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20 June 2003

The Board of Directors
APP Industries Berhad
58-A, Jalan Cantonment
10250 Penang.

Dear Sirs,

1. INTRODUCTION

This report has been prepared by J.S. Soo & Co., an approved company auditor, for inclusion in the Prospectus to be dated 27 JUN 2003 in connection with the Public Issue of 4,450,000 new ordinary shares of RM0.50 each and the Offer for Sale of 8,800,000 ordinary shares of RM0.50 each in APP Industries Berhad (hereinafter referred as "APPI") at an issue and offer price of RM0.60 per ordinary share and the listing of and quotation for the entire issued and paid up share capital of APPI comprising 80,000,000 ordinary shares of RM0.50 each on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 Background

APPI was incorporated on 3 February 2000 as a public limited company in Malaysia under the Companies Act, 1965.

2.2 Principal Activities

The principal activity of APPI is that of investment holding and provision of management services to its subsidiary companies. The principal activities of the subsidiary companies are described in paragraph 2.5 of this report.

2.3 Restructuring and Flotation Scheme

In conjunction with the listing of and quotation for the entire issued and paid up share capital of APPI on the Second Board of the KLSE, APPI undertook the following restructuring and flotation scheme:

(i) Declaration of a final net dividend of RM3.85 per share, net of income tax at 28%, amounting to RM5,005,007.70 for the financial year ended 31 December 2002 and paid to the existing shareholders of APP on 17 March 2003.

(ii) Revaluation of the landed properties held by Asian Pottery (Penang) Sdn. Bhd. ("APP"), Asian Porcelain Sdn. Bhd. ("APC"), Asian Pottery Manufacturers Sdn. Bhd. ("APM"), Oriwina Sdn. Bhd. ("OW"), Metro Craft Sdn. Bhd. ("MC"), Leaderco Sdn. Bhd. ("LC") and Asiarise Holdings Sdn. Bhd. ("AR") and a total revaluation surplus of RM21,340,132 arising from the revaluation exercise was incorporated into the respective revaluation surplus accounts of the subsidiary companies in the APPI Group;

(iii) Acquisition of the entire issued and paid up share capital of APP and OW, 28% of Asian Earthernware Sdn. Bhd. ("AE"), 80% of APC and 42.5% of APM for a total purchase consideration of RM48,464,356. The amount was satisfied by the issuance of 71,799,046 new ordinary shares of RM0.50 each in APPI at an issue price of approximately RM0.675 per ordinary share as follows:

Company	No. of shares acquired	Equity interest acquired %	Purchase consideration RM	No. of ordinary shares in APPI issued
APP	1,300,002	100.0	37,027,734	54,855,902
AE	140,002	28.0	545,929	808,784
APC	1,200,000	80.0	5,915,701	8,764,001
APM	340,002	42.5	1,141,594	1,691,251
OW	850,000	100.0	3,833,398	5,679,108
			48,464,356	71,799,046

(iv) Acquisition of the remaining issued and paid up share capital of AE, APC and APM from APP at cost. The entire share capital of AE, APC and APM has been consolidated and held directly by APPI;

(v) Rights issue of 3,750,950 new ordinary shares of RM0.50 each in APPI at an issue price of RM0.50 each on a basis of approximately 1 new share for every 20 existing ordinary shares held after the above mentioned acquisitions;

(vi) Public issue of 4,450,000 new ordinary shares of RM0.50 each in APPI at an issue price of RM0.60 per ordinary share; and

(vii) Offer for sale of 8,800,000 ordinary shares of RM0.50 each in APPI at an offer price of RM0.60 each per ordinary share.

2.4 Share Capital

At the date of incorporation, the authorised share capital of APPI 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. In 2002, the nominal value per share of the share capital was subdivided from RM1.00 per share to RM0.50 per share.

As at the date of this report, the share capital of APPI, which consists of ordinary shares of RM0.50 each, is as follows:

	RM
Authorised	50,000,000
Issued and fully paid up	37,775,000

Details of changes in the share capital of APPI since its incorporation are as follows:

Authorised share capital

Date of creation	Nominal value RM	Number of ordinary shares created	Cumulative authorised share capital RM
03/02/2000, date of incorporation	1.00	100,000	100,000
14/06/2002, subdivision of shares	0.50	200,000	100,000
26/03/2003	0.50	99,800,000	50,000,000

Issued and paid up share capital

Date of allotment	Number of ordinary shares	Nominal value RM	Consideration	Cumulative total paid up share capital RM
03/02/2000	2	1.00	Subscribers' shares	2
14/06/2002	4	0.50	Subdivision of shares	2
27/05/2003	71,799,046	0.50	Issued as consideration for the acquisition of APP, AE, APC, APM and OW	35,899,525
20/06/2003	3,750,950	0.50	Rights issue	37,775,000

2.5 Subsidiary Companies

Details of the subsidiary companies of APPI, all of which are private limited companies incorporated in Malaysia, are as follows:

Name	Date of incorporation	Authorised share capital	Issued and paid up share capital	Equity interest	Principal activities
		RM	RM	%	
APP	29/08/1978	5,000,000	1,300,002	100	Marketing of pottery and porcelain products, ceramic wares and ornaments.
AE	07/05/1990	1,500,000	500,002	100	Trading and manufacturing of pottery and porcelain products.
APC	23/09/1985	1,500,000	1,500,000	100	Manufacturing of ceramic and porcelain products
APM	20/06/1980	1,000,000	800,002	100	Trading and manufacturing of ceramic wares and ornaments.
OW	23/04/1996	1,000,000	850,000	100	Trading and manufacturing of ceramic wares
MC	16/04/1996	100,000	2	100 *	Property investment
LC	04/05/1996	100,000	30,000	100 **	Property investment
AR	02/05/1996	100,000	30,000	100 **	Property investment

Notes:
(i) APPI and its subsidiary companies are collectively referred to as APPI Group.
(ii) * Wholly owned by APM.
(iii) ** Wholly owned by OW

2.6 Basis of Accounting and Accounting Policies

This report has been prepared on a basis consistent with the accounting policies normally adopted by APPI and its subsidiary companies, which are in accordance with applicable approved accounting standards adopted by Malaysian Accounting Standards Board.

