3.6.2 Summarised Balance Sheets of ESelatan

	<-----	-----	*As at 31 December*	-----	-----	----->
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	-	5	5	9	8	12
Current assets	3,032	4,537	1,944	4,816	4,104	5,086
Current liabilities	(2,914)	(4,419)	(1,815)	(4,328)	(3,311)	(3,810)
Net current assets	118	118	129	488	793	1,276
	118	123	134	497	801	1,288
Financed by:						
Share capital	100	100	100	100	100	100
Retained profits	18	23	34	397	701	1,188
Shareholders' funds	118	123	134	497	801	1,288

3.7 EMarketing

The following information is based on the audited financial statements of EMarketing for the past five years ended 31 December 2001.

3.7.1 Summary of Results of EMarketing

	<-----Year ended 31 December----->				
	1997	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	21,803	6,800	5,442	6,465	5,599
Profit/(loss) before depreciation and interest	80	184	233	234	(428)
Depreciation	(69)	(59)	(68)	(68)	(20)
Interest expense	(6)	(118)	(81)	(11)	(19)
Interest income	-	-	-	-	-
Profit/(Loss) before taxation	5	7	84	155	(467)
Less: Tax expense	(4)	(9)	1	-	-
Profit/(Loss) after taxation	1	(2)	85	155	(467)
Number of shares in issue ('000)	250	250	250	500	500
Weighted average number of shares in issue ('000)	250	250	250	271*	500
Earnings/(loss) per share (RM)	-	(0.01)	0.34	0.57	(0.93)

* *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 249,998 ordinary shares of RM1.00 each on 1 December 2000.*

There were no extraordinary or exceptional items during the financial years under review.

Notes:

i) The company was incorporated on 13 January 1995 as Ferngold Resources Sdn Bhd and subsequently changed to its present name on 1 April 1996.

ii) The higher revenue in 1997 was in line with the growth of the utilities, infrastructure, mechanical and electrical engineering (M&E) and construction sectors in the country prior to the economic downturn in late 1997.

The decrease in revenue in 1998 and subsequent years were mainly due to the contraction in the utilities, infrastructure, M&E and construction sectors as a result of the economic slowdown in the country.

The lower pre-tax profit in 1997 was due to the bad debts written off during the year of RM379,323 as a result of the economic slowdown.

The higher pre-tax profit in 1999 was mainly due to higher gross margin earned during the year.

The increase in revenue and pre-tax profit in 2000 was due to the improved economic conditions in the utilities, infrastructure, M&E and construction sectors.

The decrease in revenue in 2001 was mainly due to reduction in sale to a related company and competitive market environment.

The loss in 2001 was mainly due to allowance made for specific receivables of approximately RM583,200.

Interest expense in 1998 and 1999 relates to interest charged by holding company in respect of the trade balances exceeding its credit terms.

iii) The effective tax rate for 1997 and 1998 were high because of the lower capital allowance rate used as compared to the depreciation rate adopted by the company to set off against profit. No adjustments have been made to compute the deferred taxation, as the amount is deemed immaterial.

No provision for taxation was made in 1999 in view of the tax waiver year, which has been gazetted in the Income Tax (Amendment) Act 1999.

No taxation was provided for 2000 due to an allowable deduction arising from provision for doubtful debts written off against trade receivables.

3.7.2 Summarised Balance Sheet of EMarketing

	<-----	-----	*As at 31 December*	-----	-----	----->
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	223	654	843	912	200	180
Current assets	6,211	6,264	2,291	2,365	2,413	2,258
Current liabilities	(6,021)	(6,504)	(2,722)	(2,780)	(2,111)	(2,403)
Net current assets/ (liabilities)	190	(240)	(431)	(415)	302	(145)
	413	414	412	497	502	35
Financed by:						
Share capital	250	250	250	250	500	500
Retained profits/ (Accumulated loss)	163	164	162	247	2	(465)
Shareholders' funds	413	414	412	497	502	35

3.8 EMetals

The following information is based on the audited financial statements of EMetals for the past five years ended 31 December 2001.

3.8.1 Summary of Results of EMetals

	<----Year ended 31 December---->				
	1997	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	-	401	4,183	9,293	24,413
(Loss)/profit before depreciation and interest	(2)	(116)	199	841	1,563
Depreciation	-	(18)	(86)	(167)	(435)
Interest expense	-	-	(25)	(14)	(166)
Interest income	-	-	-	-	16
(Loss)/ Profit before taxation	(2)	(134)	88	660	978
Less: Tax expense	-	-	-	(184)	(300)
(Loss)/ Profit after taxation	(2)	(134)	88	476	678
Number of shares in issue ('000)	*	100	100	2,500	2,500
Weighted average number of shares in issue ('000)	*	33**	100	100***	2,500
Earnings/(loss) per share (RM)	(1,018)	(4.06)	0.88	4.76	0.27

* *RM2 comprising 2 ordinary shares of RM1.00 each*

** *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 99,998 ordinary shares of RM1.00 each on 24 August 1998.*

*** *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 2,400,000 ordinary shares of RM1.00 each on 29 December 2000.*

There were no extraordinary or exceptional items during the financial years under review.

Notes:

i) The company was incorporated on 6 May 1995 as Alperton Sdn. Bhd. and subsequently changed its name to the present on 21 November 1996. The company commenced business operations in October 1998.

ii) The increase in revenue and profit during 1999 to 2000 were mainly due to the increase in production capacity, as well as increase in its market penetration via competitive pricing.

The huge increase in revenue in 2001 was mainly due to the production and sale of hard drawn wire, of which the production commenced only in the third quarter of 2000. The high revenue generated from the sales of hard drawn wire is attributed to its short production cycle.

iii) No provision for taxation was made in 1999 in view of the tax waiver year, which has been gazetted in the Income Tax (Amendment) Act, 1999.

The effective tax rate was higher than the statutory tax rate in 2001 due to certain expenses, which are disallowed for tax purposes.

iv) The decrease in earnings per share in 2001 was due to the full effect of the new issue of 2,400,000 new ordinary shares of RM1.00 each on 29 December 2000.

