# 7. DIRECTORS' REPORT

*(Prepared for inclusion in this Prospectus)*

**Engtex** **ENGTEX GROUP BERHAD** (536693-X)
Lot 36, Jalan BRP 9/2B, Putra Industrial Park,
Bukit Rahman Putra, 47000 Sg. Buloh, Selangor, Malaysia.
Tel: 03-6140 1111 (Hunting Line) Fax: 03-6140 1919
E-mail: engtex@po.jaring.my URL: http://www.engtex.ws

24 JUN 2002

The Shareholders of
Engtex Group Berhad ("Engtex")

Dear Sir/Madam

On behalf of the Directors of Engtex, I wish to report that after making due enquiries during the period between 31 December 2001, being the date to which the last audited accounts of Engtex and its subsidiaries (the "Group") have been made, up to the date hereof, being a date not earlier than fourteen(14) days before the issue of this Prospectus that ;-

(a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the business and operations or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) save as disclosed in Section 6.4 of this Prospectus, there are no contingent liabilities that have arisen by reason of any guarantees or indemnities given by the Group; and

(e) since the last audited accounts of the Group, save as disclosed in the Accountants' Report and Proforma Consolidated Balance Sheet as set out in Sections 6.8 and 9 respectively, of this Prospectus, there has been no changes in published reserves nor any unusual factors affecting the profits of the Group.

Yours faithfully
On behalf of the Board of Directors of
**Engtex Group Berhad**

**Ng Hook**
Managing Director

Registered Office: ~~Level 7, Wisma Setia 1, Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur.~~
Level 7, Setia 1, 15 Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur.

8. **VALUATION CERTIFICATE**
(Prepared for inclusion in this Prospectus)

# HENRY BUTCHER,
Lim & Long Sdn. Bhd. (160636-P)

No. 25, Jalan Yap Ah Shak, Off Jalan Dang Wangi, 50300 Kuala Lumpur, Malaysia.
Fax: 03-26925771 (Marketing), 03-26943484 (Valuation), 03-26941261 (Agency), 03-26945543 (Admin)
Tel: 03-26942212 Email: hbllmal@po.jaring.my Website: www.henrybutchermalaysia.com

INTERNATIONAL, REAL ESTATE AND PLANT & MACHINERY
CONSULTANTS, VALUERS, AUCTIONEERS, AGENTS,
PROJECT AND PROPERTY MANAGERS.

Date : 24 JUN 2002

**M/s ENGTEX GROUP BERHAD**
Level 7, Setia 1,
15 Lorong Dungun,
Damansara Heights,
50490 Kuala Lumpur.

**Attn : Mr. Teh Chee Ghee**

**Dear Sirs,**

**VALUATION OF PROPERTY BELONGING TO M/S ENGTEX GROUP BERHAD**

This letter is prepared for inclusion in the Prospectus of M/s Engtex Group Berhad, the holding company of M/s Engtex Sdn. Bhd., to be dated June 27, 2002 in relation to the Public Issue of 9,100,000 new ordinary shares of RM 1.00 each at an issue price of RM 2.20 per share.

We are instructed by M/s Engtex Sdn. Bhd. to value the property listed below, with the date of valuation is made on May 18, 2001. We confirm that we have valued the properties based on the Valuation Basis stated below. The Valuations had been carried out in accordance with the Guidelines on Asset Valuations for Submission to the Securities Commission (1995) issued by the Securities Commission in appliance with the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia and with the necessary professional responsibility and due diligence.

In our opinion, we consider the Market Value of the following properties to be as follows :-

**A. Property held for owner occupation**

| Date of Valuation, Date of Inspection and Reference No. | Property (Title Details/Address) | Description, Age & Tenure | Land Area & Built-up Area | Valuation Method | Market Value for Existing Use |
|---|---|---|---|---|---|
| May 18, 2001<br>May 18, 2001<br><br>V/N04-01/0396 | Master Title No. HS(D) 14948, Master Lot No. PT 97, Mukim of Pekan Telok Kemang, District of Port Dickson, State of Negeri Sembilan.<br><br>Beneficial Owner : Engtex Sdn. Bhd. | Duplex Penthouse.<br><br>Approximately 5 years.<br><br>Assumed to be at least 99 years leasehold. | Built-up Area : 1,193 sq.ft. (110.83 sqm.) | Comparison Method. | RM 173,000 |

## 8. VALUATION CERTIFICATE (Cont'd)

Cont'd

| Date of Valuation, Date of Inspection and Reference No. | Property (Title Details/Address) | Description, Age & Tenure | Land Area & Built-up Area | Valuation Method | Market Value for Existing Use |
|---|---|---|---|---|---|
| | (Penthouse Unit No. 404, 3rd & 4th Floor, Block A, PD Perdana Condo Resort, 71000 Port Dickson, Negeri Sembilan Darul Khusus). | | | | |
| **Total** | | | | | **RM 173,000** |

**B. Properties held for investment**

| | | | | | |
|---|---|---|---|---|---|
| May 18, 2001<br>May 18, 2001<br><br>V/W04-2001/0397 | HS(M) 3300<br>Lot No. 35415<br>Mukim of Batu<br>District of Kuala Lumpur, State of Wilayah Persekutuan.<br><br>Registered Owner : Engtex Sdn. Bhd.<br><br>(No. 758, Batu 4 ½, Jalan Ipoh, 51200 Kuala Lumpur). | An intermediate 4-storey shopoffice unit with basement.<br><br>Approximately 16 years.<br><br>Leasehold 99 years expiring on December 9, 2083 thus leaving an unexpired term of approximately 82 years. | Land Area : 1,430 sq.ft. (132.847 sqm)<br><br>Built-up Area : 6,600 sq.ft. (613.10 sqm.)<br><br>Occupation : Owner occupied | Comparison and Investment Method. | RM 900,000 |
| May 18, 2001<br>May 18, 2001<br><br>V/W04-01/0398 | HS(D) 26648<br>PT 3947<br>Mukim of Setapak, District of Gombak, State of Selangor Darul Ehsan.<br><br>Beneficial Owner : Engtex Sdn. Bhd.<br><br>(No. 6, Jalan E1, Taman Melawati, Selangor Darul Ehsan). | An intermediate double storey shop office.<br><br>Approximately 15 years.<br><br>Freehold. | Land Area : 1,400 sq.ft. (130 sqm.)<br><br>Built-up Area : 2,800 sq.ft. (260.11 sqm.)<br><br>Occupation : Tenanted | Comparison and Investment Method. | RM 280,000 |
| **Total** | | | | | **RM 1,180,000** |

**The total Market Value for the above-mentioned properties is RM 1,353,000.00**

Yours faithfully,
**HENRY BUTCHER, Lim & Long Sdn. Bhd.**

**FAHARIAH ABDUL WAHAB**
**Registered Valuer (V-402)**

**HENRY BUTCHER,**
**Lim & Long (Malacca) Sdn. Bhd.** (Company No. 246114-T)

335-A, Taman Melaka Raya, 75000 Melaka.
Tel: 06-2812188 Fax: 06-2812189

INTERNATIONAL REAL ESTATE AND PLANT & MACHINERY
CONSULTANTS, VALUERS, AUCTIONEERS, AGENTS,
PROJECT AND PROPERTY MANAGER

2 4 JUN 2002

M/S ENGTEX GROUP BERHAD
Level 7, Setia 1,
15, Lorong Dungun, Damansara Heights,
50490 Kuala Lumpur.
(Attn : Mr. Teh Chee Ghee)

Dear Sirs,

**VALUATION OF PROPERTY BELONGING TO M/S ENGTEX GROUP BERHAD**

The letter is prepared for inclusion in the prospectus of M/S Engtex Group Bhd., the holding company of M/S Engtex Sdn. Bhd., to be dated 27 June 2002 in relation to the Public Issue of 9,100,000 new ordinary shares of RM1.00 each at an issue price of RM2.20 per share.

We are instructed by M/S Engtex Sdn. Bhd. to value the property listed below, with the date of valuation on 18 May 2001. We confirm that we have valued the property based on the Valuation Basis stated below. The Valuation had been carried out in accordance with the Guidelines on Asset Valuations for Submission to the Securities Commission (1995) issued by the Securities Commission in appliance with the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and with the necessary professional responsibility and due diligence.

