

12.0 ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



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The Board of Directors
ASTINO BERHAD
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No.55, Jalan Sultan Ahmad Shah
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Dear Sirs,

1. INTRODUCTION

This report has been prepared by Horwath Teoh Yap, approved company auditors, for inclusion in the Prospectus of Astino Berhad (ATB) to be dated 31 MAY 2003 in connection with the public issue of 16,000,000 new ordinary shares of RM0.50 each and offer for sale of 13,001,600 ordinary shares of RM0.50 each in ATB at a price of RM0.75 per share and the listing of and quotation for the entire issued and paid up share capital of 116,000,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stock Exchange (KLSE).

2. GENERAL INFORMATION

2.1 Background

ATB was incorporated in Malaysia under the Companies Act, 1965 as a public limited company on 9 August 2000. The principal activity of ATB is that of investment holding. The address of the registered office is Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Penang and the principal business address of ATB is 1538, Jalan Scurling, Kawasan Perindustrian Valdor, 14200 Sungai Bakap, Seberang Perai Selatan. There were no employees in ATB as at 30 November 2002.

2.2 Restructuring and listing scheme

In connection with the listing of and quotation for the shares of ATB on the Second Board of the KLSE, ATB undertook the followings:-

- a) The conversion of preference shares of RM1.00 each in Ooi Joo Kee & Brothers Sdn Bhd (OJK) and Astino Marketing Sdn Bhd (AM) into ordinary shares of RM1.00 each.
- b) A revaluation of land and buildings of OJK, Natural Incentive Sdn Bhd (NI), Astino (M) Colour Steel Sheet Sdn Bhd (ACSS) and Astino Netting (AN) as assessed by C H Williams Talhar & Wong Sdn Bhd, a firm of independent professional registered valuers.

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- c) A revaluation of investment in NI, ACSS and AN after taking into consideration the revaluation surplus / (deficit) of land and buildings as mentioned in (b) above. The revaluation of OJK's investment in NI, ACSS, and AN is to determine the purchase consideration of OJK based on its adjusted net tangible assets ("NTA") for the purpose of acquisition by ATB.
- d) Acquisition of 100% equity interest in OJK for a total purchase consideration of RM50,582,854 satisfied by the issuance of 46,439,499 new ordinary shares of RM1.00 each in ATB valued at approximately RM1.09 per ordinary share of RM1.00 each.
- e) Acquisition of 100% equity interest in AM for a purchase consideration of RM3,878,168 satisfied by the issuance of 3,560,499 new ordinary shares of RM1.00 each in ATB valued at approximately RM1.09 per ordinary share of RM1.00 each.
- f) Acquisition of 100% equity interest in NI, ACSS, AN and AS from OJK for a total cash consideration of RM2,100,002.
- g) After the acquisitions, ATB sub-divided the par value of its ordinary shares from a par value of RM1.00 per ordinary share to RM0.50 per ordinary share.
- h) A public issue by ATB of 16,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per ordinary share and an offer for sale of 13,001,600 ordinary shares of RM0.50 each at an offer price of RM0.75 per ordinary shares.
- i) The listing of and quotation for the ATB's entire issued and paid up share capital comprising 116,000,000 ordinary shares of RM0.50 each on the Second Board of the KLSE.

2.3 Share capital

As at the date of this report, the authorised share capital of ATB is RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each.

Details of the changes in the issued and paid-up capital of ATB since the date of its incorporation are as follows:-

<u>Date of issue/ Replacement</u>	<u>No. of ordinary shares</u>	<u>Par Value</u>	<u>Consideration</u>	<u>Total issued and paid-up share capital</u>
		RM		RM
9 August 2000	2	1.00	Subscribers' shares	2
14 February 2003	46,439,499	1.00	Issued at approximately RM1.09 per ordinary share of RM1.00 each for the acquisition of 100% equity interest in OJK	46,439,501
14 February 2003	3,560,499	1.00	Issued at approximately RM1.09 per ordinary share of RM1.00 each for the acquisition of 100% equity interest in AM	50,000,000
19 February 2003	100,000,000	0.50	Sub-division of every ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each	50,000,000

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Details of the subsidiary companies of ATB after the acquisitions, all of which are incorporated in Malaysia, as at the date of this report are as follows :-

<u>Name</u>	<u>Date of Incorporation</u>	<u>Issue and paid-up share capital</u> RM	<u>Equity Interest</u> %	<u>Principal activities</u>
OJK	15 April 1987	125,000	100	Manufacture and sale of metal roof sheets and other building related products.
NI	18 November 1991	500,002	100	Manufacture and sale of PVC panels, doors, frames and PVC compound.
ACSS	14 December 1994	500,000	100	Sales of metal roof sheets and other building related products.
AN	10 August 1995	100,000	100	Manufacture and sale of insect screens.
AM	10 August 1995	125,000	100	Trading of PVC panel, doors, frames and other building related products.
AS	23 August 2000	1,000,000	100	Manufacture and sale of metal roofing products.

3. FINANCIAL STATEMENTS AND AUDITORS**3.1 Financial statements and auditors**

We are the auditors for ATB and AS since the date of incorporation. However, we are the auditors for OJK, NI, ACSS, AN and AM since the financial year ended 31 July 1997. Prior to 1997, the financial statements of these companies were audited by other audit firm.

The auditors' report of ATB and its subsidiaries for all the financial years/period ended 31 July 1998 to 30 November 2002 were not subject to any qualification.

3.2 Accounting policies and standards

This report is prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of the companies within the group and based on applicable approved accounting standards adopted by Malaysian Accounting Standards Board (MASB).

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4. INCOME STATEMENTS

4.1 Proforma Consolidated Income Statement

A summary of the proforma consolidated income statements of the ATB Group for the past five (5) financial years ended 31 July 1998 to 2002 and for the four (4) months financial period ended 30 November 2002 are prepared based on the assumption that the current structure of the Group has been in existence since 1 August 1997 are set out below. The proforma consolidated income statements of the ATB Group are prepared for illustrative purposes only.

	Note	Year ended 31 July					01.08.2002 to
		1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	30.11.2002 RM'000
Revenue	1	31,869	39,284	58,977	82,692	110,648	41,930
Cost of sales		(25,045)	(30,463)	(46,562)	(67,624)	(89,987)	(32,361)
Gross profit		6,824	8,821	12,415	15,068	20,661	9,569
Other operating income		161	148	95	557	355	321
Administrative and general expenses		(2,252)	(2,334)	(2,755)	(4,436)	(4,844)	(1,740)
Selling and distribution expenses		(708)	(879)	(1,032)	(1,722)	(2,375)	(964)
Profit from operations	2	4,025	5,756	8,723	9,467	13,797	7,186
Finance cost	3	(944)	(401)	(610)	(904)	(758)	(414)
Profit before taxation		3,081	5,355	8,113	8,563	13,039	6,772
Taxation	4	(900)	(121)	(1,182)	(2,259)	(3,356)	(1,619)
Net profit for the year/period	5	2,181	5,234	6,931	6,304	9,683	5,153
No. of ordinary shares of RM0.50 each ('000)		100,000	100,000	100,000	100,000	100,000	100,000
Earnings per ordinary share	6						
- Gross (RM)		0.03	0.05	0.08	0.09	0.13	0.20 *
- Net (RM)		0.02	0.05	0.07	0.06	0.10	0.15 *

*annualised

Note:-

1) Revenue

The increase in revenue and profit before taxation for the financial years 1999 and 2000 was mainly due to the recovery of the Asian economy leading to the improvement in demand for the group's products. Whereas for 2001 and 2002, the increase was due to the contribution from a new product (C-purlin) by OJK and setting up of a new branch in Melaka by AM.

