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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of **Brite-Tech Berhad** will be held at Prince 8, Level 3, Prince Hotel & Residence Kuala Lumpur, Jalan Conlay, 50450 Kuala Lumpur on Tuesday, 10 June 2003 at 9.30 a.m. to transact the following business:-

AGENDA

Ordinary Business

1. To receive and consider the Audited Accounts for the financial year ended 31 December 2002 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To declare a final gross dividend of 1.11 sen per ordinary share, less income tax at 28%, in respect of the year ended 31 December 2002. **(Resolution 2)**
3. To approve the payment of Directors' fees for the year ended 31 December 2002. **(Resolution 3)**
4. To re-elect the following Directors who are retiring pursuant to Article 102 of the Articles of Association of the Company, and being eligible, offer themselves for re-election:-
 - a) Mr. Pang Wee See **(Resolution 4)**
 - b) Mr. Tan Boon Kok **(Resolution 5)**
 - c) Mr. Chan Ah Kien **(Resolution 6)**
 - d) Mr. Kan King Choy **(Resolution 7)**
 - e) Ir. Koh Thong How **(Resolution 8)**
 - f) Dr. Seow Pin Kwong **(Resolution 9)**
 - g) Mr. Cheng Sim Meng **(Resolution 10)**
5. To re-appoint S. F. Yap & Co as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 11)**

Special Business

6. To consider and, if thought fit, pass with or without modification, the following ordinary resolution:- **(Resolution 12)**

Authority Pursuant to Section 132D of the Companies Act, 1965 for the Directors to Issue Shares

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approvals of all the relevant authorities being obtained for such allotment and issue and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. To transact any other ordinary business of the Company of which due notice shall have been given.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that the final gross dividend of 1.11 sen per share less income tax in respect of the financial year ended 31 December 2002, if approved by the shareholders, will be paid on 22 August 2003 to shareholders whose names appear in the Register of Depositors at the close of business on 29 July 2003. A Depositor shall qualify for dividend entitlement only in respect of:-

- a) Shares transferred into Depositor's Securities Account before 4.00 p.m. on 29 July 2003 in respect of ordinary transfers;
- b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement according to the Rules of the Kuala Lumpur Stock Exchange.

By order of the Board

Yip Siew Yoong (MAICSA 0736484)
Leong Siew Kit (MACS 01215)
Company Secretaries

Kuala Lumpur
 19 May 2003

Notes:-

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. The instrument of appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office at 17 & 19, 2nd Floor, Jalan Brunei Barat, 55100 Kuala Lumpur, not less than 48 hours before the time appointed for holding the annual general meeting or any adjournment thereof.
5. Explanatory Note on Special Business – Resolution 12
 The proposed Ordinary Resolution under Special Business, if passed, will give the Directors of the Company authority to issue shares of the Company up to an amount not exceeding in total, 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

a) Director Standing for Re-election at the Second Annual General Meeting of the Company

The Directors retiring pursuant to Article 102 of the Company's Article of Association and seeking re-election are as follows:-

- Mr. Pang Wee See (Executive Chairman)
- Mr. Tan Boon Kok (Executive Director)
- Chan Ah Kien (Executive Director)
- Kan King Choy (Executive Director)
- Ir. Koh Thong How (Engineering Director)
- Dr. Seow Pin Kwong (Independent Non-Executive Director)
- Mr. Cheng Sim Meng (Independent Non-Executive Director)

Further details of the Directors who are standing for re-election at the Second Annual General Meeting are set out in the Profile of Directors on pages 6 to 8 of the Annual Report and information on their shareholdings are listed on page 56 of the Annual Report.