## 8. VALUATION CERTIFICATE (Cont'd)

In our opinion, we consider the Market Value of the following property to be as follows:-

For Investment Purpose :

| Date Of Valuation/ Date Of Inspection and Reference No. | Property (Title Details/ Address) | Registered/ Beneficial Owner | Description and Tenure | Land Area & Built-up Area | Valuation Method | Market Value For Existing Use |
|---|---|---|---|---|---|---|
| 18 May 2001/ 18 May 2001<br><br>M/V01/2267/C | Lot 120, Geran Perengkat Pertama No. 14125, Kawasan Bandar XXV, Daerah Melaka Tengah, Melaka.<br><br>No. 79, Jalan Parameswara, 75000 Melaka. | Hachita Enterprise Sdn Bhd (Formerly known as Hachita Engineering Sdn Bhd) | An intermediate unit of double storey pre-war terrace house; unoccupied; Land title of freehold tenure. | Land Area : = 5,792 s.f. (or 538.09 s.m.)<br><br>Built-up Area = 2,930 s.f. (or 272.21 s.m.) | Comparison Method | RM200,000.00 |
| **Total** | | | | | | **RM200,000.00** |

Yours faithfully,
**HENRY BUTCHER, Lim & Long (Malacca) Sdn. Bhd.**

**LIM CHOW WAH, MISM**
Registered Valuer (V-332)

HENRY BUTCHER LIM & LONG (M'CCA) S/B. (246114-T)

**HENRY BUTCHER,**
**Lim & Long (North) Sdn. Bhd.** (177498-P)

No. 2708, Chain Ferry Road, Kimsar Garden, 13700 Prai, Malaysia.
Tel: 3988999 Fax: 04-3988666
INTERNATIONAL REAL ESTATE AND PLANT & MACHINERY
CONSULTANTS, VALUERS, AUCTIONEERS, AGENTS,
PROJECT AND PROPERTY MANAGERS.

Date: 24 JUN 2002

**M/S ENGTEX GROUP BERHAD**
Level 7, Setia 1
15 Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

**Attn: Mr. Teh Chee Ghee**

Dear Sirs,

**VALUATION OF PROPERTY BELONGING TO M/S ENGTEX GROUP BERHAD**

This letter is prepared for inclusion in the Prospectus of Engtex Group Berhad, the holding company of M/s Engtex Sdn. Bhd., to be dated 27 June 2002 in relation to the Public issue of 9,100,000 new ordinary shares of RM1.00 each at an issue price of RM2.20 per share.

We are instructed by M/s Engtex Sdn. Bhd. to value the property listed below, with the date of valuation is made on May 18, 2001. We confirm that we have valued the properties based on the Valuation Basis stated below. The Valuations had been carried out in accordance with the Guidelines on Asset Valuations for Submission to the Securities Commission (1995) issued by the Securities Commission in compliances with the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia and with the necessary professional responsibility and due diligence.

In our opinion, we consider the Market Value of the following properties to be as follows:

**A. Property held for owner occupation**

| Date of Valuation, Date of Inspection and Reference No. | Property (Title Details / Address) | Registered/ Beneficial Owner | Description, Age and Tenure | Land Area & Built-up Area | Valuation Method | Market Value for Existing Use |
|---|---|---|---|---|---|---|
| May 18, 2001<br>May 18,2001<br><br>V/BW/BYO/01(LKL) | H.S.(D) No. 1578, Lot No. 3420, Mk. 13, Province Wellesley Central, Penang<br><br>(Plot 10, Lorong Industri Ringan 1, Juru Light Industrial Park, 14100 Simpang Ampat, Penang). | Eng Lian Hup Trading Sdn. Bhd | 2 ½ storey detached light industrial building<br><br>3.5 years<br><br>Freehold | 20,527 sq. ft<br><br>13,111 sq. ft | Comparison and Contractor's Methods | RM1,300,000 |
| May 18, 2001<br>May 18, 2001<br><br>V/BW/BYR/01(LKL) | H.S.(D) No. 1572, Lot No. 3414, Mk. 13, Province Wellesley Central, Penang | Eng Lian Hup Trading Sdn. Bhd | A parcel of vacant industrial land<br><br>Freehold | 16,146 sq. ft | Comparison Method Only. | RM400,000 |
| TOTAL | | | | RM1,700,000 | | |

## B. Properties which are surplus to operation requirements

| Date of Valuation, Date of Inspection and Reference No. | Property (Title Details / Address) | Registered/ Beneficial Owner | Description, Age and Tenure | Land Area & Built-up Area | Valuation Method | Market Value for Existing Use |
|---|---|---|---|---|---|---|
| May 18, 2001<br>May 18, 2001<br><br>V/K/135/01(NB) | H.S.(D) No. 573/96, Lot No. 776, Section 41, Town of Kulim, District of Kulim, Kedah<br><br>(No. 490, Jalan Kota Kenari 3, Kota Kenari, 09000 Kulim, Kedah). | Eng Lian Hup Trading Sdn. Bhd | 2 storey shopoffice<br><br>Approximately 3 years<br><br>Freehold | 1,400 sq. ft.<br><br>2,400 sq. ft. | Comparison and Investment Methods | RM158,000 |
| TOTAL | | | | RM158,000 | | |

The total market value for the above-mentioned properties is RM1,858,000.

Yours faithfully,
**HENRY BUTCHER, LIM & LONG (NORTH) SDN BHD**

**KHOR BOON SOO**
**Registered Valuer (V440)**
**MISM**

**HENRY BUTCHER**
Lim & Long (Selangor) Sdn Bhd (495503-K)

No. 52-3, Jalan SS 15/4D, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-5631 5555 (Hunting Line) Fax: 03-5632 7155
Email: hbllsel@pd.jaring.my Website: www.henrybutchermalaysia.com

INTERNATIONAL REAL ESTATE AND PLANT & MACHINERY
CONSULTANTS, VALUERS, AUCTIONEERS, AGENTS,
PROJECT AND PROPERTY MANAGERS.

Date : 24 JUN 2002

**M/S ENGTEX GROUP BERHAD**
Level 7, Setia 1
15 Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Attn: Mr Teh Chee Ghee

Dear Sirs,

**VALUATION OF PROPERTIES BELONGING TO M/S ENGTEX GROUP BERHAD**

This letter is prepared for inclusion in the Prospectus of M/s Engtex Group Berhad, the holding company of M/s Engtex Sdn Bhd (ESB), to be dated June 27, 2002 in relation to the Public Issue of 9,100,000 new ordinary shares of RM 1.00 each at an issue price of RM 2.20 per share.

We are instructed by M/s Engtex Sdn Bhd to value the properties listed below, with the date of valuation is made on May 18, 2001. We confirm that we have valued the properties based on the Valuation Basis stated below. The Valuations had been carried out in accordance with the Guidelines on Asset Valuations for Submission to the Securities Commission (1995) issued by the Securities Commission in appliance with the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia and with the necessary professional responsibility and due diligence.

In our opinion, we consider the Market Value of the following properties to be as follows: -

**A. Properties held for owner occupation**

| Date of Valuation, Date of Inspection and Reference No | Property (Title Details, Address) | Registered / Beneficial Owner | Description, Age and Tenure | Land Area & Built-up Area | Valuation Method | Market Value for Existing Use |
|---|---|---|---|---|---|---|
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/04/0348/SC/FAW/Derr | Held Under Title No. H.S. (D) 31897 & H.S. (M) 31898, Lot No. P.T. 13185 & P.T. 13186 Respectively, Both In The Mukim of Rawang, District of Gombak, State of Selangor<br><br>Lot 37, Jalan BRP 9/2B, Putra Industrial Park, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan | Engtex Sdn Bhd | A One-and-a-half Storey Office Building Annexed with A Double-Storey Warehouse Building<br><br>Approximately 2 years<br><br>Freehold | 116,752 sq. ft.<br><br>99,207 sq. ft. | Comparison Method and Investment Method | RM 10,100,000 |
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/04/0349/SC/FAW/Derr | Held Under Title No. H.S. (D) 31889 & H.S. (M) 31890, Lot No. P.T. 13177 & P.T. 13178 Respectively, Both In The Mukim of Rawang, District of Gombak, State of Selangor<br><br>Lot 36, Jalan BRP 9/2B, Putra Industrial Park, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan | Engtex Sdn Bhd | A Three-Storey Office Building Annexed with A Single-Storey Warehouse Building<br><br>Approximately 2 years<br><br>Freehold | 117,610 sq. ft.<br><br>66,674 sq. ft. | Comparison Method and Investment Method | RM 10,000,000 |

