

XI. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

MOORE STEPHENS

Public Accountants

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The Board of Directors
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Gentlemen,

A. INTRODUCTION

This report has been prepared for inclusion in the Prospectus to be dated 18 September 2000 in connection with the public issue of 9,670,000 new ordinary shares of RM1.00 each in Octagon Consolidated Berhad ("OCB" or "Company") at an issue price of RM2.00 per share and the admission to the Official List and the listing of and quotation for its entire enlarged issued and paid-up share capital on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

B. RESTRUCTURING SCHEME

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of the KLSE, the Company undertook the following restructuring scheme, which was approved by the relevant authorities:

- (i) Payment of special dividend of approximately 47.28% less tax at 28% amounting to RM3,574,000 ("Special Dividend") by Durachem Sdn. Bhd. ("DCHEM") to its existing shareholders. The Special Dividend was paid on 18 July 2000.
- (ii) Acquisition of the entire equity interest in;
 - (a) 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 OCB at an issue price of approximately RM1.17 per share;
 - (b) Profound Peak Sdn. Bhd. ("PP") from DCHEM comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM598,861; and
 - (c) Hexagon Portfolio Sdn. Bhd. ("Hexagon") comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.

The above acquisitions were completed on 30 June 2000.

(The acquisition of DCHEM, PP and Hexagon are hereinafter collectively referred to as "Acquisitions").



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- (iii) Rights issue of 5,150,000 new ordinary shares of RM1.00 each at par for cash on the basis of approximately 2.045 new ordinary shares for every 10 ordinary shares held after the Acquisitions ("Rights Issue").

The Rights Issue was completed on 10 August 2000.

- (iv) Public issue of 9,670,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 per share ("Public Issue").

C. GENERAL INFORMATION**(i) Background**

OCB was incorporated in Malaysia on 30 October 1999 as a private limited company under the name of Octagon Consolidated Sdn. Bhd.. On 27 November 1999, the Company was converted into a public limited company under the present name.

(ii) Principal Activities

The principal activities of OCB are investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Section (iv) below.

(iii) Share Capital

The authorised share capital of OCB is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue (at par unless otherwise stated)	Total issue and paid-up share capital
30.10.99	2	Subscribers' shares	2
10.11.99	299,998	Cash	300,000
30.06.00	24,880,000	Issued pursuant to the acquisition of DCHEM at approximately RM1.17 per share	25,180,000
10.08.00	5,150,000	Rights issue of approximately 2.045 for 10 at RM1.00 per share	30,330,000

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(iv) Subsidiaries

Details of the subsidiaries of OCB, all of which are incorporated in Malaysia, as at the date of this report are as follows: -

Name of company	Date of incorporation	Authorised share capital	Issued and paid-up ordinary share capital	Effective interest held by OCB %	Principal activities
DCHEM	28.10.83	RM25,000,000	RM10,500,000	100	Manufacturing and trading of customised industrial paints, inks and chemical products
Hexagon	11.10.96	RM5,000,000	RM2	100	Investment holding
PP	17.03.98	RM100,000	RM2	100	Trading of customised industrial paints, inks and chemical products
Durachem (Johor) Sdn. Bhd. ("DJ")	29.02.96	RM1,000,000	RM700,000	⁽¹⁾ 100	Manufacturing and trading of customised industrial paints, inks and chemical products
Durachem (KL) Sdn. Bhd. ("DKL")	25.02.99	RM100,000	RM2	⁽¹⁾ 100	Dormant
Durachem (Pg) Sdn. Bhd. ("DP")	08.05.79	RM5,000,000	RM3,500,000	⁽¹⁾ 100	Manufacturing and trading of customised industrial paints, inks and chemical products
PT Durachem Indonesia ("PTD")	⁽³⁾ 20.11.97	USD2,000,000	USD1,000,000	⁽²⁾ 100	Manufacturing and trading of customised industrial paints, inks and chemical products

⁽¹⁾ Interest held through DCHEM.

⁽²⁾ 99.9% equity interest held through DCHEM and balance of 0.1% equity interest held through Hexagon.