b) Details of Attendance of Directors at Board Meetings

Ten (10) Board meetings were held during the financial year from 1 January 2002 to 31 December 2002. Details of attendance of Directors at the Board meetings are as follows:-

| Name | Designation | Attendance |
|-----------------------|------------------------------------|------------|
| 1. Pang Wee See | Executive Chairman | 10/10 |
| 2. Tan Boon Kok | Executive Director | 10/10 |
| 3. Chan Ah Kien | Executive Director | 10/10 |
| 4. Kan King Choy | Executive Director | 10/10 |
| 5. Ir. Koh Thong How | Engineering Director | 10/10 |
| 6. Dr. Seow Pin Kwong | Independent Non-Executive Director | 10/10 |
| 7. Cheng Sim Meng | Independent Non-Executive Director | 10/10 |

c) Date, Time and Place of the Second Annual General Meeting

The Second Annual General Meeting of **Brite-Tech Berhad** will be held at Prince 8, Level 3, Prince Hotel & Residence Kuala Lumpur, Jalan Conlay, 50450 Kuala Lumpur on Tuesday, 10 June 2003 at 9.30 a.m.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- Pang Wee See** • Executive Chairman
- Tan Boon Kok** • Executive Director
- Chan Ah Kien** • Executive Director
- Kan King Choy** • Executive Director
- Ir. Koh Thong How** • Engineering Director
- Dr. Seow Pin Kwong** • Independent Non-Executive Director
- Cheng Sim Meng** • Independent Non-Executive Director
- Yee Oii Pah @ Yee Ooi Wah** • Alternate Director to Pang Wee See

AUDIT COMMITTEE

- Chairman**
- Dr. Seow Pin Kwong** • Independent Non-Executive Director
- Member**
- Cheng Sim Meng** • Independent Non-Executive Director
- Kan King Choy** • Executive Director

COMPANY SECRETARIES

- Yip Siew Yoong** • (MAICSA 0736484)
- Leong Siew Kit** • (MACS 01215)

REGISTERED OFFICE

17 & 19, 2nd Floor
Jalan Brunei Barat, Pudu
55100 Kuala Lumpur

AUDITORS

S. F. Yap & Co.
17 & 19, Jalan Brunei Barat
Off Jalan Pudu
55100 Kuala Lumpur

STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange
Mesdaq Market

SHARE REGISTRAR

Bina Management Sdn. Bhd.
Lot 10, The Highway Centre
Jalan 51/205, Petaling Jaya

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad

DIRECTORS' PROFILE

PANG WEE SEE

Pang Wee See, aged 51, is the Executive Chairman of BTB. He was appointed to the Board on 25 May 2002. He graduated from University Sains Malaysia with a Bachelor of Applied Science (Hons) majoring in Polymer Science in 1977. He started his career with Asia Tape Corporation Bhd as Chemist in 1978 and later was promoted to the position of Chemist cum Factory Manager. He then moved to Federal Rubber Products Co. Sdn Bhd as Production Manager in 1979. Subsequent to this, he and three partners set up BCSB in 1980. He left Federal Rubber Products in 1984 to manage BCSB and later expanded to set up HCSB, RCSB, SLSB, SLJSB and SLPSB. As a founder of BTB Group, his excellent entrepreneurial skills and more than 20 years of experience, have steered BTB Group to become an established and acclaimed total solution provider in water and wastewater treatment and laboratory services. He is also a Director of HCSB, SLSB, SLJSB, SLPSB and RCSB and also sits on the Board of other private companies.

Mr. Pang is the spouse of Madam Yee Oii Wah and brother-in-law of Ir. Koh Thong How. He has no conflict of interest with the Company and he has not been convicted for any offences in the past ten (10) years other than traffic offences, if any. He has attended all the ten (10) Board meetings of the Company for the financial year ended 31 December 2002.

TAN BOON KOK

Tan Boon Kok, aged 45, was appointed to the Board on 25 May 2002 as an Executive Director. Upon completion of his Form Six Level education in Tunku Abdul Rahman College in 1978, he joined Paloh Palm Oil Mill in 1979. The following year in 1980, he moved to Bukit Benut Palm Oil Mill and subsequently to Coronation Palm Oil Mill as Laboratory Conductor. He joined BCSB in 1983 as Sales Executive and later was promoted to Sales Manager in 1986. He has been with the Group for more than 17 years. Currently, he is responsible for the overall operations of RCSB and is responsible for the Group's diversification into rental of ion exchange resin columns and processed drinking water. He is also a Director of RCSB and SLJSB.