## 8. VALUATION CERTIFICATE (Cont'd)

### A. Properties held for owner occupation (Cont'd)

| Date of Valuation, Date of Inspection and Reference No | Property (Title Details, Address) | Registered / Beneficial Owner | Description, Age and Tenure | Land Area & Built-up Area | Valuation Method | Market Value for Existing Use |
|---|---|---|---|---|---|---|
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/04/ 0344/SC/FAW/ Derr | Held Under Title H.S. (M) 151 & H.S. (M) 404, PT 70 & PT 531 respectively<br>Both in the Mukim of Ulu Yam, District of Hulu Selangor, State of Selangor<br><br>Lot 3757, Batu 29, Jalan Kuala Lumpur ke Ipoh, Hulu Selangor 48200 Serendah, Selangor Darul Ehsan | Allpipes Technology Sdn Bhd | A single-storey office building with 5 units of single-storey factory building<br><br>Approximately 3-5 years<br><br>Leasehold for 99-year expiring on October 6, 2076 and October 1, 2082 respectively | 165,528 sq. ft.<br><br>62,643 sq. ft. | Comparison Method and Investment Method | RM 3,800,000 |
| May 18, 2001<br>41<br>May 18, 2001<br><br>V/SEL/8801/04/ 0346/SC/FAW/ Derr | Held Under Title H.S. (M) 177, P.T. 80, Mukim of Ulu Yam, District of Hulu Selangor, State of Selangor<br><br>P.T. 80, Batu 29, Jalan Kuala Lumpur - Ipoh, Hulu Selangor 48200 Serendah, Selangor Darul Ehsan | Nagasari Bitumen Products Sdn Bhd | A parcel of agriculture land<br><br>Not Applicable<br><br>Leasehold for 99-year expiring on July 21, 2079 | 130,680 sq. ft.<br><br>Not Applicable | Comparison Method | RM 720,000 |
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/05/ 0393/SC/FAW/ DY | Held Under Title No. Geran Mukim 474, Lot No. 1844, Mukim of Cheras, District of Ulu Langat, State of Selangor<br><br>Lot 1844, Kampung Baru Balakong, off Batu 13, Jalan Sungei Besi, 43300 Kajang, Selangor Darul Ehsan<br><br>Note:<br>We have valued the subject land only. The registered / beneficial owner has previously obtained the Temporary Certificate of Fitness for Occupation (TCF) for the subject property and the last TCF expired on June 13, 1996. Thereafter, the registered / beneficial owner has not been able to obtain the full Certificate of Fitness for Occupation (CF) as the infrastructure for the surrounding area has not been completed by the relevant authorities. Therefore, value attributable to the subject building is excluded and not taken into consideration in arriving at the market value of the subject property | LYE Manufacturing Sdn Bhd | A Parcel of Industrial Land<br><br>Not Applicable<br><br>Freehold | 95,287.5 sq. ft.<br><br>Not Applicable | Comparison Method | RM 1,900,000 |
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/04/ 0350/SC/FAW/ AL | Held Under Title No. Geran Mukim 125, Lot No. 443, Mukim of Ijok, District of Kuala Selangor, State of Selangor<br><br>Not applicable | Engtex Metals Sdn Bhd | A parcel of industrial land<br><br>Not Applicable<br><br>Freehold | 220,522 sq. ft.<br><br>Not Applicable | Comparison Method | RM 1,500,000 |

**Total Market Value for property held for owner occupation is RM 28,020,000**

## 8. VALUATION CERTIFICATE (Cont'd)

### B. Properties held as investment

| Date of Valuation, Date of Inspection And Reference No | Property (Title Details, Address and Status) | Registered / Beneficial Owner | Description, Age and Tenure | Land Area & Built-up Area | Valuation Method | Market Value for Existing Use |
|---|---|---|---|---|---|---|
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/05/ 0391/SC/FAW/ Derr | Held Under Title No. P.M. 439, Lot No. 31658, Mukim of Kapar, District of Klang, State of Selangor<br><br>No 26, Lorong Mahkota 2E, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan<br><br>Vacant | Engtex Sdn Bhd | A Corner Unit Double Storey Terraced House<br><br>Approximately 2 years<br><br>Leasehold 99-year expiring May 8, 2093 | 3,574 sq. ft.<br><br>2,136 sq. ft. | Comparison Method and Investment Method | RM 410,000 |
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/04/ 0345/SC/FAW/ Derr | Held Under Title H.S. (M) 628 & H.S. (M) 629, P.T. 789 & P.T. 790 respectively Both in the Mukim of Ulu Yam, District of Hulu Selangor, State of Selangor<br><br>P.T. 789 & P.T. 790, Batu 29, Jalan Kuala Lumpur - Ipoh, Hulu Selangor 48200 Serendah, Selangor Darul Ehsan<br><br>Vacant | Engtex Industries Sdn Bhd | Two parcel of adjoining agriculture land<br><br>Not Applicable<br><br>Leasehold for 99-year expiring on May 5, 2086 | 261,360 sq. ft.<br><br>Not Applicable | Comparison Method | RM 1,440,000 |
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/05/ 0420/SC/FAW/ Vic | Held Under Master Title No. H.S. (D) 2483, Master Lot No. P.T. 6260, Mukim of Dengkil, District of Sepang, State of Selangor<br><br>No. H-1-06, Kiambang (Itville) Apartments, Jalan Putra Perdana 5F, Taman Putra Perdana, 47100 Puchong , Selangor Darul Ehsan /<br><br>Vacant | Engtex Marketing Sdn Bhd | A Medium Cost Apartment<br><br>Approximately 1 year<br><br>Leasehold | Not Applicable<br><br>790 sq. ft. | Comparison Method and Investment Method | RM 85,000 |
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/05/ 0421/ SC/FAW/ Vic | Held Under Master Title No. H.S. (M) 22712, Master Lot No. P.T. 19502, Mukim & District of Petaling, State of Selangor<br><br>No. 50C, 3rd Floor, Jalan TK 4/5, Taman Kinrara Section 4, 47100 Puchong, Selangor Darul Ehsan<br><br>Vacant | Engtex Marketing Sdn Bhd | A Shop / Apartment Unit<br><br>Approximately 2 years<br><br>Leasehold | Not Applicable<br><br>1,088 sq. ft. | Comparison Method and Investment Method | RM 86,000 |

**Total Market Value for property held as investment is RM 2,021,000.**

## C. Properties which are surplus to operational requirements

| Date of Valuation, Date of Inspection And Reference No | Property (Title Details, Address) | Registered Owner | Description, Age and Tenure | Land Area & Built-up Area | Valuation Method | Market Value for Existing Use |
|---|---|---|---|---|---|---|
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/04/ 0347/SC/FAW/ AL | Held Under Title No. H.S. (D) 31870, Lot No. P.T. 13157, Mukim of Rawang, District of Gombak, State of Selangor<br><br>Lot 20, Jalan BRP 9/1B, Putra Industrial Park, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan<br><br>Property has been disposed but pending the completion of the Sale and Purchase Agreement | Benton Corporation Sdn Bhd / Global Kiara Sdn Bhd | A Three Storey Office Building cum a Double Storey Warehouse<br><br>Approximately 4 years<br><br>Freehold | 21,780 sq. ft.<br><br>25,064 sq. ft. | Comparison Method and Investment Method | RM 2,600,000 |
| May 18, 2001<br><br>May 18, 2001<br><br>V/SEL/8801/04/ 0392/SC/FAW/ Derr | Held Under Title No. H.S. (M) 5336, Lot No. P.T. 6265, Mukim of Sungai Buluh, District of Petaling, State of Selangor<br><br>No. 440, Jalan Perusahaan 2, Bandar Baru Sungai Buloh, Seksyen U20, 40160 Shah Alam, Selangor Darul Ehsan<br><br>Property has been disposed but pending the completion of the Sale and Purchase Agreement | Benton Corporation Sdn Bhd / Kota Niaga Sdn Bhd | An Intermediate Unit One and A Half Storey Terraced Factory<br><br>Approximately 14 years<br><br>Leasehold for 99-year expiring on March 13, 2087 | 3,000 sq. ft.<br><br>2,760 sq. ft. | Comparison Method and Investment Method | RM 400,000 |

**Total Market Value for property which are surplus to operational requirements is RM 3,000,000.**

**The Grand Total Market Value of the abovementioned properties is RM 33,041,000.**

Yours faithfully,
**HENRY BUTCHER, Lim & Long (Selangor) Sdn. Bhd.**

HENRY BUTCHER LIM & LONG (SELANGOR) SDN. BHD. 495503-K

**TEW KOK HUAT**
B.Surv., MIS(M), APEPS
Registered Valuer (V-481)

KPMG

KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

P.O. Box 10047
50702 Kuala Lumpur
Malaysia

Tel + (603) 2095 3388
Fax + (603) 2095 0971

The Board of Directors
Engtex Group Berhad
Level 7, Setia 1
15, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

24 June 2002

Dear Sirs

**Engtex Group Berhad ("Engtex")**
**Accountants Report**

This Report has been prepared by Messrs. KPMG, an approved auditor, for inclusion in the Prospectus to be dated 27 June 2002 in connection with:

i) the public issue of 9,100,000 new ordinary shares of RM1.00 each in Engtex at an issue price of RM2.20 per share payable upon application, comprising:

   a) 2,100,000 new ordinary shares of RM1.00 each available for application by the Malaysian public; and

   b) 3,000,000 new ordinary shares of RM1.00 each available for application by directors, eligible employees and business associates of Engtex and its subsidiaries;

   c) 4,000,000 new ordinary shares of RM1.00 each by way of placement;

   and

ii) the listing of and quotation for Engtex's issued and paid up share capital on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

# 1 General Information

## 1.1 Background

Engtex was incorporated in Malaysia under the Companies Act, 1965 on 13 January 2001 as a private limited company under the name of Engtex Group Sdn. Bhd. On 2 March 2001, the Company was converted to a public limited company and thereafter assumed its present name. The principal activity of the Company is investment holding.