3.8.2 Summarised Balance Sheets of EMetals

	<------	------	As at 31 December	------	------	------>
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	-	-	685	894	3,888	6,058
Deferred expenditure	3	3	-	-	-	-
Current assets	1	1	578	2,231	3,080	4,140
Current liabilities	(5)	(7)	(1,300)	(3,074)	(3,823)	(5,623)
Net current liabilities	(4)	(6)	(722)	(843)	(743)	(1,483)
	(1)	(3)	(37)	51	3,145	4,575
(Represented)/Financed by:						
Share capital	*	*	100	100	2,500	2,500
(Accumulated loss)/ Retained profits	(1)	(3)	(137)	(49)	427	1,105
(Deficit)/Surplus in shareholders' funds	(1)	(3)	(37)	51	2,927	3,605
Deferred and long term liabilities	-	-	-	-	218	970
	(1)	(3)	(37)	51	3,145	4,575

* *RM2.00 comprising 2 ordinary shares of RM1.00 each*

3.9 ELHT

The following information is based on the audited financial statements of ELHT for the past five years ended 31 December 2001.

3.9.1 Summary of Results of ELHT

	<-----------------	-----------------	*Year ended 31 December*	-----------------	---------------->
	1997	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	17,081	12,053	12,605	13,904	15,530
	======	======	======	======	======
Profit before depreciation and interest	654	666	1,305	1,852	1,702
Depreciation	(128)	(113)	(174)	(210)	(197)
Interest expense	(18)	(56)	(7)	(23)	(17)
Interest income	3	-	-	-	-
	----------	----------	----------	----------	----------
Profit before taxation	511	497	1,124	1,619	1,488
Less: Tax expense	(167)	(159)	(3)	(474)	(454)
	----------	----------	----------	----------	----------
Profit after taxation	344	338	1,121	1,145	1,034
	======	======	======	======	======
Number of shares in issue ('000)	300	300	300	700	700
Weighted average number of shares in issue ('000)	300	300	300	317*	700
Earnings per share (RM)	1.15	1.13	3.74	3.61	1.48

* *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 400,000 ordinary shares of RM1.00 each on 15 December 2000.*

There were no extraordinary or exceptional items during the financial years under review.

Notes:

i) The decrease in revenue in 1998 was mainly due to the contraction in the utilities, infrastructure, M&E and construction sectors, which was affected by the economic slow down in the country and the region.

In 1999, the company's sales strategy was to sell mainly to established customers with good credit worthiness. Hence sales grew marginally during the year. The company also concentrated on selling its core and high margin products i.e. pipes, valves and fittings (PVF).

With the recovery of the country's economy underway in 2000, the company managed to increase its revenue to grow by 19% in 2000 and 12% in 2001. As the company continued to focus its selling resources on the PVF product range, gross margin for the company improved from 2000 onwards.

The decreasing pre-tax profit in 1997 and 1998 were due to higher increase in operating expenses as compared to the revenue movements.

The increase in pre-tax profit subsequent to 1998 was due to the improved management of expenses and the corresponding increases in revenue.

The decrease in pre-tax profit in 2001 despite an increase in revenue was mainly due to an inventory write down of approximately RM330,000.

ii) The provision for taxation in 1999 is in respect of the under provision of taxation in the previous financial year. No provision for taxation was made in 1999 in view of the tax waiver year, which has been gazetted in the Income Tax (Amendment) Act, 1999.

The effective tax rates were higher than the statutory tax rates in the remaining years under review due to certain expenses, which are disallowed, for tax purposes.

iii) The decrease in net earnings per share in 1997 and 1998 was in line with the decrease in profit after taxation.

The increase in net earnings per share in 1999 was in line with the increase in revenue and profit after taxation.

The decrease in net earnings per share in 2000 was due to dilution from the issue of 400,000 new ordinary shares at par for cash during the financial year ended 31 December 2000. A weighted average number of 317,000 shares was used in the computation of the net EPS.

The decrease in net earnings per share in 2001 was mainly due to the full effect of issue of 400,000 new ordinary shares in 2000.

3.9.2 Summarised Balance Sheets of ELHT

	<----As at 31 December----					---->
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	672	1,823	1,858	2,002	2,152	2,079
Investment in subsidiary	-	-	-	-	100	100
Current assets	5,327	6,284	4,792	6,177	7,052	7,035
Current liabilities	(4,283)	(6,121)	(4,391)	(4,821)	(5,493)	(4,369)
Net current assets	1,044	163	401	1,356	1,559	2,666
	1,716	1,986	2,259	3,358	3,811	4,845
Financed by:						
Share capital	300	300	300	300	700	700
Retained profits	1,342	1,686	1,959	3,016	3,111	4,145
Shareholders' funds	1,642	1,986	2,259	3,316	3,811	4,845
Long term liabilities	74	-	-	42	-	-
	1,716	1,986	2,259	3,358	3,811	4,845

3.10 Thunder Flow

The following information is based on the audited financial statements of Thunder Flow for the past five years ended 31 December 2001.

3.10.1 Summary of Results of Thunder Flow

	Year ended 31 December				
	1997 *RM'000*	*1998* *RM'000*	*1999* *RM'000*	*2000* *RM'000*	*2001* *RM'000*
Revenue	-	54	758	1,011	844
(Loss)/profit before depreciation and interest	(2)	(71)	(10)	-	54
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Interest income	-	-	-	-	-
(Loss)/profit before taxation	(2)	(71)	(10)	*	54
Less: Tax expense	-	-	-	-	-
(Loss)/profit after taxation	(2)	(71)	(10)	*	54
Number of shares in issue ('000)	**	**	**	250	250
Weighted average number of shares in issue ('000)	**	**	**	***	250
(Loss)/earnings per share (RM)	(1,000)	(35,500)	(5,000)	0.18	0.22

* *Profit before and after taxation of RM247 arrived at after charging depreciation of RM157.*

** *RM2 comprising 2 ordinary shares of RM1.00 each.*

*** *Weighted average number of ordinary shares in issue of 1,370 shares has been adjusted for the new issue of 249,998 ordinary shares of RM1.00 each on 29 December 2000.*

There were no extraordinary or exceptional items during the financial years under review.

