(Prepared for inclusion in this Prospectus)

JB LAU & ASSOCIATES
CHARTERED ACCOUNTANTS

51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

Phone: (04) 2287828 (6 Lines)
Fax: (04) 2279828
E-mail: jblau@tm.net.my

DATE : 28 May 2002

The Board of Directors
AE Multi Holdings Berhad
51-8-B Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

Gentlemen,

1. INTRODUCTION

This report has been prepared by JB Lau & Associates, an approved company auditor, for the inclusion in the Prospectus to be dated 7 June 2002 in connection with the public issue of 12,000,000 new ordinary shares of RM0.50 each in AE Multi Holdings Berhad (hereinafter referred to as "AEM" or "Company") at an issue price of RM0.80 per ordinary share of RM0.50 each and the listing of and quotation for its entire enlarged issued and paid-up share capital of 80,000,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. FLOTATION SCHEME

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of AEM on the Second Board of the KLSE, the Company undertook the following flotation scheme which was approved by the Foreign Investment Committee ("FIC"), Ministry of International Trade and Industry ("MITI") and the Securities Commission ("SC") on the dates set out below :

Authority	Date of approval
FIC	25 October 2001 and 20 March 2002
MITI	7 November 2001 and 18 March 2002
SC	28 November 2001 and 6 March 2002

(i) Acquisition of the entire issued and paid-up share capital of AE Corporation (M) Sdn. Bhd. ("AEC"); comprising 10,000,000 ordinary shares of RM1.00 each for a total consideration of RM34,971,924 satisfied by the issuance of 61,943,848 new AEM ordinary shares of RM0.50 each at an issue price of approximately RM0.56 per ordinary share,

The purchase consideration of RM34,971,924 was arrived at based on the audited consolidated net tangible assets ("NTA") of AEC as at 31 December 2000 and after adjusting for the following:

		NTA RM
Audited consolidated NTA as at 31 December 2000		24,491,635
Add/(Less) :	Call-up on unpaid shares	8,830,000
	Revaluation surplus of AEC	210,368
	Revaluation surplus of AET	1,451,510
	Share of revaluation deficit of MWSB	(11,589)
Adjusted NTA		34,971,924

(ii) Acquisition of 51% equity interest in Meridian World Sdn. Bhd. ("MWSB") comprising 306,000 ordinary shares of RM1.00 each for a total consideration of RM777,530 satisfied by cash upon completion of the acquisition of AEC as mentioned in (i) above,

The abovementioned under Section 2(i) and (ii) shall hereinafter be collectively referred to as ("the Acquisitions").

(iii) A rights issue of 6,056,148 ordinary shares of RM0.50 each by AEM at an issue price of RM0.50 per share on the basis of approximately 98 new ordinary shares for every 1,000 ordinary shares held after the above mentioned Acquisitions ("Rights Issue"), and

(iv) A public issue of 12,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.80 per ordinary share ("Public Issue").

3. GENERAL INFORMATION

3.1 Background

AEM was incorporated in Malaysia under the Companies Act, 1965 on 20 February 2001 as a public limited company.

The principal activity of the Company is that of investment holding.

3.2 Share Capital

At the date of incorporation, the authorised share capital of the Company was RM100,000 comprising 100,000 ordinary shares of RM1.00 each and its issued and paid-up share capital was RM2.00 comprising 2 ordinary shares of RM1.00 each. The par value of RM1.00 was subdivided into RM0.50 pursuant to members' circular resolution dated on 25 March 2002.

Its authorised share capital was increased to RM50,000,000 on 28 March 2002 by the creation of an additional 99,800,000 ordinary shares of RM0.50 each.

The changes in the Company's issued and fully paid-up share capital are summarised below :

Date of Allotment	Consideration	No. of ordinary shares of RM1.00 * / RM0.50 each allotted	Cumulative issued and paid-up share capital RM
20 February 2001	Subscribers' shares of RM1 each	2 *	2
25 March 2002	Subdivision of RM1.00 into RM0.50	4	2
9 May 2002	Allotment in consideration for the acquisition of 100% equity in AEC and its subsidiaries	61,943,848	30,971,924
24 May 2002	Rights issue on the basis of approximately 98 new ordinary shares for every 1,000 ordinary shares held at an issue price of RM0.50 each	6,056,148	34,000,000

3.3 Subsidiaries

The details of the subsidiaries of AEM are as follows :

Name of Company	Date/ Place of Incorp- -oration	Authorised Share Capital as at 31 December 2001 '000	Issued and Paid-up Share Capital as at 31 December 2001 '000	Equity Interest	Principal Activities
Subsidiaries of AEM					
AEC	15 October 1987 / Malaysia	RM10,000	RM10,000	100%	Manufacturing of printed circuit boards.

Name of Company	Date/ Place of Incorp--oration	Authorised Share Capital as at 31 December 2001 '000	Issued and Paid-up Share Capital as at 31 December 2001 '000	Equity Interest	Principal Activities
MWSB	16 January 1995 / Malaysia	RM1,000	RM600	51%	Chemical processing, trading activities, provision of waste water treatment facilities and waste water recycling services.
Subsidiary of AEC					
AET	24 May 1990 /Thailand	THB110,000 (RM9,462) *	THB110,000 (RM9,462) *	100%	Manufacturing of printed circuit boards.

* converted at the closing rate as at 31 December 2001 of 1THB : RM0.08602

3.4 Basis of Accounting and Accounting Policies

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

3.5 Financial Statements and Auditors

We have been the auditors for AEM and AEC since their dates of incorporation. The financial statements of MWSB and AET were audited by other firms of public accountants.

The financial statements of all the companies within the Group for all the financial years/period under review were reported on without any audit qualification and modification.

4. DIVIDENDS

No dividends have been paid or declared by the AEM Group for the financial years/period under review.