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2.) Profit from operations

The following items have been charged/credited in arriving at profit from operations:

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
<u>After charging:</u>						
Allowance for doubtful debts	0	91	79	85	448	51
Auditors' remuneration	25	27	29	40	44	28
Depreciation	1,103	1,178	1,316	1,857	2,189	885
Directors' remuneration	681	782	848	652	814	262
Lease rental	244	76	0	0	0	0
Other rental expenses	157	6	46	147	20	0
Rental of premises	6	0	9	160	309	117
Staff costs	1,592	1,503	1,522	3,037	3,080	1,359
<u>And crediting:</u>						
Allowance for doubtful debts written back	0	0	39	0	0	26
Gain on disposal of property, plant & equipment	11	2	11	102	155	165
Gain on foreign exchange	0	0	0	3	0	1
Interest income	38	37	8	1	0	31
Rental income	0	0	43	241	44	40

3.) Finance costs

Lower finance costs for 1999 was due to lower interest rate charged by the bank compared with the financial year 1998.

4.) Taxation

Taxation for 1998 has been adjusted to include additional tax assessed of RM537,000 after 1998. The tax charge for 1999 was mainly due to tax underprovided in prior year of ACSS as the year 1999 was a tax free year. The lower effective tax rates for the years 2000 to 2002 was due to the claim of reinvestment allowances by OJK and NI.

- 5.) Net profit after taxation for 1998 has been adjusted to include the additional taxation of RM537,000 due to the withdrawal of claim for reinvestment allowance on certain assets of OJK by the tax authority.
- 6.) The gross and net earnings per ordinary share of RM0.50 each have been calculated based on the proforma profit before tax and after tax on the assumption that the issued and paid-up share capital of the group of 100,000,000 ordinary shares had been in issue throughout the years under review.

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4.2 ATB

There was no income statement of ATB prior to financial period ended 31 July 2001 as the Company was incorporated on 9 August 2000.

		09.08.2000 to 31.07.2001 RM'000	01.08.2001 to 31.07.2002 RM'000	01.08.2002 to 30.11.2002 RM'000
Revenue	1	0	0	0
Cost of sales		0	0	0
Gross profit		0	0	0
Other operating income		0	0	0
Administrative and general expenses		(4)	(3)	(11)
Loss from operations	2	(4)	(3)	(11)
Finance cost		0	0	0
Loss before taxation		(4)	(3)	(11)
Taxation		0	0	0
Net loss for the year/period		(4)	(3)	(11)
No. of ordinary shares of RM1.00 each		2	2	2
Loss per ordinary share	3			
- Gross (RM'000)		(2.00)	(1.50)	(16.50) *
- Net (RM'000)		(2.00)	(1.50)	(16.50) *

* annualised

Note:-

1) Revenue

The Company has not carried out any business activity since its incorporation.

2) Loss from operations

The following item has been charged in arriving at loss from operations:

	09.08.2000 to 31.07.2001 RM	01.08.2001 to 31.07.2002 RM	01.08.2002 to 30.11.2002 RM
<u>After charging:</u>			
Auditors' remuneration	300	300	300

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3) The gross and net loss per ordinary share of RM1.00 each have been calculated based on the loss before tax and loss after tax divided by the issued and paid-up share capital of 2 ordinary shares of RM1.00 each.

4.3 OJK

	Note	Year ended 31 July					01.08.2002 to
		1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	30.11.2002 RM'000
Revenue	1	18,340	23,879	34,972	45,715	57,592	21,851
Cost of sales		(15,114)	(19,763)	(29,099)	(38,974)	(47,889)	(16,542)
Gross profit		3,226	4,116	5,873	6,741	9,703	5,309
Other operating income		17	6	44	251	270	188
Administrative and general expenses		(501)	(601)	(920)	(1,353)	(1,292)	(583)
Selling and distribution expenses		(152)	(191)	(261)	(293)	(334)	(138)
Profit from operations	2	2,590	3,330	4,736	5,346	8,347	4,776
Finance cost	3	(520)	(219)	(416)	(631)	(550)	(251)
Profit before taxation		2,070	3,111	4,320	4,715	7,797	4,525
Taxation	4	(861)	(47)	(440)	(1,254)	(1,823)	(1,110)
Net profit for the year/period	5	1,209	3,064	3,880	3,461	5,974	3,415
No. of ordinary shares of RM1.00 each ('000)		125	125	125	125	125	125
Earnings per ordinary share	6						
- Gross (RM)		16.56	24.89	34.56	37.72	62.38	108.60 *
- Net (RM)		9.67	24.51	31.04	27.69	47.79	81.96 *

*annualised

Notes:-

1) Revenue

The increase in revenue for the financial years 1999 and 2000 was mainly due to the improvement in demand for the group's products in line with the recovery of the Asian economy. Whereas for 2001 and 2002, the increase were due to the contribution from a new product (C-purlin).

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2) Profit from operations

The following items have been charged/credited in arriving at profit from operations:

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
<u>After charging:</u>						
Allowance for doubtful debts	0	39	0	0	0	0
Auditors' remuneration	7	7	7	8	10	6
Depreciation	444	481	558	856	962	372
Directors' remuneration						
- current year	169	282	420	269	308	99
- prior year	0	0	0	(116)	0	0
Lease rental	244	76	0	0	0	0
Rental of forklift	0	0	7	15	13	3
Rental of land	0	4	4	0	0	0
Rental of premises	0	0	2	0	0	1
Staff costs	418	424	798	897	422	427
<u>And crediting:</u>						
Allowance for doubtful debts written back	0	0	39	0	0	0
Gain on disposal of property, plant & equipment	10	0	0	2	166	165
Rental income	0	0	4	121	0	0

3) Finance costs

Lower finance cost for 1999 was due to lower interest rate charged by the bank compared with the financial year 1998.

4) Taxation

Taxation for 1998 has been adjusted to include additional tax assessed at RM537,000 in 2001. The tax charge for 1999 was due to provision for deferred taxation as the year 1999 was a tax free year. The lower effective tax rates for the years 2000 to 2002 were due to the claim for reinvestment allowances

5) Net profit after taxation for 1998 has been adjusted to include the additional taxation of RM537,000 due to the withdrawal of claim for reinvestment allowance on certain assets by the tax authority.

6) The gross and net earnings per ordinary share of RM1.00 each have been calculated based on the profit before tax and profit after tax divided by the issued and paid-up share capital of 125,000 ordinary shares of RM1.00 each after the conversion of the preference shares of RM1.00 each.