Notes:

i) The company temporarily ceased operations in 1997.

In 1998, ESB managed to obtain 10 "A" class carrier licenses. Hence, the company rented 5 lorries from ESB to commence its transportation business. The company's business came mainly from its related companies.

Increase in revenue in 2000 was due to additional 5 lorries hired from ESB towards the end of 1999 and this allowed the company to have 10 lorries generating income for almost the whole year as compared to only 5 lorries in 1999.

ii) Pre-tax profits were reported in 2000 and 2001 primarily due to increase in operating time and lower repair and maintenance cost.

3.10.2 Summarised Balance Sheets of Thunder Flow

	<---------- *As at 31 December*					---------->
	1996	*1997*	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	-	-	1	1	1	1
Current assets	106	231	238	260	204	316
Current liabilities	(128)	(255)	(334)	(367)	(61)	(119)
Net current (liabilities)/ assets	(22)	(24)	(96)	(107)	143	197
	(22)	(24)	(95)	(106)	144	198
(Represented)/Financed by:						
Share capital	*	*	*	*	250	250
Accumulated loss	(22)	(24)	(95)	(106)	(106)	(52)
(Deficit)/ Surplus in shareholders' funds	(22)	(24)	(95)	(106)	144	198

* *RM2 comprising 2 ordinary shares of RM1.00 each.*

3.11 Hachita

The following information is based on the audited financial statements of Hachita for the past five years ended 31 December 2001.

3.11.1 Summary of Results of Hachita

	Year ended 31 December				
	1997	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	-	3,748	9,533	15,265	25,733
(Loss)/Profit before depreciation and interest	(3)	(10)	2,106	1,253	1,188
Depreciation	(2)	(5)	(12)	(23)	(23)
Interest expense	-	-	(2)	(30)	-
Interest income	-	-	-	27	-
(Loss)/Profit before taxation	(5)	(15)	2,092	1,227	1,165
Less: Tax expense	-	-	(6)	(344)	(338)
(Loss)/Profit after taxation	(5)	(15)	2,086	883	827
Number of shares in issue ('000)	254	254	254	254	254
Weighted average number of shares in issue ('000)	254	254	254	254	254
(Loss)/Earnings per share (RM)	(0.02)	(0.06)	8.21	3.48	3.26

There were no extraordinary or exceptional items during the financial years under review.

Notes:

i) The company was incorporated on 8 June 1982 as Hachita Engineering Sdn. Bhd. and subsequently changed to its present name on 30 December 1997. The company commenced operations in 1998, trading in steel products and cement.

ii) The significant increase in revenue and profit in 1999 was mainly due to the introduction of mild steel plates as an additional trading item. This item was imported from overseas via its holding company, ESB before the introduction of additional import duties in April 1999.

Revenue in 2000 registered an increase of 60% due mainly to the increase in cement sales of which a significant portion was to its related company, ESelatan, who was contracted to supply cement for a large construction project in Johor.

The profit before tax in the financial year ended 31 December 1999 increased in line with gross profit margin earned.

The increase in revenue in 2001 was mainly due to the commencement of the shearing services for its customes and related companies. The company also experienced an increase in the sales volume of steel plates. The decrease in profit before tax in 2001 was due to competitive pricing of certain steel products resulting in a lower gross margin earned.

iii) No provision for taxation was made in 1999 in view of the tax waiver pursuant to the Income Tax (Amendment) Act, 1999.

iv) The increase in net EPS in 1999 is in line with the increase in revenue and profit after taxation.

The decrease in net EPS in 2000 as compared to 1999 is due to higher cement sales recorded which has a low margin as compared to steel plates.

3.11.2 Summarised Balance Sheets of Hachita

	<------	------	As at 31 December	------	------	------>
	1996 *RM'000*	*1997* *RM'000*	*1998* *RM'000*	*1999* *RM'000*	*2000* *RM'000*	*2001* *RM'000*
Property, plant and equipment	165	163	186	265	242	222
Current assets	-	-	696	5,827	3,146	9,492
Current liabilities	(227)	(230)	(964)	(4,083)	(1,512)	(7,002)
Net current (liabilities)/ assets	(227)	(230)	(268)	1,744	1,634	2,490
	(62)	(67)	(82)	2,009	1,876	2,712
(Represented)/Financed by:						
Share capital	254	254	254	254	254	254
(Accumulated losses)/ Retained profits	(316)	(321)	(336)	1,749	1,616	2,444
(Deficit)/surplus in shareholders' funds	(62)	(67)	(82)	2,003	1,870	2,698
Deferred taxation	-	-	-	6	6	14
	(62)	(67)	(82)	2,009	1,876	2,712

3.12 EIndustries

The following information is based on the audited financial statements of EIndustries for the period ended 31 August 1997, two years ended 31 August 1998 and 1999, period ended 31 December 1999 and two years ended 31 December 2000 and 2001.

3.12.1 Summary of Results of EIndustries

	Period ended	*Year ended*	*Year ended*	*Period ended*	*Year ended*	*Year ended*
	< -------31 August------- >			*<--------31December------>*		
	1997	*1998*	*1999*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	-	-	-	-	-	-
Loss before depreciation and interest	(1)	(2)	(2)	(1)	(10)	(3)
Depreciation	-	-	-	-	(13)	(13)
Interest expense	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Loss before taxation	(1)	(2)	(2)	(1)	(23)	(16)
Less: Tax expense	-	-	-	-	-	-
Loss after taxation	(1)	(2)	(2)	(1)	(23)	(16)
Number of shares in issue ('000)	*	*	*	*	*	*
Weighted average number of shares in issue ('000)	*	*	*	*	*	*
Loss per share (RM)	(1,000)#	(1,000)	(1,000)	(1,500)#	(11,500)	(8,000)

* *RM2 comprising 2 ordinary shares of RM1.00 each.*

\# *Annualised*

There were no extraordinary or exceptional items during the financial years under review.