2.7 Dividends

APPI has not paid or declared any dividend since the date of incorporation.

APP had subsequently declared a final net dividend of RM3.85 per share, net of income tax at 28%, amounting to RM5,005,007.70 for the financial year ended 31 December 2002 and paid to its existing shareholders on 17 March 2003.

Except for the above, no dividend has been paid or declared by the other subsidiary companies in the APPI Group during the financial periods/years under review.

3. FINANCIAL STATEMENTS AND AUDITORS

We are the auditors of APPI, APM and MC for the financial periods/years included in this report. We are the auditors of OW, LC and AR for the financial periods/years from 1 January 2000. The financial statements were reported on without any qualification.

The financial statements of APP, AE and APC for the periods/years under review and the financial statements of OW, LC and AR prior to our appointment as auditors were audited by other firms of chartered accountants and reported on without any qualification.

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4. SUMMARISED INCOME STATEMENTS

4.1 Proforma Consolidated Results of APPI Group

The summarised proforma consolidated results of APPI Group for the past five financial years ended 31 December 2002 have been prepared based on the audited financial statements of the companies in the APPI Group for illustrative purpose after making such adjustments that we considered necessary and assuming that the APPI Group had been in existence throughout the periods/years under review.

	Financial year ended 31 December				
	1998	**1999**	**2000**	**2001**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	26,002	29,952	42,519	43,783	50,137
Profit before interest, taxation, depreciation and amortisation	4,817	8,059	8,734	8,062	10,869
Interest expense	(438)	(371)	(330)	(290)	(302)
Depreciation and amortisation	(919)	(996)	(1,318)	(1,518)	(1,658)
Profit before taxation	3,460	6,692	7,086	6,254	8,909
Taxation	(537)	(86)	(1,991)	(1,415)	(2,109)
Profit after taxation	2,923	6,606	5,095	4,839	6,800
Number of ordinary shares of RM0.50 each assumed to be in issue ('000)	80,000	80,000	80,000	80,000	80,000
Gross earnings per share (Sen)	4.32	8.36	8.86	7.82	11.14
Net earnings per share (Sen)	3.65	8.26	6.37	6.05	8.50

Notes:

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

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(ii) The growth in revenue of 15.2% for year 1999 was mainly due to the increase in sales orders as a result of stronger demand from overseas markets. The increase of pretax profit by 93.4% was mainly due to the realized foreign exchange gain of approximately RM1.98 million during the year. In addition, the weakened Ringgit has resulted in higher selling prices and thus higher gross profit margin.

Revenue for 2000 increased by 42.0% as APPI Group continued to enjoy strong support from European and other overseas markets. The growth in pretax profit after taking into account the impact of foreign exchange gain in prior year was 38.5%. This was in line with the increase in revenue.

In 2001, APPI Group saw an increase in revenue for the first 8 months; however, the revenue for the last 4 months was affected by the 911 incident. The decrease in the pretax profit by 11.7% was mainly due to the keen competition from the European market which caused APPI Group to adjust its selling prices in order to remain competitive.

Revenue for year 2002 increased by 14.5% due to increase in sales to Japan and USA. Pretax profit increased by 42.5% due to the marketing effort in securing more orders from retailers which contributed a higher profit margin than sales to wholesalers and importers. In addition, companies in the APPI Group have introduced new measures to increase its production efficiency and adopting more effective fuel saving control measures.

(iii) Taxation has been adjusted to reflect the under/over provision in the respective financial periods/years.

For financial year ended 31 December 1999, the taxation expense represents provision for deferred tax liability. There was no current taxation charge as it was waived in accordance with the Income Tax (Amendment) Act, 1999.

The effective tax rates for the other financial years, except financial year 2000, were lower than the statutory tax rate mainly due to the following reasons:

- APP was claiming double tax deduction for promotion of exports; and
- AE, APM and OW were entitled to claim reinvestment allowances.

(iv) There were no exceptional or extraordinary items in all the financial years under review.

(v) There were no minority interests in all the financial years under review.

(vi) The gross earnings per share has been calculated based on the profit before taxation divided by the issued and paid up share capital of 80,000,000 ordinary shares assumed to be in issue throughout the financial years under review.

The net earnings per share has been calculated based on the profit after taxation divided by the issued and paid up share capital of 80,000,000 ordinary shares assumed to be in issue throughout the financial years under review.

4.2 We set out below the audited results of the companies in the APPI Group for the relevant periods/years under review:

(a) APPI

	Financial period from 3 February 2000 to 31 December 2000	Financial year ended 31 December 2001	2002
	RM'000	RM'000	RM'000
Revenue	-	-	-
Loss before interest, depreciation and taxation	(4)	(2)	(3)
Interest expense	-	-	-
Depreciation	-	-	-
Loss before taxation	(4)	(2)	(3)
Taxation	-	-	-
Loss after taxation	(4)	(2)	(3)

Note:

There were no exceptional or extraordinary items in all the financial period/years under review.

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(b) APP

	Financial year ended 31 December				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	23,384	26,545	38,896	39,703	44,172
Profit before interest, depreciation and taxation	3,339	6,415	6,802	5,874	8,016
Interest expense	(95)	(99)	(78)	(91)	(133)
Depreciation	(159)	(220)	(358)	(380)	(458)
Profit before taxation	3,085	6,096	6,366	5,403	7,425
Taxation	(494)	(46)	(1,784)	(1,271)	(1,940)
Profit after taxation	2,591	6,050	4,582	4,132	5,485
Number of ordinary shares in issue ('000)	1,300	1,300	1,300	1,300	1,300
Gross earnings per share (RM)	2.37	4.69	4.90	4.16	5.71
Net earnings per share (RM)	1.99	4.65	3.52	3.18	4.22

Notes:

(i) The growth in revenue by 13.5% for year 1999 was mainly due to the increase in sales orders as a result of stronger demand from overseas markets. The increase in pretax profit by 97.6% was mainly due to the realized foreign exchange gain of approximately RM1.98 million during the year. In addition, the weakened Ringgit has resulted in higher selling prices and thus higher gross profit margin.