7) Significant transactions with related corporations

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Sales of finished goods	18,005	23,381	32,487	43,658	57,102	21,321
Purchase of property, plant & equipment	0	0	0	827	0	0
Warehouse rental income	0	0	0	120	0	0

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4.4 NI

	Note	Year ended 31 July					01.08.2002 to 30.11.2002
		1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	1	9,482	9,290	10,019	11,960	10,996	3,849
Cost of sales		(8,255)	(7,781)	(8,106)	(10,371)	(9,257)	(3,270)
Gross profit		1,227	1,509	1,913	1,589	1,739	579
Other operating income		71	69	43	313	41	4
Administrative & general expenses		(571)	(525)	(433)	(613)	(458)	(144)
Selling & distribution expenses		(97)	(116)	(132)	(138)	(84)	(30)
Profit from operations	2	630	937	1,391	1,151	1,238	409
Finance cost	3	(382)	(170)	(109)	(124)	(49)	(27)
Profit before taxation		248	767	1,282	1,027	1,189	382
Taxation	4	98	0	25	(183)	(364)	17
Net profit for the year/period		346	767	1,307	844	825	399
No. of ordinary shares of RM1.00 each ('000)		500	500	500	500	500	500
Earnings per ordinary share	5						
- Gross (RM)		0.50	1.53	2.56	2.05	2.38	2.29 *
- Net (RM)		0.69	1.53	2.61	1.69	1.65	2.39 *

*annualised

Notes:-

1) Revenue

As a result of competition and adverse economic condition in the financial year ended 31 July 1999, revenue dropped by a marginal amount from RM9.5 million to RM9.3 million. Revenue for the years 2000 and 2001 recorded an increase of 7.8% and 19.4% respectively due to strong demand for NI's products. Revenue for the financial year ended 31 July 2002 recorded a decrease of 8.06% due to competition within the industry.

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2) Profit from operations

The following items have been charged/credited in arriving at profit from operations:

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
<u>After charging:</u>						
Allowance for doubtful debts	0	0	22	33	7	0
Auditors' remuneration	7	7	7	7	8	5
Depreciation	504	539	598	767	844	324
Directors' remuneration						
- current year	153	149	98	103	0	0
- prior year	(19)	0	0	0	0	0
Lease rental	181	0	0	0	0	0
Loss on disposal of property, plant & equipment	0	3	6	23	0	0
Rental of premises	0	0	4	120	0	3
Staff costs	885	644	395	781	792	273
<u>And crediting:</u>						
Interest income	8	31	8	1	0	0
Rental income	0	0	35	240	40	0

3) Finance costs

Higher finance costs for 1998 was mainly due to interest paid to hire purchase payable.

4) Taxation

The effective tax rates for the years 1998, 2000, 2001 and period ended 30 November 2002 were lower than the statutory tax rate of 28% due to the claim for reinvestment allowance. The negative effective tax rate for 1998 and 2000 was due to tax overprovided in prior years. There was no tax charge for 1999 as 1999 was a tax free year. For year 2002, the effective tax rate was higher than the statutory tax rate due to deferred taxation underprovided in prior year.

5) The gross and net earnings per ordinary share of RM1.00 each have been calculated based on the profit before tax and profit after tax divided by the issued and paid-up share capital of 500,000 ordinary shares of RM1.00 each.

6) Significant transactions with related corporations

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Sales of finished goods	7,353	5,561	2,507	474	624	182
Sales of property, plant & equipment	0	0	0	91	0	0
Purchase of raw materials	0	0	0	0	75	32
Purchase of property, plant & equipment	0	0	0	105	0	40
Warehouse rental expenses	0	0	0	120	0	0

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4.5 ACSS

	Note	Year ended 31 July					01.08.2002 to
		1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	30.11.2002 RM'000
Revenue	1	19,804	25,256	35,080	46,406	63,909	23,056
Cost of sales		(18,293)	(23,515)	(32,489)	(43,339)	(59,723)	(21,365)
Gross profit		1,511	1,741	2,591	3,067	4,186	1,691
Other operating income		41	15	15	105	0	26
Administrative & general expenses		(649)	(685)	(792)	(1,022)	(1,282)	(501)
Selling & distribution expenses		(399)	(393)	(407)	(654)	(842)	(295)
Profit from operations	2	504	678	1,407	1,496	2,062	921
Finance cost	3	(16)	(9)	(87)	(93)	(75)	(25)
Profit before taxation		488	669	1,320	1,403	1,987	896
Taxation	4	(84)	(70)	(403)	(409)	(605)	(267)
Net profit for the year/period		404	599	917	994	1,382	629
No. of ordinary shares of RM1.00 each ('000)		500	500	500	500	500	500
Earnings per ordinary share	5						
- Gross (RM)		0.98	1.34	2.64	2.81	3.97	5.38 *
- Net (RM)		0.81	1.20	1.83	1.99	2.76	3.77 *

*annualised

Notes:-

1) Revenue

The increases in revenue for the financial years 1999 and 2000 were mainly due to the improvement in demand in line with the recovery of the Asian economy. Whereas for 2001 and 2002, the increases in revenue was due to sales of additional product (C-purlin).

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2) Profit from operations

The following items have been charged/credited in arriving at profit from operations:

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
<u>After charging:</u>						
Allowance for doubtful debts	0	0	36	0	124	51
Auditors' remuneration	6	6	7	7	8	4
Bad debts written off	29	0	9	0	0	0
Depreciation	108	108	107	73	75	45
Directors' remuneration						
- current year	210	219	207	272	294	96
- prior year	(6)	0	0	0	0	0
Loss on disposal of property, plant & equipment	0	0	0	0	2	0
Rental of premises	0	0	0	12	19	5
Staff costs	150	170	222	309	469	182
<u>And crediting:</u>						
Allowance for doubtful debts	0	0	0	0	0	26
Gain on disposal of property, plant & equipment	0	0	11	105	0	0
Interest income	30	5	0	0	0	0
Rental income	0	4	4	0	0	0

3) Finance costs

Higher finance cost for year 2000 was due to increase usage of bank borrowings.

4) Taxation

In 1998 the effective tax rate was lower than the statutory tax rate of 28% because of taxation overprovided in prior years. The positive effective tax rate for 1999 was due to tax underprovided in prior years as the year 1999 was a tax free year. The higher effective tax rates of 2000 to 2002 were due to certain expenses not deductible for tax purposes.

5) The gross and net earnings per ordinary share of RM1.00 each have been calculated based on the profit before tax and profit after tax divided by the issued and paid-up share capital of 500,000 ordinary shares of RM1.00 each.

6) Significant transactions with related corporations

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Sales of finished goods	0	0	0	1,011	3,301	1,853
Sales of property, plant & equipment	0	0	0	932	0	0

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	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Purchase of finished goods	17,721	23,381	32,487	43,232	57,041	21,365
Purchase of property, plant & equipment	0	0	0	91	0	0

4.6 AN

	Note	Year ended 31 July					01.08.2002 to 30.11.2002
		1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	1	552	893	578	700	531	161
Cost of sales		(422)	(552)	(328)	(352)	(384)	(122)
Gross profit		130	341	250	348	147	39
Other operating income		2	1	0	0	0	15
Administrative & general expenses		(79)	(131)	(84)	(132)	(90)	(33)
Selling & distribution expenses		(5)	(31)	(8)	0	0	0
Profit from operations	2	48	180	158	216	57	21
Finance cost	3	(21)	(1)	(4)	(2)	(1)	(5)
Profit before taxation		27	179	154	214	56	16
Taxation	4	14	1	(44)	(59)	(16)	1
Net profit for the year/period		41	180	110	155	40	17
No. of ordinary shares of RM1.00 each ('000)		100	100	100	100	100	100
Earnings per ordinary share	5						
- Gross (RM)		0.27	1.79	1.54	2.14	0.56	0.48 *
- Net (RM)		0.41	1.80	1.10	1.55	0.40	0.51 *

*annualised

Notes:-

1) Revenue

The declined in revenue from 2000 was due to the decreased in selling price as a result of increased competition within the industry.