The company was incorporated on 8 July 1996 as Nagasari Cemerlang Sdn Bhd and subsequently changed to its present name on 18 February 2000.

The company is dormant and is a property investment company.

The company has not commenced operation and hence no analysis of results is presented.

3.12.2 Summarised Balance Sheets of EIndustries

	<---------As at 31 August-------->			*<----As at 31 December---->*		
	1997	*1998*	*1999*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	-	1,021	1,113	1,113	1,129	1,119
Deferred expenditure	3	3	3	3	-	-
Current assets	-	-	-	-	-	-
Current liabilities	(5)	(1,027)	(1,121)	(1,122)	(1,158)	(1,164)
Net current liabilities	(5)	(1,027)	(1,121)	(1,122)	(1,158)	(1,164)
	(2)	(3)	(5)	(6)	(29)	(45)
Represented by:						
Share capital	*	*	*	*	*	*
Accumulated losses	(2)	(3)	(5)	(6)	(29)	(45)
Deficit in shareholders' funds	(2)	(3)	(5)	(6)	(29)	(45)

* *RM2.00 comprising 2 ordinary shares of RM1.00 each*

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3.13 LYE

The following financial information is based on the financial statements of LYE for the four years ended 30 September 2000, period ended 31 December 2000 and year ended 31 December 2001.

3.13.1 Summary of Results of LYE

	< -------Year ended 30 September------- >				Period ended <-31December->	Year ended
	1997	1998	1999	2000	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	12,560	15,370	15,816	16,305	3,378	14,716
Profit before depreciation and interest	3,321	4,240	4,560	4,541	589	2,982
Depreciation	(778)	(1,076)	(1,388)	(1,661)	(433)	(1,726)
Interest expense	(729)	(1,151)	(907)	(1,681)	(470)	(1,203)
Interest income	-	-	-	-	-	-
Exceptional items **	-	-	-	-	(412)	(1,505)
Profit/(Loss) before taxation	1,814	2,013	2,265	1,199	(726)	(1,452)
Less: Tax expense	(573)	(604)	(55)	(253)	218	-
Profit/(Loss) after taxation	1,241	1,409	2,210	946	(508)	(1,452)
Number of shares in issue ('000)	1,500	2,500	2,500	2,500	2,500	2,500
Weighted average number of shares in issue ('000)	1,500	1,750*	2,500	2,500	2,500	2,500
Earnings/(Loss) per share (RM)	0.83	0.81	0.88	0.38	(0.81)#	(0.58)

* *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 1,000,000 ordinary shares of RM1.00 each on 3 July 1998.*

** *Exceptional items in 2000 relates to expenses and losses incurred as a result of flooding at the factory premises in November 2000. Exceptional items in 2001 is in respect of inventories which had become damaged and/or obsolete and were written down accordingly to scrap metal value after the company conducted a comprehensive inventory count. There were no other extraordinary or exceptional items during the financial years/periods under review.*

\# *Annualised.*

Notes:

i) The company was incorporated on 10 May 1977 as Lianyeu Manufacturing Sdn Bhd and subsequently changed to its present name on 23 March 2001.

ii) Revenue in 1998 increased despite the economic slowdown in the country as LYE managed to secure the Commonwealth Games project valued at RM1.4 million and certain government projects arising from the water crisis in Selangor.

As at 31 December 2000, the annualised revenue of RM13.3 million was lower than 1999 due to a flooding in the factory, which caused production to cease for about 3 weeks.

Profit before tax decreased in the financial year ended 30 September 2000 due to higher interest expense incurred and bad debts written off amounting to RM294,000.

Loss before tax in 2001 was mainly due to the exceptional loss arising from inventories written off for certain inventory items which had become damaged and/or obsolete and written down accordingly to scrap metal value after the company conducted a comprehensive inventory count.

iii) The effective tax rate is higher than the statutory tax rate for 1997 and 1998 due to certain expenses, which were not deductible for tax purposes.

No provision for taxation was made in 1999 in view of the tax waiver year pursuant to the Income Tax (Amendment) Act, 1999.

The overprovision in prior years for 30 September 2000 relates to Reinvestment Allowance claimed for Year of Assessment 1995 to 1998.

3.13.2 Summarised Balance Sheets of LYE

	<--------As at 30 September				-------->	<-As at 31 December->	
	1996	*1997*	*1998*	*1999*	*2000*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	4,004	9,275	11,396	13,223	14,694	14,994	14,258
Investment	13	13	13	13	-	-	-
Current assets	6,431	10,042	11,844	13,355	14,730	12,883	9,100
Current liabilities	(6,634)	(10,761)	(13,123)	(14,807)	(16,805)	(16,439)	(14,532)
Net current liabilities	(203)	(719)	(1,279)	(1,452)	(2,075)	(3,556)	(5,432)
	3,814	8,569	10,130	11,784	12,619	11,438	8,826
Financed by:							
Share capital	1,500	1,500	2,500	2,500	2,500	2,500	2,500
Capital reserve	59	59	59	59	59	59	59
Retained profits	1,155	2,396	3,805	6,015	6,961	6,363	4,911
Shareholders' funds	2,714	3,955	6,364	8,574	9,520	8,922	7,470
Deferred and long term liabilities	1,100	4,614	3,766	3,210	3,099	2,516	1,356
	3,814	8,569	10,130	11,784	12,619	11,438	8,826

3.14 Domino

The following information is based on the audited financial statements of Domino for the period ended 31 December 2000 and year ended 31 December 2001.

3.14.1 Summary of Results of Domino

	Period ended 31 December 2000 RM'000	*Year ended 31 December 2001 RM'000*
Revenue	1,423	3,214
	======	======
Profit before depreciation and interest	252	575
Depreciation	(72)	(99)
Interest expense	-	(3)
Interest income	-	-
	----------	----------
Profit before taxation	180	473
Less: Tax expense	(65)	(146)
	----------	----------
Profit after taxation	115	327
	======	======
Number of shares in issue ('000)	500	500
Weighted average number of ordinary shares in issue ('000)	300*	500
Earnings per share (RM)	0.38	0.65

* *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 99,998 ordinary shares of RM1.00 each on 24 December 1999 and the issue of 400,000 ordinary shares of RM1.00 each on 5 July 2000.*

There were no extraordinary or exceptional items during the financial years under review.