He does not have any family relationship with other Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences in the past ten (10) years other than traffic offences, if any. He has attended all the ten (10) Board meetings of the Company for the financial year ended 31 December 2002.

CHAN AH KIEN

Chan Ah Kien, aged 40, was appointed to the Board on 25 May 2002 as an Executive Director. He co-founded HCSB in 1987 and has been with the Group for more than 13 years. He had his education in Temerloh, Pahang and completed his Sijil Pelajaran Malaysia (SPM) in 1981. He built his experience since 1981 and rose through the ranks from technician, operations, marketing and to management level, involving in industrial wastewater treatment and scheduled waste disposal. He has accumulated more than 10 years experience in industrial wastewater treatment and over the years with HCSB, he is also exposed to new advance treatment technology through close working relationship with leading overseas wastewater treatment companies in USA and Europe. Currently, he is responsible for the overall operations of HCSB. He is also a Director of HCSB.

He does not have any family relationship with other Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences in the past ten (10) years other than traffic offences, if any. He has attended all the ten (10) Board meetings of the Company for the financial year ended 31 December 2002.

DIRECTORS' PROFILE (Cont'd)**KAN KING CHOY**

Kan King Choy, aged 41, was appointed to the Board as an Executive Director on 25 May 2002. He joined SLSB as a Manager of the laboratory in 1990 and has been with the Group for more than 10 years. He graduated from Tunku Abdul Rahman College with a Diploma in Science and a Bachelor of Science degree in Chemistry and Mathematics from Campbell University (U.S.A.) in 1985. After graduation, he joined Sailcos Laboratories Sdn. Bhd. in 1986 as a Chemist where he remained for 4 years, familiarising with the laboratory operations and the laboratory business in general. He was admitted as a Licentiate of the Institut Kimia Malaysia in 1988 and is a member of the Association of Official Analytical Chemists (AOAC). He is responsible for the overall operations of the laboratory division which encompasses SLSB, SLJSB and SLPSB. He is also a Director of SLSB, SLJSB and SLPSB.

He does not have any family relationship with other Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences in the past ten (10) years other than traffic offences, if any. He has attended all the ten (10) Board meetings of the Company for the financial year ended 31 December 2002. He is also a member of the Audit Committee of the Company.

IR. KOH THONG HOW

Ir. Koh Thong How, aged 48, was appointed to the Board as Engineering Director on 25 May 2002. He received a Technician Diploma from Singapore Polytechnic in 1977 and subsequently pursued his studies in United Kingdom to obtain a Bachelor of Science degree in Civil Engineering (Honours) from University of Dundee in 1980. He then furthered his studies in Asian Institute of Technology, Thailand to obtain his Master of Engineering degree in Structural Engineering and Construction in 1982. He started his career with Jurutera Konsultant (SEA) Sdn Bhd as Design Engineer in 1982 and later moved to S Chan Project Consultancy Services Sdn Bhd as Senior Engineer and was there until 1995. Thereafter he became the Technical Director (Civil & Structural) of Murray North (M) Sdn Bhd. In 1998, he left the company to venture into his own business, KP Perunding (Civil & Structural Consulting Engineers). He was admitted as a Corporate Member of the Institution of Engineers Malaysia ("IEM") in 1986 and was the Honorary Treasurer of IEM (Southern Branch) for 1988-89, 89-90 & 90-91 sessions and the Honorary Secretary of IEM (Southern Branch) for 1991-92, 92-93 & 93-94 sessions. He was registered as a Professional Engineer (Malaysia) in 1988. Since 1995, Ir. Koh Thong How has been providing advise as the engineering advisor for HCSB.