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2) Profit from operations

The following items have been charged in arriving at profit from operations:

	Year ended 31 July					01.08.2002
	1998	1999	2000	2001	2002	to 30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Allowance for doubtful debts	0	51	0	0	0	0
Auditors' remuneration	2	2	2	2	2	1
Depreciation	25	25	27	29	31	11
Directors' remuneration						
- fees	30	30	30	33	30	10
- other emoluments						
- current year	29	25	7	0	0	0
- prior year	(5)	0	0	0	0	0
Staff costs	50	47	67	90	74	18

3) Finance costs

Higher finance cost for the financial period ended 30 November 2002 was due to increased usage of bank overdraft.

4) Taxation

The negative tax effect for 1998 was mainly due to tax overprovided in prior year. For 1999, the negative tax effect was in respect of prior year tax overprovided as the year 1999 was a tax free year. For the period ended 30 November 2002, the negative tax effect was due to deferred taxation overprovided in view of a reduction in tax rate by Malaysian Government.

5) The gross and net earnings per ordinary share of RM1.00 each have been calculated based on the profit before tax and profit after tax divided by the issued and paid-up share capital of 100,000 ordinary shares of RM1.00 each.

6) Significant transactions with related corporations

	Year ended 31 July					01.08.2002
	1998	1999	2000	2001	2002	to 30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of finished goods	315	688	330	690	471	160

12.0 ACCOUNTANTS' REPORT

4.7 AM

	Note	Year ended 31 July					01.08.2002 to 30.11.2002
		1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	1	9,079	9,596	13,651	18,481	20,543	7,456
Cost of sales		(8,378)	(8,493)	(11,864)	(16,138)	(18,597)	(6,862)
Gross profit		701	1,103	1,787	2,343	1,946	594
Other operating income		29	61	7	10	43	32
Administrative & general expenses		(452)	(396)	(534)	(995)	(958)	(259)
Selling & distribution expenses		(54)	(148)	(224)	(377)	(478)	(179)
Profit from operations	2	224	620	1,036	981	553	188
Finance cost		(5)	(3)	0	0	0	0
Profit before taxation		219	617	1,036	981	553	188
Taxation	3	(67)	(5)	(319)	(277)	(179)	(47)
Net profit for the year/period		152	612	717	704	374	141
No. of ordinary shares of RM1.00 each ('000)		125	125	125	125	125	125
Earnings per ordinary share	4						
- Gross (RM)		1.75	4.94	8.29	7.85	4.42	4.51 *
- Net (RM)		1.22	4.90	5.74	5.63	2.99	3.38 *

*annualised

Notes:-

1) Revenue

Revenue for 1999 and 2000 increased by 5.7% and 42.3% respectively due to strong demand for AM's products. Revenue for 2001 and 2002 increased by 35% and 11.2% respectively due to the setting up of a branch in Melaka which contributed 90% to the increase.

2) Profit from operations

The following items have been charged/credited in arriving at profit from operations:

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
<u>After charging:</u>						
Allowance for doubtful debts	0	0	21	52	132	0
Auditors' remuneration	4	5	5	9	10	7
Depreciation	22	25	26	32	36	13

12.0 ACCOUNTANTS' REPORT

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Directors' remuneration	120	78	86	0	0	0
Property, plant & equipment written off	0	0	2	0	0	0
Rental of motor vehicle	0	0	0	13	7	1
Rental of office equipment	0	0	35	0	1	0
Rental of premises	6	0	3	160	67	19
Staff costs	185	225	238	654	793	249

And crediting:

Allowance for doubtful debts
Gain on disposal of property,
plant & equipment

	0	2	0	0	0	0
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3) *Taxation*

In 1998 and 2000, the effective tax rate was higher than the statutory tax rate because of tax underprovided in prior years. The positive effective tax rate of 1999 was due to the provision on deferred tax as the year 1999 was a tax free year. For year 2002, the effective tax rate was higher than the statutory tax rate due to certain expenses not deductible for tax purposes. The lower taxation for the financial period ended 30 November 2002 was due to a reduction in tax rate by Malaysian Government.

4) *The gross and net earnings per ordinary share of RM1.00 each have been calculated based on the profit before tax and profit after tax divided by the issued and paid-up share capital of 125,000 ordinary shares of RM1.00 each after the conversion of the preference shares of RM1.00 each.*

5) *Significant transactions with related corporations*

	Year ended 31 July					01.08.2002 to 30.11.2002
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Purchase of finished goods	7,668	6,249	2,836	1,667	1,177	310

12.0 ACCOUNTANTS' REPORT

4.8 AS

There was no income statement of AS prior to financial period ended 31 July 2001 as the Company was incorporated on 23 August 2000.

		23.08.2000 to 31.07.2001 RM'000	01.08.2001 to 31.07.2002 RM'000	01.08.2002 to 30.11.2002 RM'000
Revenue	1	5,365	15,307	9,755
Cost of sales		(4,508)	(12,363)	(8,356)
Gross profit		<u>857</u>	<u>2,944</u>	<u>1,399</u>
Other operating income		0	1	56
Administrative & general expenses		(334)	(760)	(210)
Selling & distribution expenses		(259)	(637)	(323)
Profit from operations	2	<u>264</u>	<u>1,548</u>	<u>922</u>
Finance costs		(53)	(84)	(106)
Profit before taxation		<u>211</u>	<u>1,464</u>	<u>816</u>
Taxation	3	(77)	(368)	(213)
Net profit for the year/period		<u><u>134</u></u>	<u><u>1,096</u></u>	<u><u>603</u></u>
No. of ordinary shares of RM1.00 each ('000)		1,000	1,000	1,000
Earnings per ordinary share	4			
- Gross (RM)		0.21	1.46	2.45 *
- Net (RM)		<u>0.13</u>	<u>1.10</u>	<u>1.81 *</u>

*annualised

Notes:-

1) Revenue

Revenue increased substantially by 185% in 2002 due to the ability of the Company to compete within the industry even though there was an increase in import duty on raw materials as the Company was able to purchase its raw materials relatively cheaper from OJK's old stocks.

12.0 ACCOUNTANTS' REPORT**2) Profit from operations**

The following items have been charged in arriving at profit from operations:

	23.08.2000 to 31.07.2001 RM'000	01.08.2001 to 31.07.2002 RM'000	01.08.2002 to 30.11.2002 RM'000
Allowance for doubtful debts	0	185	0
Auditors' remuneration	5	6	5
Depreciation	97	236	120
Directors' remuneration	92	182	56
Loss on disposal of property, plant & equipment	0	8	0
Rental of premises	108	223	88
Staff costs	305	530	209

3) Taxation

The effective tax rate for 2001 was higher than the statutory tax rate of 28% due to certain expenses not deductible for taxation purposes. Lower effective tax rate for 2002 was due to the claim of reinvestment allowances.

4) The gross and net earnings per ordinary share of RM1.00 each have been calculated based on the profit before tax and profit after tax divided by the issued and paid-up share capital of 1,000,000 ordinary shares of RM1.00 each.

5) Significant transactions with related corporations

	23.08.2000 to 31.07.2001 RM'000	01.08.2001 to 31.07.2002 RM'000	01.08.2002 to 30.11.2002 RM'000
Sales of finished goods	77	13	45
Purchase of finished goods	1,011	3,220	1,816

5. STATEMENT OF CHANGES IN EQUITY**5.1 Consolidated Statement of Changes In Equity**

The consolidated statement of changes in equity of ATB Group was not prepared as the ATB Group has not been established as at 30 November 2002. Hence, it was impracticable for this report to deal with the consolidated statement of changes in equity of ATB and its subsidiaries as a whole. Accordingly, it was preferable that this report deals with the statement of changes in equity of each subsidiary individually for the financial years/period from 1998 to 2002 and the statements of changes in equity were not significantly affected by transactions and balances between the corporations to which they relate, except to the extent stated in the report.

