

XI. ACCOUNTANTS' REPORT (CONT'D)**Moore Stephens**

Notes: -

(a) The summarised audited results for the financial years/period under review have been adjusted to reflect the following adjustments:-

- (i) Following the adoption of MASB Standard 3, the amount which was classified as an extraordinary item in the audited accounts of DP for the financial years ended 31 October 1995 and 1996 of RM15,960 and RM2,160 respectively, have been reclassified as an exceptional item in arriving at the pre-tax profit. The exceptional items for the financial years ended 31 October 1995 and 1996 are in respect of DP's net gain on disposal of a shop lot and the write-back of Real Property Gains Tax on the said disposal respectively.
- (ii) The audited taxation of DP for the financial years/period under review have been adjusted for under/over provision of taxation to the financial years/period in which it relates.

The net effects of the abovementioned adjustments to the audited results are summarised below:-

	<----- Financial years ended 31 October ----->					5 months ended 31 March 2000
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	RM'000
Profit before taxation						
<i>As per audited accounts</i>	544	1,144	1,482	2,693	3,015	1,163
<i>Adjustments</i>	16	2	-	-	-	-
<i>As adjusted</i>	<u>560</u>	<u>1,146</u>	<u>1,482</u>	<u>2,693</u>	<u>3,015</u>	<u>1,163</u>
Taxation						
<i>As per audited accounts</i>	(182)	(325)	(419)	(638)	(28)	(337)
<i>Adjustments</i>	6	(5)	(4)	(24)	28	-
<i>As adjusted</i>	<u>(176)</u>	<u>(330)</u>	<u>(423)</u>	<u>(662)</u>	<u>-</u>	<u>(337)</u>
Profit after taxation						
<i>As per audited accounts</i>	362	819	1,063	2,055	2,987	826
<i>Adjustments</i>	22	(3)	(4)	(24)	28	-
<i>As adjusted</i>	<u>384</u>	<u>816</u>	<u>1,059</u>	<u>2,031</u>	<u>3,015</u>	<u>826</u>

(b) There were no extraordinary items as defined in MASB Standard 3 for the financial years/period under review.

(c) The turnover of DP for the financial years ended 31 October 1996 to 1999 and the annualised turnover for the 5 months ended 31 March 2000 recorded an increasing trend mainly due to increase in demand from customers. The turnover for the financial year ended 31 October 1997 was not affected by the financial crisis due to the export-oriented nature of products produced by its customers. The significant increase in turnover for the financial year ended 31 October 1998 was also partly contributed by an increase in the selling price of some of DP's products to partly cushion the increase in the prices of certain raw materials.

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- (d) Profit before taxation from the financial years ended 31 October 1996 to 1999 increased in line with the increase in turnover. The higher PBT Margin from the financial years ended 31 October 1996 to 1999 was also due to better control of operating costs. The annualised profit before taxation and PBT Margin for the 5 months ended 31 March 2000 were lower mainly due to increase in costs of certain raw materials without a corresponding increase in selling prices.
- (e) The adjusted effective rate of taxation for the financial year ended 31 October 1998 was lower than the statutory tax rate applicable to this financial year mainly due to availability of reinvestment allowance on qualifying assets acquired during the year. There was no tax expense for the financial year ended 31 October 1999 mainly due to waiver of income tax on income earned in the financial year as provided under the Income Tax (Amendment) Act 1999.
- (f) The gross earnings per share is computed based on the profit before taxation divided by the weighted average number of ordinary shares in issue during the financial years/period.
The net earnings per share is computed based on the profit after taxation divided by the weighted average number of ordinary shares in issue during the financial years/period.