5. SUMMARISED INCOME STATEMENTS

5.1 PROFORMA GROUP INCOME STATEMENTS

The summarised proforma consolidated results of the AEM Group for the past five (5) financial years ended 31 December 2001 have been prepared based on the audited financial statements of the companies in the AEM Group, for illustrative purposes after making such adjustments that we considered necessary and assuming that the AEM Group had been in existence throughout the financial years under review.

	Year ended 31 December				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
REVENUE	24,809	39,185	53,867	56,112	61,639
PROFIT BEFORE AMORTISATION, DEPRECIATION, INTEREST AND TAXATION	5,084	6,750	8,800	10,516	12,937
AMORTISATION	-	-	(287)	(287)	(287)
DEPRECIATION	(1,464)	(2,063)	(2,451)	(3,174)	(4,183)
INTEREST EXPENSE	(1,582)	(1,915)	(1,930)	(1,472)	(1,768)
PROFIT BEFORE TAXATION	2,038	2,772	4,132	5,583	6,699
TAXATION	-	-	10	(464)	(842)
PROFIT AFTER TAXATION	2,038	2,772	4,142	5,119	5,857
MINORITY INTERESTS	-	-	(126)	(202)	(287)
PRE-ACQUISITION LOSS	-	-	269	-	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	2,038	2,772	4,285	4,917	5,570
NO. OF ORDINARY SHARES ASSUMED IN ISSUE * ('000)	61,944	61,944	61,944	61,944	61,944
NET EARNINGS PER SHARE (SEN)	3.29	4.48	6.92	7.94	8.99

NOTES :

* The assumed issued and paid-up share capital of 61,943,852 ordinary shares of RM0.50 each is based on the issued and paid-up share capital of AEM after the acquisition of AEC but prior to the Rights Issue and Public Issue.

(i) The Proforma Group Income Statements for the financial years ended 31 December 1997 and 31 December 1998 comprise of AEC only. For the financial years from 31 December 1999 to 31 December 2000, the Proforma Group Income Statements comprise of AEC and its subsidiaries, AET and MWSB. For the financial year ended 31 December 2001, the Proforma Group Income Statement comprise of the AEM Group

(ii) The Proforma Group Income Statements have been prepared based on accounting policies consistent with those currently adopted in the preparation of the audited financial statements of the AEM Group.

(iii) All significant inter-company transactions have been eliminated from the Group results.

(iv) Revenue increased by 13.39% to RM24.81 million for the financial year ended 31 December 1997 due to an increase in demand from its existing customers and new customers secured during the year arising from the devaluation of the Ringgit. This had the effect of making Malaysian made products cheaper in the international market.

Revenue increased by 57.95% to RM39.19 million for the financial year ended 31 December 1998 due to the boom of the electronics and electrical industry and aided by the devalued Ringgit.

Revenue increased by 37.47% to RM53.87 million for the financial year ended 31 December 1999 due to the increase in customers demand as a result of the continued boom of the electronics and electrical industry and the inclusion of MWSB's revenue after its acquisition.

Revenue increased marginally by 4.17% to RM56.11 million for the financial year ended 31 December 2000 due to AEC's reduction in average selling prices as compared to the financial year ended 31 December 1999 because majority of the customers requested for lower material grade so as to remain competitive e.g. from fibre glass board to paper phenolic board. The said decrease was however mitigated by the increase in chemical and waste water treatment sales from MWSB.

Revenue increased by 9.85% to RM61.64 million for the financial year ended 31 December 2001 due mainly to the increase in sales by AET arising from higher demand from its customers.

(v) Pretax profit increased in tandem with revenue by 18.56% to RM2.04 million for the financial year ended 31 December 1997. The profit would have been higher if not for higher interest expense due to higher interest rate prevailing during the initial stage of the Asian financial crisis.

Pretax profit increased by 36.02% to RM2.77 million for the financial year ended 31 December 1998 in tandem with higher sales volume.

Pretax profit increased by 49.06% to RM4.13 million for the financial year ended 31 December 1999 due to the increased revenue from AEC and contribution of profit from MWSB.

Pretax profit increased by 35.12% to RM5.58 million for the financial year ended 31 December 2000 mainly due to the lower cost of production arising from the benefit of a second fully automated printing line being installed and commissioned in the second half of the year for AEC, the substantial increase in gross revenue for MWSB and the decrease in interest expense.

Pretax profit increased by 19.99% to RM6.70 million for the financial year ended 31 December 2001 in line with the increased revenue of the Group and an increase in profitability due to decrease in expenses from AEC during the financial year.

(vi) There were no taxation charges for the financial years ended 31 December 1997 and 31 December 1998 due mainly to the availability of unabsorbed tax losses, capital allowances and reinvestment allowance for offset against the tax adjusted/statutory income.

The taxation for the financial year ended 31 December 1999 which was a tax waiver year, was in respect of under provision for taxation in prior years.

The taxation charge represents a rate lower than the statutory income tax rate for the financial years ended 31 December 2000 and 31 December 2001 due to the claim for reinvestment allowance by AEC and the utilization of unabsorbed tax losses and capital allowances, reinvestment allowances by MWSB and the income tax exemption by the Board of Investment, Thailand for AET.

(vii) There were no exceptional or extraordinary items for the years under review.

(viii) The net earning per share is calculated based on the profit attributable to shareholders and on the assumed number of ordinary shares issued in issue after the Acquisitions.