Notes:

i) Domino was incorporated on 21 October 1999 and commenced operations in April 2000.

ii) Revenue consists mainly of sales of small diameter cement-lined pipes fittings. The increase in revenue and pre-tax profit in 2001 were mainly due to the full twelve months results as compared to the eight months results in 2000. Sales to related companies contributed approximately 99% of the company's revenue.

iii) The company's effective tax rate is higher than the statutory tax rate as certain expenses are not deductible for tax purposes.

3.14.2 Summarised Balance Sheets of Domino

	<--- As at 31 December----> 2000 RM'000	2001 RM'000
Property, plant & equipment	455	790
Current assets	846	871
Current liabilities	(665)	(623)
Net current assets	181	248
	636	1,038
Financed by:		
Share capital	500	500
Retained profits	115	442
Shareholders' funds	615	942
Deferred taxation	21	96
	636	1,038

3.15 NBP

The following information is based on the audited financial statements of NBP for the periods ended 21 August 1997 and 31 December 1998 and three years ended 31 December 1999 to 31 December 2001.

3.15.1 Summary of Results of NBP

	Period ended 31 August 1997 RM'000	Period ended 31 December 1998 RM'000	Year ended 31 December 1999 RM'000	Year ended 31 December 2000 RM'000	Year ended 31 December 2001 RM'000
Revenue	-	-	534	3,565	2,458
(Loss)/Profit before depreciation and interest	(2)	(2)	59	761	379
Depreciation	-	-	(6)	(299)	(299)
Interest expense	-	-	-	-	(21)
Interest income	-	-	-	-	-
(Loss)/Profit before taxation	(2)	(2)	53	462	59
Less: Tax expense	-	-	(17)	(131)	(20)
(Loss)/Profit after taxation	(2)	(2)	36	331	39
Number of shares in issue ('000)	*	*	100	2,000	2,000
Weighted average number of shares in issue ('000)	*	*	25**	575***	2,000
(Loss)/Earnings per share (RM)	(1,000)#	(1,000)#	1.44	0.58	0.02

* *RM2 comprising 2 ordinary shares of RM1.00 each.*

** *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 99,998 ordinary shares of RM1.00 each on 21 September 1999.*

*** *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 1,900,000 ordinary shares of RM1.00 each on 29 September 2000.*

\# *Annualised*

There were no extraordinary or exceptional items during the financial years under review.

Notes:

i) The company was incorporated on 8 July 1996 as Nagasari Harmoni Sdn. Bhd. and subsequently changed to its present name on 30 October 1998.

ii) The company commenced its operations in July 1999. The revenue of the company increased significantly by 568% from 1999 to 2000 as the company was only in operation for five months in 1999. Also in 2000, the increase in profit was mainly due to higher profit margin earned through economies of scale. The decrease in revenue and profit before taxation in 2001 were mainly due to competitive market environment.

The significant increase in depreciation is mainly due to depreciation of plant and machinery, which was purchased in December 1999.

iii) The effective tax rates for 1999 to 2001 were higher than the statutory tax rates due to the provision of deferred taxation arising from timing differences.

iv) The increase in net EPS for 1999 was in line with the increase in revenue and profit before tax resulting in lower sales.

3.15.2 Summarised Balance Sheet of NBP

	As at 31 August	*<----------------------*	*As at 31 December*	*---------------*	*>*
	1997	*1998*	*1999*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	-	614	3,449	3,151	2,856
Deferred expenditure	3	3	-	-	-
Current assets	-	-	534	1,405	1,213
Current liabilities	(5)	(621)	(3,834)	(2,044)	(1,499)
Net current liabilities	(5)	(621)	(3,300)	(639)	(286)
	(2)	(4)	149	2,512	2,570
(Represented)/Financed by:					
Share capital	*	*	100	2,000	2,000
(Accumulated loss)/ Retained profits	(2)	(4)	32	364	402
(Deficit)/Surplus in shareholders' funds	(2)	(4)	132	2,364	2,402
Deferred taxation	-	-	17	148	168
	(2)	(4)	149	2,512	2,570

* *RM2 comprising 2 ordinary shares of RM1.00 each.*

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3.16 ELHH

The following information is based on the audited financial statements of ELHH for the period ended 31 December 1999 and two years ended 31 December 2000 and 31 December 2001.

3.16.1 Summary of Results of ELHH

	Period ended	*<-----Year ended------>*	
	31 December	*<----- 31 December---- >*	
	1999	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*
Revenue	-	2,177	1,905
Profit before depreciation and interest	-	89	163
Depreciation	-	-	-
Interest expense	-	-	-
Interest income	-	-	-
Profit before taxation	-	89	163
Less: Tax expense	-	(26)	(49)
Profit after taxation	-	63	114
Number of shares in issue ('000)	*	100	100
Weighted average number of ordinary shares in issue ('000)	*	71**	100
Earnings per share (RM)	-	0.89	1.14

* *RM2 comprising 2 ordinary shares of RM1.00 each.*

** *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 99,998 ordinary shares of RM1.00 each on 18 April 2000.*

There were no extraordinary or exceptional items during the financial years under review.

Notes:

i) ELHH was incorporated on 28 June 1999 and commenced operations in 2000. The decrease in revenue in 2001 was mainly due to competitive market environment while the higher pre-tax profit was mainly attributed to containment of administration expenses.

ii) The effective tax rates for the years under review were higher than the statutory tax rates due to certain expenses, which are not deductible for tax purposes.