12.0 ACCOUNTANTS' REPORT

5.2 ATB

There was no statement of changes in equity of ATB prior to financial period ended 31 July 2001 as the Company was incorporated on 9 August 2000.

	Share capital RM'000	Losses RM'000	Total RM'000
At date of incorporation	*	0	0
Net loss for the period	0	(4)	(4)
At 31 July 2001	*	(4)	(4)
Net loss for the year	0	(3)	(3)
At 31 July 2002	*	(7)	(7)
Net loss for the period	0	(11)	(11)
At 30 November 2002	*	(18)	(18)

* RM2.00

5.3 OJK

	Share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
At 1 August 1997	99	6,860	5,201	12,160
Issued of preference shares	25	0	0	25
Bonus issues	1	0	(1)	0
Net profit for the year				
- As previously reported	0	0	1,746	1,746
- Adjustment	0	0	(537)	(537)
- As adjusted	0	0	1,209	1,209
At 31 July 1998	125	6,860	6,409	13,394
Net profit for the year	0	0	3,064	3,064
At 31 July 1999	125	6,860	9,473	16,458
Net profit for the year	0	0	3,880	3,880
Dividends	0	0	(50)	(50)
At 31 July 2000	125	6,860	13,303	20,288
Net profit for the year	0	0	3,461	3,461
At 31 July 2001	125	6,860	16,764	23,749
Net profit for the year	0	0	5,974	5,974
Dividends	0	0	(300)	(300)
At 31 July 2002	125	6,860	22,438	29,423
Net profit for the period	0	0	3,415	3,415
At 30 November 2002	125	6,860	25,853	32,838

An adjustment was made to the retained profits of 1998 in respect of additional tax amount of RM537,000 assessed in 2001.

12.0 ACCOUNTANTS' REPORT

5.4 NI

	Share capital RM'000	Retained profits RM'000	Total RM'000
At 1 August 1997	500	3,336	3,836
Net profit for the year	0	346	346
At 31 July 1998	500	3,682	4,182
Net profit for the year	0	767	767
At 31 July 1999	500	4,449	4,949
Net profit for the year	0	1,307	1,307
At 31 July 2000	500	5,756	6,256
Net profit for the year	0	844	844
At 31 July 2001	500	6,600	7,100
Net profit for the year	0	825	825
At 31 July 2002	500	7,425	7,925
Net profit for the period	0	399	399
At 30 November 2002	500	7,824	8,324

5.5 ACSS

	Share capital RM'000	Retained profits RM'000	Total RM'000
At 1 August 1997	500	1,539	2,039
Net profit for the year	0	404	404
At 31 July 1998	500	1,943	2,443
Net profit for the year	0	599	599
At 31 July 1999	500	2,542	3,042
Net profit for the year	0	917	917
At 31 July 2000	500	3,459	3,959
Net profit for the year	0	994	994
At 31 July 2001	500	4,453	4,953
Net profit for the year	0	1,382	1,382
At 31 July 2002	500	5,835	6,335
Net profit for the period	0	629	629
At 30 November 2002	500	6,464	6,964

12.0 ACCOUNTANTS' REPORT

5.6 AN

	Share capital RM'000	Retained profits RM'000	Total RM'000
At 1 August 1997	100	250	350
Net profit for the year	0	41	41
At 31 July 1998	100	291	391
Net profit for the year	0	180	180
At 31 July 1999	100	471	571
Net profit for the year	0	110	110
At 31 July 2000	100	581	681
Net profit for the year	0	155	155
At 31 July 2001	100	736	836
Net profit for the year	0	40	40
At 31 July 2002	100	776	876
Net profit for the period	0	17	17
At 30 November 2002	100	793	893

5.7 AM

	Share capital RM'000	Share premium RM'001	Retained profits RM'000	Total RM'000
At 1 August 1997	*	690	754	1,444
Issued of preference shares	25	0	0	25
Bonus issues	100	0	(100)	0
Net profit for the year	0	0	152	152
At 31 July 1998	125	690	806	1,621
Net profit for the year	0	0	612	612
At 31 July 1999	125	690	1,418	2,233
Net profit for the year	0	0	717	717
Dividends	0	0	(50)	(50)
At 31 July 2000	125	690	2,085	2,900
Net profit for the year	0	0	704	704
At 31 July 2001	125	690	2,789	3,604
Net profit for the year	0	0	374	374
Dividends	0	0	(100)	(100)
At 31 July 2002	125	690	3,063	3,878
Net profit for the period	0	0	141	141
At 30 November 2002	125	690	3,204	4,019

* RM2.00

12.0 ACCOUNTANTS' REPORT**5.8 AS**

There was no statement of changes in equity of AS prior to financial period ended 31 July 2001 as the Company was incorporated on 23 August 2000.

	Share capital RM'000	Retained profits RM'000	Total RM'000
At date of incorporation	*	0	0
Issued of shares	1,000	0	1,000
Net profit for the period At 31 July 2001	0	134	134
Net profit for the year At 31 July 2002	0	1,096	1,096
Net profit for the period At 30 November 2002	0	603	603
	1,000	1,833	2,833

* RM2.00

6. DIVIDENDS

6.1 There was no dividend paid or declared by ATB during the reported years/period.

6.2 For all the financial years / period under reviews, no dividends have been declared or paid by the subsidiary companies except for OJK and AM.

6.3 Details of dividends declared and paid by OJK are as follows:-

Year ended	Number of Ordinary Shares Entitled to Dividend	Par Value RM	Gross Rate of Dividend	Tax Exempt Dividend Paid RM
31 July 2000	100,000	1.00	50%	50,000
31 July 2002	100,000	1.00	300%	300,000

6.4 Details of dividends declared and paid by AM are as follows:-

Year ended	Number of Ordinary Shares Entitled to Dividend	Par Value RM	Gross Rate of Dividend	Tax Exempt Dividend Paid RM
31 July 2000	100,000	1.00	50%	50,000
31 July 2002	100,000	1.00	100%	100,000

12.0 ACCOUNTANTS' REPORT

7. BALANCE SHEETS

7.1 CONSOLIDATED BALANCE SHEET

The consolidated balance sheet of ATB Group was not prepared as ATB Group has not been established as at 30 November 2002. Hence, it was impracticable for this report to deal with the consolidated balance sheet of ATB and its subsidiaries as a whole. Accordingly, it was preferable that this report deals with the balance sheet of each subsidiary individually for the financial years/period from 1998 to 2002 and the balance sheets were not significantly affected by transactions and balances between the corporations to which they relate, except to the extent stated in the report.

7.2 ATB

There was no balance sheet for ATB prior to financial period ended 31 July 2001 as the Company was incorporated on 9 August 2000.