## 1.2 Share Capital

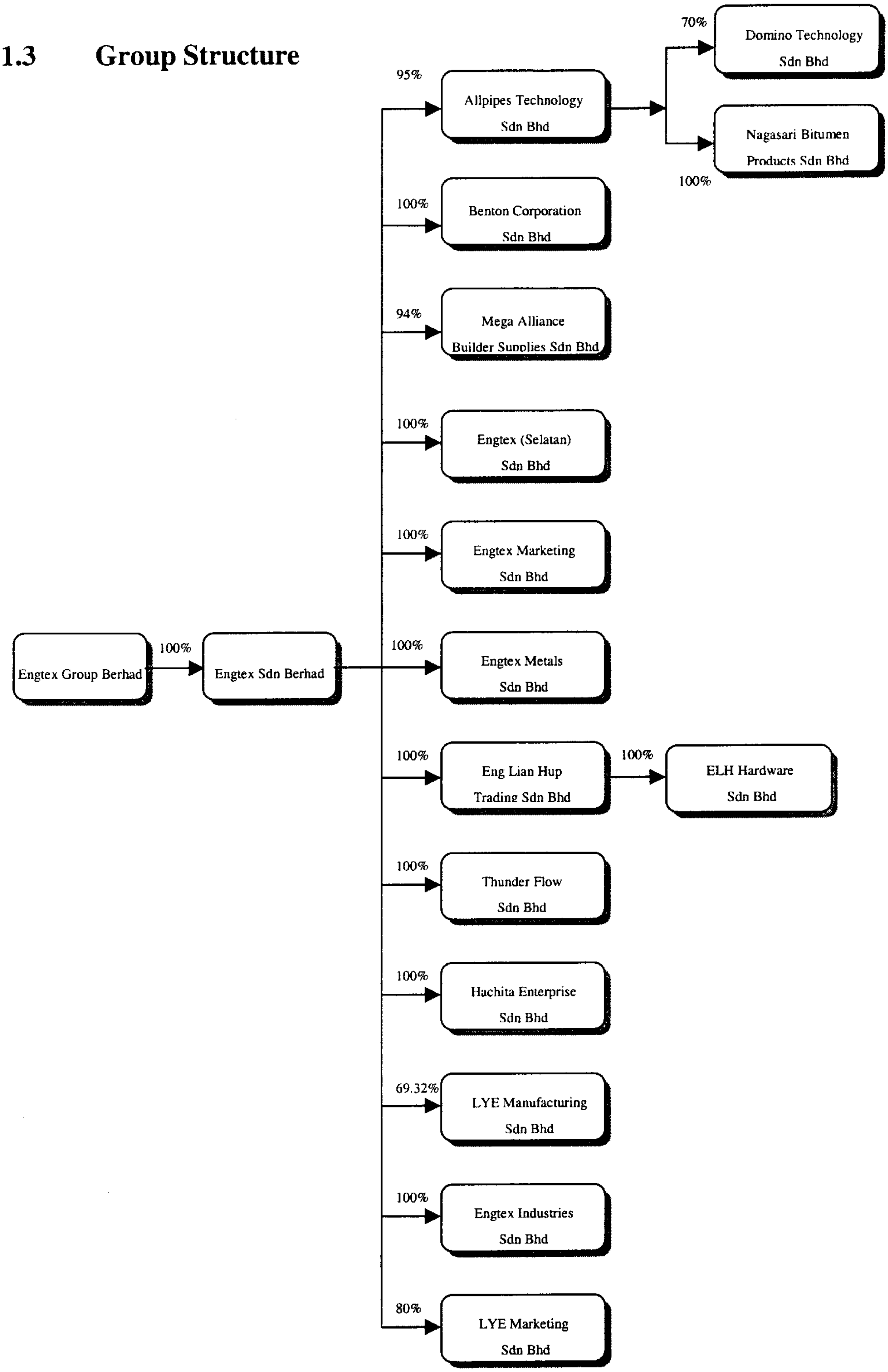
At the date of incorporation, Engtex's authorised share capital was RM100,000 comprising 100,000 ordinary shares of RM1.00 each with an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. The authorised share capital was subsequently increased to RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each on 29 March 2002.

The changes in the issued and paid up share capital of Engtex since its incorporation is as follows:-

| *No of ordinary shares* | *Issue price RM* | *Purpose* | *Total RM* |
|---|---|---|---|
| 2 | 1.00 | Subscribers' share | 2 |
| 22,444,772 | 1.20 | Issued as a consideration for the acquisition of 100% equity interest in Engtex Sdn Berhad "ESB" | 22,444,774 |
| 28,455,226 | 1.09 | Rights Issue on the basis of approximately 127 new ordinary shares for every 100 existing 100 shares held based on the enlarged share capital of RM1.00 each at an issue price of RM1.09 per share | 50,900,000 |

The issued and paid up share capital of Engtex would subsequently be increased to RM60,000,000 by way of a public issue of 9,100,000 new ordinary shares of RM1.00 each at an issue price of RM2.20 per share.

## 1.3 Group Structure



## 1.4 Restructuring Scheme

In connection with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of Engtex on the Main Board of KLSE, Engtex undertook the following restructuring scheme, which was completed in May 2002.

i) Acquisition of the remaining 30% of the issued and paid-up share capital of Benton Corporation Sdn. Bhd. comprising 300,000 ordinary shares of RM1.00 each at a purchase consideration of RM1,059,379 fully satisfied by the issuance of 220,714 new ordinary shares in ESB at an issue price of RM4.80 per share. The purchase consideration is based on the audited net tangible assets of Benton Corporation Sdn. Bhd. as at 31 December 2000.

ii) Acquisition of the remaining 40% of the issued and paid-up share capital of Eng Lian Hup Trading Sdn. Bhd. comprising 280,000 ordinary shares of RM1.00 each at a purchase consideration of RM1,524,240 fully satisfied by the issuance of 317,564 new ordinary shares in ESB at an issue price of RM4.80 per share. The purchase consideration is based on the audited net tangible assets of Eng Lian Hup Trading Sdn. Bhd. as at 31 December 2000.

iii) Acquisition of 5% of the issued and paid-up share capital of Allpipes Technology Sdn. Bhd. comprising 250,000 ordinary shares of RM1.00 each at a purchase consideration of RM309,736 fully satisfied by the issuance of 64,531 new ordinary shares in ESB at an issue price of RM4.80 per share. The purchase consideration is based on the audited net tangible assets of Allpipes Technology Sdn. Bhd. and its subsidiaries as at 31 December 2000.

iv) Acquisition of 7% of the issued and paid-up share capital of Mega Alliance Builder Supplies Sdn. Bhd. comprising 7,000 ordinary shares of RM1.00 each at a purchase consideration of RM41,441 fully satisfied by the issuance of 8,634 new ordinary shares in ESB at an issue price of RM4.80 per share. The purchase consideration is based on the audited net tangible assets of Mega Alliance Builder Supplies Sdn. Bhd. as at 31 December 2000.

v) Acquisition of the entire issued and paid-up share capital of ESB by Engtex comprising 5,611,443 ordinary shares of RM1.00 each for a purchase consideration of RM26,933,726 fully satisfied by the issuance of 22,444,772 new ordinary shares of RM1.00 in Engtex at an issue price of RM1.20 per share. The purchase consideration is based on the audited net tangible assets of ESB as at 31 December 2000 adjusted for the acquisitions stated in (i) to (iv) above.

Subsequent to the above acquisitions, Engtex undertook a rights issue of 28,455,226 new ordinary shares of RM1.00 each in Engtex at an issue price of RM1.09 per ordinary share on the basis of approximately one hundred and twenty seven shares (127) new ordinary shares for every hundred (100) existing ordinary shares.

The subscription of approximately 23,945,000 new ordinary shares of the rights issue totalling RM26,100,000 will be via the capitalisation of the amount due to the former shareholders of ESB.

The rights issue was completed in June 2002.

In connection with the above, Engtex will undertake the following:

Public issue of 9,100,000 new ordinary shares of RM1.00 each in Engtex at an issue price of RM2.20 per share payable upon application, comprising:

a) 2,100,000 new ordinary shares of RM1.00 each available for application by the Malaysian public; and

b) 3,000,000 new ordinary shares of RM1.00 each available for application by directors, eligible employees and business associates of Engtex and its subsidiaries;

c) 4,000,000 new ordinary shares of RM1.00 each by way of placement;

The above scheme was approved by the Securities Commission ("SC") progressively vide its letters dated 3 December 2001, 7 March 2002, 26 March 2002, 29 April 2002, 17 June 2002 and 21 June 2002.