5.2 We set out below the audited results of the companies in the AEM Group for the relevant period/years under review :

AEM

	Period from 20.2.01 TO 31.12.01 RM'000
REVENUE	-
LOSS BEFORE AMORTISATION, DEPRECIATION, INTEREST AND TAXATION	(5)
AMORTISATION	-
DEPRECIATION	-
INTEREST EXPENSE	-
LOSS BEFORE TAXATION	(5)
TAXATION	-
LOSS AFTER TAXATION	(5)
NO. OF ORDINARY SHARES IN ISSUE	2
NET LOSS PER SHARE (RM)	(2,500)

AEC

	Year ended 31 December				
	1997	**1998**	**1999**	**2000**	**2001**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
REVENUE	24,809	39,185	51,034	50,461	53,642
PROFIT BEFORE AMORTISATION, DEPRECIATION, INTEREST AND TAXATION	5,084	6,750	8,397	9,272	10,873
AMORTISATION	-	-	-	-	-
DEPRECIATION	(1,464)	(2,063)	(2,314)	(2,659)	(3,275)
INTEREST EXPENSE	(1,582)	(1,915)	(1,611)	(1,393)	(1,557)
PROFIT BEFORE TAXATION	2,038	2,772	4,472	5,220	6,041
TAXATION	-	-	-	(443)	(723)
PROFIT AFTER TAXATION	2,038	2,772	4,472	4,777	5,318
WEIGHTED AVERAGE NO. OF ORDINARY SHARES IN ISSUE ('000)	3,470	3,756	4,371	9,356	10,000
NET EARNINGS PER SHARE (RM)	0.59	0.74	1.02	0.51	0.53

NOTES :

(i) Revenue increased by 13.39% to RM24.81 million for the financial year ended 31 December 1997 due to an increase in demand from its existing customers and new customers secured during the year arising from the devaluation of the Ringgit. This had the effect of making Malaysian made products cheaper in the international market.

Revenue increased by 57.95% to RM39.19 million for the financial year ended 31 December 1998 due to the boom of the electronics and electrical industry and aided by the devalued Ringgit.

Revenue increased by 30.24% to RM51.03 million for the financial year ended 31 December 1999 due to the increase in customers demand as a result of the continued boom of the electronics and electrical industry.

Revenue decreased by 1.12% to RM50.46 million for the financial year ended 31 December 2000 due to the reduction in average selling prices as compared to the financial year ended 31 December 1999 because majority of the customers requested for lower material grade so as to remain competitive e.g. from fibre glass board to paper phenolic board.

Revenue increased by 6.30% to RM53.64 million for the financial year ended 31 December 2001 due to increased demand by existing customers and AET.

(ii) Pretax profit increased in tandem with revenue by 18.56% to RM2.04 million for the financial year ended 31 December 1997. The profit would have been higher if not for higher interest expense arising from tighter credit policy set by Bank Negara during the initial stage of the Asian financial crisis.

Pretax profit increased by 36.02% to RM2.77 million for the financial year ended 31 December 1998 in tandem with higher sales volume.

Pretax profit increased by 61.33% to RM4.47 million for the financial year ended 31 December 1999 due to the increase in revenue and reduction in interest expense as a result of lower interest rates.

Pretax profit increased by 16.73% to RM5.22 million for the financial year ended 31 December 2000 mainly due to the lower cost of production arising from the benefit of a second fully automated printing line being installed and commissioned in the second half of the year and decrease in interest expense.

Pretax profit increased by 15.73% to RM6.04 million for the financial year ended 31 December 2001 in line with increased revenue and an increase in profitability due to decrease in expenses during the financial year.

(iii) There were no taxation charges for the financial years ended 31 December 1997 and 31 December 1998 due mainly to the availability of unabsorbed tax losses, capital allowances and reinvestment allowance to offset against the tax adjusted/statutory income.

There was no taxation charge for the financial year ended 31 December 1999 as it was a tax waiver year.

The taxation charges for the financial years ended 31 December 2000 and 31 December 2001 represent a rate lower than the statutory income tax rate due to its eligibility for reinvestment allowance claim.

(iv) There were no exceptional or extraordinary items for the years under review.

(v) The net earnings per share is calculated based on the profit after taxation and on the weighted average number of ordinary shares in issue at the end of each of the above financial years.

(vi) There has been no change in the company's accounting policies, which might materially affect its income and financial position for the years under review.

MWSB

	Year ended 31 December				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
REVENUE	1,929	2,765	2,653	4,707	5,026
PROFIT BEFORE AMORTISATION, DEPRECIATION, INTEREST AND TAXATION	95	274	407	718	988
AMORTISATION	-	-	-	-	-
DEPRECIATION	(7)	(61)	(98)	(197)	(214)
INTEREST EXPENSE	(44)	(101)	(62)	(78)	(77)
PROFIT BEFORE TAXATION	44	112	247	443	697
TAXATION	(21)	(4)	10	(30)	(110)
PROFIT AFTER TAXATION	23	108	257	413	587
WEIGHTED AVERAGE NO. OF ORDINARY SHARES IN ISSUE ('000)	73	224	448	600	600
NET EARNINGS PER SHARE (RM)	0.32	0.48	0.57	0.69	0.98

NOTES :

(i) Revenue increased by 102.20% to RM1.93 million for the financial year ended 31 December 1997 as more customers were secured.

Revenue increased by 43.34% to RM2.77 million for the financial year ended 31 December 1998 as more customer accounts were secured and MWSB started its waste water treatment activities.

Revenue decreased by 4.05% to RM2.65 million for the financial year ended 31 December 1999 due to lower sale of waste water treatment plant.

Revenue increased by 77.42% to RM4.71 million for the financial year ended 31 December 2000 due to a 56.59% and 225.38% increase in chemical and waste water treatment sales respectively.

Revenue increased by 6.78% to RM5.03 million for the financial year ended 31 December 2001 due to the increase in chemical sales as more customers were secured.

(ii) Pretax profits increased by 175.00% to RM44,000 and 154.55% to RM112,000 for the financial years ended 31 December 1997 and 31 December 1998 respectively in tandem with the increase in revenue.

Pretax profit increased by 120.54% to RM247,000 for the financial year ended 31 December 1999 due to the increase in profit contribution from sales to new customers during the year.