Revenue for year 2000 increased by 46.5% as APP continued to enjoy strong support from European and other overseas markets. The growth in pretax profit after taking into account the impact of foreign exchange gain in prior year was 41.0%. This is consistent with the increase in revenue.

In 2001, APP saw an increase in revenue for the first 8 months; however, the revenue for the last 4 months were affected by the 911 incident since exports sales constituted almost 100% of its revenue. Due to the keen competition from the European market, APP had to adjust its selling prices in order to remain competitive. This resulted in a decrease in the pretax profit by 15.1%.

Revenue for year 2002 increased by 11.3% due to increase in sales to Japan and USA as well as benefiting from export sales of other companies in APPI Group being reverted to APP due to APPI Group streamlining export sales policy. Pretax profit increased by 37.4% due to the marketing effort in securing more orders from retailers. The profit margin derived from these sales were higher than selling to wholesalers and importers.

(ii) Taxation has been adjusted to reflect the under/over provision in the respective financial years.

For year 1999, the taxation represents provision for deferred tax liability. There was no current taxation expense as it was waived in accordance with the Income Tax (Amendment) Act, 1999.

The effective tax rates for the other financial years under review except year 2000 were lower than the statutory tax rate as APP was claiming double tax deduction for promotion of exports.

(iii) There were no exceptional or extraordinary items in all the financial years under review.

(iv) The gross earnings per share has been calculated based on the profit before taxation divided by the number of ordinary shares in issue at the end of the respective years.

The net earnings per share has been calculated based on the profit after taxation divided by the number of ordinary shares in issue at the end of the respective years.

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(c) AE

	Financial year ended 31 December				
	1998	**1999**	**2000**	**2001**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	4,464	4,941	7,491	8,871	8,498
Profit before interest, depreciation and taxation	650	815	1,048	1,139	1,524
Interest expense	(109)	(85)	(61)	(21)	(11)
Depreciation	(361)	(378)	(511)	(672)	(656)
Profit before taxation	180	352	476	446	857
Taxation	(17)	(40)	(121)	(122)	(92)
Profit after taxation	163	312	355	324	765
Number of ordinary shares in issue ('000)	500	500	500	500	500
Gross earnings per share (RM)	0.36	0.70	0.95	0.89	1.71
Net earnings per share (RM)	0.33	0.62	0.71	0.65	1.53

Notes:

(i) Sales of AE were mainly made to APP for subsequent export. Revenue for year 1999 increased by 10.7% due to the continuing support from APP as a result of its expansion plan in penetrating the non-European markets. Pretax profit increase by 95.6% as AE was able to increase its selling prices during the year.

Revenue and pretax profit for year 2000 registered a high growth rate of 51.6% and 35.2% respectively. This was due to the expansion in production capacity by acquiring new machinery and constructing additional kilns. In addition, AE products marketed through APP have been well accepted in the overseas markets.

Revenue for year 2001 continued to grow with the enhanced capacity and increase of 18.4% due to increase in demand from APP in meeting the requirements of its customers. APP was able to absorb all the production of AE since it has heavily out sourced its requirements to third parties. Pretax profit decreased by 6.3% due mainly to increase in fuel cost.

Revenue for year 2002 declined by 4.2% due to the delay in shipment towards the last quarter by the shipping agents. Nevertheless, the pretax profit increased by 92.1% mainly due to the increase in production efficiency as a result of more effective fuel saving control measures employed.

(ii) Taxation has been adjusted to reflect the under/over provision in the respective financial years.

For year 1999, the taxation represents provision for deferred tax liability. There was no current taxation expense as it was waived in accordance with the Income Tax (Amendment) Act, 1999.

The effective tax rates for other financial years under review were lower than the statutory tax rate due to the availability of reinvestment allowances.

(iii) There were no exceptional or extraordinary items in all the financial years under review.

(iv) The gross earnings per share has been calculated based on the profit before taxation divided by the number of ordinary shares in issue at the end of the respective years.

The net earnings per share has been calculated based on the profit after taxation divided by the number of ordinary shares in issue at the end of the respective years.

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(d) APC

	Financial year ended 31 December				
	1998	**1999**	**2000**	**2001**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	785	1,243	1,976	2,685	4,986
Profit before interest, taxation, depreciation and amortisation	292	283	366	162	265
Interest expense	(123)	(93)	(85)	(95)	(98)
Depreciation and amortisation	(137)	(113)	(90)	(44)	(56)
Profit before taxation	32	77	191	23	111
Taxation	(26)	-	(73)	(7)	(47)
Profit after taxation	6	77	118	16	64
Number of ordinary shares in issue ('000)	1,500	1,500	1,500	1,500	1,500
Gross earnings per share (Sen)	2.13	5.13	12.73	1.53	7.40
Net earnings per share (Sen)	0.40	5.13	7.87	1.07	4.27

Notes:

(i) Revenue for year 1999 increased by 58.3% due to the substantial increase in the export market as APC managed to obtain orders from USA and Australia. Pretax profit increased by approximately 140 % as the management has taken effort to reduce the operating expenses in order to improve the performance of APC. One of the measures was to lower the gearing ratio and hence the interest cost. To achieve this, APC sought for longer credit periods from its suppliers and contractors for its expansion programme and did not rely on additional funding from banks. As a result, interest cost reduced by 24.4 % in 1999.

Revenue and pretax profit for year 2000 increased by 59.0% and approximately 150% respectively due to the continuing increase in orders for the high margin products from the export markets.

Revenue for year 2001 recorded a growth of 35.9% due to the increase in sale of low margin products. The sale of high margin products has reduced substantially which resulted in the reduction in pretax profit by 87.4%.

The increase in the revenue for year 2002 by 85.7% is mainly due to the expansion of export sales of stone wares to the Japanese market. The operating expenses had, however, increased by a relatively smaller percentage. As a result the pretax profit increased by more than three folds.

(ii) Taxation has been adjusted to reflect the under/over provision in the respective financial years.

There was no tax charge for the financial year 1999 as the amount payable was waived in accordance with the Income Tax (Amendment) Act, 1999.

The effective tax rates for the other financial years under review were higher than the statutory tax rate due to high depreciation and amortisation charges being disallowed for taxation purposes. The capital allowances had been fully utilised in earlier years.