8. PTD

	(1) 07.03.1997 to 31.10.1998 RM'000	Financial year ended 31 October 1999 RM'000	5 months ended 31 March 2000 RM'000
Turnover	1,256	7,439	5,223
Profit before depreciation and interest	405	1,535	937
Depreciation	(94)	(222)	(102)
Interest expense	-	-	-
Profit before taxation	311	1,313	835
Taxation	(53)	(351)	(184)
Profit after taxation	258	962	651
Number of ordinary shares in issue ('000) (2)	1,000	1,000	1,000
Gross earnings per share (sen)	(3) 18.79	131.30	(3) 200.40
Net earnings per share (sen)	(3) 15.59	96.20	(3) 156.24
PBT Margin (%)	25	18	16
Effective tax rate (%)	17	27	22
Gross dividend rate (%)	-	-	-

(1) First statement of accounts.

(2) Based on issued and paid-up share capital of 1,000,000 ordinary shares of USD1.00 each.

(3) Annualised profit is used for the computation.

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Notes:-

- (a) *The results for the financial period ended 31 October 1998, the year ended 31 October 1999 and the 5 months ended 31 March 2000 were translated from the audited accounts of PTD denominated in Rp by using the average rate prevailing in the financial periods/year of RM1.00 : Rp2,692.30, RM1.00 : Rp1,941.13 and RM1.00 : Rp1,949.55 respectively.*
- (b) *There were no extraordinary items as defined in MASB Standard 3 or exceptional items for the financial periods/year under review.*
- (c) *The turnover of PTD for the financial year ended 31 October 1999 and the annualised turnover for the 5 months ended 31 March 2000 increased mainly due to increase in the number of customers and an increase in demand from existing customers. For the financial year ended 31 October 1999, the increase in turnover was also contributed by an increase in selling price of some of its products.*
- (d) *The increase in profit before taxation for the financial year ended 31 October 1999 was in line with the increase in turnover, economies of scale and an increase in selling prices. However, the PBT Margin recorded for the financial year ended 31 October 1999 was lower than the financial period ended 31 October 1998 mainly due to foreign exchange losses suffered in the financial year ended 31 October 1999 as opposed to foreign exchange gain recorded in the financial period ended 31 October 1998.*
- The decrease in profit before taxation and the PBT Margin for the 5 months ended 31 March 2000 was mainly due to an increase in costs of certain raw materials without a corresponding increase in selling price of some of PTD's products.*
- (e) *The effective tax rates for all the financial periods/year under review were lower than Indonesia's statutory tax rate applicable to these financial periods/year mainly due to adjustments for depreciation (similar to Malaysia's capital allowance) and interest income from fixed deposits of which has already been taxed at source.*
- (f) *The gross earnings per share is computed based on the profit before taxation divided by the number of ordinary shares in issue during the financial periods/year.*
- The net earnings per share is computed based on the profit after taxation divided by the number of ordinary shares in issue during the financial periods/year.*

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Moore Stephens**G. SUMMARISED BALANCE SHEETS**

We set out below the summarised balance sheets of OCB and its subsidiaries based on their respective audited accounts as at the end of the financial years/periods under review.

1. Company

	⁽¹⁾ As at 31 March 2000 RM'000
Assets Employed	
Intangible assets	604
Current assets	277
Less: Current liabilities	582
Net current liabilities	(305)
	299
Financed by:-	
Share capital	300
Profit and loss account	(1)
Shareholders' funds	299
Net tangible liabilities per share (RM)	(1.02)