Pretax profit increased by 79.35% to RM443,000 for the financial year ended 31 December 2000 due to the substantial increase in revenue for the year.

Pretax profit increased by 57.34% to RM697,000 for the financial year ended 31 December 2001 due to the increase profit contribution from the new customers secured.

(iii) For the financial year ended 31 December 1997, the effective tax rate was higher than the statutory tax rate due to certain expenses not deductible for tax purposes.

The effective tax rates for the financial years ended 31 December 1998, 2000 and 2001 were lower due to the utilization of unabsorbed capital allowances and reinvestment allowance.

For the financial year ended 31 December 1999, taxation expense represents deferred taxation and over provision for tax in previous year. There was no current taxation charge for the year as it was a tax waiver year.

(iv) There were no exceptional or extraordinary items for the years under review.

(v) The net earnings per share is calculated based on the profit after taxation and on the weighted average number of ordinary shares in issue at the end of each of the above financial years.

(vi) There has been no change in the company's accounting policies, which might materially affect its income and financial position for the years under review.

AET

IN RINGGIT MALAYSIA

	Year ended 31 December				
	1997 **RM'000**	**1998** **RM'000**	**1999** **RM'000**	**2000** **RM'000**	**2001** **RM'000**
REVENUE	3,147	3,233	355	3,355	8,387
PROFIT/(LOSS) BEFORE AMORTISATION, DEPRECIATION, INTEREST AND TAXATION	154	(1,304)	(1)	556	1,045
AMORTISATION	-	-	-	-	-
DEPRECIATION	(40)	(52)	(39)	(319)	(689)
INTEREST EXPENSE	(13)	(1)	(259)	-	(134)
PROFIT/(LOSS) BEFORE TAXATION	101	(1,357)	(299)	237	222
TAXATION	-	-	-	-	-
PROFIT/(LOSS) AFTER TAXATION	101	(1,357)	(299)	237	222
WEIGHTED AVERAGE NO. OF ORDINARY SHARES IN ISSUE ('000)	400	400	400	435	1,100
NET EARNINGS/(LOSS) PER SHARE (RM)	0.25	(3.39)	(0.75)	0.54	0.20
Foreign exchange rate used per 1 THB : (Average rate for the year)	0.09117	0.09632	0.10170	0.09422	0.08548

AET

IN THAI BAHT

	Year ended 31 December				
	1997 THB'000	**1998 THB'000**	**1999 THB'000**	**2000 THB'000**	**2001 THB'000**
REVENUE	34,520	33,570	3,492	35,613	98,122
PROFIT/(LOSS) BEFORE AMORTISATION, DEPRECIATION, INTEREST AND TAXATION	1,695	(13,533)	(13)	6,149	12,223
AMORTISATION	-	-	-	-	-
DEPRECIATION	(441)	(544)	(381)	(3,630)	(8,063)
INTEREST EXPENSE	(143)	(8)	(2,550)	-	(1,562)
PROFIT/(LOSS) BEFORE TAXATION	1,111	(14,085)	(2,944)	2,519	2,598
TAXATION	-	-	-	-	-
PROFIT/(LOSS) AFTER TAXATION	1,111	(14,085)	(2,944)	2,519	2,598
WEIGHTED AVERAGE NO. OF ORDINARY SHARES IN ISSUE ('000)	400	400	400	435	1,100
NET EARNINGS/(LOSS) PER SHARE (THB)	2.78	(35.21)	(7.36)	5.79	2.36

NOTES :

(i) For the financial years ended 31 December 1997 to 31 December 1999, AET was a manufacturer of umbrellas. It ceased its umbrella operations during the financial year ended 31 December 1998. For the financial year ended 31 December 1999, revenue was in respect of sales of left over inventories.

(ii) The factory building construction was completed in April 2000 and AET installed a finishing line (punching, auto test, flux coating process, QC and packing) and commenced commercial production in June 2000. Semi-finished PCBs are bought from AEC and the finishing process is completed in the AET plant. Thereafter, the finished products are delivered to the customers.

AET was able to chalk up sales of RM3.36 million in its six months of operation in the financial year ended 31 December 2000. Because of the lower production overheads in AET, the gross profit margin was better and the company managed to make a pretax profit of RM237,000.

Revenue increased by 149.99% to RM8.39 million for the financial year ended 31 December 2001 as it was in its full year of operations and the company obtained bigger sales order from its existing customers. AET commissioned its automated production line for single sided PCB by the beginning of December 2001, which contributed to the increase in revenue as well. Pretax profit decreased by 6.33% to RM222,000 due to a reduction in selling price due to competition, higher production overheads and higher depreciation expense as a result of the increased plant and machinery purchased during the year.

(iii) AET has been granted a 3 year income tax exemption by the Board of Investment, Thailand, effective from its operation date in June 2000.

(iv) There were no extraordinary items for the years under review.

(v) The net earnings/loss per share is calculated based on the loss/profit after taxation and on the weighted average number of ordinary shares in issue at the end of each of the above financial years.

(vi) There has been no change in the company's accounting policies, which might materially affect its income and financial position for the years under review.

6. SUMMARISED BALANCE SHEETS

6.1 PROFORMA CONSOLIDATED BALANCE SHEETS

As the acquisition of subsidiaries was only completed after 31 December 2001, it is therefore impracticable to present consolidated balance sheets of the AEM Group throughout the years under review. Accordingly, proforma consolidated balance sheets of the AEM Group has only been presented in respect of 31 December 2001 based on the latest audited statement of assets and liabilities as at 31 December 2001 as shown in Section 7 of this Report. In addition, balances due from/to companies within the AEM Group are disclosed in Section 6.2 of this Report.