Ir. Koh is the brother-in-law of Pang Wee See. He has no conflict of interest with the Company and he has not been convicted for any offences in the past ten (10) years other than traffic offences, if any. He has attended all the ten (10) Board meetings of the Company for the financial year ended 31 December 2002.

DR. SEOW PIN KWONG

Dr. Seow Pin Kwong, aged 62, was appointed to the Board on 25 May 2002 as an Independent Non-Executive Director. He graduated from University of Malaya with a Bachelor of Science degree in Chemistry in 1967. He began his career as a teacher and subsequently pursued his studies in France to obtain a doctorate degree in Macromolecular Sciences. Upon completion of his studies, he served as a lecturer with Mara Institute of Technology in 1974 and then joined the Rubber Research Institute of Malaya ("RRIM") as Research Officer in 1975. He was seconded to Malaysian Rubber Producers' Research Association ("MRPRA") from 1979 to 1981 as Research Scientist and returned to RRIM in 1981. He was promoted to Senior Research Officer in 1984 and retired from RRIM in 1995 to join Thong Fook Plastics Industries as General Manager/Technical Adviser of Research & Development until 1997. Currently he is the Senior Technical Manager of MI Pipes (M) Sdn Bhd.

He does not have any family relationship with other Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences in the past ten (10) years other than traffic offences, if any. He has attended all the ten (10) Board meetings of the Company for the financial year ended 31 December 2002. He is currently the Chairman of the Audit Committee of the Company.

DIRECTORS' PROFILE (Cont'd)

CHENG SIM MENG

Cheng Sim Meng, aged 49, was appointed to the Board on 25 May 2002 as an Independent Non-Executive Director. Mr. Cheng is a Chartered Insurer. He is an Associate of the Chartered Insurance Institute (UK), Associate of the Malaysian Insurance Institute, Associate of the India Insurance Institute, Associate of the Chartered Institute of Arbitrators (UK), Associate of the Malaysian Institute of Management, and armed with a Masters degree in Business Administration from Universiti Putra Malaysia and holds various certificates in accounting. He was Associate of the Insurance Brokers Association of Malaysia and Member of the Malaysian Institute of Directors. Mr Cheng has also worked as a Research Associate during his tenure of his Masters in Business Administration studies. He is now pursuing his doctorate degree.

He has been in the insurance industry for more than twenty-nine years handling all aspects of general and life insurance in the areas of management, marketing, underwriting, claims, finance, investment, accounts & statistics, credit control, reinsurance, broking, net-working & distribution, training and leadership roles. He started his career as a clerk in a Life Insurance Company (1972-1974) and thereafter a credit controller in an general insurance company (1974-1975). He joined a local insurance company in 1975 as an accounts assistant. He assumed the position of Manager of an insurance broking company in 1978. Subsequently, he ventured into business of an insurance agency from 1982 and has remained so until 2001. Currently, he is a Senior Manager (Training) with a local insurance company.

Since 1982 he is involved on a part-time basis in education. He lectures and act as course leader with the Malaysian Insurance Institute on various courses & training aspects, public seminars and conferences as well as Lectures in TAR college, private institutes & colleges and financial institutions.

He does not have any family relationship with other Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for any offences in the past ten (10) years other than traffic offences, if any. He has attended all the ten (10) Board meetings of the Company for the financial year ended 31 December 2002. He is also a member of the Audit Committee of the Company.

MADAM YEE OII PAH @ YEE OOI WAH

Yee Oii Pah @ Yee Ooi Wah, aged 50, was appointed as an alternate Director to Pang Wee See on 25 May 2002. She obtained her Bachelor degree in Pharmacy (Hons) from Universiti Sains Malaysia in 1978. She is a registered pharmacist with the Malaysian Pharmacy Board and also a member of the Malaysian Pharmaceutical Society. Upon graduation, she underwent one year of pupillage training. In 1979, she joined Mediko Farmasi Sdn Bhd as a pharmacist. She has since accumulated over 20 years of professional experience and exposure in the pharmaceutical industry. She also sits on the Board of another private company.