⁽¹⁾ *First statement of accounts.*

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2. DCHEM

	<----- As at 31 October ----->						As at
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	31 March 2000 RM'000
Assets Employed							
Fixed assets	2,194	6,584	6,297	6,145	6,352	6,486	6,334
Investment in subsidiaries	585	889	1,424	2,589	5,484	5,484	5,484
Other investment	-	-	-	-	48	48	48
Capital work-in-progress	1,227	-	-	-	-	-	-
Current assets	3,414	4,265	5,648	9,549	10,783	15,798	18,342
Less: Current liabilities	4,131	5,412	5,570	8,621	10,230	7,767	8,407
Net current (liabilities)/assets	(717)	(1,147)	78	928	553	8,031	9,935
	<u>3,289</u>	<u>6,326</u>	<u>7,799</u>	<u>9,662</u>	<u>12,437</u>	<u>20,049</u>	<u>21,801</u>
Financed By:-							
Share capital	1,000	1,300	1,300	1,300	7,800	10,500	10,500
Retained profits	2,062	3,265	5,133	7,402	4,011	9,143	10,966
Shareholders' funds	3,062	4,565	6,433	8,702	11,811	19,643	21,466
Deferred and long term liabilities	227	1,761	1,366	960	626	406	335
	<u>3,289</u>	<u>6,326</u>	<u>7,799</u>	<u>9,662</u>	<u>12,437</u>	<u>20,049</u>	<u>21,801</u>
Net tangible assets per share (RM)	3.06	3.51	4.95	6.69	1.51	1.87	2.04

Notes: -

- (1) *The balances with subsidiaries shown in the audited accounts for the past 6 financial years ended 31 October 1999 have been reclassified from investment in subsidiaries to current assets and current liabilities to conform with the presentation in the audited accounts for the 5 months ended 31 March 2000.*
- (2) *The audited taxation and the retained profits figures for all financial years/period under review have been adjusted to account for under/over provision of taxation to the financial years/period in which it relates in order to be more reflective of the tax position for the respective financial years/period.*

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Moore Stephens
3. HEXAGON

	< ----- As at 31 October ----- >			As at 31 March
	* 1997 RM	1998 RM	1999 RM	2000 RM
Assets Employed				
Unquoted investment	-	-	3,800	3,800
Intangible assets	10,735	12,355	14,452	14,452
Current asset	2	2	2	2
Less: Current liabilities	10,735	12,355	18,252	18,867
Net current liabilities	(10,733)	(12,353)	(18,250)	(18,865)
	2	2	2	(613)
Financed By:-				
Share capital	2	2	2	2
Profit and loss account	-	-	-	(615)
Shareholders' funds	2	2	2	(613)
Net tangible liabilities per share (RM)	(5,366.50)	(6,176.50)	(7,225.00)	(7,532.50)

* *First statement of accounts.*

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Moore Stephens
4. PP

	< - As at 31 October - >		As at
	* 1998	1999	31 March
	RM'000	RM'000	2000
	RM'000		
Assets employed			
Current assets	1,717	1,656	3,368
Less: Current liabilities	1,554	1,057	2,507
Net current assets	163	599	861
	163	599	861
Financed By:-			
Share capital	@	@	@
Retained profits	163	599	861
Shareholders' funds	163	599	861
Net tangible assets per share (RM'000)	81.50	299.50	430.50

* *First statement of accounts.*

@ *Represents RM2.00.*

Note: -

The amount owing to holding company shown in the audited accounts for the financial period ended 31 October 1998 has been reclassified to current liabilities to conform to the presentation in the audited accounts for the 5 months ended 31 March 2000.

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Moore Stephens
5. DJ

	<----- As at 31 October ----->				As at 31 March 2000
	* 1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	RM'000
Assets Employed					
Fixed assets	190	314	277	265	236
Intangible assets	38	30	23	15	12
Current assets	653	2,339	2,967	3,346	3,814
Less: Current liabilities	627	1,912	1,685	1,262	1,391
Net current assets	26	427	1,282	2,084	2,423
	254	771	1,582	2,364	2,671
Financed By:-					
Share capital	200	200	700	700	700
Retained profits	45	510	836	1,634	1,949
Shareholders' funds	245	710	1,536	2,334	2,649
Deferred and long term liabilities	9	61	46	30	22
	254	771	1,582	2,364	2,671
Net tangible assets per share (RM)	1.04	3.40	2.16	3.31	3.77

* *First statement of accounts.*

Notes: -

- (1) *The balances with related companies shown in the audited accounts for the past 4 financial period/years ended 31 October 1999 have been reclassified from group indebtedness to current assets and current liabilities to conform to the presentation in the audited accounts for the 5 months ended 31 March 2000.*
- (2) *The audited taxation and the retained profits figures for all financial periods/years under review have been adjusted to account for under/over provision of taxation to the financial periods/years in which it relates in order to be more reflective of the tax position for the respective financial years/periods.*