⁽³⁾ Date of approval of the Articles of Association from the Ministry of Justice, Republic of Indonesia.

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We have been the auditors of the Company since the date of its incorporation. The auditors of its subsidiaries for the financial years/periods under review are as follows:-

Subsidiaries	Period of accounts	Auditors
DCHEM	All financial years/period under review	Messrs. Ismail Chong & Associate
Hexagon	Period from 11 October 1996 to 31 October 1997 and the 2 financial years ending 31 October 1999	Messrs. C.K. Cheah & Co.
	5 months ended 31 March 2000	Messrs. Ismail Chong & Associate
PP	All financial year/periods under review	Messrs. Ismail Chong & Associate
DJ	All financial years/periods under review	Messrs. Ismail Chong & Associate
DKL	All financial periods under review	Messrs. Ismail Chong & Associate
DP	All financial years/period under review	Messrs. Ernst & Young
PTD	All financial year/periods under review	Messrs. Siddharta Siddharta & Harsono

The auditors' reports on the accounts of the Company and all its subsidiaries for all the financial years/periods under review were not subject to any reservation or qualification.

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Except as detailed below, the Company and its subsidiaries ("OCB Group" or "Group") have not paid or declared any dividends for the financial years/periods under review:-

Company	Period of accounts	Date of declaration	Date of payment	Issued and paid-up share capital	Gross dividend per share %	Tax rate %	Net dividend paid sen	Aggregate dividend paid RM
DP	Year ended 31 October 1996	26.12.95	02.01.96	RM1,305,000	10.00	30	7.00	91,350

The Group did not have any fixed dividend payment policy for the financial years/periods under review.

F. SUMMARISED PROFIT AND LOSS ACCOUNTS

No profit and loss accounts have been prepared for DKL since its incorporation as it has not commenced business operation.

We set out below the summarised audited results of OCB for the period from 30 October 1999 (date of incorporation) up to 31 March 2000 and the summarised proforma consolidated results of the Group for the 5 financial years ended 31 October 1999 and the 5 months ended 31 March 2000 prepared based on the audited results of DCHEM, Hexagon, PP, DJ, DP and PTD on the assumption that the current structure of the OCB Group has been in existence throughout the financial years/period under review.

We also set out the summarised audited results of the following subsidiaries: -

- (i) DCHEM for the 5 financial years ended 31 October 1999 and the 5 months ended on 31 March 2000;
- (ii) Hexagon for the 5 months ended 31 March 2000;
- (iii) PP for the financial period from 17 March 1998 (date of incorporation) to 31 October 1998, the financial year ended 31 October 1999 and the 5 months ended 31 March 2000;
- (iv) DJ for the financial period from 29 February 1996 (date of incorporation) to 31 October 1996, the 3 financial years ended 31 October 1999 and the 5 months ended 31 March 2000;
- (v) DP for the 5 financial years ended 31 October 1999 and the 5 months ended 31 March 2000; and
- (vi) PTD for the financial period from 7 March 1997 (date of inception) to 31 October 1998, the financial year ended 31 October 1999 and the 5 months ended 31 March 2000.

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1. OCB - Company

	⁽¹⁾ 30.10.1999 to 31.03.2000 RM'000
Turnover	-
Loss before depreciation and interest	(1)
Depreciation	-
Interest expense	-
Loss before taxation	(1)
Taxation	-
Loss after taxation	(1)
Number of ordinary shares in issue ('000)	300
Gross loss per share (sen)	⁽²⁾ (0.80)
Net loss per share (sen)	⁽²⁾ (0.80)
Gross dividend rate (%)	-

⁽¹⁾ First statement of accounts.

⁽²⁾ Annualised loss is used for the computation.

Notes: -

(a) There were no extraordinary items as defined in the Malaysian Accounting Standards Board Standard 3 ("MASB Standard 3") on "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" or exceptional items for the financial period under review.

(b) The loss before taxation mainly represents excess of administrative expenditure over interest income of OCB for the financial period.

(c) The gross loss per share is computed based on the loss before taxation divided by the number of ordinary shares in issue during the financial period.

The net loss per share is computed based on the loss after taxation divided by the number of ordinary shares in issue during the financial period.