(iii) There were no exceptional or extraordinary items in all the financial years under review.

(iv) The gross earnings per share has been calculated based on the profit before taxation divided by the number of ordinary shares in issue at the end of the respective years.

The net earnings per share has been calculated based on the profit after taxation divided by the number of ordinary shares in issue at the end of the respective years.

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(e) **APM**

	Financial year ended 31 December				
	1998	**1999**	**2000**	**2001**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	1,970	1,964	2,542	2,330	1,897
Profit before interest, depreciation and taxation	234	205	292	353	406
Interest expense	(30)	(37)	(31)	(22)	(5)
Depreciation	(131)	(141)	(153)	(161)	(163)
Profit before taxation	73	27	108	170	238
Taxation	-	-	(11)	(15)	(30)
Profit after taxation	73	27	97	155	208
Number of ordinary shares in issue ('000)	800	800	800	800	800
Gross earnings per share (RM)	0.09	0.03	0.14	0.21	0.30
Net earnings per share (RM)	0.09	0.03	0.12	0.19	0.26

Notes:

(i) Revenue remained constant for year 1999, the decrease in pretax profit by 62.5% was mainly due to increase in labour costs, import duties and freight and forwarding charges.

Revenue for year 2000 increased by 29.4% due to increase in orders from APP to meet its strong demand from the overseas market. The substantial increase of pretax profit by 300% was mainly due to tight control in the operating and administrative expenses.

Revenue for year 2001 deteriorated by 8.3% mainly due to the impact of 911 incident whereby the orders from the overseas customers for the last quarter declined drastically. Despite the drop in revenue, the pretax profit increased by 56.5% mainly due to decrease in administrative expenses.

As a result of streamlining the export sales of APPI Group, APM has to revert part of its export sales to APP. Although the sales volume remained constant in 2002, the selling price to APP is lower than exporting directly. Revenue therefore decreased by 18.6% for the year 2002. Nevertheless, the pretax profit increased by 40.8% mainly due to the increase in production efficiency as a result of new machinery installed and more effective fuel saving control measures being employed.

(ii) Taxation has been adjusted to reflect the under/over provision in the respective financial years.

The effective tax rates for year 2000 to 2002 were lower than the statutory tax rate and no current taxation expense for the other financial years under review were due to the availability of reinvestment allowances.

(iii) There were no exceptional or extraordinary items in all the financial years under review.

(iv) The gross earnings per share has been calculated based on the profit before taxation divided by the number of ordinary shares in issue at the end of the respective years.

The net earnings per share has been calculated based on the profit after taxation divided by the number of ordinary shares in issue at the end of the respective years.

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(f) OW

	Financial year ended 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,056	1,290	1,916	2,081	2,193
Profit before interest, taxation, depreciation and amortisation	302	341	453	541	667
Interest expense	(81)	(57)	(57)	(46)	(42)
Depreciation and amortisation	(131)	(144)	(198)	(255)	(319)
Profit before taxation	90	140	198	240	306
Taxation	-	-	(2)	-	-
Profit after taxation	90	140	196	240	306
Number of ordinary shares in issue ('000)	850	850	850	850	850
Gross earnings per share (RM)	0.11	0.16	0.23	0.28	0.36
Net earnings per share (RM)	0.11	0.16	0.23	0.28	0.36

Notes:

(i) The growth in revenue and pretax profit by 22.2% and 55.5% respectively in 1999 and by 48.5% and 41.4% respectively in 2000 was mainly due to the additional orders from APP to meet the increasing demand from its overseas customers.

Revenue for the year 2001 recorded a slight increase of 8.6% as OW has almost reached its full production capacity. The increased production capacity achieved has, however, managed to improve the pretax profit by 21.2%.

OW acquired new machinery in the second half of year 2002 to enhance the production capacity and efficiency. Revenue increased by 5.4% due to increase in orders from APP. The pretax profit rose by 27.5% mainly attributable to the increase in production efficiency as a result of the new machinery purchased.

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(ii) Taxation has been adjusted to reflect the under/over provision in the respective financial years.

The low effective tax rate for year 2000 and no current taxation expense for the other financial years under review were due to the availability of reinvestment allowances.

(iii) There were no exceptional or extraordinary items in all the financial years under review.

(iv) The gross earnings per share has been calculated based on the profit before taxation divided by the number of ordinary shares in issue at the respective years.

The net earnings per share has been calculated based on the profit after taxation divided by the number of ordinary shares in issue at the end of the respective years.

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(g) MC

	Financial year ended 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-
Loss before interest, depreciation and taxation	-	-	(11)	(1)	(2)
Interest expense	-	-	-	-	-
Depreciation	-	-	-	(2)	(2)
Loss before taxation	-	-	(11)	(3)	(4)
Taxation	-	-	-	-	-
Loss after taxation	-	-	(11)	(3)	(4)

Note:

No income statement has been drawn up from the date of incorporation to 31 December 1999 as MC has been dormant. Preliminary and pre-operating expenses incurred which were carried forward in the balance sheet at cost have been written off in financial year ended 31 December 2000 in order to comply with MASB 1, Presentation of Financial Statements.

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(h) LC

	Financial year from 1 October 1997 to 30 September 1998	Financial period from 1 October 1998 to 31 December 1999	Financial year ended 31 December		
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-
Loss before interest, depreciation and taxation	-	-	(105)	(2)	(2)
Interest expense	-	-	(9)	(7)	(6)
Depreciation	-	-	(4)	(2)	(2)
Loss before taxation	-	-	(118)	(11)	(10)
Taxation	-	-	-	-	-
Loss after taxation	-	-	(118)	(11)	(10)

Note:

No income statement has been drawn up from the date of incorporation to 31 December 1999 as LC has been dormant. Preliminary and pre-operating expenses incurred which were carried forward in the balance sheet at cost have been written off in financial year ended 31 December 2000 in order to comply with MASB 1, Presentation of Financial Statements.