XI. ACCOUNTANTS' REPORT (CONT'D)

Moore Stephens
6. DKL

	* As at 31 October 1999 RM	As at 31 March 2000 RM
Assets Employed		
Intangible assets	3,483	3,988
Current asset	2	2
Less: Current liabilities	3,483	3,988
Net current liabilities	(3,481)	(3,986)
	2	2
Financed By:-		
Share capital	2	2
Net tangible liabilities per share (RM)	(1,740.50)	(1,993.00)

* *First statement of accounts.*

Note: -

The amount owing to holding company shown in the audited accounts for the financial period ended 31 October 1999 has been reclassified to current liabilities to conform to the presentation in the audited accounts for the 5 months ended 31 March 2000.

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	<----- As at 31 October ----->						As at
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	31 March 2000 RM'000
Assets Employed							
Fixed assets	1,994	1,863	2,030	1,811	2,769	1,944	1,896
Current assets	2,085	2,563	2,957	4,865	6,720	8,388	9,447
Less: Current liabilities	2,786	2,341	2,197	2,861	3,616	1,471	1,667
Net current (liabilities)/assets	(701)	222	760	2,004	3,104	6,917	7,780
	1,293	2,085	2,790	3,815	5,873	8,861	9,676
Financed By:-							
Share capital	870	1,305	1,305	1,305	3,500	3,500	3,500
Retained profits	234	618	1,343	2,402	2,238	5,253	6,079
Shareholders' funds	1,104	1,923	2,648	3,707	5,738	8,753	9,579
Deferred and long term liabilities	189	162	142	108	135	108	97
	1,293	2,085	2,790	3,815	5,873	8,861	9,676
Net tangible assets per share (RM)	1.27	1.47	2.03	2.84	1.64	2.50	2.74

Note: -

The audited taxation and the retained profits figures for all financial years/period under review have been adjusted to account for under/over provision of taxation to the financial years/period in which it relates in order to be more reflective of the tax position for the respective financial years/period.

XI. ACCOUNTANTS' REPORT (CONT'D)

Moore Stephens
8. PTD

	< -- As at 31 October -- >		As at
	* 1998 RM'000	1999 RM'000	31 March 2000 RM'000
Assets Employed			
Fixed assets	1,492	1,562	1,557
Current assets	2,149	3,909	5,824
Less: Current liabilities	1,694	2,245	3,863
Net current assets	455	1,664	1,961
	1,947	3,226	3,518
Financed By:-			
Share capital	2,898	2,898	2,898
Reserves	(951)	328	620
Shareholders' funds	1,947	3,226	3,518
Net tangible assets per share (RM) #	1.95	3.23	3.52

* *First statement of accounts.*

Computed based on issued and paid-up share capital of 1,000,000 ordinary shares of USD1.00 each.

Note: -

Figures as at 31 October 1998, 31 October 1999 and 31 March 2000 are translated from the audited accounts denominated in Rp using the closing rate as at those dates of RM1.00 : Rp2,099.57, RM1.00 : Rp1,846.02 and RM1.00 : Rp2,053.08 respectively.

XI. ACCOUNTANTS' REPORT (CONT'D)**Moore Stephens****H. DETAILED STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2000**

The following are the detailed statements of assets and liabilities of the Company and the Proforma Group which have been prepared based on the audited accounts of OCB and its subsidiaries as at 31 March 2000 and should be read in conjunction with the notes thereto:-