3.16.2 Summarised Balance Sheets of ELHH

	<-------- As at 31 December --------->		
	1999	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*
Deferred expenditure	4	-	-
Current assets	-	1,151	658
Current liabilities	(4)	(988)	(382)
Net current (liabilities)/ assets	(4)	163	276
	*	163	276
Financed by:			
Share capital	*	100	100
Retained profits	-	63	176
Shareholders' funds	*	163	276

* *RM2 comprising 2 ordinary shares of RM1.00 each.*

3.17 LYEM

The following information is based on the audited financial statements of LYEM for the period ended 30 September 1998, two years ended 30 September 1999 and 30 September 2000, period ended 31 December 2000 and year ended 31 December 2001.

3.17.1 Summary of Results of LYEM

	Period ended	*Year ended*	*Year ended*	*Period ended*	*Year ended*
	< ----------30 September		*------- >*	*<-- 31 December-->*	
	1998	*1999*	*2000*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Revenue	-	-	-	-	1,085
	=====	=====	=====	=====	=====
(Loss)/Profit before depreciation and interest	-	-	-	(10)	25
Depreciation	-	-	-	-	(19)
Interest expense	-	-	-	-	(3)
Interest income	-	-	-	-	-
	---------	---------	--------	---------	---------
(Loss)/Profit before taxation	-	-	-	(10)	3
Less: Tax expense	-	-	-	-	-
	---------	---------	--------	---------	---------
(Loss)/Profit after taxation	-	-	-	(10)	3
	=====	=====	=====	=====	=====
Number of shares in issue ('000)	*	*	*	*	100
Weighted average number of shares in issue ('000)	*	*	*	*	63**
Earnings per share (RM)	-	-	-	(5,000)	0.05

* *RM2 comprising 2 ordinary shares of RM1.00 each.*

** *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 99,998 ordinary shares of RM1.00 each in April 2001.*

There were no extraordinary or exceptional items during the financial years under review.

Notes:

The company was incorporated on 3 June 1997 as LYE Construction and Engineering Sdn. Bhd. and subsequently changed to its present name on 16 May 2001. The company commenced operations in September 2001 and was principally engaged in marketing and distribution of valves and industrial casting products.

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3.17.2 Summarised Balance Sheets of LYEM

	<-------As at 30 September --- >			*<--As at 31 December-->*	
	1998	*1999*	*2000*	*2000*	*2001*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Property, plant and equipment	-	-	-	-	478
Deferred expenditure	6	7	9	-	-
Current assets	-	-	-	-	1,206
Current liabilities	(6)	(7)	(9)	(10)	(1,515)
Net current liabilities	(6)	(7)	(9)	(10)	(309)
	-	-	-	(10)	169
(Represented)/Financed by:					
Share capital	*	*	*	*	100
Accumulated losses	-	-	-	(10)	(7)
(Deficit)/surplus in shareholders' funds	-	-	-	(10)	93
Long term liabilities	-	-	-	-	76
	-	-	-	(10)	169

* *RM2 comprising 2 ordinary shares of RM1.00 each.*

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4 Statement of Assets and Liabilities

The statement of assets and liabilities of the Company and the Proforma Group which are prepared for illustration purposes are prepared based on the audited financial statements of Engtex and its subsidiaries as at 31 December 2001 on the assumption that the restructuring scheme of the Engtex Group as stated in Section 1.4, rights issue and the public issue has been effected on 31 December 2001 and should be read in conjunction with the notes thereon.

		As at 31 December 2001	
		Audited Company	*Proforma Group*
	Note	*RM'000*	*RM'000*
Property, plant and equipment	4.2	-	67,257
Investments	4.3	-	5
Current assets			
Inventories	4.4	-	33,105
Trade and other receivables	4.5	-	68,433
Cash and cash equivalents	4.6		6,034
		-	107,572
Current liabilities			
Trade and other payables	4.7	10	36,481
Borrowings	4.8	-	42,403
Taxation		-	5,255
		10	84,139
Net current (liabilities)/assets		(10)	23,433
		(10)	90,695
(Represented)/Financed by:			
Capital and reserves			
Share capital	4.9	*	60,000
Reserves	4.10	(10)	18,750
(Deficit)/Surplus in Shareholders' fund		(10)	78,750
Minority shareholders' interest		-	2,638
Long term and deferred liabilities			
Borrowings	4.8	-	7,577
Deferred taxation		-	1,730
		(10)	90,695
Net tangible (liabilities)/assets per share (RM)		(5,000.00)	1.31

* RM2 comprising 2 ordinary shares of RM1.00 each

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4.1 Notes to the Statement of Assets and Liabilities

4.1.1 Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

4.1.2 Basis of accounting

The financial statements of the Group and the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

4.1.3 Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long-term restrictions, which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Proforma Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

4.1.4 Property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any.

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

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

4.1.5 Assets under hire purchase

Plant and equipment acquired under hire purchase arrangement are capitalised at their purchase cost and depreciated on the same basis as owned assets. The corresponding obligations relating to the remaining capital payments are treated as a liability. Interest charges are charged to income statement over the period of the hire purchase on the sum of digits method.

4.1.6 Depreciation

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the period of the respective leases, which range from ten to ninety-nine years while buildings are depreciated on a straight-line basis over the shorter of 50 years or the lease period. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Plant and machinery	10%
Motor vehicles	20%
Office equipment, furniture and fittings	10% to 20%
Electrical fittings and renovation	10%
Signboard	8%
Computer equipment	33%

4.1.7 Investments

Long-term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value, which is other than temporary.

4.1.8 Intangible assets

Goodwill represents the excess of the cost of the acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised from the date of initial recognition over its estimated useful life of 10 years. An impairment loss is also recognised when the Directors are of the view that there is a diminution in value, which is other than temporary.

4.1.9 Inventories

Trading inventories, raw materials, work-in-progress and manufactured inventories are stated at the lower of cost and net realisable value with first-in first-out (FIFO) being the main basis for cost. The cost of trading inventories and raw materials consists of cost of purchase and incidental costs of bringing the inventories to their present condition and location. For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

4.1.10 Receivables

All known bad debts are written off and specific allowance is made for all known doubtful debts.

4.1.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

4.1.12 Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

4.1.13 Revenue

(i) *Goods sold*

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue represents the invoiced value of goods sold less rebates, returns and discounts.