Madam Yee is the spouse of Pang Wee See. She has no conflict of interest with the Company and she has not been convicted for any offences in the past ten (10) years other than traffic offences, if any.

Note:

| | | |
|-------|---|--|
| BTB | – | Brite-Tech Berhad |
| BCSB | – | Brite-Tech Corporation Sdn. Bhd. |
| HCSB | – | Hooker Chemical Sdn. Bhd. |
| RCSB | – | Rank Chemical Sdn. Bhd. |
| SLSB | – | Spectrum Laboratories Sdn. Bhd. |
| SLJSB | – | Spectrum Laboratories (Johore) Sdn. Bhd. |
| SLPSB | – | Spectrum Laboratories (Penang) Sdn. Bhd. |

EXECUTIVE CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I have the pleasure of presenting the Annual Report and Financial Statements of Brite-Tech Berhad Group for the financial year ending 31 December 2002.

FINANCIAL REVIEW

For the financial year ended 31 December 2002, the Group registered a pre-tax profit of RM4.29 million as compared to the previous year's pre-tax profit of RM6.04 million while the Group's turnover decreased from RM15.553 million in 2001 to RM12.971 million in 2002. The decrease in performance was mainly due to the deferment of projects as prospective clients and businesses remain cautious in their spending as a result of worries of the threat of war and of the global economic uncertainties.

DIVIDENDS

As a recognition of your continuous support, the Board is pleased to recommend a final gross dividend of 1.11 sen per share less income tax for approval at the forthcoming Annual General Meeting.

PROSPECTS

The year ahead remains a very challenging year due to the uncertain global economy and difficult business conditions. The performance of the Group for the next year is likely to be weaker in view of the continued slowing down of the global economy as well as subdued recovery in the general industries, in particular the semiconductor industry. The Group will concentrate on its core competencies as well as to look into related areas of business.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to the management and staff for their hard work and contribution to the Group; our shareholders, all regulatory authorities, bankers, customers and business associates for their co-operation and support. Finally, I would like to express my sincere appreciation and gratitude to my fellow directors for their invaluable contributions and support.

Pang Wee See
Executive Chairman
12 May 2003

CORPORATE GOVERNANCE STATEMENT

The Board of Directors recognises the importance of good corporate governance in the conduct of the business and affairs of the Group. The Board is committed to support the recommendations of the Malaysian Code on Corporate Governance ("the Code") and is pleased to report to the shareholders on how the Group has applied the principles of the Code and the extent of compliance with best practices of good governance to the recommendations of the Code.

1. DIRECTORS

a) Board Composition

The Board currently consists of seven (7) members, comprising an Executive Chairman, three (3) Executive Directors, one (1) Engineering Director and two (2) Independent Non-Executive Directors.

b) Board Meetings

The Board meets every quarter and additional meetings are held as and when necessary. The Board met ten (10) times during the year ended 31 December 2002. Details of each Directors' attendance at Board meetings are set out in the Statement Accompanying Notice Of Annual General Meeting.

c) Supply of Information

All Directors are provided with an agenda and information necessary for them to review prior to Board meetings. The Board reports are normally issued in sufficient time to all Directors in order for the Directors to be well informed and understand the issues to be discussed. All Directors have unrestricted access to the advice and services of the Company Secretaries and where necessary, in order to discharge their duties, obtain independent professional advice at the Company's expense.

d) Retirement and Re-election of Directors

In accordance with the Company's Articles of Association, at least one third of the Directors shall retire by rotation from office at least once in every three (3) years and offer themselves for re-election. All Directors who are appointed by the Board shall subject themselves for re-election by shareholders at the next Annual General Meeting immediately after their appointment.

e) Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia, an affiliate company of the Kuala Lumpur Stock Exchange (KLSE) and intends to attend the Continuing Education Programme (CEP) prescribed by KLSE from time to time.