	Note	Company RM'000	Proforma Group RM'000
ASSETS EMPLOYED			
Fixed assets	3	-	10,018
Other investments	4	-	48
Intangible assets	5	604	35
CURRENT ASSETS			
Stocks	6	-	9,542
Trade debtors	7	-	15,536
Other debtors, deposits and prepayments	8	2	1,506
Fixed deposits with licensed bank	9	250	1,481
Cash at bank and in hand		25	24,366
		277	52,431
LESS: CURRENT LIABILITIES			
Trade creditors		-	6,775
Other creditors and accruals		582	869
Hire purchase creditors	10	-	53
Bank borrowings – secured	11	-	1,568
Provision for taxation		-	1,019
		582	10,284
NET CURRENT (LIABILITIES)/ASSETS		(305)	42,147
		299	52,248

XI. ACCOUNTANTS' REPORT (CONT'D)**Moore Stephens**

	Note	Company RM'000	Proforma Group RM'000
FINANCED BY:-			
Share capital	12	300	40,000
Reserves	13	<u>(1)</u>	<u>11,794</u>
Shareholders' funds		299	51,794
Hire purchase creditors	10	-	94
Term loans - secured	14	-	38
Deferred taxation	15	<u>-</u>	<u>322</u>
		<u>299</u>	<u>52,248</u>

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES AS AT 31 MARCH 2000**1. BASIS OF ACCOUNTING**

The statements of assets and liabilities have been prepared under the historical cost convention.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Consolidation**

The Proforma Group statement of assets and liabilities is prepared on the assumption that the payment of Special Dividend, the Acquisitions, the Rights Issue and the Public Issue referred to in paragraph B (i), (ii), (iii) and (iv) had been completed on 31 March 2000.

The Proforma Group statement of assets and liabilities incorporates the audited accounts of the Company and all its subsidiaries made up to 31 March 2000 after eliminating all inter-company balances and transactions.

The results of subsidiaries acquired or disposed of are included in the consolidated income statement based on the acquisition method of consolidation from the date of their acquisitions or up to the date of their disposals respectively.

Goodwill or reserve on consolidation represents the difference between the consideration paid for the shares in the subsidiaries and the values of attributable net assets acquired as applicable.

XI. ACCOUNTANTS' REPORT (CONT'D)**Moore Stephens****(b) Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation except for freehold land and capital work-in-progress, which are not depreciated.

Depreciation is calculated on the straight-line method to write off the cost of the fixed assets over their estimated useful lives.

The principal annual rates used for this purpose are:-

Leasehold land	Over remaining lease period of 30 years
Laboratory equipment	15%
Plant and machinery	12.5% - 25%
Furniture, fittings and office equipment	10% - 25%
Motor vehicles	20% - 25%
Factory renovations	20%
Factory buildings	2% - 5%
Factory equipment	15%

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(c) Stocks

Stocks are stated at the lower of cost and net realisable value and are determined on the first-in-first-out basis. Cost includes the actual cost of materials and incidentals in bringing the stocks into store and for manufactured stocks, they also include labour and appropriate proportion of production overheads.

In arriving at net realisable value, due allowance is made for obsolete and slow moving stocks.

(d) Intangible Assets**(i) Preliminary and Pre-operating Expenses**

Preliminary and pre-operating expenses incurred by subsidiaries are amortised over a period of five (5) years commencing in the year in which the subsidiaries commence to receive operating income.

(ii) Goodwill

Goodwill arising on consolidation is amortized over a period of eighteen (18) years or the remaining useful life, whichever is shorter.

(iii) Listing expenses

Listing expenses will be written off against the share premium account arising from the Public Issue upon completion of the listing exercise.

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(e) Foreign Currencies

(i) Transactions in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the time of transactions and where settlement had not taken place by 31 March 2000, at the approximate rates ruling as at that date. All profits and losses on exchange are dealt with in the profit and loss accounts.

(ii) Translation of foreign currency financial statements

Assets, liabilities and reserves of foreign subsidiaries are translated into Ringgit Malaysia at the rates of exchange as at the financial year end. Profit and loss items are translated at the average rate of exchange for the financial period. The translation differences arising therefrom are recorded as movement in translation reserve.