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2. OCB – Proforma Group

	<----- 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
Turnover	13,911	15,285	20,562	36,210	41,821	22,064
Profit before depreciation, interest and exceptional items	3,016	4,739	6,207	10,009	11,915	5,821
Depreciation	(557)	(608)	(663)	(872)	(917)	(416)
Interest expense	(274)	(336)	(251)	(403)	(269)	(63)
Exceptional items	16	2	-	-	-	-
Profit before taxation	2,201	3,797	5,293	8,734	10,729	5,342
Taxation	(617)	(1,131)	(1,527)	(2,376)	(417)	(1,480)
Profit after taxation	1,584	2,666	3,766	6,358	10,312	3,862
Number of ordinary shares assumed in issue ('000) ⁽¹⁾	25,180	25,180	25,180	25,180	25,180	25,180
Gross earnings per share (sen)	8.74	15.08	21.02	34.69	42.61	⁽²⁾ 50.92
Net earnings per share (sen)	6.29	10.59	14.96	25.25	40.95	⁽²⁾ 36.81
Profit before taxation margin (%)	16	25	26	24	26	24
Effective tax rate (%)	28	30	29	27	4	28
Gross dividend rate (%)	-	-	-	-	-	-

⁽¹⁾ Based on number of ordinary shares assumed to be in issue after the Acquisitions but prior to the Rights Issue.

⁽²⁾ Annualised profit is used for the computation.

Notes: -

(a) The proforma consolidated results for the past 5 financial years ended 31 October 1999 and the 5 months ended 31 March 2000 are prepared for illustrative purposes only and are based on the audited results of OCB for the period from 30 October 1999 (date of incorporation) to 31 March 2000, the audited results of DCHEM and DP for the 5 financial years ended 31 October 1999 and the 5 months ended 31 March 2000, the audited results of Hexagon for the 5 months ended 31 March 2000, the audited results of DJ for the financial period from 29 February 1996 (date of incorporation) to 31 October 1996, the 3 financial years ended 31 October 1999 and the 5 months ended 31 March 2000, the audited results of PTD for the financial period from 7 March 1997 (date of inception) to 31 October 1998, the financial year ended 31 October 1999 and the 5 months ended 31 March 2000, and the audited results of PP for the financial period from 17 March 1998 (date of incorporation) to 31 October 1998, the financial year ended 31 October 1999 and the 5 months ended 31 March 2000.

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(b) *In preparing the proforma summarised results, the following adjustments have been made to ensure comparability of the results of the Group:-*

- (i) *Following the Group's 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 DCHEM, DP and DJ for all 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 summarized 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>	2,185	3,795	5,293	8,734	10,729	5,342
<i>Adjustments</i>	16	2	-	-	-	-
<i>As adjusted</i>	<u>2,201</u>	<u>3,797</u>	<u>5,293</u>	<u>8,734</u>	<u>10,729</u>	<u>5,342</u>
Taxation						
<i>As per audited accounts</i>	(742)	(1,233)	(1,280)	(2,407)	(468)	(1,425)
<i>Adjustments</i>	125	102	(247)	31	51	(55)
<i>As adjusted</i>	<u>(617)</u>	<u>(1,131)</u>	<u>(1,527)</u>	<u>(2,376)</u>	<u>(417)</u>	<u>(1,480)</u>
Profit after taxation						
<i>As per audited accounts</i>	1,443	2,562	4,013	6,327	10,261	3,917
<i>Adjustments</i>	141	104	(247)	31	51	(55)
<i>As adjusted</i>	<u>1,584</u>	<u>2,666</u>	<u>3,766</u>	<u>6,358</u>	<u>10,312</u>	<u>3,862</u>

(c) *The proforma consolidated results have been prepared based on accounting policies consistent with those currently adopted in the preparation of the audited financial statements of the Group.*

(d) *All significant inter-company transactions have been eliminated from the Group's results.*

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

(f) *The increase in turnover of the Group for the financial year ended 31 October 1996 was mainly due to increase in orders from existing customers and an increase in the customer base especially from its subsidiary, DJ, which commenced operations in 1996.*

The increase in turnover for the financial year ended 31 October 1997 was mainly due to the full year operations of DJ and an increase in selling price of some of the Group's products to partly cushion the impact of an increase in prices of certain raw materials and direct factory overheads.