## 1.5 Information on subsidiaries

The subsidiaries of Engtex are all incorporated in Malaysia as a private limited companies under Companies Act, 1965. At the date of this Report, their principal activities are as follows:

| *Subsidiaries of Engtex* | *Date of incorporation* | *Authorised share capital (RM)* | *Issued and paid-up share capital (RM)* | *Effective Interest (%)* | *Principal activities* |
|---|---|---|---|---|---|
| Engtex Sdn Berhad (ESB) | 31.12.1983 | 10,000,000 | 5,611,443 | 100 | Investment holding and wholesale and distribution of pipes, valves, fittings, plumbing materials and general hardware products |
| Allpipes Technology Sdn Bhd (Allpipes) | 16.04.1986 | 5,000,000 | 5,000,000 | 95 | Manufacturing of steel pipes, fittings and related products |
| Benton Corporation Sdn Bhd (Benton) | 25.01.1984 | 1,000,000 | 1,000,000 | 100 | Distribution of plumbing materials and general hardware products for the Sabah & Sarawak region |
| Mega Alliance Builder Supplies Sdn Bhd (Mega Alliance) | 06.12.1993 | 100,000 | 100,000 | 94 | Supply of pipes, valves, fittings and general hardware products for mechanical and electrical engineering industry |

| *Subsidiaries of Engtex* | *Date of incorporation* | *Authorised share capital (RM)* | *Issued and paid-up share capital (RM)* | *Effective Interest (%)* | *Principal activities* |
|---|---|---|---|---|---|
| Engtex (Selatan) Sdn Bhd (ESelatan) | 31.07.1996 | 100,000 | 100,000 | 100 | Supply of general hardware products for the southern region of Peninsular Malaysia |
| Engtex Marketing Sdn Bhd (EMarketing) | 13.01.1995 | 500,000 | 500,000 | 100 | Supply of construction materials and general hardware products |
| Engtex Metals Sdn Bhd (EMetals) | 06.05.1995 | 5,000,000 | 2,500,000 | 100 | Manufacturing ofwelded wire mesh , hard-drawn wire and operates a steel service centre |
| Eng Lian Hup Trading Sdn Bhd (ELHT) | 19.06.1993 | 1,000,000 | 700,000 | 100 | Wholesale and distribution of pipes, valves, fittings, plumbing materials and general hardware products for the northern region of Peninsular Malaysia |
| Thunder Flow Sdn Bhd (Thunder Flow) | 27.06.1995 | 500,000 | 250,000 | 100 | Transportation services and agency |
| Hachita Enterprise Sdn Bhd (Hachita) | 08.06.1982 | 500,000 | 254,002 | 100 | Distribution of steel products, and cement for the central region of Peninsular Malaysia |
| Engtex Industries Sdn. Bhd. (EIndustries) | 08.07.1996 | 100,000 | 2 | 100 | Property investment |
| LYE Manufacturing Sdn Bhd (LYE) | 10.05.1977 | 5,000,000 | 2,500,000 | 69 | Manufacturing of valves, fittings, manhole covers, hydrants and industrial casting products |
| Domino Technology Sdn Bhd (Domino) | 21.10.1999 | 500,000 | 500,000 | 67 | Manufacturing of steel pipe fittings |
| Nagasari Bitumen Products Sdn Bhd (NBP) | 08.07.1996 | 5,000,000 | 2,000,000 | 95 | Manufacturing of bitumen products – pipe asphalt/coatings and bitumen products |
| ELH Hardware Sdn Bhd (ELHH) | 28.06.1999 | 1,000,000 | 100,000 | 100 | Distribution of steel products for the northern region of Peninsular Malaysia |
| LYE Marketing Sdn Bhd (LYEM) | 03.06.1997 | 100,000 | 100,000 | 80 | Marketing and distribution of valves and industrial casting products |

## 1.6 Financial Statements and Auditors

The financial year-end of Engtex Group is 31 December. The financial statements of Engtex and its subsidiaries were audited for the relevant financial years/periods under review.

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 and is presented on a basis consistent with the accounting policies normally adopted by the Group.

KPMG have acted as auditors of the following subsidiaries:

i) ESB, Allpipes, Benton, Mega Alliance, ESelatan, EMarketing, EMetals, Thunder Flow, Hachita, NBP and ELHT with effect from the financial year ended 31 December 1999.

ii) LYE with effect from the financial year ended 30 September 2000.

iii) EIndustries, Domino, ELHH and LYEM with effect from financial year/period ended 31 December 2000.

Prior to the financial years/periods mentioned above, the financial statements of respective subsidiaries were audited by another firm of accountants.

The auditors' reports of Engtex Group for the financial years/periods under review were not subject to any qualification except for the following:

i) Allpipes for the financial year ended 31 December 1998.

The company's system of control is dependent upon the close involvement of the Managing Director. Where independent confirmation of the completeness of the accounting records was not available, assurances were accepted from the Managing Director that all transactions have been reflected in the accounting records.

In 1999, the auditors' report was not subject to any qualifications.

ii) Benton for the financial year ended 31 December 1998.

The company's system of control is dependent upon the close involvement of the Managing Director. Where independent confirmation of the completeness of the accounting records was not available, assurances were accepted from the Managing Director that all transactions have been reflected in the accounting records. Trade debtors and creditors are subject to individual confirmations.

In 1999, the auditor's report was not subject to any qualifications.

# 2 Financial Performance

We set out below the proforma consolidated results of Engtex Group for the past five financial years ended 31 December 2001. The proforma results are prepared based on the audited financial statements of Engtex and its subsidiaries on the assumption that the Engtex Group under the restructuring scheme had been effective throughout the five financial years ended 31 December 2001, as detailed in Section 1.4 after adjusting for dividends to minority interest as explained in 2.2.1. The following results are to be read in conjunction with the notes thereon.

## 2.1 Engtex Group – Proforma Consolidated Results

| | *Year ended* | | | | |
|---|---|---|---|---|---|
| | <---------- | | *31 December* | | ----------> |
| | *1997* | *1998* | *1999* | *2000* | *2001* |
| | ***RM'000*** | ***RM'000*** | ***RM'000*** | ***RM'000*** | ***RM'000*** |
| Revenue | 197,561 | 136,122 | 149,957 | 190,720 | 222,431 |
| Profit before depreciation, interest and exceptional items | 6,036 | 11,359 | 17,831 | 24,388 | 27,803 |
| Depreciation | (1,347) | (1,442) | (1,809) | (3,079) | (4,840) |
| Interest expense | (1,516) | (2,746) | (1,632) | (2,361) | (3,523) |
| Interest income | 9 | 1 | 146 | 6 | 22 |
| Exceptional items* | - | - | - | (412) | - |
| Profit before taxation | 3,182 | 7,172 | 14,536 | 18,542 | 19,462 |
| Tax expense | (1,006) | (2,131) | (130) | (5,040) | (6,440) |
| Profit after taxation before minority interest | 2,176 | 5,041 | 14,406 | 13,502 | 13,022 |
| Less: Minority interest | (174) | (475) | (860) | (774) | (579) |
| Add: Pre –acquisition loss** | - | - | - | - | 30 |
| Net profit for the year | 2,002 | 4,566 | 13,546 | 12,728 | 12,473 |
| Number of ordinary shares in issue ('000)*** | 22,445 | 22,445 | 22,445 | 22,445 | 22,445 |
| Earnings per share (sen) | | | | | |
| -Gross | 13.4 | 29.8 | 60.9 | 79.2 | 84.1 |
| -Net | 8.9 | 20.3 | 60.4 | 56.7 | 55.6 |

* *The exceptional items in 2000 relate to expenses and write-offs incurred as a result of flooding in the premises of LYE in November 2000. There were no other exceptional or extraordinary items during the financial years under review.*

** *The net pre-acquisition loss relate to the acquisition of additional equity interest in Mega and LYE by ESB in 2001.*

*** *The number of ordinary shares assumed in issue throughout the financial years under review is the number of ordinary shares in issue after the acquisition of ESB and its subsidiaries by Engtex i.e. 22,444,774 ordinary shares of RM1.00 each.*

## 2.2 Notes to the Proforma Consolidated Results

### 2.2.1 Basis of consolidation

The proforma consolidated results of Engtex Group have been prepared for illustrative purposes only and are based on the audited financial statements of Engtex and its subsidiaries for the years under review. The financial statements of Engtex Group are prepared in compliance with applicable approved accounting standards in Malaysia.

The proforma consolidated results have been presented on a basis consistent with the accounting policies normally adopted by the Group and on the basis that the Engtex Group had been in existence throughout the years under review, after making the following adjustments that we considered necessary:

In 1998, dividends declared by certain subsidiaries, of which dividends declared for minority interest amounting to RM43,416 were not reclassified to minority interest and was rectified in the audited financial statements for the year ended 31 December 1999.