(f) Deferred Taxation

Provision is made by the liability method for taxation deferred in respect of all material timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future. Deferred tax benefits are only recognised where they are expected to realise in the near future.

(g) Investments

Investment in subsidiaries and other investments, which are held on a long term basis, are stated at cost. Provision for diminution in value is made when, in the opinion of the directors, there is a permanent impairment in their value.

(h) Debtors

Bad debts are written off and specific provisions are made for debts, which are considered to be doubtful of collection.

(i) Finance Lease

Fixed assets on leases that give rights approximating to ownership are accounted for under the finance lease method in which the fair value of the leases are capitalized as fixed assets and depreciated over their estimated useful lives. The capital element of the leases is included in creditors and the related financing charges are charged to the profit and loss account on the sum-of-digit method.

(j) Income Recognition

Sales are recognised when the goods are delivered.

Dividend income is recognised when it is reasonably probable that the dividend will be received.

Interest income is recognized on receivable basis.

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Proforma Group	Cost RM'000	Accumulated Depreciation RM'000	Net book value RM'000
Short term leasehold land	57	5	52
Freehold land	2,053	-	2,053
Factory buildings	5,332	551	4,781
Plant, machinery and laboratory and factory equipment	3,844	2,310	1,534
Furniture, fittings, office equipment and factory renovations	1,704	886	818
Motor vehicles	1,413	633	780
	<u>14,403</u>	<u>4,385</u>	<u>10,018</u>

The net book value of fixed assets which are pledged as securities to banks for banking facilities granted to certain subsidiaries and assets acquired under the hire purchase instalment plans are as follows:-

	Proforma Group RM'000
Banking facilities	
- Freehold land	2,053
- Factory building	4,410
	6,463
Hire purchase	
- Plant and machinery	142
- Motor vehicles	288
	430
	<u>6,893</u>

XI. ACCOUNTANTS' REPORT (CONT'D)

Moore Stephens**4. OTHER INVESTMENT**

	Proforma Group RM'000
Quoted shares in Malaysia	
At cost	<u>48</u>
At market value	<u>104</u>

5. INTANGIBLE ASSETS

	Company RM'000	Proforma Group RM'000
At cost:		
Preliminary expenses	3	10
Pre-operating expenses	2	51
	5	61
Less: Accumulated amortization	-	(26)
	5	35
Listing expenses, at cost	599	2,000
Less: Charged against share premium account (note 13)	-	(2,000)
	<u>604</u>	<u>35</u>

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Moore Stephens**6. STOCKS**

	Proforma Group RM'000
Raw materials	5,689
Work-in-progress	716
Finished goods	<u>3,137</u>
	<u><u>9,542</u></u>

7. TRADE DEBTORS

	Proforma Group RM'000
Balance outstanding	15,705
Less: Provision for doubtful debts	<u>(169)</u>
	<u><u>15,536</u></u>

8. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

Included in other debtors of the Proforma Group are amounts totaling RM682,040 being payments made for acquisition of two (2) residential properties and a land.

9. FIXED DEPOSITS WITH LICENSED BANK

Included in the fixed deposits of the Proforma Group are deposits totaling RM49,891 held in trust by certain directors of a subsidiary and are pledged to a bank as securities for banking facilities granted to the subsidiary.

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	Proforma Group RM'000
Gross instalments	194
Less: Interest in suspense	(47)
	<u>147</u>
Payable within one (1) year	53
Payable after one (1) year but not later than five (5) years	94
	<u>147</u>

11. BANK BORROWINGS - SECURED

	Proforma Group RM'000
Term loans repayable within one (1) year (note 14)	228
Bank overdrafts	340
Revolving loan	1,000
	<u>1,568</u>

The bank overdraft facilities bear interest at rates ranging from 1.25% to 2.25% per annum above the bank's base lending rate.

The revolving loan facility bears interest at 1.5% per annum above the bank's base lending rate.