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The increase in turnover for the financial year ended 31 October 1998 was mainly due to an increase in customer base and demand for higher priced products, a further increase in selling price of some of the Group's products in view of the increase in prices of certain raw materials and direct factory overheads and penetration into overseas market, namely Indonesia, upon commencement of PTD's operation during the financial year.

The increase in turnover for the financial year ended 31 October 1999 was mainly due to an increase in demand for the Group's products amidst the gradual recovery in the Malaysian and regional economic environment coupled with PTD's full year of operations.

The increase in annualised turnover for the 5 months ended 31 March 2000 was mainly due to the increase in orders from customers in Indonesia.

- (g) *The increase in profit before taxation for the financial years/period under review was in line with the increase in turnover. The increase in percentage of profit before taxation over turnover ("PBT Margin") for the financial years ended 31 October 1996 and 1997 was mainly due to tighter control on selling and administrative costs and improved manufacturing facilities introduced by DCHEM in 1995 which reduced the direct labour costs and wastages.*

The slight decrease in the PBT Margin in the financial year ended 31 October 1998 as compared to the financial year ended 31 October 1997 was mainly due to the increase in prices of certain raw materials and direct factory overheads coupled with high incidence of bad debts caused by the downturn in the Malaysian and regional economies. However, these factors were mitigated by some increase in selling price of some of the Group's products and the implementation of effective cost reduction measures.

The recovery of the PBT Margin for the financial year ended 31 October 1999 was mainly due to lower incidence of bad debts. The low PBT Margin for the 5 months ended 31 March 2000 was mainly due to an increase in prices of certain raw materials and direct factory overheads without a corresponding increase in selling prices.

- (h) *There is no significant variation between the adjusted effective tax rate and the statutory tax rate applicable to the Group for all the financial years/period under review except for the financial years ended 31 October 1995 and 1999. The effective tax rate for the financial year ended 31 October 1995 was lower than the statutory tax rate applicable to this financial year mainly due to availability of reinvestment allowance on DCHEM's qualifying assets acquired during the year. The effective tax rate for the financial year ended 31 October 1999 was lower than the statutory tax rate mainly due to waiver of income tax on income earned in the financial year by the Malaysian subsidiaries of the OCB Group as provided under the Income Tax (Amendment) Act 1999.*

- (i) *There were no minority interests for all the financial years/period under review.*

- (j) *The proforma gross earnings per share is computed based on the proforma profit before taxation divided by the number of ordinary shares assumed to be in issue following the Acquisitions.*

The proforma net earnings per share is computed based on the proforma profit after taxation divided by the number of ordinary shares assumed to be in issue following the Acquisitions.

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3. DCHEM

	<----- 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
Turnover	10,234	12,343	16,549	28,466	31,095	17,431
Profit before depreciation and interest	2,284	3,367	3,847	5,362	5,940	2,842
Depreciation	(467)	(445)	(483)	(562)	(487)	(231)
Interest expense	(174)	(248)	(190)	(391)	(253)	(58)
Profit before taxation	1,643	2,674	3,174	4,409	5,200	2,553
Taxation	(441)	(805)	(905)	(1,299)	(68)	(730)
Profit after taxation	1,202	1,869	2,269	3,110	5,132	1,823
Number of ordinary shares in issue ('000)	⁽¹⁾ 6,276	⁽²⁾ 7,800	⁽²⁾ 7,800	7,800	⁽³⁾ 7,824	10,500
Gross earnings per share (sen)	26.18	34.28	40.69	56.53	66.46	⁽⁴⁾ 58.35
Net earnings per share (sen)	19.15	23.96	29.09	39.87	65.59	⁽⁴⁾ 41.67
PBT Margin (%)	16	22	19	15	17	15
Effective tax rate (%)	27	30	29	29	1	28
Gross dividend rate (%)	-	-	-	-	-	-

⁽¹⁾ Weighted average number of ordinary shares in issue after taking into account new allotment of shares during the year and the bonus factor arising from the bonus issue of 6,500,000 ordinary shares of RM1.00 each on the basis of 5 new ordinary shares for every 1 existing ordinary share held which was implemented in the financial year ended 31 October 1998.