### 2.2.2 Revenue

Revenue increased in 1997 mainly due to the strong economic growth in the country especially in the utilities, infrastructure, mechanical and electrical engineering (M&E) and construction sectors for which the group supplies its products to. Also, based on discussion with the management, ESB's focus was to attain more market share through increase in sales volume and lower gross margins.

Based on discussion with management, the economic downturn in late 1997 and 1998 had affected the performance in 1998. It was also the time whereby Engtex Group had changed its strategy and focus to concentrate on selling products with higher gross margins such as pipes, valves and fittings. As a result of this strategy in 1998, Engtex group's profit had increased eventhough revenue had declined. Also, during the recession, we understand from management that, many small suppliers had to close down, allowing Engtex Group to consolidate its position and have a better pricing for its products. Years 2000 and 2001 saw an increase in revenue due to an improvement in the country's economy and thus an increase in demand for Engtex Group's products.

### 2.2.3 Taxation

The effective tax rate for Engtex Group for the financial years ended 31 December 1997, 1998 and 2001 were higher than the statutory tax rate as tax charge relates to tax on profit of certain subsidiaries which cannot be set-off against losses of other subsidiaries for tax purposes as group relief is not available.

No provision for taxation was provided for the year ended 31 December 1999 in view of the tax waiver year in 1999 pursuant to the Income Tax (Amendment) Act 1999.

The effective tax rate for the financial year ended 31 December 2000 was lower than the statutory tax rate due to the utilisation of reinvestment allowance of certain subsidiaries.

### 2.2.4 Earnings per share

The calculations of gross earnings per share are based on the profit before taxation but after minority interest and the enlarged issued and paid-up share capital of 22,444,774 ordinary shares of RM1.00 each following the acquisition of ESB and its subsidiaries mentioned in Section 1.4.

The calculations of net earnings per share are based on the profit after taxation and minority interest and the enlarged issued and paid-up share capital of 22,444,774 ordinary shares of RM1.00 each following the acquisition of ESB and its subsidiaries mentioned in Section 1.4.

### 2.2.5 Dividends

***Engtex***

Engtex has not declared or paid any dividends since its date of incorporation on 13 January 2001.

### *Subsidiaries*

Details of dividends declared and paid by individual subsidiaries of Engtex for the past five years are as follows:

| *Financial year ended* | *Issued and paid up share capital* | *Dividend* | *Gross dividend rate %* | *Tax rate %* | *Net dividend RM* |
|---|---|---|---|---|---|
| Ordinary shares of RM1.00 each | | | | | |
| ***ESB*** | | | | | |
| 31.12.97 | 3,000,000 | Interim | 10 | 28 | 216,000 |
| 31.12.98 | 3,000,000 | Interim | 10 | 28 | 216,000 |
| 31.12.98 | 3,000,000 | Final | 30 | 28 | 648,000 |
| 31.12.99 | 3,000,000 | Interim | 15 | 28 | 324,000 |
| 31.12.99 | 5,000,000 | Final | 15 | 28 | 540,000 |
| 31.12.00 | 5,000,000 | Interim | 308 | - | 15,400,000 |
| 31.12.01* | 5,000,000 | Final | 34 | - | 1,700,000 |
| 31.12.01* | 5,000,000 | Final | 250 | 28 | 9,000,000 |
| ***Allpipes*** | | | | | |
| 31.12.00 | 5,000,000 | Interim | 16 | - | 784,000 |
| 31.12.00 | 5,000,000 | Interim | 6 | 28 | 216,000 |
| 31.12.01* | 5,000,000 | Final | 4 | - | 200,000 |
| ***Benton*** | | | | | |
| 31.12.98 | 270,000 | Final | 30 | 28 | 58,320 |
| 31.12.99 | 270,000 | Final | 30 | 28 | 58,320 |
| 31.12.00 | 270,000 | Interim | 231 | - | 624,240 |
| 31.12.00 | 270,000 | Interim | 40 | 28 | 77,760 |
| 31.12.01* | 1,000,000 | Final | 20 | - | 200,000 |
| 31.12.01* | 1,000,000 | Final | 110 | 28 | 792,000 |
| ***Mega Alliance*** | | | | | |
| 31.12.00 | 100,000 | Interim | 731 | - | 730,600 |
| 31.12.00 | 100,000 | Interim | 20 | 28 | 14,400 |
| 31.12.01* | 100,000 | Final | 180 | - | 180,000 |
| 31.12.01* | 100,000 | Final | 150 | 28 | 108,000 |

| *Financial year ended* | *Issued and paid up share capital* | *Dividend* | *Gross dividend rate %* | *Tax rate %* | *Net dividend RM* |
|---|---|---|---|---|---|
| Ordinary shares of RM1.00 each | | | | | |
| ***ESelatan*** | | | | | |
| 31.12.00 | 100,000 | Interim | 276 | - | 275,600 |
| 31.12.00 | 100,000 | Interim | 20 | 28 | 14,400 |
| 31.12.01* | 100,000 | Final | 80 | - | 80,000 |
| 31.12.01* | 100,000 | Final | 200 | 28 | 144,000 |
| ***EMarketing*** | | | | | |
| 31.12.00 | 250,000 | Interim | 142 | - | 355,000 |
| 31.12.00 | 250,000 | Interim | 25 | 28 | 45,000 |
| ***ELHT*** | | | | | |
| 31.12.98 | 300,000 | Final | 30 | 28 | 64,800 |
| 31.12.99 | 300,000 | Final | 30 | 28 | 64,800 |
| 31.12.00 | 300,000 | Interim | 332 | - | 996,000 |
| 31.12.00 | 300,000 | Interim | 25 | 28 | 54,000 |
| 31.12.01* | 700,000 | Final | 40 | - | 280,000 |
| 31.12.01* | 700,000 | Final | 150 | 28 | 756,000 |
| ***Hachita*** | | | | | |
| 31.12.00 | 254,002 | Interim | 386 | - | 979,432 |
| 31.12.00 | 254,002 | Interim | 20 | 28 | 36,576 |
| 31.12.01* | 254,002 | Final | 375 | - | 952,508 |
| ***LYE*** | | | | | |
| 31.12.00 | 2,500,000 | Interim | 5 | 28 | 90,000 |

* *Following the early adoption of MASB 19 on "Events after Balance Sheet Date", the final dividends recommended by the Directors of the subsidiaries in respect of the year ended 31 December 2001 will be only recognised and accounted for as an appropriation to the retained profits upon shareholders' approval at the Annaul General Meeting in 2002. The dividend payments made to the existing shareholders of the subsidiaries prior to the restructuring scheme was approved by the SC on 26 March 2002 and 29 April 2002.*

*None of the other subsidiaries of Engtex declared or paid any dividend since 1 January 1997 or their dates of incorporation, whichever is later.*

# 3 The Engtex Group – Proforma Consolidated Balance Sheets

As the purchase consideration for the acquisition is calculated on the net tangible assets based on the audited financial statements of the subsidiaries as at 31 December 2000, it is therefore impracticable to present the consolidated balance sheets of the Engtex Group throughout the periods under review. Accordingly, proforma consolidated balance sheets of the Engtex Group has only been presented in respect of 31 December 2001 as shown in Section 4 of this Report.

## 3.1 Engtex – The Company

The following financial information is based on the audited financial statements of Engtex for the period ended 31 December 2001.

### 3.1.1 Summary of Results of Engtex

| | *Period ended 31 December 2001 RM'000* |
|---|---|
| Revenue | - |
| Loss before depreciation and interest | (10) |
| Depreciation | - |
| Interest expense | - |
| Interest income | - |
| Loss before taxation | (10) |
| Less: Tax expense | - |
| Loss after taxation | (10) |
| Number of ordinary shares of RM1.00 each in issue ('000) | * |
| Weighted average number of ordinary shares of RM1.00 each in issue ('000) | * |
| Net loss per share (RM) | (5,000) |

* *Issued and paid-up capital of RM2 comprising 2 ordinary shares of RM1.00 each*

## 3.1.2 Summarised Balance Sheet of Engtex

| | *As at 31 December 2001 RM'000* |
|---|---|
| Property, plant and equipment | - |
| Current assets | - |
| Current liabilities | (10) |
| Net current liabilities | (10) |
| | (10) |
| Represented by: | |
| Share capital | * |
| Accumulated losses | (10) |
| | (10) |
| Net tangible liabilities ("NTL") | (10) |
| NTL per share (RM) | (5,000) |

* *Issued and paid-up capital of RM2 comprising 2 ordinary shares of RM1.00 each*