The term loan, bank overdraft and revolving loan facilities are secured as follows:-

- (a) An "all monies" first legal charge on the Industrial land of a subsidiary;
- (b) First and second legal charges on the freehold land and building of a subsidiary;
- (c) Letter of negative pledge by the subsidiary;
- (d) Blanket counter indemnity by the subsidiary;
- (e) General security agreement relating to goods;
- (f) Letter of undertaking from a subsidiary to up-stamp the "all monies" first legal charge;
and
- (g) A joint and several guarantee by the Directors of a subsidiary.

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Moore Stephens**12. SHARE CAPITAL**

	Company RM'000	Proforma Group RM'000
Ordinary shares of RM1.00 each:-		
Authorised	<u>1,000</u>	<u>50,000</u>
Issued and fully paid	<u>300</u>	<u>40,000</u>

13. RESERVES

	Company RM'000	Proforma Group RM'000
Share premium	-	13,779
Less: Listing expenses (note 5)	-	(2,000)
	-	11,779
Reserve on consolidation	-	16
Profit and loss account	<u>(1)</u>	<u>(1)</u>
	<u>(1)</u>	<u>11,794</u>

14. TERM LOANS – SECURED

	Proforma Group RM'000
Payable within one (1) year (note 11)	228
Payable after one (1) year	<u>38</u>
	<u>266</u>

XI. ACCOUNTANTS' REPORT (CONT'D)

Moore Stephens

The term loans are repayable in seventy two (72) and one hundred and twenty (120) monthly instalments and bear interest at rates ranging from 1.5% to 2.25% per annum above the bank's base lending rate. The securities for these term loans are disclosed in note 11 above.

15. DEFERRED TAXATION

The balance is in respect of tax effects on timing differences arising from the following:-

	Proforma Group RM'000
Capital allowances claimed on fixed assets in excess of their depreciation charge to date	270
Lease rentals paid for fixed assets previously under finance lease in excess of their depreciation charge to date	52
	<u>322</u>

16. CAPITAL COMMITMENTS

	Proforma Group RM'000
In respect of capital expenditure approved and contracted for but not provided in the accounts	<u>3,608</u>

XI. ACCOUNTANTS' REPORT (CONT'D)**Moore Stephens****17. SUBSEQUENT EVENTS**

- (a) Pursuant to the restructuring scheme referred to in paragraph B (i), DCHEM paid a Special Dividend of approximately 47.28% less tax at 28% amounting to RM3,574,000 on 18 July 2000.
- (b) Pursuant to the restructuring scheme referred to in paragraph B (ii), the Company acquired the equity interest of the following subsidiaries on 30 June 2000:-
- (i) DCHEM comprising 10,500,000 ordinary shares of RM1.00 each for a consideration of RM28,988,789 satisfied by the issuance of 24,880,000 new ordinary shares of RM1.00 each in the Company at an issue price of approximately RM1.17 per share;
 - (ii) PP from DCHEM comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM598,861; and
 - (iii) Hexagon comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.
- (c) Pursuant to the restructuring scheme referred to in paragraph B (iii), the Company made a rights issue of 5,150,000 new ordinary shares of RM1.00 each at par for cash on 10 August 2000 on the basis of 2.045 new ordinary shares for every 10 ordinary shares held after the Acquisitions.
- (d) On 3 September 2000, a fire occurred at a part of an open store yard of DCHEM. The extent of losses which may arise from the fire is unable to be ascertained pending the assessment of insurance claim.

I. NET TANGIBLE ASSETS COVER

Based on the statements of assets and liabilities of the Company and the Proforma Group as at 31 March 2000, the net tangible assets/(liabilities) per ordinary share are as follows:-

	Company	Proforma Group
Net tangible (liabilities)/assets based on statements of assets and liabilities as at 31 March 2000 (RM'000)	(305)	51,759
Number of ordinary shares in issue ('000)	300	40,000
Net tangible (liabilities)/assets per ordinary share (RM)	<u>(1.02)</u>	<u>1.29</u>

XI. ACCOUNTANTS' REPORT (CONT'D)

Moore Stephens

J. DENOMINATION

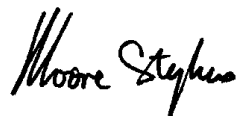
The currencies quoted in this report and the symbols used to denote them are:-

RM	-	Ringgit Malaysia
USD	-	United States Dollars
Rp	-	Indonesian Rupiah

K. AUDITED ACCOUNTS

No audited accounts of the Company and of its subsidiaries have been made up in respect of the period subsequent to 31 March 2000.

