 was attributed to lower operating expenses as the management had taken cost cutting measures in the unfavourable economic climate. Profit before taxation decreased in 1998 mainly due to increased expenses incurred in line with expansion of operations. In 2000, HCSB's profit before taxation improved significantly mainly as a result of higher gross margins contributed from the major projects. Despite decrease in revenue for 2001, profit before taxation increased during the year mainly due to higher gross margins for contracts as HCSB imported less components during the year and instead attempted to source many components locally.

iii) Prior to year 2000, HCSB recognised contract income upon completion of projects. These projects were mostly completed within a year. Income for projects overlapping to the following year were recognised in the year of completion. However, such incidences were infrequent and have an immaterial effect on total income. From 2000 onwards, HCSB recognised contract income on the percentage of completion basis following the recommendations of the MASB.

iv) There were no extraordinary items during the financial years/period under review.

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6.4.1 Summarised balance sheets

	As at 30 June 1997 RM	As at 31 December 1998 RM	1999 RM	2000 RM	2001 RM
Property, plant and equipment	760,927	709,690	656,502	1,801,100	2,118,265
Investments	43,700	59,850	59,850	59,850	59,850
Current assets	1,140,581	1,449,841	1,568,232	4,479,725	3,641,953
Current liabilities	(1,075,345)	(1,218,502)	(598,851)	(3,540,610)	(2,412,021)
Net current assets/(liabilities)	65,236	231,339	969,381	939,115	1,229,932
	869,863	1,000,879	1,685,733	2,800,065	3,408,047
Financed by:-					
Share capital	330,900	330,900	330,900	330,900	330,900
Revaluation reserve	-	-	-	-	248,479
Unappropriated profits	526,761	659,984	1,348,317	2,147,366	2,546,365
	857,661	990,884	1,679,217	2,478,266	3,125,744
Deferred & long term liabilities	12,202	9,995	6,516	321,799	282,303
	869,863	1,000,879	1,685,733	2,800,065	3,408,047
Number of ordinary shares in issue at year end	330,900	330,900	330,900	330,900	330,900
Net tangible assets (RM)	857,661	990,884	1,679,217	2,478,266	3,125,744
NTA per ordinary share (RM)	2.59	2.99	5.07	7.49	9.45
Current ratio (times)	1.06	1.19	2.62	1.27	1.51
Total borrowings (RM)	453,039	175,716	108,478	545,137	326,991
Gearing ratio (times)	0.53	0.18	0.06	0.22	0.10

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6.4.2 Cash flow statements for the financial years 1997-2001

	Financial years ended 31.12.1997	18 months ended 31.12.1998	Financial years ended 31 December		
			1999	2000	2001
	RM	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit before taxation	228,996	199,949	686,039	2,524,681	2,819,737
Adjustment for: -					
Dividend received	-	-	-	(30,591)	(60,148)
Interest received	-	-	(9,849)	(21,697)	(73,067)
Depreciation	57,304	54,826	31,833	37,562	43,194
Property, plant and equipment written off	-	-	21,355	-	-
Interest expenses	13,054	9,941	5,922	5,980	22,461
Bad debt written off	-	-	-	28,045	-
Gain on disposal of property, plant and equipment	-	-	-	-	(600)
Loss on disposal of property, plant and equipment	-	-	-	-	-
Operating profit before working capital changes	299,354	264,716	735,300	2,543,980	2,751,577
Changes in working capital					
Inventories	53,185	(190,984)	287,682	(105,487)	(120,385)
Debtors	(247,568)	(236,355)	(546,697)	(2,012,543)	1,804,547
Creditors	94,413	506,148	(595,960)	2,312,986	(489,749)
Cash generated from/(absorbed by) operations	199,384	343,525	(119,675)	2,738,935	3,945,990
Interest paid	(13,054)	(9,941)	(5,922)	(5,980)	(22,461)
Income tax paid	(87,508)	(83,969)	(64,984)	(68,131)	(1,362,166)
Net cash from/(used in) operating activities	98,822	249,615	(190,581)	2,664,825	2,561,363

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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(31,704)	(3,588)	-	(1,182,161)	(111,881)
Interest received	-	-	9,849	21,697	73,067
Dividend received	-	-	-	30,591	43,307
Purchase of investment	(16,150)	(16,150)	-	-	-
Proceed from disposal of property, plant and equipment	-	-	-	-	600
Net cash from/ (used in) investing activities	(47,854)	(19,738)	9,849	(1,129,873)	5,093
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	-	-	-	(1,000,022)	(1,652,001)
Proceeds from term loan	-	-	-	400,000	-
Repayment of term loan	-	-	-	(31,214)	(45,120)
Net increase/(decrease) in cash and cash equivalents	50,968	229,877	(180,732)	903,716	869,335
Cash and cash equivalents at beginning of year	(207,739)	(156,772)	73,105	(107,627)	796,089
Cash and cash equivalents at end of year	(156,771)	73,105	(107,627)	796,089	1,665,424