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(i) **AR**

	Financial year from 1 October 1997 to 30 September 1998 RM'000	Financial period from 1 October 1998 to 31 December 1999 RM'000	Financial year ended 31 December 2000 RM'000	2001 RM'000	2002 RM'000
Revenue	-	-	-	-	-
Loss before interest, depreciation and taxation	-	-	(107)	(2)	(2)
Interest expense	-	-	(9)	(8)	(7)
Depreciation	-	-	(4)	(2)	(2)
Loss before taxation	-	-	(120)	(12)	(11)
Taxation	-	-	-	-	-
Loss after taxation	-	-	(120)	(12)	(11)

Note:

No income statement has been drawn up from the date of incorporation to 31 December 1999 as AR has been dormant. Preliminary and pre-operating expenses incurred which were carried forward in the balance sheet at cost have been written off in financial year ended 31 December 2000 in order to comply with MASB 1, Presentation of Financial Statements.

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5. SUMMARISED BALANCE SHEETS

As the acquisition of subsidiary companies was only completed after 31 December 2002, it is therefore impracticable to present consolidated balance sheets of the APPI Group throughout the years under review. Accordingly, consolidated balance sheets of the Proforma Group has only been presented by way of proforma statement of assets and liabilities as at 31 December 2002 based on the latest audited financial statements as at 31 December 2002 of APPI and its subsidiary companies as shown in Section 6 of this report.

The summarised audited balance sheets of APPI and its subsidiary companies as at the end of the financial periods/years under review based on their respective audited financial statements are as follows:

(a) APPI

	As at 31 December		
	2000	**2001**	**2002**
	RM'000	**RM'000**	**RM'000**
Current assets			
Receivables	130	257	380
Cash balance	#	#	#
	130	257	380
Current liabilities			
Amount owing to related company	(134)	(263)	(389)
	(4)	(6)	(9)
Share capital	#	#	#
Accumulated losses	(4)	(6)	(9)
	(4)	(6)	(9)
Net liabilities per ordinary share (RM)	(1,049)	(1,621)	(2,375)

\# Represents RM2.00.

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(b) APP

	As at 31 December				
	1998	**1999**	**2000**	**2001**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	3,278	3,747	8,449	9,111	9,636
Subsidiary companies	793	793	793	793	793
Associated company	-	300	300	300	300
Investment	75	-	-	-	-
Current assets					
Inventories	591	1,378	5,109	5,866	4,919
Receivables	5,493	6,743	8,788	8,531	10,930
Amount owing by related companies	1,182	3,632	2,975	5,321	6,031
Fixed deposits with licensed banks	1,589	1,394	-	-	1,084
Cash and bank balances	954	1,546	1,269	1,260	1,510
	9,809	14,693	18,141	20,978	24,474
Current liabilities					
Payables	(4,135)	(3,080)	(5,880)	(5,652)	(4,551)
Amount owing to directors	(1,009)	(871)	(876)	(840)	(486)
Bank borrowings	(518)	(1,652)	(1,276)	(1,402)	(1,762)
Provision for taxation	(430)	(108)	(1,343)	(865)	(273)
	(6,092)	(5,711)	(9,375)	(8,759)	(7,072)
Net current assets	3,717	8,982	8,766	12,219	17,402
Term loans	(370)	(229)	(90)	(2)	-
Hire purchase payables	(84)	(88)	(180)	(167)	(213)
Deferred taxation	(129)	(175)	(476)	(536)	(714)
	7,280	13,330	17,562	21,718	27,204
Share capital	1,300	1,300	1,300	1,300	1,300
Retained profits	5,980	12,030	16,262	20,418	25,904
Shareholders' funds	7,280	13,330	17,562	21,718	27,204
NTA per ordinary share (RM)	5.60	10.25	13.51	16.71	20.91

(c) AE

	As at 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	2,643	5,046	4,284	4,865	5,185
Current assets					
Inventories	465	648	780	970	1,315
Receivables	21	65	65	73	264
Amount owing by related companies	18	15	8	5	-
Cash and bank balances	1	6	-	74	181
	505	734	853	1,122	1,760
Current liabilities					
Payables	(610)	(1,288)	(1,171)	(1,151)	(1,027)
Amount owing to related companies	(674)	(2,528)	(1,655)	(2,281)	(2,626)
Amount owing to directors	(80)	(80)	(109)	(85)	(115)
Bank borrowings	(231)	(189)	(162)	(141)	(22)
Provision for taxation	(4)	-	(36)	(11)	(6)
	(1,599)	(4,085)	(3,133)	(3,669)	(3,796)
Net current liabilities	(1,094)	(3,351)	(2,280)	(2,547)	(2,036)
Term loans	(380)	(275)	(148)	(3)	-
Hire purchase payables	(101)	-	-	(12)	(38)
Deferred taxation	(110)	(150)	(231)	(353)	(396)
	958	1,270	1,625	1,950	2,715
Share capital	500	500	500	500	500
Retained profits	458	770	1,125	1,450	2,215
Shareholders' funds	958	1,270	1,625	1,950	2,715
NTA per ordinary share (RM)	1.92	2.54	3.25	3.90	5.43

(d) APC

	As at 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,689	1,599	1,532	1,492	1,437
Current assets					
Inventories	1,265	1,130	1,058	1,091	1,095
Receivables	2,379	2,536	747	745	1,042
Amount owing by related companies	38	15	17	73	26
Amount owing by directors	-	-	6	-	-
Cash and bank balances	10	-	3	-	193
	3,692	3,681	1,831	1,909	2,356
Current liabilities					
Payables	(2,322)	(2,359)	(305)	(365)	(271)
Amount owing to related companies	(18)	(38)	(48)	(85)	(15)
Amount owing to directors	(180)	(189)	-	-	-
Bank borrowings	(1,176)	(941)	(1,083)	(1,051)	(1,520)
Provision for taxation	-	(17)	(72)	(28)	(50)
	(3,696)	(3,544)	(1,508)	(1,529)	(1,856)
Net current (liabilities)/ assets	(4)	137	323	380	500
Deferred taxation	-	-	(52)	(52)	(1)
	1,685	1,736	1,803	1,820	1,936
Share capital	1,500	1,500	1,500	1,500	1,500
Retained profits	185	236	303	320	436
Shareholders' funds	1,685	1,736	1,803	1,820	1,936
NTA per ordinary share (RM)	1.12	1.16	1.20	1.21	1.29