(ii) *Dividend income*
Dividend income is recognised when the right to receive payment is established.

(iii) *Interest income*
Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

4.1.14 Expenses

Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

4.2 Property, plant and equipment

Proforma Group

	Cost	***Accumulated depreciation***	***Net book value***
	RM'000	***RM'000***	***RM'000***
Cost/valuation			
Freehold land	13,969	-	13,969
Leasehold land	4,214	185	4,029
Buildings	20,601	1,319	19,282
Plant and machinery	28,896	11,277	17,619
Motor vehicles	7,709	4,659	3,050
Office equipment, furniture and fittings	3,168	1,775	1,393
Electrical fittings and renovation	1,490	555	935
Capital work-in progress	80	-	80
	80,127	19,770	60,357
Add: Proposed acquisitions (Section 5 (ii))			
- Plant and equipment	2,800	-	2,800
- Land and construction of factory buildings for a subsidiary	4,100	-	4,100
	87,027	19,770	67,257

4.2.1 Revaluation

Leasehold land amounting RM1,300,293 is stated at valuation based on valuations made by the Directors of a subsidiary in 1995.

It is the Proforma Group's policy to state property, plant and equipment at cost. However, a piece of leasehold land in a subsidiary was revalued by the Directors of the subsidiary in 1995. The revaluation of leasehold land was carried out as part of the subsidiary's corporate exercise then and was not intended to effect a change in the accounting policy to one of revaluation of properties. Had the leasehold land in the subsidiary been carried at historical cost, the carrying amount of the revalued asset that would have been included in the financial statements at 31 December 2001 is RM186,000.

4.2.2 Security

Certain land and buildings of the Proforma Group costing RM36,642,000 are charged to banks as security for credit facilities granted to the Proforma Group.

4.2.3 Titles

The titles to certain land and buildings of the Proforma Group costing RM3,886,000 has either yet to be issued by the relevant authorities or is pending transfer to the name of the respective subsidiaries.

4.2.4 Assets under hire purchase and leases

Included in property, plant and equipment of the Proforma Group are assets acquired under hire purchase and lease agreement as follows:

	Audited Company **RM'000**	***Proforma Group*** **RM'000**
Net book value		
Hire purchase		
Motor vehicles	-	1,169
Plant and machinery	-	1,755
	-	2,924
Finance lease		
Motor vehicles	-	28

4.3 Investments

	Audited Company RM'000	*Proforma Group RM'000*
Quoted shares - at cost	-	5
Unquoted shares - at cost	-	13
	-	18
Less: Allowance for diminution in value	-	(13)
	-	5
Market value of quoted shares	-	4

4.4 Inventories

	Audited Company RM'000	*Proforma Group RM'000*
Trading inventories	-	25,473
Raw material	-	979
Work-in-progress	-	1,724
Manufactured inventories	-	4,929
	-	33,105

Trading inventories of RM846,000 are carried at net realisable value.

4.5 Trade and other receivables

	Audited Company RM'000	*Proforma Group RM'000*
Trade receivables	-	67,406
Less: Allowance for doubtful debts	-	(2,991)
	-	64,415
Tax recoverable	-	515
Other receivables, deposits and prepayments	-	4,186
Less: Allowance for doubtful debts	-	(683)
		3,503
	-	68,433

Included in trade receivables are amounts due from companies in which certain Directors have interest of RM1,517,000.

Included in other receivables, deposits and prepayments is an amount of RM683,200 arising from a dispute in transfer of title deed of freehold land and buildings. This amount has been fully provided.

4.6 Cash and cash equivalents

	Audited Company RM'000	*Proforma Group RM'000*
Cash and bank balances	-	1,589
Add: Proceeds from rights and public issue (Section 5 (ii))	-	4,445
	-	6,034

4.7 Trade and other payables

	Audited Company RM'000	***Proforma Group RM'000***
Trade payables	-	30,663
Other payables and accrued expenses	10	5,818
	10	36,481

Included in trade payables are amounts due to companies in which certain Directors have interest of RM237,191.

4.8 Borrowings

	Audited Company RM'000	***Proforma Group RM'000***
Current		
Term loans - secured	-	2,685
Overdrafts - secured	-	12,012
Bills payable - secured	-	35,140
- unsecured	-	2,854
Hire purchase liabilities	-	1,294
Finance lease liabilities	-	9
	-	53,994
Less: Proposed repayments (Section 5(ii))		
- Borrowings	-	(10,691)
- Borrowings relating to acquisition of land for a subsidiary	-	(900)
	-	42,403
Non-current		
Long term loans - secured	-	7,239
Hire purchase liabilities	-	338
	-	7,577

The term loan and overdrafts are subject to interest at 1.5% to 2% above the lenders' base lending rates and 2% above the Bank Negara Malaysia funding rate. The bills payable are subject to interest at 3% to 4% per annum. The hire purchase and finance leases are subject to interest rate of 3% per annum.

The term loans are repayable in equal monthly instalments over periods ranging from 4 years to 5 years.

The borrowings are secured by way of:

i) legal charges over certain land and building of the Proforma Group;

ii) fixed and floating debenture over the plant and machinery of certain subsidiaries;

iii) joint and several guarantees by certain Directors of the Company; and

iv) corporate guarantee by Engtex Sdn. Berhad.