	As at 31 July		As at
	2001	2002	30.11.2002
	RM'000	RM'000	RM'000
Current assets			
Cash & bank balances	*	*	*
Current liabilities			
Other creditors & accrued liabilities	4	7	18
	4	7	18
Net current liabilities	(4)	(7)	(18)
	(4)	(7)	(18)
Financed by			
Share capital	*	*	*
Accumulated losses	(4)	(7)	(18)
	(4)	(7)	(18)

* RM2.00

12.0 ACCOUNTANTS' REPORT

7.3 OJK

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant & equipment	4,604	4,648	8,067	10,834	11,647	11,914
Investment in subsidiary companies	1,100	1,100	1,100	2,100	2,100	2,100
Current assets						
Inventories	5,469	5,522	6,813	9,952	21,516	30,735
Trade receivables	82	0	2,740	1,511	153	175
Other receivables, deposit & prepayment	291	515	449	319	416	1,570
Related corporation balances	7,872	10,434	8,750	7,566	7,665	8,784
Cash & bank balances	122	3	6	126	5	7
	13,836	16,474	18,758	19,474	29,755	41,271
Current liabilities						
Trade payables	293	268	853	2,168	8,103	11,420
Other payables & accruals	1,034	407	741	346	730	403
Related corporation balances	0	0	0	0	761	1,599
Hire purchase payables	50	50	50	372	900	1,273
Bank overdraft & other borrowings	1,405	2,791	4,230	3,678	1,701	5,262
Provision for taxation	2,904	1,800	1,300	866	906	1,569
	5,686	5,316	7,174	7,430	13,101	21,526
Net current assets	8,150	11,158	11,584	12,044	16,654	19,745
	13,854	16,906	20,751	24,978	30,401	33,759
Financed by						
Share capital	125	125	125	125	125	125
Share premium	6,860	6,860	6,860	6,860	6,860	6,860
Retained profit	6,409	9,473	13,303	16,764	22,438	25,853
	13,394	16,458	20,288	23,749	29,423	32,838
Hire purchase payables	120	71	20	605	515	548
Deferred taxation	340	377	443	624	463	373
	13,854	16,906	20,751	24,978	30,401	33,759

Note:-

The following balances which represent amounts owing by AM have been reclassified to related corporation balances:-

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	1,252	1,252	1,316	1,421	1,257	1,257

12.0 ACCOUNTANTS' REPORT

7.4 NI

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant & equipment	6,531	6,473	7,894	7,853	7,872	8,941
Current assets						
Inventories	2,250	1,205	3,494	2,370	879	2,129
Trade receivables	1,026	1,539	1,732	3,396	4,105	947
Other receivables, deposit & prepayment	567	1,246	965	400	630	2,391
Related corporation balances	61	64	210	60	1	343
Short term deposit	734	203	0	0	0	0
Cash & bank balances	178	248	10	3	40	124
	4,816	4,505	6,411	6,229	5,655	5,934
Current liabilities						
Trade payables	673	646	611	733	105	149
Other payables & accruals	259	228	1,667	221	350	380
Bank overdraft & other borrowings	-	-	1,147	1,190	283	2,304
Hire purchase payables	395	139	139	15	25	26
Holding company balance	3,092	3,081	3,081	3,211	3,170	2,540
Related corporation balances	910	936	1,032	1,353	1,245	313
Current portion of term loan	168	212	224	141	0	0
Provision for taxation	547	172	0	0	0	0
	6,044	5,414	7,901	6,864	5,178	5,712
Net current assets / (liabilities)	(1,228)	(909)	(1,490)	(635)	477	222
	5,303	5,564	6,404	7,218	8,349	9,163
Financed by						
Share capital	500	500	500	500	500	500
Retained profit	3,682	4,449	5,756	6,600	7,425	7,824
	4,182	4,949	6,256	7,100	7,925	8,324
Term loan	603	364	137	0	0	456
Hire purchase payables	418	151	11	0	9	0
Deferred taxation	100	100	0	118	415	383
	5,303	5,564	6,404	7,218	8,349	9,163

Note:-

The following balances which represent amounts owing by/to AM have been reclassified to related corporation balances:-

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	0	15	20	48	1	43
Other receivables	44	49	187	12	0	300
Trade payables	520	520	0	0	0	0
Other payables	390	416	935	1,237	1,150	0

12.0 ACCOUNTANTS' REPORT

7.5 ACSS

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant & equipment	1,081	1,035	1,142	357	350	663
Current assets						
Trade receivables	4,941	6,927	8,834	10,497	13,669	12,886
Other receivables, deposit & prepayment	3	1,062	31	855	38	20
Holding company balance	0	0	0	0	761	1,649
Related corporation balances	2	0	0	18	908	1,210
Cash & bank balances	830	774	530	1,281	32	1
	5,776	8,763	9,395	12,651	15,408	15,766
Current liabilities						
Trade payables	6	20	0	0	0	0
Other payables & accruals	61	249	93	231	221	205
Bank borrowings	535	0	449	3,990	7,735	7,674
Hire purchase payables	39	14	49	47	63	84
Holding company balances	3,294	5,887	4,141	2,281	0	0
Related corporation balances	3	0	3	0	0	0
Current portion of term loan	0	496	309	326	331	341
Provision for taxation	430	60	325	327	558	622
	4,368	6,726	5,369	7,202	8,908	8,926
Net current assets	1,408	2,037	4,026	5,449	6,500	6,840
	2,489	3,072	5,168	5,806	6,850	7,503
Financed by						
Share capital	500	500	500	500	500	500
Retained profits	1,943	2,542	3,459	4,453	5,835	6,464
	2,443	3,042	3,959	4,953	6,335	6,964
Hire purchase payables	33	19	113	75	65	215
Term loan	0	0	1,095	769	436	313
Deferred taxation	13	11	1	9	14	11
	2,489	3,072	5,168	5,806	6,850	7,503

Note:-

The following balances which represent amount owing by AM have been reclassified to related corporation balances:-

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	0	0	0	0	12	0
Other receivables	0	0	0	2	0	0

12.0 ACCOUNTANTS' REPORT

7.6 AN

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant & equipment	711	686	697	671	659	686
Current assets						
Inventories	86	44	244	249	102	130
Trade receivables	275	273	151	122	60	60
Other receivables, deposit & prepayment	75	59	6	7	91	93
Related corporation balances	0	279	125	112	203	378
Cash & bank balances	0	0	0	3	32	0
	436	655	526	493	488	661
Current liabilities						
Trade payables	0	13	8	4	2	1
Other payables & accruals	413	25	45	29	21	22
Holding company balance	232	232	232	232	232	232
Related corporation balances	16	477	153	0	0	0
Bank overdraft	40	10	52	0	0	187
Provision for taxation	43	1	35	46	0	0
	744	758	525	311	255	442
Net current (liabilities)/ assets	(308)	(103)	1	182	233	219
	403	583	698	853	892	905
Financed by						
Share capital	100	100	100	100	100	100
Retained profits	291	471	581	736	776	793
	391	571	681	836	876	893
Deferred taxation	12	12	17	17	16	12
	403	583	698	853	892	905

Note:-

The following balances which represent amounts owing by/to AM have been reclassified to related corporation balances:-

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	0	279	28	12	132	128
Other payables	396	477	153	0	0	0

12.0 ACCOUNTANTS' REPORT

7.7 AM

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant & equipment	185	187	186	217	191	180
Current assets						
Inventories	0	823	178	2,124	1,275	1,910
Trade receivables	1,791	2,767	4,382	4,892	4,690	4,799
Other receivables, deposit & prepayment	10	6	59	24	1,048	186
Related corporation balances	1,276	1,363	902	1,237	1,335	1
Cash & bank balances	135	94	214	601	220	458
	3,212	5,053	5,735	8,878	8,568	7,354
Current liabilities						
Trade payables	70	1,196	1,062	3,162	2,890	1,172
Other payables & accruals	132	139	311	379	256	233
Related corporation balances	1,266	1,546	1,365	1,689	1,703	2,078
Provision for taxation	296	107	261	233	0	0
	1,764	2,988	2,999	5,463	4,849	3,483
Net current assets	1,448	2,065	2,736	3,415	3,719	3,871
	1,633	2,252	2,922	3,632	3,910	4,051
Financed by						
Share capital	125	125	125	125	125	125
Share premium	690	690	690	690	690	690
Retained profits	806	1,418	2,085	2,789	3,063	3,204
	1,621	2,233	2,900	3,604	3,878	4,019
Deferred taxation	12	19	22	28	32	32
	1,633	2,252	2,922	3,632	3,910	4,051

Note:-

The following balances which represent amounts owing by/to ATB Group have been reclassified to related corporation balances:-

	As at 31 July					As at
	1998	1999	2000	2001	2002	30.11.2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other receivables	1,276	1,363	902	1,237	1,335	1
Trade payables	1,252	1,546	1,365	1,481	1,402	1,428
Other payables	14	0	0	208	301	650

12.0 ACCOUNTANTS' REPORT

7.8 AS

There was no balance sheet for AS prior to financial period ended 31 July 2001 as the Company was incorporated on 23 August 2000.