## 3.2 ESB

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

### 3.2.1 Summary of Results of ESB

| | *Year ended 31 December* | | | | |
|---|---|---|---|---|---|
| | *1997* | *1998* | *1999* | *2000* | *2001* |
| | *RM'000* | *RM'000* | *RM'000* | *RM'000* | *RM'000* |
| Revenue | 132,663 | 102,136 | 105,991 | 120,366 | 130,505 |
| Profit before depreciation and interest | 3,770 | 8,704 | 10,459 | 18,827 | 16,925 |
| Depreciation | (570) | (641) | (695) | (1,088) | (1,236) |
| Interest expense | (1,185) | (2,058) | (1,229) | (1,550) | (1,877) |
| Interest income | 6 | 1 | 364 | 32 | 45 |
| Profit before taxation | 2,021 | 6,006 | 8,899 | 16,221 | 13,857 |
| Less: Tax expense | (672) | (1,745) | 1 | (3,400) | (4,183) |
| Profit after taxation | 1,349 | 4,261 | 8,900 | 12,821 | 9,674 |
| Number of shares in issue ('000) | 3,000 | 3,000 | 5,000 | 5,000 | 5,000 |
| Weighted average number of shares in issue ('000) | 3,000 | 3,000 | 3,167* | 5,000 | 5,000 |
| Earnings per share (RM) | 0.45 | 1.42 | 2.81 | 2.56 | 1.93 |

* *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 2,000,000 ordinary shares of RM1.00 each on 22 November 1999.*

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

Notes:

i) The higher revenue recorded in 1997 were mainly due to the robust Malaysian economy resulting in growth in the infrastructure, utilities, M&E and construction sectors, which require pipes, valves and fittings and general hardware products.

In late 1997, the Asian economy crisis affected Malaysia, especially its utilities, M&E and construction sectors. This had affected the company's revenue performance in 1998. Nevertheless, based on discussion with management, the recession allowed the company to refocus its sales to concentrate on pipes, valve and fittings products. The customer focus also changed to concentrate on hardware dealers, plumbing material dealers and general hardware stores. Stringent credit control policies were also implemented to ensure that incidence of bad and doubtful debts was minimised.

This new strategy augurs well for the company where gross margin for the company's range of products rose to 12.7% in 1998 despite the bleak outlook of the country's economy at that time.

In 1999, with additional economic stimulus propagated by the government, some major projects were launched and this has resulted in a marginal increase in demand for the company's products. Revenue grew by 4% compared to the previous year. The more profitable product mix continued to contribute better margins for the company where gross margin of 16.4% was reported for the said year.

The improvement in the country's economy had further contributed to ESB's growth and performance in 2000 and 2001 with revenue increasing by 13.6% and 8.4% respectively. Profit before tax in 2001 declined due to decrease in dividend income received from its subsidiaries.

ii) The effective tax rates for 1997,1998 and 2001 were higher than the statutory tax rates mainly due to certain expenses, which are not deductible for tax purposes.

No provision for taxation is made in the financial statements for the year ended 31 December 1999 in view of the tax waiver in 1999 pursuant to the Income Tax (Amendment) Act, 1999.

The effective tax rate for 2000 was lower due to tax-exempt dividend income of approximately RM3,898,150.

## 3.2.2 Summarised Balance Sheets of ESB

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|
| | <-------- | -------- | *As at 31 December* | -------- | -------- | --------> |
| | *RM'000* | *RM'000* | *RM'000* | *RM'000* | *RM'000* | *RM'000* |
| Property, plant and equipment | 8,707 | 10,493 | 14,690 | 26,408 | 24,693 | 24,469 |
| Investment in subsidiaries | 6,416 | 5,624 | 5,848 | 6,177 | 15,728 | 15,870 |
| Other investments | 400 | 103 | 103 | 5 | 5 | 5 |
| Current assets | 42,741 | 51,466 | 45,477 | 57,106 | 53,452 | 65,286 |
| Current liabilities | (51,046) | (58,898) | (53,504) | (67,749) | (74,319) | (72,358) |
| Net current liabilities | (8,305) | (7,432) | (8,027) | (10,643) | (20,867) | (7,072) |
| | 7,218 | 8,788 | 12,614 | 21,947 | 19,559 | 33,272 |
| Financed by: | | | | | | |
| Share capital | 3,000 | 3,000 | 3,000 | 5,000 | 5,000 | 5,000 |
| Retained profits | 4,054 | 5,187 | 8,584 | 14,620 | 12,041 | 21,715 |
| Shareholders' funds | 7,054 | 8,187 | 11,584 | 19,620 | 17,041 | 26,715 |
| Long term liabilities | 164 | 601 | 1,030 | 2,327 | 2,518 | 6,557 |
| | 7,218 | 8,788 | 12,614 | 21,947 | 19,559 | 33,272 |

## 3.3 Allpipes

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

### 3.3.1 Summary of Results

| | <-----Year ended 31 December-----> | | | | |
|---|---|---|---|---|---|
| | *1997* | *1998* | *1999* | *2000* | *2001* |
| | *RM'000* | *RM'000* | *RM'000* | *RM'000* | *RM'000* |
| Revenue | 9,513 | 10,492 | 15,511 | 14,630 | 14,905 |
| | ====== | ====== | ====== | ====== | ====== |
| Profit before depreciation and interest | 953 | 1,444 | 1,706 | 1,685 | 1,113 |
| Depreciation | (500) | (532) | (659) | (610) | (651) |
| Interest expense | (297) | (486) | (369) | (274) | (239) |
| Interest income | - | - | - | - | - |
| | ---------- | ---------- | ---------- | ---------- | ---------- |
| Profit before taxation | 156 | 426 | 678 | 801 | 223 |
| Less: Tax expense | 4 | (75) | (107) | (225) | (80) |
| | ---------- | ---------- | ---------- | ---------- | ---------- |
| Profit after taxation | 160 | 351 | 571 | 576 | 143 |
| | ====== | ====== | ====== | ====== | ====== |
| Number of shares in issue ('000) | 3,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Weighted average number of shares in issue ('000) | 2,594* | 3,000** | 5,000 | 5,000 | 5,000 |
| Earnings per share (RM) | 0.06 | 0.11 | 0.11 | 0.12 | 0.03 |

* *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 1,625,776 ordinary shares of RM1.00 each on 27 March 1997.*

** *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 2,000,000 ordinary shares of RM1.00 each on 31 December 1998.*

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

Notes:

(i) The company was incorporated on 16 April 1986 as Mushroom Products Industries Sdn. Bhd. and subsequently changed to its present name on 24 October 1995.

(ii) The revenue in 1997 was in tandem with the strong economic growth in the country especially in the waterworks infrastructure industry.

The slight increase in revenue in 1998 despite the economic recession in the country was mainly due to on going contracts to supply to certain waterworks projects in 1997 and 1998.

Increase in revenue in 1999 was due mainly to an increase in capacity with the introduction of a new production line.

For 2000, the decline in revenue was mainly due to the completion of major waterworks projects during the year.

In 2001, the revenue was sustained but profit before tax decreased mainly due to an allowance for specific trade receivables of approximately RM295,000.

Interest expense increased by 64% in 1998 mainly due to higher utilisation of trade financing facilities and increase in interest rates.

(iii) The effective tax rates were lower than the statutory tax rates in 1998 mainly due to the utilisation of capital allowances and no deferred taxation was computed.

No current year provision for taxation is made in the financial statements for the financial year ended 1999 in view of tax waiver in 1999 pursuant to the Income Tax (Amendment) Act, 1999. The provision in 1999 was in respect of deferred taxation relating to prior years for timing difference between the net book value of fixed assets and its tax written down value.

The effective tax rate was higher than the statutory tax rate in 2001 mainly due to certain expenses, which are not deductible for tax purpose.