Hire purchase and finance lease liabilities

Hire purchase and finance lease liabilities are payable as follows:

	Payments RM'000	Interest RM'000	Principal RM'000
Hire purchase liabilities			
Less than one year	1,385	(91)	1,294
Between one and five years	371	(33)	338
	1,756	(124)	1,632
Finance lease liabilities			
Less than one year	9	-	9

4.9 Share capital

	Audited Company RM'000	***Proforma Group RM'000***
Ordinary shares of RM1 each:		
Authorised	100	200,000
	=======	=======
Issued and fully paid-up Balance as at 31 December 2001	*	*
22,444,772 new ordinary shares at approximately RM1.20 per share issued for the acquisition of ESB's entire issued and paid-up capital	-	22,445
Rights Issue of 28,455,226 new ordinary shares at an issue price of RM1.09 per share	-	28,455
Public Issue of 9,100,000 new ordinary shares at an issue price of RM2.20 per share	-	9,100
Enlarged share capital at 31 December 2001	*	60,000
	========	========

* RM2.00 comprising 2 ordinary shares of RM1.00 each

4.10 Reserves

	Non distributable Share premium RM'000	Reserve on consolidation RM'000	Accumulated loss RM'000	Total RM'000
Company				
At date of incorporation	-	-	-	-
Loss for the year	-	-	(10)	(10)
At 31 December 2001	-	-	(10)	(10)
Proforma Group				
At 31 December 2001	-	-	-	-
22,444,772 new ordinary shares at approximately RM1.20 per share issued for the acquisition of ESB's entire issued and paid-up capital	4,489	2,790	-	7,279
Rights Issue of 28,455,226 new ordinary shares at an issue price of RM1.09 per share	2,561	-	-	2,561
Public Issue of 9,100,000 new ordinary shares at an issue price of RM2.20 per share	10,920	-	-	10,920
Estimated listing expenses	(2,000)	-	-	(2,000)
Loss for the year	-	-	(10)	(10)
At 31 December 2001	15,970	2,790	(10)	18,750

4.11 Minority shareholders' interests

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries, net of their share of subsidiary's goodwill on consolidation and amortisation of goodwill charged to the minority shareholders.

4.12 Capital commitments

	Proforma Group RM'000
Property, plant and equipment:	
Authorised but not contracted for	5,449
Contracted but not provided for in the financial statements	1,375
	6,824

5 Proforma Consolidated Cash Flow Statements

The cash flow statements of the Company and the Proforma Group set out below is based on the audited financial statements of Engtex and its subsidiaries for the year ended 31 December 2001 and is presented on the assumption that the Engtex Group has been in existence throughout the year under review and that the acquisition of ESB, Rights Issue and Public Issue referred to in Section 1.4 have been completed on 31 December 2001.

	Year ended 31 December 2001	
	Audited Company RM'000	***Proforma Group RM'000***
Cash flows from operating activities		
(Loss)/Profit before taxation	(10)	19,452
Adjustments for:		
Amortisation of goodwill	-	46
Depreciation	-	4,840
Gain on disposal of property, plant and equipment	-	(112)
Interest expense	-	3,524
Interest income	-	(22)
Inventories written down	-	3,788
Property, plant and equipment written off	-	2
Operating (loss)/profit before working capital changes	(10)	31,518
Changes in working capital:		
Inventories	-	(11,514)
Trade and other receivables	-	(5,225)
Trade and other payables	10	(7,977)
Cash generated from operations	-	6,802
Income taxes paid	-	(3,859)
Interest received	-	22
Interest paid	-	(2,069)
Net cash generated by operating activities	-	896

		Year ended 31 December 2001	
		Audited Company RM'000	***Proforma Group RM'000***
Cash flows from investing activities			
Purchase of property, plant and equipment	(i)	-	(11,440)
Proceeds from disposal of property, plant and equipment		-	202
Net cash used in investing activities		-	(11,238)
Cash flows from financing activities			
Proceeds from loan and other borrowings		-	16,588
Proceeds from refinancing of hire purchase		-	196
Proceeds from Rights Issue	(ii)	-	4,916
Proceeds from Public Issue	(ii)	-	20,020
Listing Expenses paid		-	(2,000)
Repayment of loan and other borrowings		-	(18,564)
Payment of hire purchase and lease liabilities		-	(1,641)
Interest paid			(1,455)
Net cash generated from financing activities		-	18,060
Net increase in cash and cash equivalents		-	7,718
Cash and cash equivalents at beginning of year		-	(13,696)
Cash and cash equivalents at end of year		-	(5,978)
Cash and cash equivalents comprise:			
Cash and bank balances		-	6,034
Bank overdrafts		-	(12,012)
		-	(5,978)

(i) *Purchase of property, plant and equipment*

During the year, the Proforma Group acquired property, plant and equipment with an aggregate cost of RM12,826,000 (including the proposed acquisition of property, plant and equipment of RM6,900,000 as stated in Section 5(ii)) of which RM1,386,000 was acquired by means of hire purchase.

(ii) *Proceeds from Rights Issue and Public Issue*

The subscription of 23,945,000 new ordinary shares of the Rights Issue totalling RM26,100,000 is via the capitalisation of the amount due to the former shareholders of ESB, who are now shareholders of Engtex.

The gross proceeds arising from the Rights Issue and Public Issue are as follows:

	RM'000
Rights Issue	4,916
Public Issue	20,020
	24,936
will be utilised in the following manner:	
Expansion plans for manufacturing plants	2,200
Implementation of Enterprise Resource Planning System for Engtex Group	600
	2,800
Repayment of borrowings and financing the acquisition of land and construction of factory buildings for its subsidiary company *	5,000
Repayment of bank borrowings	10,691
Listing expenses	2,000
Working capital purposes	4,445
	24,936

* *As at 31 December 2001, RM900,000 has been drawn down to pay for the acquisition of a piece of land by a subsidiary.*

6 Proforma Net Tangible Assets Cover

Based on the statement of assets and liabilities of the Group as at 31 December 2001, the proforma net tangible assets ("NTA") cover per share is calculated as follows:

	Proforma Group RM'000
NTA as per statement of assets and liabilities of Engtex Group	78,750
	======
Number of ordinary shares pursuant to the restructuring scheme	60,000
	======
Proforma NTA cover per ordinary share of RM1.00 each (RM)	1.31
	====

7 Events subsequent to the balance sheet date

Based on the audited financial statements for the year ended 31 December 2001 and other than the completion of the acquisitions referred to in Section 1.4, no events have arisen subsequent to the balance sheet date, which requires disclosure in this Report.

8 Audited Financial Statements

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2001.

Yours faithfully

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

Lim Hun Soon @ David Lim
Partner
Approval Number: 1514/5/04 (J)