(e) APM

	As at 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,363	1,471	1,596	1,512	1,458
Subsidiary company	#	#	#	#	#
Current assets					
Inventories	612	855	886	640	628
Receivables	211	645	233	184	92
Amount owing by related companies	225	259	299	422	231
Fixed deposits with licensed bank	15	16	17	9	-
Cash and bank balances	44	30	53	163	109
	1,107	1,805	1,488	1,418	1,060
Current liabilities					
Payables	(380)	(437)	(313)	(223)	(160)
Amount owing to related companies	(296)	(751)	(624)	(724)	(210)
Amount owing to directors	(288)	(288)	(288)	(288)	(288)
Bank borrowings	(43)	(325)	(332)	(47)	-
Provision for taxation	-	-	-	(5)	(14)
	(1,007)	(1,801)	(1,557)	(1,287)	(672)
Net current assets/ (liabilities)	100	4	(69)	131	388
Term loans	(155)	(101)	(44)	-	-
Hire purchase payables	-	-	-	(7)	(11)
Deferred taxation	(66)	(66)	-	-	-
	1,242	1,308	1,483	1,636	1,835
Share capital	800	800	800	800	800
Retained profits	442	508	683	836	1,035
Shareholders' funds	1,242	1,308	1,483	1,636	1,835
NTA per ordinary shares (RM)	1.55	1.64	1.85	2.05	2.29

\# Represents RM2.00

(f) OW

	As at 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,985	2,004	2,485	4,170	4,620
Subsidiary companies	-	60	60	60	60
Current assets					
Inventories	135	180	121	192	382
Receivables	2	7	37	29	40
Amount owing by related companies	-	373	467	643	531
Cash and bank balances	9	10	148	101	46
	146	570	773	965	999
Current liabilities					
Payables	(279)	(232)	(468)	(519)	(315)
Amount owing to related companies	(266)	(422)	(748)	(2,494)	(2,912)
Amount owing to director	(120)	(320)	(320)	(320)	(320)
Bank borrowings	(275)	(403)	(417)	(332)	(416)
	(940)	(1,377)	(1,953)	(3,665)	(3,963)
Net current liabilities	(794)	(807)	(1,180)	(2,700)	(2,964)
Term loans	(351)	(285)	(202)	(112)	(14)
Hire purchase payables	(28)	(21)	(14)	(29)	(9)
Deferred taxation	-	(38)	-	(20)	-
	812	913	1,149	1,369	1,693
Share capital	850	850	850	850	850
(Accumulated losses)/ Retained profits	(38)	63	299	519	843
Shareholders' funds	812	913	1,149	1,369	1,693
NTA per ordinary share (RM)	0.96	1.07	1.35	1.61	1.99

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(g) **MC**

	As at 31 December				
	1998	**1999**	**2000**	**2001**	**2002**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	189	189	189	192	190
Current liabilities					
Payables	-	-	(1)	(1)	(1)
Amount owing to related company	(196)	(198)	(199)	(205)	(207)
Net current liabilities	(196)	(198)	(200)	(206)	(208)
	(7)	(9)	(11)	(14)	(18)
Share capital	#	#	#	#	#
Accumulated losses	(7)	(9)	(11)	(14)	(18)
	(7)	(9)	(11)	(14)	(18)
Net liabilities per ordinary share (RM)	(3,605)	(4,382)	(5,297)	(7,026)	(9,045)

Represents RM2.00

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(h) LC

	As at 31 December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	189	235	185	188	186
Current liabilities					
Payables	(1)	(1)	(1)	(1)	(1)
Amount owing to related company	-	(197)	(174)	(201)	(225)
Amount owing to director	(64)	-	-	-	-
Bank borrowing	(4)	(10)	(13)	(17)	(18)
Net current liabilities	(69)	(208)	(188)	(219)	(244)
Term loan	(121)	(100)	(85)	(68)	(52)
	(1)	(73)	(88)	(99)	(110)
Share capital	30	30	30	30	30
Accumulated losses	(31)	(103)	(118)	(129)	(140)
	(1)	(73)	(88)	(99)	(110)
Net liabilities per ordinary share (RM)	(0.04)	(2.43)	(2.93)	(3.30)	(3.67)

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(i) AR

	As at December				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	192	214	188	191	189
Current liabilities					
Payables	(1)	(1)	(1)	(1)	(1)
Amount owing to related company		(173)	(177)	(204)	(229)
Amount owing to directors	(63)	-	-	-	
Bank borrowing	(4)	(11)	(14)	(17)	(19)
Net current liabilities	(68)	(185)	(192)	(222)	(249)
Term loan	(126)	(104)	(87)	(71)	(53)
	(2)	(75)	(91)	(102)	(113)
Share capital	30	30	30	30	30
Accumulated losses	(32)	(105)	(121)	(132)	(143)
	(2)	(75)	(91)	(102)	(113)
Net liabilities per ordinary share (RM)	(0.08)	(2.50)	(3.02)	(3.41)	(3.76)

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6. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of APPI and the Proforma APPI Group are prepared for illustrative purposes based on the audited financial statements of APPI and its subsidiary companies as at 31 December 2002 and on the assumption that the restructuring and flotation scheme as stated in Section 2.3 had been effected as at 31 December 2002.

	Note	APPI RM'000	Proforma Group RM'000
PROPERTY, PLANT AND EQUIPMENT	7.2	-	46,344
CURRENT ASSETS			
Inventories	7.3	-	8,339
Receivables	7.4	380	12,754
Cash and bank balances	7.5	#	3,488
		380	24,581
CURRENT LIABILITIES			
Payables	7.6	(389)	(7,536)
Provision for taxation		-	(343)
Proposed dividend		-	(5,005)
Bank borrowings	7.7	-	(3,599)
		(389)	(16,483)
NET CURRENT (LIABILITIES)/ASSETS		(9)	8,098
HIRE PURCHASE PAYABLES	7.8	-	(271)
DEFERRED TAXATION		-	(1,111)
		(9)	53,060
Financed by:			
SHARE CAPITAL	7.9	#	40,000
RESERVES	7.10	(9)	11,201
SHAREHOLDERS' FUNDS		(9)	51,201
RESERVE ON CONSOLIDATION	7.11	-	1,859
		(9)	53,060

Represents RM2.00

7. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

7.1 Significant Accounting Policies

(a) Basis of accounting

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

(b) Accounting convention

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain land and buildings.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of APPI and its subsidiary companies made up to the end of the financial year. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed of are included in the consolidated financial results from the date of acquisition up to the date of disposal. At the date of acquisition, the fair value of the net assets of subsidiary companies are determined and reflected in the consolidated financial statements. The difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets of the subsidiary companies at the date of acquisition is reflected as reserve on consolidation.