6.2 The summarised audited balance sheets of AEM and its subsidiary and sub-subsidiaries based on their respective audited financial statements as at the end of the financial periods/years under review are as follows :

AEM

	As at 31 December 2000 RM'000
CURRENT ASSETS	*
CURRENT LIABILITIES	(5)
	(5)
FINANCED BY :	
SHARE CAPITAL	*
ACCUMULATED LOSS	(5)
	(5)
NET LIABILITIES PER SHARE (RM)	(2,500)

* Represents RM2 comprising 2 ordinary shares of RM1 each

AEC

	As at 31 December				
	1997 **RM'000**	**1998** **RM'000**	**1999** **RM'000**	**2000** **RM'000**	**2001** **RM'000**
PROPERTY, PLANT AND EQUIPMENT	17,144	18,002	18,743	26,687	29,763
INVESTMENT IN SUBSIDIARIES	-	-	562	562	6,863
INVESTMENT	-	30	30	30	30
CURRENT ASSETS	15,544	18,140	29,908	34,668	32,921
CURRENT LIABILITIES	(18,052)	(19,260)	(24,229)	(28,517)	(28,097)
NET CURRENT (LIABILITIES)/ ASSETS	(2,508)	(1,120)	5,679	6,151	4,824
	14,636	16,912	25,014	33,430	41,480
FINANCED BY :					
SHARE CAPITAL	3,470	4,246	7,100	7,129	10,000
SHARE PREMIUM	-	-	2,533	2,533	2,533
ASSET REVALUATION RESERVE	-	-	-	-	210
RETAINED PROFITS	4,835	7,606	12,078	16,855	22,173
SHAREHOLDERS' FUNDS	8,305	11,852	21,711	26,517	34,916
DEFERRED TAXATION	-	-	-	250	650
LONG TERM LIABILITIES	6,331	5,060	3,303	6,663	5,914
	14,636	16,912	25,014	33,430	41,480
NET TANGIBLE ASSETS PER SHARE (RM)	2.39	2.79	3.06	2.65 *	3.49

* Based on issued shares of 10,000,000

The balances due from/(to) the related companies of AEC after the Acquisitions are as follows :

Due from/(to) :					
MW	-	-	30	(82)	(114)
AET	-	-	4,170	3,986	8,021

MWSB

	As at 31 December				
	1997 RM'000	**1998 RM'000**	**1999 RM'000**	**2000 RM'000**	**2001 RM'000**
PROPERTY, PLANT AND EQUIPMENT	296	478	911	1,563	2,073
INVESTMENT IN SUBSIDIARY	99	99	-	-	-
CURRENT ASSETS	1,007	1,075	1,356	1,586	2,099
CURRENT LIABILITIES	(1,226)	(1,276)	(1,096)	(1,297)	(1,634)
NET CURRENT (LIABILITIES)/ ASSETS	(219)	(201)	260	289	465
	176	376	1,171	1,852	2,538
FINANCED BY :					
SHARE CAPITAL	73	180	600	600	600
SHARE PREMIUM	-	-	256	256	256
RETAINED PROFITS	27	135	278	691	1,278
SHAREHOLDERS' FUNDS	100	315	1,134	1,547	2,134
DEFERRED TAXATION	21	19	9	9	72
LONG TERM LIABILITIES	55	42	28	296	332
	176	376	1,171	1,852	2,538
NET TANGIBLE ASSETS PER SHARE (RM)	1.37	1.75	1.89	2.58	3.56

The balances due (to)/from the related company of MW after the Acquisitions is as follows :

Due (to)/from :					
AEC	-	-	(30)	82	114

AET

IN RINGGIT MALAYSIA

	As at 31 December				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
PROPERTY, PLANT AND EQUIPMENT	739	932	1,457	6,410	13,070
CURRENT ASSETS	3,801	4,180	1,075	2,521	4,299
CURRENT LIABILITIES	(5,378)	(7,643)	(4,198)	(4,965)	(10,819)
NET CURRENT LIABILITIES	(1,577)	(3,463)	(3,123)	(2,444)	(6,520)
	(838)	(2,531)	(1,666)	3,966	6,550
FINANCED BY :					
SHARE CAPITAL	3,276	4,150	4,128	3,511	9,462
ACCUMULATED LOSSES	(4,114)	(6,681)	(6,950)	(5,690)	(5,352)
SHAREHOLDERS' FUNDS	(838)	(2,531)	(2,822)	(2,179)	4,110
LONG TERM LIABILITIES	-	-	-	-	2,440
SHARE APPLICATION MONIES	-	-	1,156	6,145	-
	(838)	(2,531)	(1,666)	3,966	6,550
NET (LIABILITIES)/TANGIBLE ASSETS PER SHARE (RM)	(2.10)	(6.33)	(7.05)	(5.01)	3.74
Foreign exchange rate used per 1 THB : (As at 31 December)	0.08191	0.10375	0.10320	0.08779	0.08602

The balances due (to)/from the related company of AET after the Acquisitions is as follows :

Due to :					
AEC	-	-	(4,170)	(3,986)	(8,021)

AET

IN THAI BAHT

	As at 31 December				
	1997 THB'000	**1998 THB'000**	**1999 THB'000**	**2000 THB'000**	**2001 THB'000**
PROPERTY, PLANT AND EQUIPMENT	9,024	8,979	14,120	73,023	151,936
CURRENT ASSETS	46,399	40,289	10,418	28,718	49,975
CURRENT LIABILITIES	(65,658)	(73,665)	(40,679)	(56,563)	(125,770)
NET CURRENT LIABILITIES	(19,259)	(33,376)	(30,261)	(27,845)	(75,795)
	(10,235)	(24,397)	(16,141)	45,178	76,141
FINANCED BY :					
SHARE CAPITAL	40,000	40,000	40,000	40,000	110,000
ACCUMULATED LOSSES	(50,235)	(64,397)	(67,341)	(64,822)	(62,223)
SHAREHOLDERS' FUNDS	(10,235)	(24,397)	(27,341)	(24,822)	47,777
LONG TERM LIABILITIES	-	-	-	-	28,364
SHARE APPLICATION MONIES	-	-	11,200	70,000	-
	(10,235)	(24,397)	(16,141)	45,178	76,141
NET (LIABILITIES)/TANGIBLE ASSETS PER SHARE (THB)	(25.59)	(60.99)	(68.35)	(57.06)	43.43