⁽²⁾ Weighted average number of ordinary shares in issue after taking into account the bonus factor arising from the bonus issue of 6,500,000 ordinary shares of RM1.00 each on the basis of 5 new ordinary shares for every 1 existing ordinary share held which was implemented in the financial year ended 31 October 1998.

⁽³⁾ Weighted average number of ordinary shares after taking into account new allotment of shares during the year.

⁽⁴⁾ Annualised profit is used for the computation.

Notes: -

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

(b) The increase in turnover of DCHEM for the financial year ended 31 October 1996 was mainly due to the increase in orders from existing customers and an increase in the customer base especially from its subsidiary, DJ, which commenced operations in 1996.

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The increase in turnover for the financial year ended 31 October 1997 was mainly due to an increase in selling price of some of DCHEM's products to partly cushion the impact of an increase in prices of certain raw materials and direct factory overheads.

The increase in turnover for the financial year ended 31 October 1998 was mainly due to an increase in customer base and demand for higher price products, a further increase in selling price of some of DCHEM's products in view of the increase in prices of certain raw materials and direct factory overheads and penetration into overseas market, namely Indonesia, via a subsidiary, PTD.

The increase in turnover for the financial year ended 31 October 1999 and the annualised turnover for the 5 months ended 31 March 2000 was mainly due to an increase in local as well as Indonesian customers' demand amidst the gradual recovery in the Malaysian and regional economies.

- (c) The increase in profit before taxation for the financial years/period under review was in line with the increase in turnover. The increase in PBT Margin for the financial year ended 31 October 1996 was mainly due to improved manufacturing facilities introduced in 1995, which reduced the direct labour costs and wastages.

The lower PBT Margin from the financial years ended 31 October 1997 and 1998 respectively as compared to the financial year ended 31 October 1996 was mainly due to increase in prices of certain raw materials and direct factory overheads and for the financial year ended 31 October 1998 the lower PBT Margin was also due to high incidence of bad debts caused by the downturn in the Malaysian and regional economies.

The higher PBT Margin for the financial year ended 31 October 1999 as compared to the financial year ended 31 October 1998 was mainly due to significantly lower incidence of bad debts resulted from the application of selective sales approach.

The low PBT Margin for the 5 months ended 31 March 2000 was mainly due to an increase in prices of certain raw materials and direct factory overheads.

- (d) The audited taxation figures 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. The net effects of these adjustments to the audited results are as follows: -

	<----- 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
Taxation						
As per audited accounts	(560)	(913)	(661)	(1,342)	(91)	(687)
Adjustments	119	108	(244)	43	23	(43)
As adjusted	(441)	(805)	(905)	(1,299)	(68)	(730)
Profit after taxation						
As per audited accounts	1,083	1,761	2,513	3,067	5,109	1,866
Adjustments	119	108	(244)	43	23	(43)
As adjusted	1,202	1,869	2,269	3,110	5,132	1,823

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(e) *There is no significant variation between the adjusted effective tax rate and the statutory tax rate applicable to DCHEM for all financial years/period under review except for the financial years ended 31 October 1995 and 1999. The effective tax rate for the financial year ended 31 October 1995 was lower than the statutory tax rate applicable to this financial year mainly due to availability of reinvestment allowance claimed by DCHEM on qualifying fixed assets acquired during the year. The effective tax rate for the financial year ended 31 October 1999 was lower than the statutory tax rate 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.