	As at 31 July		As at
	2001	2002	30.11.2002
	RM'000	RM'000	RM'000
Property, plant & equipment	887	2,143	2,139
Current assets			
Inventories	1,634	3,611	4,789
Trade receivables	1,872	4,774	6,221
Other receivables, deposit & prepayment	49	138	169
Related corporation balances	194	301	350
Cash & bank balances	2	2	1
	3,751	8,826	11,530
Current liabilities			
Trade payables	520	12	64
Other payables & accruals	52	113	151
Bank overdraft & other borrowings	2,023	3,269	3,404
Hire purchase payables	76	573	544
Holding company balance	426	3,006	4,755
Related corporation balances	340	1,056	1,142
Provision for taxation	0	295	464
	3,437	8,324	10,524
Net current assets	314	502	1,006
	1,201	2,645	3,145
Financed by			
Share capital	1,000	1,000	1,000
Retained profit	134	1,230	1,833
	1,134	2,230	2,833
Hire purchase payables	0	394	269
Deferred taxation	67	21	43
	1,201	2,645	3,145

Note:-

The following balances which represent amounts owing by/to AM have been reclassified to related corporation balances:-

	As at 31 July		As at
	2001	2002	30.11.2002
	RM'000	RM'000	RM'000
Other receivables	194	301	350
Trade payables	0	0	0
Other payables	0	184	1

12.0 ACCOUNTANTS' REPORT

8. STATEMENT OF ASSETS AND LIABILITIES

The followings are the statement of assets and liabilities of ATB and the Proforma Group which have been prepared for illustrative purposes only and based on the audited financial statements of ATB, OJK, NI, ACSS, AN, AS and AM as at 30 November 2002. The statement of assets and liabilities of the Proforma Group have been prepared on the assumption that the restructuring and listing scheme as mentioned under paragraph 2.2 of this report had been effected on 30 November 2002 and should be read in conjunction with the notes thereon.

	Note	Company Audited as at 30.11.2002 RM'000	Proforma Group as at 30.11.2002 RM'000
Assets employed			
Property, plant and equipment	8.2	0	30,390
Current assets			
Inventories	8.3	0	39,693
Trade receivables	8.4	0	25,090
Other receivables, deposit & prepayment		0	4,430
Cash and bank balances		*	11,342
		0	80,555
Current liabilities			
Trade payables		0	12,809
Other payables & accruals		18	1,408
Hire purchase payables	8.5	0	1,927
Bank overdrafts & other borrowings	8.6	0	18,832
Current portion of term loan	8.7	0	341
Provision for taxation		0	2,654
		18	37,971
Net current asset		(18)	42,584
		(18)	72,974
Financed by:			
Share capital	8.8	*	58,000
Share premium	8.9	0	7,161
Reserves on consolidation		0	5,176
Retained profits		(18)	(18)
		(18)	70,319
Long term and deferred liabilities			
Hire purchase payables	8.5	0	1,032
Term loan	8.7	0	769
Deferred taxation		0	854
		(18)	72,974

* RM2.00

8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES**8.1 SIGNIFICANT ACCOUNTING POLICIES****8.1.1 Basis of Accounting**

The statement of assets and liabilities of ATB and the Proforma Group have been prepared under the historical cost convention and in compliance with applicable approved accounting standards in Malaysia.

8.1.2 Basis of Consolidation

The statement of assets and liabilities of the Proforma Group incorporate the financial statements of ATB and its subsidiary companies made up to 30 November 2002. The results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the date of their acquisition or up to the date of their disposal. The subsidiaries are consolidated using the acquisition method of accounting.

The difference between the purchase price and the fair value of the net assets of subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

All inter-company balances and transactions are eliminated and the statement of assets and liabilities of the Proforma Group relate to external transactions only.

8.1.3 Property, plant & equipment and Depreciation

Freehold land and buildings are stated at fair value. Other property, plant & equipment are stated at cost less accumulated depreciation.

Depreciation on the property, plant & equipment is calculated on the straight line basis over the estimated useful lives of the assets at the following annual rates:-

	%
Buildings	2
Plant & machineries	10
Furniture, fittings & equipment	10
Motor vehicles	20
Tools, equipment & mould	10

8.1.4 Investments

Investments are stated at cost. Allowance for diminution in value is made if there has been a permanent diminution in value of an investment.

8.1.5 Inventories

Inventories are valued at the lower of cost (determined on the weighted average basis) and net realisable value. Cost consist of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

8.1.6 Foreign Currency Transactions and Translations

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange prevailing on transaction dates. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange ruling as at that date.

Gains or losses on foreign exchange are taken up in the income statement.

12.0 ACCOUNTANTS' REPORT

8.1.7 Deferred Taxation

Deferred taxation is provided under the liability method in respect of all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future.

8.1.8 Impairment

The carrying amount of the Company's assets, other than inventories, receivables are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation, in which case it will be charged to equity.

8.1.9 Revenue Recognition

Revenue is recognised on the dates the goods are delivered to customers.

8.1.10 Cash And Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdraft and other short-term and highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

8.2 PROPERTY, PLANT & EQUIPMENT – Proforma GroupCOST / FAIR VALUE

	Balance at 1.8.2002 RM'000	Revaluation/ Additions RM'000	Disposals RM'000	Balance at 30.11.2002 RM'000
At Fair value				
Freehold land & buildings	9,887	5,954	0	15,841
At cost				
Plant & machineries	16,302	2,052	(654)	17,700
Furniture, fittings & equipment	1,358	43	0	1,401
Motor vehicles	2,748	491	0	3,239
Tools, equipment & mould	855	96	0	951
	31,150	8,636	(654)	39,132

ACCUMULATED DEPRECIATION

	Balance at 1.8.2002 RM'000	Charge for the period RM'000	Disposals RM'000	Balance at 30.11.2002 RM'000
At Fair value				
Freehold land & buildings	493	40	0	533
At cost				
Plant & machineries	6,150	570	(419)	6,301
Furniture, fittings & equipment	494	61	0	555
Motor vehicles	902	185	0	1,087
Tools, equipment & mould	236	30	0	266
	8,275	886	(419)	8,742

12.0 ACCOUNTANTS' REPORT

CARRYING AMOUNT

	Balance at 30.11.2002 RM'000
At Fair value	
Freehold land & buildings	15,307
At cost	
Plant & machineries	11,399
Furniture, fittings & equipment	846
Motor vehicles	2,152
Tools, equipment & mould	686
	<u>30,390</u>

(a) Freehold land and buildings which are stated at fair value are based on the valuation assessed by professional valuers and approved by the Valuation Department of the Securities Commissions.