Inter-company balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

(d) Subsidiary company

Investment in subsidiary company is stated at cost unless in the opinion of the Directors, there has been a permanent diminution in value, in which case provision is made for the diminution in value.

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(e) Property, plant and equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation.

Freehold land and capital work-in-progress are not depreciated. Long leasehold land and buildings are amortised over their lease period of 99 years.

Other property, plant and equipment are depreciated on a straight-line method to write off the cost of assets to their residual values over their estimated useful lives at the following annual rates:

Buildings	2%-10%
Plant and machinery	10%
Office furniture, fittings and equipment	10%
Motor vehicles	10%-20%

The carrying amounts of assets are reviewed for impairment when there is an indication that the assets might be impaired.

(f) Inventories

Inventories comprising raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost is determined on the first-in first-out basis. Cost of finished goods and work-in-progress includes the cost of materials and incidentals incurred in bringing the inventories into store and for manufactured inventories it also includes labour and appropriate proportion of production overheads.

(g) Receivables

Bad debts are written off in the period in which they are identified and specific provision is made for debts considered to be doubtful of collection.

(h) Hire purchase plan

The cost of assets acquired under hire purchase agreements are capitalised on the same basis as property, plant and equipment and are depreciated in accordance with the policy set out in (e) above. Outstanding obligations due under hire-purchase agreements after deducting finance charges are included under hire-purchase payables.

Finance charges of hire purchase are charged to income statements over the period of the respective agreements so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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(i) Borrowing costs

Interest incurred on borrowings to finance the purchase and construction of property, plant and equipment is capitalised until the assets are ready for their intended use.

(j) Deferred taxation

Deferred taxation is provided under the liability method for all material timing differences except where there are indications that such timing differences will not reverse in the foreseeable future.

Deferred tax benefits are recognized only if there is a reasonable expectation of their realisation.

(k) Revenue recognition

Sales are recognized upon delivery of products and consumer acceptance, if any, net of sales taxes and discounts.

(l) Foreign currency

Transactions in foreign currencies are converted into Malaysian Ringgit at rates of exchange approximating those ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated into Malaysian Ringgit at rates of exchange approximating those ruling at the balance sheet date. Exchange differences are dealt with in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and 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.

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7.2 Property, Plant and Equipment

Proforma Group

	Freehold land and buildings RM'000	Long leasehold land and buildings RM'000	Capital work-in-progress RM'000	Plant and machinery RM'000	Office furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost/Valuation							
At cost	-	111	2,043	11,928	1,787	1,638	17,507
At valuation	20,462	15,118	-	-	-	-	35,580
Balance after the Acquisitions	20,462	15,229	2,043	11,928	1,787	1,638	53,087
Additions	826	-	-	1,180	50	47	2,103
Balance after the Acquisitions, Rights and Public Issues	21,288	15,229	2,043	13,108	1,837	1,685	55,190
Accumulated depreciation							
At cost	-	109	-	5,234	1,104	1,095	7,542
At valuation	578	726	-	-	-	-	1,304
Balance after the Acquisitions	578	835	-	5,234	1,104	1,095	8,846
Additions	-	-	-	-	-	-	-
Balance after the Acquisitions, Rights and Public Issues	578	835	-	5,234	1,104	1,095	8,846
Net book value							
At cost	-	2	2,043	6,694	683	543	9,965
At valuation	19,884	14,392	-	-	-	-	34,276
Balance after the Acquisitions	19,884	14,394	2,043	6,694	683	543	44,241
Additions	826	-	-	1,180	50	47	2,103
Balance after the Acquisitions, Rights and Public Issues	20,710	14,394	2,043	7,874	733	590	46,344

Included in the property, plant and equipment of the Proforma Group are plant and machinery and motor vehicles with net book value of RM226,100 and RM487,342 respectively held under hire purchase arrangement.

The net book values of property, plant and equipment pledged to financial institutions for banking facilities granted to the Proforma Group are as follows:

	RM'000
Freehold land and buildings	10,734
Long leasehold land and buildings	14,392
Plant and machinery	3,843
Capital work-in-progress	1,230
	30,199

Freehold land and buildings and long leasehold land and buildings shown at valuation were revalued by the directors on 31 December 2002 based on valuations carried out by independent firm of professional valuers on the open market value basis. The revaluation was carried out for the purpose of the restructuring. The tax effects in connection with the surplus arising from the revaluation are not disclosed as there is no foreseeable intention to dispose of these properties.

Included in the property, plant and equipment are the following fully depreciated assets which are still in use:

At cost:	RM'000
Factory building	97
Plant and machinery	1,359
Office furniture, fittings and equipment	661
Motor vehicles	608
	2,725

7.3 Inventories

	APPI RM'000	Proforma Group RM'000
At cost:		
Raw materials	-	676
Work-in-progress	-	470
Finished goods	-	7,193
	-	8,339

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7.4 Receivables

	APPI RM'000	Proforma Group RM'000
Trade receivables	-	10,806
Other receivables	-	1,021
Tax refundable	-	23
Deposits and prepayments	380	904
	380	12,754

7.5 Cash and Bank Balances

	APPI RM'000	Proforma Group RM'000
Balance as per audited financial statements	#	#
Arising from the Acquisitions		
Cash and bank balances	-	2,039
Fixed deposits with licensed banks	-	1,084
	-	3,123
Proceeds from Rights Issue	-	1,875
Proceeds from Public Issue	-	2,670
	#	7,668
Purchase of property, plant and equipment (Note 7.2)	-	(2,103)
Repayment of term loans (Note 7.7)	-	(277)
Payment of listing expenses	-	(1,800)
Balance after the Acquisitions, Rights and Public Issues	#	3,488

Represents RM2.00

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7.6 Payables

	APPI RM'000	Proforma Group RM'000
Trade payables	-	2,927
Other payables	389	1,614
Accruals	-	1,581
Hire purchase payables due within 12 months (Note 7.8)	-	205
Amount owing to directors	-	1,209
	389	7,536

Amount owing to directors are unsecured, interest free and have no fixed terms of repayment.