4. Hexagon

	⁽¹⁾ 5 months ended 31 March 2000 RM'000
Turnover	-
Loss before depreciation and interest	(1)
Depreciation	-
Interest expense	-
Loss before taxation	(1)
Taxation	-
Loss after taxation	(1)
Number of ordinary shares in issue	2
Gross loss per share (RM)	⁽²⁾ (1,200.00)
Net loss per share (RM)	⁽²⁾ (1,200.00)
Gross dividend rate (%)	-

⁽¹⁾ *First profit and loss statement.*

⁽²⁾ *Annualised loss is used for the computation.*

Notes: -

(a) *There were no extraordinary items as defined in MASB Standard 3 or exceptional items for the financial period under review.*

(b) *Loss before taxation mainly represents administrative expenditure incurred by Hexagon during the financial period.*

(c) *The gross loss per share is computed based on the loss before taxation divided by the number of ordinary shares in issue during the financial period.*

The net loss per share is computed based on the loss after taxation divided by the number of ordinary shares in issue during the financial period.

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5. PP

	⁽¹⁾ 17.03.1998 to 31.10.1998 RM'000	Financial year ended 31 October 1999 RM'000	5 months ended 31 March 2000 RM'000
Turnover	1,581	4,877	4,381
Profit before depreciation and interest	180	436	362
Depreciation	-	-	-
Interest expense	-	-	-
Profit before taxation	180	436	362
Taxation	(17)	-	(100)
Profit after taxation	163	436	262
Number of ordinary shares in issue	2	2	2
Gross earnings per share (RM'000)	⁽²⁾ 144.00	218.00	⁽²⁾ 434.40
Net earnings per share (RM'000)	⁽²⁾ 130.40	218.00	⁽²⁾ 314.40
PBT Margin (%)	11	9	8
Effective tax rate (%)	9	-	28
Gross dividend rate (%)	-	-	-

⁽¹⁾ First statement of accounts.

⁽²⁾ Annualised profit is used for the computation.

Notes:-

(a) There were no extraordinary items as defined in MASB Standard 3 or exceptional items for the financial periods/year under review.

(b) The increase in turnover and profit before taxation of PP for the financial year ended 31 October 1999 and the annualised turnover for the 5 months ended 31 March 2000 was mainly due to increase in export sales to Indonesia.

The higher PBT Margin for the financial period ended 31 October 1998 was mainly due to unrealised foreign exchange gain recognised in the financial period.

(c) The effective tax rate for the financial period ended 31 October 1998 was lower than the statutory tax rate applicable to this financial period mainly due to unrealised foreign exchange gain of RM120,000, which is not subject to tax. There is no taxation for the financial year ended 31 October 1999 mainly due to waiver of income tax on income earned in this financial year as provided under the Income Tax (Amendment) Act 1999.

(d) 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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6. DJ

	⁽¹⁾ 29.02.1996 to 31.10.1996 RM'000	Financial years ended < ----- 31 October ----- >			5 months ended 31 March 2000 RM'000
		1997 RM'000	1998 RM'000	1999 RM'000	
Turnover	448	3,938	6,977	6,271	3,468
Profit before depreciation and interest	98	721	1,237	866	474
Depreciation	(29)	(58)	(62)	(67)	(29)
Interest expense	-	-	(4)	(4)	(2)
Profit before taxation	69	663	1,171	795	443
Taxation	(24)	(198)	(345)	3	(128)
Profit after taxation	45	465	826	798	315
Number of ordinary shares in issue ('000)	⁽²⁾ 529	⁽³⁾ 700	700	700	700
Gross earnings per share (sen)	⁽⁴⁾ 19.57	94.71	167.29	113.57	⁽⁴⁾ 151.89
Net earnings per share (sen)	⁽⁴⁾ 12.76	66.43	118.00	114.00	⁽⁴⁾ 108.00
PBT Margin (%)	15	17	17	13	13
Effective tax rate (%)	35	30	29	-	29
Gross dividend rate (%)	-	-	-	-	-

⁽¹⁾ First statement of accounts.

⁽²⁾ Weighted average number of ordinary shares in issue after taking into account new allotment of shares during the year and the bonus factor arising from the bonus issue of 500,000 ordinary shares of RM1.00 each on the basis of 5 new ordinary shares for every 2 existing ordinary shares held which was implemented in the financial year ended 31 October 1998.

⁽³⁾ Weighted average number of ordinary shares in issue after taking into account the bonus factor arising from the bonus issue of 500,000 ordinary shares of RM1.00 each on the basis of 5 new ordinary shares for every 2 existing ordinary shares held which was implemented in the financial year ended 31 October 1998.