The balances due (to)/from the related company of AET after the Acquisitions is as follows :

Due to :					
AEC	-	-	(40,407)	(45,404)	(93,246)

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of AEM and the Proforma AEM Group are provided for illustrative purposes only and are prepared based on the audited financial statements of the companies in the AEM Group as at 31 December 2001 and on the assumption that the flotation scheme as mentioned in Section 2 was effected on 31 December 2001.

	NOTE	AUDITED AEM as at 31.12.2001 RM'000	Proforma Group as at 31.12.2001 RM'000
PROPERTY, PLANT AND EQUIPMENT	8.3	-	49,785
INVESTMENT	8.4	-	30
NEGATIVE GOODWILL	8.5	-	(5,658)
CURRENT ASSETS			
Gross amount due from customers	8.6	-	52
Inventories	8.7	-	13,142
Trade debtors		-	15,654
Other debtors, deposits and prepayments		-	1,687
Fixed deposits with licensed banks	8.8	-	192
Cash and bank balances	8.9	**	10,683
		**	41,410
CURRENT LIABILITIES			
Trade creditors		-	7,556
Gross amount due to customers	8.10	-	9
Other creditors and accruals	8.11	5	7,876
Bank borrowings	8.12	-	15,963
Provision for taxation		-	204
		5	31,608
NET CURRENT (LIABILITIES)/ASSETS		(5)	9,802
		(5)	53,959
FINANCED BY :			
SHARE CAPITAL	8.13	*	40,000
SHARE PREMIUM	8.14	-	5,950
ACCUMULATED LOSS		(5)	(5)
SHAREHOLDERS' FUNDS		(5)	45,945
MINORITY INTERESTS		-	1,046
DEFERRED TAXATION	8.15	-	722
LONG TERM LIABILITIES	8.16	-	6,246
		(5)	53,959
NET (LIABILITIES)/TANGIBLE ASSETS PER ORDINARY SHARE (RM)		(2,500.00)	0.65

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

8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

8.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards issued by the in Malaysian Accounting Standards Board.

8.2 SIGNIFICANT ACCOUNTING POLICIES

(a) **Accounting Convention**

The financial statements of the Group and of the Company are prepared in accordance with the historical cost convention, modified to include the revaluation of certain land, buildings and hostel as disclosed under property, plant and equipment in this summary of significant accounting policies.

(b) **Basis Of Consolidation**

The financial statements of the Group include the audited financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The excess of the cost of acquisition over the fair value of the Group's share of the subsidiaries' identifiable net assets at the date of acquisition is reflected as goodwill on consolidation.

Inter-company balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is measured at the minorities' share of the acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

(c) **Property, Plant And Equipment**

Property, plant and equipment are initially stated at cost. Certain land and buildings are subsequently shown at valuation based on valuations by external independent valuers, less subsequent amortisation/depreciation. All other property, plant and equipment are stated at cost less accumulated depreciation.

Surpluses arising on revaluation are credited to asset revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the asset revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement.

Property, plant and equipment are depreciated over their estimated useful lives on the straight line method at the following annual rates:

Leasehold land	Over the lease period of 60 years
Buildings	2% - 5%
Hostel	2% - 10%
Building improvements	2% - 10%
Machinery and factory equipment	10% - 20%
Furniture, fixtures and office equipment	10% - 20%
Motor vehicles	20%

Freehold land is not amortised as it has an infinite life.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit/loss. On disposal of revalued assets, amounts in the asset revaluation reserve relating to those assets are transferred to retained earnings.

(d) **Investment In Subsidiaries**

Investment in subsidiaries which is eliminated on consolidation is stated at cost in the Company's financial statements.

Provision for diminution in value of investment is made when the directors are of the opinion that the diminution in value is permanent in nature.

(e) **Investments**

Investments are stated at cost and are only written down when the directors are of the opinion that there is permanent diminution in value of these investments.

(f) **Goodwill On Consolidation**

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of their identifiable net assets at the date of acquisition and is amortised using the straight line method over a period of ten years.

Negative goodwill on consolidation represents the excess of the fair value of the Group's share of identifiable net assets acquired over the cost of acquisition. Negative goodwill on consolidation is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill on consolidation relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognized in the income statement when the future losses and expenses are recognized. Any remaining negative goodwill on consolidation, not exceeding the fair values of the non-monetary assets acquired, is recognized in the income statement over a period of ten years; negative goodwill on consolidation in excess of the fair values of those assets is recognized in the income statement immediately.

(g) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost in the case of work-in-progress and finished goods include direct materials, direct labour and attributable production overheads and is determined on the first-in first-out basis, where appropriate.

Cost of raw materials and consumables is determined on the first-in first-out basis.

(h) **Gross Amount Due From/To Customers**

Gross amount due from/to customers comprises contract expenditure stated at cost plus attributable profits less attributable losses, foreseeable losses and progress payments received and receivable. Contract expenditure includes all expenses directly attributable to contracts.

(i) **Debtors**

Known bad debts are written off and specific provision is made for any debts considered to be doubtful of collection.

(j) **Revenue Recognition**

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue arising from the provision of services is recognised on the dates the services are rendered and completed.