Yours faithfully



MOORE STEPHENS
Public Accountants
(AF. 0282)



AU TAI WEE
1551/11/00 (J)
Partner

Dated: 8 September 2000

XII. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



Registered Office:-

2A, Jalan Gambus 33/4
Taman Perindustrian Elite
Section 33
40350 Shah Alam
Selangor Darul Ehsan

8 September 2000

The Shareholders,
Octagon Consolidated Berhad

Dear Sir/Madam

On behalf of the Directors of Octagon Consolidated Berhad ("OCB"), I report after due inquiry that during the period from 31 March 2000 (being the date to which the last audited accounts of OCB and its subsidiary companies ("Group") have been made) up to 6 September 2000 (being a date not earlier than fourteen days before the issue of this Prospectus):-

- (i) the business of the Group, in the opinion of the Board of Directors, has been satisfactorily maintained;
- (ii) in the opinion of the Board of Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in Section X(2)(iii) and Section XI of this Prospectus, no contingent liabilities have arisen by reason of any guarantees given by the Company or its subsidiaries; and
- (v) since the last audited accounts of the Group and save as disclosed in the Proforma Consolidated Balance Sheets and Accountants' Report in Section X(6) and XI of this Prospectus, there have been no changes in published reserves nor any unusual factors affecting the profit of the Group.

Yours faithfully
For and on behalf of the Board of Directors
OCTAGON CONSOLIDATED BERHAD


Kwong Tse Woon @ Yan Yik Woon
Executive Chairman

XIII. VALUERS' LETTER

(Prepared for inclusion in this Prospectus)



No. 52-3, Jalan SS 15/4D, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7315555 (Hunting Line) Fax: 03-7327155

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

Date: 8 September 2000

The Board Of Directors
Durachem Sdn.Bhd.
2A, Jalan Gambus 33/4
Taman Perindustrian Elite
Section 33, 40350 Kuala Lumpur

Dear Sirs

VALUATION OF PROPERTY

This letter has been prepared for inclusion in the Prospectus of Octagon Consolidated Berhad, the holding company of Durachem Sdn. Bhd. ("DCHEM") to be dated 18 September 2000 in relation to the Public Issue of 9,670,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 per share.


In accordance with your instructions, we have assessed the market value of the property set out below for the purpose of acquisition by DCHEM.

We have valued the property set out below using the Comparison Method and the details of the valuation are set out in our valuation report. The valuation report has been prepared in accordance with the Guidelines on Asset Valuations for Submission to the Securities Commission issued by the Securities Commission and is in compliance with the Manual of Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and other professional bodies.

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

Date of Valuation Ref No.	Property Location	Description of Property existing use	Tenure	Market Value/ Valuation Method
April 3,2000 V/SEL/00/04/0034/TAN	Industrial Land Held Under Master Title No. HS(D) 51792 & Master Lot No. 43440, Mukim Klang, District of Klang Selangor Darul Ehsan	Vacant industrial land	Freehold	RM3,310,000/ Comparison

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


LONG TIAN CHEK
B.Sc, ARICS, MIS(M)
Registered Valuer (V-241)

THE INTERNATIONAL NETWORK

• Hong Kong • Singapore • Manila • London • Birmingham • Leeds • Bristol • Cardiff • Edinburgh • Glasgow • Aberdeen
• Dublin • Belfast • Leicester • Southampton • Warsaw • Associates throughout Europe Australasia, North and South America