### 3.3.2 Summarised Balance Sheets of Allpipes

| | 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 | 3,658 | 5,298 | 5,378 | 5,261 | 4,994 | 4,416 |
| Investment in subsidiaries | - | * | * | 170 | 2,350 | 2,350 |
| Current assets | 2,184 | 7,497 | 6,504 | 11,522 | 8,390 | 10,121 |
| Current liabilities | (3,998) | (9,167) | (6,083) | (10,580) | (9,855) | (10,909) |
| Net current (liabilities)/ assets | (1,814) | (1,670) | 421 | 942 | (1,465) | (788) |
| | 1,844 | 3,628 | 5,799 | 6,373 | 5,879 | 5,978 |
| Financed by: | | | | | | |
| Share capital | 1,374 | 3,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Retained profits | 92 | 252 | 603 | 1,174 | 750 | 893 |
| Shareholders' funds | 1,466 | 3,252 | 5,603 | 6,174 | 5,750 | 5,893 |
| Deferred & long term liabilities | 378 | 376 | 196 | 199 | 129 | 85 |
| | 1,844 | 3,628 | 5,799 | 6,373 | 5,879 | 5,978 |

* *RM2.00*

## 3.4 Benton

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

### 3.4.1 Summary of Results of Benton

| | <------------------- | ------ | *Year ended 31 December* | ------ | -------------------> |
|---|---|---|---|---|---|
| | *1997* | *1998* | *1999* | *2000* | *2001* |
| | *RM'000* | *RM'000* | *RM'000* | *RM'000* | *RM'000* |
| Revenue | 19,076 | 11,885 | 16,318 | 23,782 | 18,732 |
| | ====== | ====== | ====== | ====== | ====== |
| Profit before depreciation and interest | 435 | 406 | 886 | 1,281 | 1,806 |
| Depreciation | (21) | (23) | (67) | (78) | (83) |
| Interest expense | (9) | (28) | (25) | (15) | (12) |
| Interest income | - | - | - | - | - |
| | ---------- | ---------- | ---------- | ---------- | ---------- |
| Profit before taxation | 405 | 355 | 794 | 1,188 | 1,711 |
| Less: Tax expense | (128) | (106) | 1 | (350) | (490) |
| | ---------- | ---------- | ---------- | ---------- | ---------- |
| Profit after taxation | 277 | 249 | 795 | 838 | 1,221 |
| | ====== | ====== | ====== | ====== | ====== |
| Number of shares in issue ('000) | 270 | 270 | 270 | 1,000 | 1,000 |
| Weighted average number of shares in issue ('000) | 270 | 270 | 270 | 270* | 1,000 |
| Earnings per share (RM) | 1.03 | 0.92 | 2.94 | 3.10 | 1.22 |

* *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 730,000 ordinary shares of RM1.00 each on 30 December 2000.*

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

Notes:

(i) The increase in revenue in 1997 was in line with the strong economic growth in the country prior to the economic slow down in late 1997, which had affected the company's performance in 1998.

In 1999, the company's performance improved in tandem with the economic recovery and the increase in marketing personnel.

The increase in profit before tax for 1999 and 2000 was mainly due to the increase in revenue and improved gross margin earned.

The higher profit before tax despite a lower revenue in 2001 was mainly due to concentration by the company to sell products with higher margins.

ii) The effective tax rates for 1997, 1998 and 2000 were higher than the statutory tax rates mainly due to certain expenses, which are not deductible for tax purposes.

No provision for taxation was made in the financial statements for the year ended 31 December 1999 in view of the tax waiver in 1999 pursuant to the Income Tax (Amendment) Act, 1999.

### 3.4.2 Summarised Balance Sheets of Benton

| | *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 | 805 | 1,401 | 3,164 | 3,368 | 3,435 | 3,367 |
| Investment | 27 | - | - | - | - | - |
| Current assets | 7,973 | 8,798 | 5,799 | 8,178 | 7,918 | 6,482 |
| Current liabilities | (7,345) | (8,462) | (7,035) | (8,881) | (7,822) | (5,096) |
| Net current assets/ (liabilities) | 628 | 336 | (1,236) | (703) | 96 | 1,386 |
| | 1,460 | 1,737 | 1,928 | 2,665 | 3,531 | 4,753 |
| Financed by: | | | | | | |
| Share capital | 270 | 270 | 270 | 270 | 1,000 | 1,000 |
| Retained profits | 1,190 | 1,467 | 1,658 | 2,395 | 2,531 | 3,753 |
| Shareholders' funds | 1,460 | 1,737 | 1,928 | 2,665 | 3,531 | 4,753 |

## 3.5 Mega Alliance

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

### 3.5.1 Summary of Results of Mega Alliance

| | <-----Year ended 31 December-----> | | | | |
|---|---|---|---|---|---|
| | *1997* | *1998* | *1999* | *2000* | *2001* |
| | *RM'000* | *RM'000* | *RM'000* | *RM'000* | *RM'000* |
| Revenue | 22,993 | 10,740 | 13,300 | 10,898 | 11,254 |
| Profit before depreciation and interest | 124 | 137 | 488 | 462 | 645 |
| Depreciation | (51) | (51) | (38) | (31) | (12) |
| Interest expense | (2) | - | - | - | (2) |
| Interest income | - | - | - | - | - |
| Profit before taxation | 71 | 86 | 450 | 431 | 631 |
| Less: Tax expense | (28) | (33) | - | - | (175) |
| Profit after taxation | 43 | 53 | 450 | 431 | 456 |
| Number of shares in issue ('000) | 100 | 100 | 100 | 100 | 100 |
| Weighted average number of shares in issue ('000) | 100 | 100 | 100 | 100 | 100 |
| Earnings per share (RM) | 0.43 | 0.53 | 4.50 | 4.31 | 4.56 |

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

Notes:

i) The higher revenue in 1997 was in line with the strong Malaysian and Asian economy, whereby the Malaysian utilities, infrastructure, mechanical and electrical (M&E) engineering and construction sectors were experiencing significant growth until late 1997.

As the company mainly supplies products for air-conditioning systems and materials for fire fighting systems for buildings, its performance in 1998 was affected by the economic crisis experienced in the region.

The revenue in the financial year ended 31 December 1999 registered an increase of 24% mainly due to the economic recovery in Malaysia. Also Mega managed to successfully tender for the contract to supply water piping in Labuan and supplied materials to several contractors involved in the Putrajaya Project.

The decrease in revenue by 18% in 2000 was attributed to the competitive market. Also, due to high provision for doubtful debts in 1999 the company was focusing to manage its credit risks by selling to selective customers.

The increase in revenue and profit before tax in 2001 was mainly due to improved economic climate in Malaysia, which had enabled them to expand their customer base.

ii) The effective tax rates were higher than the statutory tax rates in 1997 and 1998 due to certain expenses, which are disallowed for tax purposes.

No provision for taxation is made in the financial statements for the year ended 31 December 1999 in view of the tax waiver in 1999 pursuant to the Income Tax (Amendment) Act, 1999.

No provision for taxation is made in the financial statements for the year ended 31 December 2000 due to general provision for doubtful debts in 1999 written off against trade receivables during the year claimed as allowable deduction.

iii) The net earnings per share in 1997 decreased due to a provision for doubtful debts amounting to RM31,345 and bad debts written off amounting to RM57,845.

The increase in net EPS in 1998 was mainly due to higher gross margins earned and no provision for doubtful debts was made and no bad debts were written off.

The net EPS in 1999 to 2001 has improved as the company focused more on the sale of pipes, values and fittings, which yield higher margins.

KPMG



## 3.5.2 Summarised Balance Sheets of Mega Alliance

| | 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 | 168 | 120 | 71 | 33 | 4 | 102 |
| Current assets | 5,606 | 3,255 | 1,777 | 3,286 | 2,926 | 3,126 |
| Current liabilities | (5,414) | (2,972) | (1,392) | (2,414) | (2,338) | (2,180) |
| Net current assets | 192 | 283 | 385 | 872 | 588 | 946 |
| | 360 | 403 | 456 | 905 | 592 | 1,048 |
| Financed by: | | | | | | |
| Share capital | 100 | 100 | 100 | 100 | 100 | 100 |
| Retained profits | 260 | 303 | 356 | 805 | 492 | 948 |
| Shareholders' funds | 360 | 403 | 456 | 905 | 592 | 1,048 |

## 3.6 ESelatan

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

### 3.6.1 Summary of Results of ESelatan

| | <------------------*Year ended 31 December*------------------> | | | | |
|---|---|---|---|---|---|
| | *1997* | *1998* | *1999* | *2000* | *2001* |
| | *RM'000* | *RM'000* | *RM'000* | *RM'000* | *RM'000* |
| Revenue | 11,554 | 8,964 | 10,682 | 15,505 | 13,011 |
| Profit before depreciation and interest | 16 | 37 | 365 | 827 | 680 |
| Depreciation | (1) | (1) | (2) | (3) | (4) |
| Interest expense | - | (22) | - | - | - |
| Interest income | - | 3 | - | - | - |
| Profit before taxation | 15 | 17 | 363 | 824 | 676 |
| Less: Tax expense | (10) | (6) | - | (230) | (189) |
| Profit after taxation | 5 | 11 | 363 | 594 | 487 |
| Number of shares in issue ('000) | 100 | 100 | 100 | 100 | 100 |
| Weighted average number of shares in issue ('000) | 100 | 100 | 100 | 100 | 100 |
| Earnings per share (RM) | 0.05 | 0.11 | 3.63 | 5.94 | 4.87 |

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

Notes:

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

The increase in revenue in 1999 and 2000 was mainly due to the slight improvement in the utilities, infrastructure, M&E and construction sectors as a result of an increase in government spending on infrastructure.

The decrease in revenue in 2001 was mainly due to less development project launched thereby affecting the sale of building materials and utilities products.

The interest expense in 1998 was due to interest charged by the holding company for trade balances exceeding the credit period.

The effective tax rates were higher than the statutory tax rates in 1997 and 1998 due to certain expenses, which are disallowed for tax purposes.

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.