Revenue from contracts are recognised in the income statement on the percentage of completion method. The stage of completion is assessed by reference to the cost performed up to balance sheet date as a percentage of estimated total contract cost. Where the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(k) **Foreign Currency Translations**

Foreign currency assets and liabilities are translated into Ringgit Malaysia at the rates of exchange ruling on the balance sheet date. Transactions during the year in foreign currencies have been converted into Ringgit Malaysia at rates ruling on the transaction dates. Gains or losses on exchange are included in the income statement.

The financial statements of the foreign subsidiary are translated into Ringgit Malaysia at the approximate rate of exchange ruling at the balance sheet date for balance sheet items and at the approximate average rate of exchange ruling on transaction dates for profit and loss items. Exchange differences due to such currency translations are taken directly to exchange fluctuation reserve.

The closing rates of exchange of the foreign currencies used in the preparation of the financial statements are as follows :

	RM
Japanese Yen	**0.029**
Pound Sterling	**5.516**
Singapore Dollar	**2.053**
New Taiwan Dollar	**0.108**
Thai Baht	**0.086**
US Dollar	**3.800**

(l) **Deferred Taxation**

Provision is made by the liability method for taxation deferred in respect of all timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future.

Deferred taxation benefit is not recognised in the financial statements only when there is reasonable assurance of its realisation.

When there is intention to dispose of revalued assets, the deferred tax relating to such assets is recognised through a transfer from the related revaluation surplus. No provision nor disclosure is made of this tax effect where the Group intends to hold such assets for the foreseeable future.

(m) **Cash And Cash Equivalents**

Cash comprises cash in hand and balances with banks (including bank overdrafts) while cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8.3. PROPERTY, PLANT AND EQUIPMENT

	PROFORMA GROUP		
	Cost / Valuation RM'000	Accumulated depreciation RM'000	Net book value RM'000
At valuation			
Short leasehold land	1,710	34	1,676
Freehold land	1,191	-	1,191
Buildings	7,171	198	6,973
Hostel	60	1	59
At cost			
Hostel	225	2	223
Building improvements	503	21	482
Machinery and factory equipment	51,068	13,947	37,121
Furniture, fixtures and office equipment	2,916	1,373	1,543
Motor vehicles	987	470	517
	65,831	16,046	49,785

RM3,457,000 of the proceeds from the Rights Issue and Public Issue is utilised to purchase machinery and factory equipment.

Included in the net book value are the following property, plant and equipment being acquired under hire purchase loans :

	PROFORMA GROUP RM'000
Machinery and factory equipment	1,762
Motor vehicles	189
	1,951

The following are net book value of property, plant and equipment charged to financial institutions for banking facilities granted to the Group :

	PROFORMA GROUP RM'000
At valuation	
Short leasehold land	1,676
Freehold land	1,191
Buildings	6,973
At cost	
Building improvements	482
	10,322

The leasehold land, freehold land, buildings and hostel were revalued by the following independent qualified valuers on an open market value basis and as approved by the Securities Commission on 28 November 2001 and the revaluation surplus/deficit is incorporated in the proforma statement of assets and liabilities as at 31 December 2001.

	Date of Valuation Report
▪ CH Williams Talhar & Wong Sdn. Bhd.	1 June 2001
▪ CB Richard Ellis (Thailand) Co., Ltd.	5 July 2001

The tax effects in connection with the surplus arising from the above revaluation are not disclosed as there is no foreseeable intention to dispose of these properties.

The historical cost of properties at valuation are as follows:

PROFORMA GROUP

	Freehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Hostel RM'000
Cost	175	307	8,522	50
Accumulated depreciation	-	(61)	(952)	(6)
Net book value	175	246	7,570	44

8.4 INVESTMENT

	PROFORMA GROUP RM'000
Club membership, at cost	30

8.5 NEGATIVE GOODWILL

	PROFORMA GROUP RM'000
Arising from the acquisition of a subsidiary	(5,658)

8.6 GROSS AMOUNT DUE FROM CUSTOMERS

	PROFORMA GROUP RM'000
Contract expenditure, at cost	340
Add : Attributable losses	(6)
	334
Less : Progress payments received and receivable	(282)
	52

8.7 INVENTORIES

	PROFORMA GROUP RM'000
Raw materials	5,545
Work-in-progress	3,488
Finished goods	883
Consumables	3,226
	13,142

8.8 FIXED DEPOSITS WITH LICENSED BANKS

PROFORMA GROUP

The fixed deposits amounting to RM189,000 are pledged to banks for banking facilities granted to the subsidiaries.

8.9 CASH AND BANK BALANCES

	PROFORMA GROUP RM'000
Balance as at 31 December 2001 as per audited financial statements	*
Arising from the acquisition of subsidiaries	451
Balance call on unpaid shares	5,959
Proceeds from Rights Issue	3,028
Proceeds from Public Issue	9,600
Purchase of machinery	(3,457)
Repayment of bank borrowing	(3,248)
Payment of listing expenses	(1,650)
	10,683

* Represents RM2

However, for the purpose of illustrating the proforma statement of assets and liabilities, only RM3.248 million was shown utilised as repayment of bank borrowings as the balance of 1.782 million was only drawn down subsequent to the financial year ended 31 December 2001.

8.10 GROSS AMOUNT DUE TO CUSTOMERS

	PROFORMA GROUP RM'000
Contract expenditure, at cost	9
Add : Attributable profits	3
	12
Less : Progress payments received and receivable	(21)
	(9)

8.11 OTHER CREDITORS AND ACCRUALS

PROFORMA GROUP

Included herein is an amount of RM0.24 million due to companies in which certain directors of the Company and persons connected to them have controlling interests.