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6.5 RANK CHEMICAL SDN BHD ("RCSB") – Company Level

6.5.1 Summary of results

	← Financial years ended 31 March →				9 months ended 31.12.2000	Year ended 31.12.2001
	1997 RM	1998 RM	1999 RM	2000 RM	RM	RM
Revenue	1,471,649	1,945,191	2,006,086	2,773,558	2,356,120	3,080,253
Profit before depreciation, interest and tax	93,870	118,539	159,664	232,895	711,290	880,541
Depreciation	(33,409)	(33,409)	(32,401)	(55,808)	(48,719)	(85,690)
Interest expenses	(18,980)	(49,777)	(47,565)	(35,627)	(11,500)	(13,725)
Profit before taxation	41,481	35,353	79,698	141,460	651,071	781,126
Taxation	(6,000)	(17,224)	(4,558)	(66,205)	(189,788)	(285,952)
Profit after taxation	35,481	18,129	75,140	75,255	461,283	495,174
Number of ordinary shares of RM1.00 each in issue	273,753	273,753	273,753	273,753	547,506	547,506
Weighted average no. of ordinary share in issue*	187,052	273,753	273,753	273,753	546,514	547,506
Net earnings per share (sen)	18.97	6.62	27.45	27.50	84.40	90.44

* *The weighted average number of ordinary shares in issue has been adjusted for the issue of ordinary shares in respective years*

Notes:-

i) The gradual increase in revenue from 1997 to 1999 was mainly attributed to the increase in volume of business. Growth in the electronics industries had also contributed to tremendous growth in RCSB revenue in providing solutions to mainly these industries which require the use of ultra-pure de-ionised water.

In 2000 and 2001, the increased growth was attributed to RCSB's planned strategies to expand their sales operation into other industries.

ii) The deterioration in profit before taxation in 1998 was mainly due to higher interest expenses and other operating expenses incurred in maintaining increased revenue. RCSB improved performance from 1999 to 2000 was mainly attributed to improved gross margins and the company's policy to practice efficient cost controls. In 2001, improved net profit was mainly due to RCSB's efforts to concentrate more on the rental of ion-exchange columns which generated higher contribution margins.

iii) There were no extraordinary items during the financial years/period under review, except where there were prior year adjustment of RM8,101 on deferred taxation, which had not been provided for in 1999.

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6.5.2 Summarised balance sheets

	As at 31 March				31 December	
	1997	1998	1999	2000	2000	2001
	RM	RM	RM	RM	RM	RM
Property, plant and equipment	771,995	738,586	758,179	760,109	799,141	1,292,674
Investments	-	-	-	-	20,000	20,000
Current assets	498,590	509,875	627,876	914,845	1,177,732	1,573,939
Current liabilities	(736,270)	(834,619)	(1,020,357)	(1,231,596)	(945,327)	(1,315,858)
Net current assets/(liabilities)	(237,680)	(324,744)	(392,481)	(316,751)	232,405	258,081
	534,315	413,842	365,698	443,358	1,051,546	1,570,755
Financed by:						
Share capital	273,753	273,753	273,753	273,753	547,506	547,506
Revaluation reserve	-	-	-	-	-	377,871
Unappropriated profits / (accumulated loss)	(1,324)	16,805	91,945	159,099	500,347	618,378
	272,429	290,558	365,698	432,852	1,047,853	1,543,755
Deferred & long term liabilities	261,886	123,284	-	10,506	3,694	27,000
	534,315	413,842	365,698	443,358	1,051,547	1,570,755
Number of ordinary shares in issue at year end	273,753	273,753	273,753	273,753	547,506	547,506
Net tangible assets (NTA)	272,429	290,558	365,698	432,852	1,047,853	1,543,755
NTA per ordinary share (RM)	1.00	1.06	1.34	1.58	1.91	2.82
Current ratio (times)	0.68	0.61	0.62	0.74	1.25	1.20
Total borrowings(RM)	923,861	703,847	559,857	343,232	210,156	182,674
Gearing ratio (times)	3.39	2.42	1.53	0.79	0.20	0.12