7.7 Bank Borrowings

	APPI RM'000	Proforma Group RM'000
Balance as per audited financial statements	-	-
Arising from the Acquisitions		
Term loans - Repayable within one year	-	158
Term loans - Repayable between one and five years	-	119
	-	277
Repayment from proceeds from Rights and Public Issues (Note 7.5)	-	(277)
	-	-
Bank borrowings due within 12 months		
Bankers' acceptances	-	2,208
Bank overdrafts	-	1,391
	-	3,599

The bank overdrafts, bankers' acceptances and term loans are secured by way of debentures, fixed and floating charges over certain land and buildings and other assets of APPI Group.

The bank borrowings bear interest, which vary at rates ranging from 8.30% to 9.90% per annum. Term loans are repayable on monthly basis.

7.8 Hire Purchase Payables

	APPI RM'000	Proforma Group RM'000
Future minimum payments:		
Payable within one year	-	246
Payable between one and five years	-	326
	-	572
Finance charges	-	(96)
	-	476
Representing hire purchase liabilities:		
Due within 12 months (Note 7.6)	-	205
Due after 12 months	-	271
	-	476

The hire purchase bears interest of 4.8% to 7.5% per annum.

7.9 Share Capital

	Number of ordinary shares of RM0.50 each		Amount	
	APPI '000	Proforma Group '000	APPI RM'000	Proforma Group RM'000
Authorised	200	100,000	100	50,000
Issued and fully paid				
As at 31 December 2002	*	*	#	#
Issued as consideration for the Acquisitions	-	71,799	-	35,900
Rights Issue	-	3,751	-	1,875
Public Issue	-	4,450	-	2,225
	*	80,000	#	40,000

* Represents 4 ordinary shares
\# Represents RM2.00

7.10 Reserves

	APPI RM'000	Proforma Group RM'000
Reserves comprise the following:		
Share premium arising from the Acquisitions	-	12,565
Share premium arising from the Public Issue	-	445
Accumulated losses	(9)	(9)
Less: Estimated listing expenses	-	(1,800)
	(9)	11,201

7.11 Reserve on consolidation

	Proforma Group RM'000
Arising from the Acquisition of subsidiary companies	1,859

7.12 Number of employees

The number of employees for the Proforma Group excluding directors at 31 December 2002 is 391.

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8. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of APPI Group is prepared for illustrative purposes only based on the audited financial statements of APPI and its subsidiary companies for the year ended 31 December 2002 and on the assumption that the restructuring and flotation scheme as stated in Section 2.3 and the utilisation of the proceeds had been effected as at 31 December 2002.

	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	8,909
Pre-acquisition profit of subsidiary companies	(8,912)
Operating loss before working capital changes	(3)
Increase in receivables	(123)
Decrease in payables	126
Net cash generated from operating activities	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of subsidiary companies, net of cash acquired *	1,732
Purchase of property, plant and equipment	(2,103)
Net cash used in investing activities	(371)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of term loans	(277)
Proceeds from Rights Issue	1,875
Proceeds from Public Issue	2,670
Payment of listing expenses	(1,800)
Net cash generated from financing activities	2,468
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,097
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	#
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,097
Cash and cash equivalents comprise:	
Cash and bank balances	2,404
Fixed deposits with licensed banks	1,084
	3,488
Bank overdrafts	(1,391)
	2,097

Represents RM2.00

* **Acquisition of subsidiary companies, net of cash acquired:**

	RM'000
Property, plant and equipment	44,241
Inventories	8,339
Receivables	12,374
Payables	(6,942)
Provision for taxation	(343)
Proposed dividend	(5,005)
Term loans	(277)
Hire purchase payables	(476)
Other bank borrowings	(2,208)
Deferred taxation	(1,111)
Fixed deposits with licensed banks	1,084
Cash and bank balances	2,039
Bank overdrafts	(1,391)
Net assets acquired	50,324
Reserve on consolidation	(1,859)
Total purchase consideration	48,465
Less: Consideration satisfied by shares issued	(48,465)
Less: Cash and cash equivalents acquired	1,732
Cash flow on acquisition of subsidiary companies	1,732

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9. PROFORMA NET TANGIBLE ASSETS COVER

Based on the statement of assets and liabilities of Proforma Group as at 31 December 2002, the NTA per ordinary share after incorporating the adjustments for Rights and Public Issues and estimated cost of flotation will be as follows:

Net Tangible Assets (NTA)

	RM'000
NTA of APPI Group as at 31 December 2002	50,315
Proceeds from Rights Issue	1,875
Proceeds from Public Issue	2,670
	54,860
Estimated cost of flotation	(1,800)
Proforma NTA	53,060

Share Capital	**Number of ordinary shares ('000) of RM0.50 each**
As at 31 December 2002	*
Issued as consideration for the Acquisitions	71,799
Rights Issue	3,751
Public Issue	4,450
Enlarged issued and paid up share capital	80,000
Proforma NTA per ordinary share of RM0.50 each before Rights and Public Issues	RM0.70
Proforma NTA per ordinary share of RM0.50 each after Rights and Public Issues	RM0.66

* Represents 4 ordinary shares

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10. EVENTS SUBSEQUENT TO BALANCE SHEET DATE AT 31 DECEMBER 2002

Based on the audited financial statements for the year ended 31 December 2002 and other than the declaration and payment of final dividend, the completion of the Acquisitions of subsidiary companies by APPI, and the Rights Issue as referred to in Section 2.3 (i) to (v), no events have arisen subsequent to the balance sheet date which require disclosure in this report.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2002.

Yours faithfully,

....
J. S. SOO & CO.
Firm Number: AF 0193
Chartered Accountants

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SOO JOO SEE
Approval Number: 1054/4/05(J)

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