8.12 BANK BORROWINGS

	PROFORMA GROUP RM'000
Bank overdrafts	374
Bankers acceptances	11,148
Factoring liabilities	3,671
Term loans (Note 8.16)	770
	15,963

The bank borrowings of the Group are secured by :

(i) Legal charge on the subsidiaries' leasehold land, freehold land and buildings;
(ii) Debenture by way of fixed and floating charges over all the assets of the Company, both present and future; and
(iii) Joint and several guarantee of certain directors of the Company, directors of a subsidiary and a third party.
(iv) Guarantee from Credit Guarantee Corporation; and
(v) Pledged of fixed deposits of a subsidiary.

Interest on the bank borrowings except bankers acceptances and factoring liabilities are charged at 1.00% to 1.50% per annum above the lenders base lending rate.

Banker acceptance interest is charged at the lender's prevailing bankers acceptance discount rate and factoring liabilities is charged at 8.65% per annum.

8.13 SHARE CAPITAL

	COMPANY RM'000	PROFORMA GROUP RM'000
Authorised :		
Ordinary shares of RM0.50 each	100	50,000
Issued and fully paid :		
Ordinary shares of RM0.50 each		
As at 31 December 2001	#	*
Issued as consideration for the acquisition of 100% equity of AEC	-	30,972
Rights issue	-	3,028
Public issue	-	6,000
	#	40,000

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

* RM2.00 comprising 4 ordinary shares of RM0.50 each

8.14 SHARE PREMIUM

	PROFORMA GROUP RM'000
Share premium from :	
Issue of shares at a premium of approximately RM0.065 per share for the acquisition of AEC	4,000
Public issue of 12,000,000 ordinary shares of RM0.50 each at a premium of RM0.30 per share	3,600
Less : Estimated listing expenses	(1,650)
	5,950

8.15 DEFERRED TAXATION

	PROFORMA GROUP RM'000
Arising from the acquisition of subsidiaries	722

8.16 LONG TERM LIABILITIES

	PROFORMA GROUP RM'000
Term loans	
Total amount repayable	6,924
Repayable within the next twelve months included under bank borrowings (Note 8.12)	(770)
	6,154
Hire purchase creditors	
Total amount payable	221
Interest in suspense	(27)
Net amount payable	194
Payable within the next twelve months included under other creditors and accruals	(102)
	92
	6,246

8.17 NUMBER OF EMPLOYEES

PROFORMA GROUP

The number of employees excluding directors at balance sheet date is 437.

8.18 CAPITAL COMMITMENTS

	PROFORMA GROUP RM'000
Authorised but not contracted	
Analysed as follows :	
- Property, plant and equipment	3,457

8.23 NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the proforma statement of assets and liabilities of the Proforma AEM Group as at 31 December 2001, the net tangible assets per share after acquisitions, rights issue and public issue is calculated as follows :

	PROFORMA GROUP
Net tangible assets (RM'000)	51,603
Total number of ordinary shares of RM0.50 each in issue ('000)	80,000
Net tangible assets per ordinary share of RM0.50 each (RM)	0.65

9. CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow of AEM and the Proforma AEM Group are provided for illustrative purposes only and are prepared based on the audited financial statements of the companies in the AEM Group as at 31 December 2001 and on the assumption that the flotation scheme as mentioned in Section 2 was effected on 31 December 2001.

		AUDITED AEM as at 31.12.2001 RM'000	PROFORMA GROUP as at 31.12.2001 RM'000
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Profit before taxation	(5)	6,699
	Pre-acquisition profit of subsidiaries	-	(6,704)
	Operating loss before working capital changes	(5)	(5)
	Creditors	5	5
	Net cash from operating activities	-	-
	CASH FLOWS FROM INVESTING ACTIVITIES		
**	Acquisition of subsidiaries, net of cash acquired	-	6,040
	Purchase of property, plant and equipment	-	(3,457)
	Net cash from investing activities	-	2,583
	CASH FLOWS FROM FINANCING ACTIVITIES		
	Proceeds from issuance of share capital	*	-
	Proceeds from public issue at premium	-	9,600
	Proceeds from rights issue	-	3,028
	Payment of listing expenses	-	(1,650)
	Repayment of term loans	-	(3,248)
	Net cash from financing activities	-	7,730
	NET INCREASE IN CASH AND CASH EQUIVALENTS	-	10,313
	CASH AND CASH EQUIVALENTS AT BEGINNING	-	-
	CASH AND CASH EQUIVALENTS AT END	*	10,313
	Represented by :		
	Fixed deposits	-	4
	Cash and bank balances	*	10,683
	Bank overdrafts	-	(374)
		*	10,313

* Represents RM2

	AUDITED AEM as at 31.12.2001 RM'000	PROFORMA GROUP as at 31.12.2001 RM'000
** Acquisition of subsidiaries, net of cash acquired		
Property, plant and equipment	-	46,328
Investment	-	30
Inventories	-	13,142
Debtors	-	17,507
Creditors	-	(15,642)
Fixed deposits	-	192
Cash and bank balances	-	6,410
Bank borrowings	-	(25,365)
Provision for taxation	-	(204)
Deferred taxation	-	(722)
Minority interest	-	(1,046)
Share of net liabilities acquired	-	40,630
Negative goodwill on consolidation	-	(5,658)
Total purchase consideration	-	34,972
Less : Consideration satisfied by shares	-	(34,972)
Cash and cash equivalents acquired	-	6,040
Cash flow on acquisition of subsidiaries	-	6,040

10. EVENTS SUBSEQUENT TO BALANCE SHEET DATE OF 31 DECEMBER 2001

Based on the audited financial statements for the year ended 31 December 2001 and other than the completion of the Acquisitions of subsidiaries by AEM and the Rights Issue as referred to in Section 2(i) and (iii), no events have arisen subsequent to the balance sheet date which requires disclosure in this Report.

11. FINANCIAL STATEMENTS

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

Yours faithfully,

JB LAU & ASSOCIATES
NO. AF : 0042
CHARTERED ACCOUNTANTS

JOHN LAU TIANG HUA
NO. 1107/03/04 (J)