6.5.3 Cash flow statements for the financial years 1997-2001

	Financial years ended 31 March				9 months ended 31.12.2000	Year ended 31.12.2001
CASH FLOWS FROM OPERATING ACTIVITIES	**1997**	**1998**	**1999**	**2000**		
Net profit before taxation	41,481	35,353	79,698	141,460	651,071	781,126
Adjustment for: -						
Provision for doubtful debts	-	-	-	-	-	21,199
Bad debts written off	-	-	-	-	-	30,710
Interest received	-	-	-	-	-	(2,007)
Depreciation	33,409	33,409	32,401	55,808	48,719	85,690
Property, plant and equipment written off	-	-	-	-	41,720	-
Gain on disposal of property, plant and equipment	(2,300)	-	-	-	(3,500)	-
Interest expenses	-	-	-	35,627	11,500	13,725
Amortisation of property, plant and equipment	-	-	7,870	-	-	-
Operating profit before working capital changes	72,590	68,762	119,969	232,895	749,510	930,443
Changes in working capital						
Inventories	(8,894)	1,450	(3,000)	(52,816)	(178,091)	(119,609)
Debtors	(175,265)	(12,628)	(115,284)	(234,233)	(66,745)	(236,088)
Creditors	(114,718)	166,137	201,886	393,986	(274,252)	422,923
Cash generated from/ (absorbed by) operations	(226,287)	223,721	203,571	339,832	230,422	997,669
Interest paid	-	-	-	(32,627)	(11,500)	(13,725)
Income tax paid	(2,880)	(3,600)	-	(27,321)	(92,293)	(287,557)
Net cash from/(used in) operating activities	(229,167)	220,121	203,571	279,884	126,629	696,387

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	-	-	-	-	-	2,007
Proceed from sale of property, plant and equipment	15,500	-	-	-	3,500	-
Purchase of property, plant and equipment	(508,342)	-	(59,864)	(57,738)	(129,471)	(201,352)
Purchase of investment	-	-	-	-	(20,000)	-
Proceed from issue of share	91,251	-	-	-	-	-
Net cash used in investing activities	(401,591)	-	(59,864)	(57,738)	(145,971)	(199,345)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividend paid	-	-	-	-	(120,035)	(377,142)
Proceeds from term loan	310,000	-	-	-	-	-
Proceeds from hire purchase	24,915	-	-	-	-	-
Proceed from issuance of share capital	-	-	-	-	273,753	-
Repayment of term loan	-	(133,268)	(176,732)	(3,000)	-	-
Repayment of hire purchase	-	(7,798)	(9,215)	-	-	-
Net cash from/ (used in) financing activities	334,915	(141,066)	(185,947)	(3,000)	153,718	(377,142)
Net increase/(decrease) in cash and cash equivalents	(295,843)	79,055	(42,240)	219,146	134,376	119,900
Cash and cash equivalents at beginning of year	(286,597)	(582,440)	(503,385)	(545,625)	(326,479)	(192,103)
Cash and cash equivalents at end of year	(582,440)	(503,385)	(545,625)	(326,479)	(192,103)	(72,203)

6.6 SPECTRUM LABORATORIES SDN BHD ("SLSB") – Company Level

6.6.1 Summary of results

	Financial years ended 31 December				
	1997 RM	**1998 RM**	**1999 RM**	**2000 RM**	**2001 RM**
Revenue	1,771,469	1,910,356	2,131,909	2,206,650	2,074,181
Profit before depreciation, interest and taxation	532,402	491,755	760,229	924,771	939,590
Depreciation	(180,319)	(167,644)	(159,289)	(152,071)	(153,862)
Interest expenses	(63,156)	(45,526)	(23,515)	(5,788)	(7,404)
Profit before taxation	288,927	278,585	577,425	766,912	778,324
Taxation	(72,837)	(66,250)	7,707	(227,031)	(211,685)
Profit after taxation	216,090	212,335	585,132	539,881	566,639
Number of ordinary shares of RM1.00 each in issue	300,000	300,000	300,000	300,000	300,000
Net earnings per share (sen)	72.03	70.78	195.04	179.96	188.88

Notes:-

i) The gradual increase in revenue from 1997 to 2000 was mainly attributed to the increase in volume of business.

Significant increased in 1997 was mainly attributed to additional environmental monitoring services performed for Environmental Impact Assessment (EIA) consultants. Revenue further improved from 1998-2000 mainly due to increasing environmental awareness, which enabled SLSB to secure additional sales for air & water analysis, organics analysis and Waste Water Characteristic Studies(WWCS) analysis. In 2001, slight decrease in revenue was mainly due SLSB's efforts to improve collection by having a more selective policy for the provision environmental monitoring services.

ii) Decreasing trend in profit before taxation from 1997-1998, was mainly due to increased operating expenses in line with growth of operations. The profit before taxation improved in 1999, mainly due to decrease in bank overdraft interest in line with significant reduction in the overdraft facilities used during the year. Profit before taxation in 2000 further improved as a result of better management of cost as operating expenses decreased whilst there was growth in revenue. Profit before taxation for 2001 improved during the year despite a slight decrease in revenue, mainly as a result of improved gross margins through more effective cost controls.

iii) There were no extraordinary items during the financial years under review.