(b) Freehold land and buildings have been charged to banks for banking facilities granted to the Group.

(c) Included in property, plant and equipment are assets acquired under hire-purchase instalment plans at carrying amount as follows:-

	RM'000
Motor vehicles	1,234
Plant & machineries	3,680
	<u>4,914</u>

8.3 INVENTORIES – Proforma Group

	RM'000
At cost	
Raw materials	36,321
Work-in-progress	123
Finished goods	2,790
Consumable inventories	442
Packing materials	6
	<u>39,682</u>
At net realisable value	
Raw materials	11
	<u>39,693</u>

8.4 TRADE RECEIVABLES – Proforma Group

	RM'000
Trade receivables	25,633
Less : Allowance for doubtful debt	(543)
	<u>25,090</u>

12.0 ACCOUNTANTS' REPORT

8.5 HIRE PURCHASE PAYABLES – Proforma Group

	RM'000
Not later than one year	2,077
Later than one year and not later than five years	1,094
	<u>3,171</u>
Less : Finance charges allocated to future years	(212)
Present value of hire purchase liabilities	<u>2,959</u>
Disclosed under:-	
Not later than one year	1,927
Later than one year and not later than five years	1,032
	<u>2,959</u>

8.6 BANK OVERDRAFTS AND OTHER BORROWINGS (secured) – Proforma Group

	RM,000
Bank overdrafts	2,867
Other bank borrowings	
- Bankers' acceptance	14,005
- Trust receipts	1,960
	<u>15,965</u>
	<u>18,832</u>

(a) The bank overdrafts and other borrowings are secured by legal charges over freehold land and building of the Group, corporate guarantee from OJK, a debenture incorporating a fixed and floating charge on all assets of certain subsidiary companies and are jointly and severally guaranteed by all the directors of the subsidiary companies.

(b) Interest is charged at 2.0% to 2.5% above bank's base lending rate per annum.

8.7 TERM LOANS (secured) – Proforma Group

	RM,000
Term loan I	654
Term loan II (partial drawdown)	456
	<u>1,110</u>
Less : Portion repayable within the next 12 months (included under current liabilities)	(341)
Portion repayable after twelve months	<u>769</u>
Repayment analysis is as follows:-	
Not later than one year	341
Later than one year and not later than five years	769
	<u>1,110</u>

(a) Term loans are secured by legal charges over certain freehold land, factory building and machineries of the Group, corporate guarantee from OJK and are jointly and severally guaranteed by certain directors of subsidiary companies.

12.0 ACCOUNTANTS' REPORT**(b) Term loans are repayable as follow:-**

- Term loan I - Repayable by 59 equal monthly instalments of RM31,875 each subject to adjustment in the last instalment and commencing from May 2000. Interest is charged at 2.0% above the Bank Negara Malaysia funding rate per annum.
- Term loan II - Repayable by 48 equal monthly instalments of RM18,225.02 each commencing one month from date of full drawdown totalling RM770,000. Interest is charged at fixed rate of 6.4% per annum and subject to change at the discretion of bank based on prevailing market conditions.

8.8 SHARE CAPITAL – Proforma Group

	RM'000
Authorised :	
200,000,000 ordinary shares of RM0.50 each	<u>100,000</u>
Issue and fully paid:	
Subscribers' shares – 2 ordinary shares of RM1.00 each	*
Consideration by issuance of shares for acquisition of OJK & AM - 49,999,998 ordinary shares of RM1.00 each	50,000
Public Issue of 16,000,000 ordinary shares of RM0.50 each	8,000
<i>Enlarged Issued and Fully Paid-up Share Capital</i>	<u>58,000</u>
* represent RM2.00	

8.9 SHARE PREMIUM – Proforma Group

	RM'000
Arising from:-	
Acquisitions of OJK & AM	4,461
Public Issues	<u>4,000</u>
	8,461
Less : Listing expenses	<u>(1,300)</u>
	<u>7,161</u>

8.10 CAPITAL COMMITMENT – Proforma Group

	RM'000
Contracted but not provided for	<u>2,003</u>

8.11 NTA PER ORDINARY SHARE OF RM0.50 EACH

Based on the statement of assets and liabilities of the Proforma Group as at 30 November 2002, NTA per ordinary share of RM0.50 each will be as follows:-

NTA as per Proforma Group's Statement of Assets and Liabilities (RM'000)	<u>70,319</u>
No. of ordinary shares of RM0.50 in issue ('000)	<u>116,000</u>
NTA per ordinary share of RM0.50 each (RM)	<u>0.61</u>

12.0 ACCOUNTANTS' REPORT

9. PROFORMA GROUP CASH FLOW STATEMENT

The cash flow statement of the Proforma Group has been prepared based on the audited financial statements of ATB group for the financial period ended 30 November 2002 and on the assumption that the group has been in existence throughout the period under review and the restructuring and listing scheme as mentioned under paragraph 2.2 of this report had been effected on 30 November 2002.

	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	6,772
Adjustments for :	
Allowance for doubtful debts	51
Allowance for doubtful debts written back	(26)
Depreciation	886
Gain on disposal of property, plant & equipment	(165)
Interest expense	414
Interest income	(31)
Operating profit before working capital changes	7,901
Increase in inventories	(12,312)
Decrease in receivables	475
Increase in payables	1,412
Cash absorbed by operations	(2,524)
Interest received	31
Tax paid	(1,041)
Net cash used in operating activities	(3,534)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of property, plant & equipment	400
Purchase of property, plant & equipment	(1,731)
Net cash used in investing activities	(1,331)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in other bank borrowings	3,678
Interest paid	(414)
Proceeds from issued of shares	12,000
Payment of listing expenses	(1,300)
Term loan raised	456
Repayment of hire purchase payables	(595)
Repayment of term loan	(114)
Net cash from financing activities	13,711
Net increase in cash and cash equivalents	8,846
Cash and cash equivalents at beginning of period	(371)
Cash and cash equivalents at end of period	8,475

Cash and cash equivalents included in the cash flow statement of the Proforma Group comprise the following amounts:-

	RM'000
Cash & bank balances	11,342
Bank overdrafts	(2,867)
	8,475

12.0 ACCOUNTANTS' REPORT

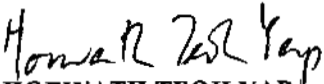
10. EVENTS AFTER THE BALANCE SHEET DATE


- (a) On 14 February 2003, ATB has acquired the following subsidiary companies:
- i) 100% equity interest in OJK for a total purchase consideration of RM50,582,854 satisfied by the issuance of 46,439,499 new ordinary shares of RM1.00 each in ATB valued at approximately RM1.09 per ordinary share of RM1.00 each.
 - ii) 100% equity interest in AM for a total purchase consideration of RM3,878,168 satisfied by the issuance of 3,560,499 new ordinary shares of RM1.00 each in ATB valued at approximately RM1.09 per ordinary share of RM1.00 each.
- (b) On 15 February 2003, ATB has acquired 100% equity interest in NI, ACSS, AN and AS from OJK for a total cash consideration of RM2,100,002.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements of ATB and its subsidiary companies have been made up in respect of any period subsequent to 30 November 2002.

Yours faithfully,


HORWATH TEOH YAP
FIRM NO : AF 1121
Chartered Accountants


TEH LAY GNOH
APPROVAL NO : 1339/05/03 (J)
Partner of Firm