⁽⁴⁾ Annualised profit is used for the computation.

Notes: -

(a) There were no extraordinary items as defined in MASB Standard 3 or exceptional items for the financial periods/years under review.

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- (b) *The increase in turnover of DJ for the financial year ended 31 October 1997 was mainly due to increase in orders from its existing customers whilst the increase in turnover for the financial year ended 31 October 1998 was mainly due to an increase in customer base coupled with the increase in selling price of some of its products to partly cushion the impact of an increase in prices of certain raw materials.*
- Turnover decreased for the financial year ended 31 October 1999 mainly due to lower demand from its existing customers as a result of a shift in production strategy by multinational corporations.*
- The increase in annualised turnover for the 5 months ended 31 March 2000 was mainly due to increase in demand amidst the recovery in the Malaysian economy.*
- (c) *Profit before taxation for the financial years ended 31 October 1997 and 1998 respectively increased in tandem with the increase in turnover. The decrease in profit before taxation and the PBT Margin for the financial year ended 31 October 1999 was mainly due to higher incidence of bad debts whereas for the annualised 5 months ended 31 March 2000 the decrease in the profit before taxation and PBT Margin were mainly due to lower selling prices.*
- (d) *The audited taxation figures 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 periods/years as follows: -*

	29.02.1996 to 31.10.1996 RM'000	Financial years ended < ----- 31 October ----- > 1997 1998 1999 RM'000 RM'000 RM'000			5 months ended 31 March 2000 RM'000
Taxation					
<i>As per audited accounts</i>	(24)	(199)	(357)	3	(116)
<i>Adjustments</i>	-	1	12	-	(12)
<i>As adjusted</i>	(24)	(198)	(345)	3	(128)
Profit after taxation					
<i>As per audited accounts</i>	45	464	814	798	327
<i>Adjustments</i>	-	1	12	-	(12)
<i>As adjusted</i>	45	465	826	798	315

- (e) *The adjusted effective tax rate for the financial period ended 31 October 1996 was higher than the statutory tax rate applicable to this financial period mainly due to certain expenses being disallowed for tax purposes. 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 periods/years.*
- 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 periods/years.*

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7. DP

	<----- 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
Turnover	6,321	6,937	8,507	16,385	16,667	8,227
Profit before depreciation, interest and exceptional items	734	1,365	1,663	2,851	3,165	1,220
Depreciation	(90)	(133)	(120)	(150)	(139)	(54)
Interest expense	(100)	(88)	(61)	(8)	(11)	(3)
Exceptional items	16	2	-	-	-	-
Profit before taxation	560	1,146	1,482	2,693	3,015	1,163
Taxation	(176)	(330)	(423)	(662)	-	(337)
Profit after taxation	384	816	1,059	2,031	3,015	826
Number of ordinary shares in issue ('000)	⁽¹⁾ 2,337	⁽²⁾ 3,500	⁽²⁾ 3,500	3,500	3,500	3,500
Gross earnings per share (sen)	23.96	32.74	42.34	76.94	86.14	⁽³⁾ 79.75
Net earnings per share (sen)	16.43	23.31	30.26	58.03	86.14	⁽³⁾ 56.64
PBT Margin (%)	9	17	17	16	18	14
Effective tax rate (%)	31	29	29	25	-	29
Gross dividend rate (%)	-	10.00	-	-	-	-

⁽¹⁾ Weighted average number of ordinary shares in issue after taking into account new allotment of shares during the year and the bonus factor arising from the bonus issue of 2,195,000 ordinary shares of RM1.00 each on the basis of 1.68 new ordinary shares for every 1 existing ordinary share held which was implemented in the financial year ended 31 October 1998.

⁽²⁾ Weighted average number of ordinary shares in issue after taking into account the bonus factor arising from the bonus issue of 2,195,000 ordinary shares of RM1.00 each on the basis of 1.68 new ordinary shares for every 1 existing ordinary share held which was implemented in the financial year ended 31 October 1998.

⁽³⁾ Annualised profit is used for the computation.