2. DIRECTORS' REMUNERATION

The Group's remuneration scheme for Executive Directors is linked to performance, seniority, experience and scope of responsibility and is benchmarked to market/industry practises. For Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by them.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

The number of directors whose aggregate remuneration during the financial year ending 31 December 2002 which falls within the following bands is as follows:-

| Band of remuneration | Executive directors | Non-executive directors |
|-----------------------|---------------------|-------------------------|
| RM 50,000 and below | – | 3 |
| RM 50,001 – RM100,000 | – | – |
| RM100,001 – RM150,000 | 3 | – |
| RM150,001 – RM200,000 | – | – |
| RM200,001 and above | 1 | – |

The Board do not consider it appropriate to disclose the remuneration of each individual Director so as to preserve a degree of privacy.

3. BOARD COMMITTEES

a) Audit Committee

The composition and the terms of reference of the Audit Committee are set out in the Audit Committee Report on page 13 of this Annual Report.

b) Remuneration Committee

The Board has set up the Remuneration Committee comprising of the following members:-

| | | |
|----------|----------------------|---|
| Chairman | : Dr. Seow Pin Kwong | <i>(Independent Non-Executive Director)</i> |
| Members | : Cheng Sim Meng | <i>(Independent Non-Executive Director)</i> |
| | Kan King Choy | <i>(Executive Director)</i> |

The Committee's roles include making recommendations to the Board on the remuneration framework for Executive Directors of the Group as well as reviewing and recommending annual remuneration adjustments of the Executive Directors, where necessary, with the emphasis being placed on performance and comparability with market practises and the performance of the Group.

The Board, as a whole, determines the remuneration of the Executive and Non-Executive Directors and the individual Director is required to abstain from discussing his own remuneration.

c) Nomination Committee

The Board has set up the Nomination Committee comprising of the following members:-

| | | |
|----------|----------------------|---|
| Chairman | : Dr. Seow Pin Kwong | <i>(Independent Non-Executive Director)</i> |
| Members | : Cheng Sim Meng | <i>(Independent Non-Executive Director)</i> |
| | Kan King Choy | <i>(Executive Director)</i> |

The Committee's role include review and recommending of candidates to the Board for directorships and seats of Board committees. The Committee is also responsible for assessing the effectiveness of the Board and the various committees of the Board as a whole, and contribution of all members of the Board. It also reviews the appropriate Board balance and size, and that the Board has the required mix of expertise, skills and experience.

4. ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board of Directors aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects through the annual financial statements, quarterly announcements to shareholders as well as Chairman's Statement and Financial Review in the Annual Report. In this respect, the Audit Committee assists the Board by overseeing the Group's financial reporting processes and the quality of the financial reporting.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

b) Internal Control

The Statement of Internal Control is set out in page 16 of the Annual Report.

c) Relationship with the Auditors

The Board has established a transparent relationship with the external auditors through the Audit Committee, which has been accorded the power to communicate directly with the external auditors, towards ensuring compliance with the accounting standards and other related regulatory requirements.

5. RELATIONSHIP WITH SHAREHOLDERS

The Group recognises the importance of regular communication with shareholders through timely dissemination of information via the distribution of the annual reports and relevant circulars to shareholders, quarterly financial reports and the various announcements made during the year, through which shareholders can have an overview of the Group's performance.

In addition, the Annual General Meeting ("AGM") provides an opportunity for the shareholders to seek and clarify any matter pertaining to the business and financial performance of the Group. The Board encourage shareholders to attend and participate in the AGM held annually.

6. STATEMENT OF COMPLIANCE WITH THE CODE

The Group endeavours, in so far as it is applicable, towards achieving compliance with the best practices of good governance to the recommendations of the Malaysian Code on Corporate Governance.

7. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company and of their results and cash flows for the year.

In the preparation of the financial statements for the year ended 31 December 2002, the Directors are satisfied that the Group has used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgement and estimates.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records, which disclose with reasonable accuracy the financial position of the Group and the Company and to take steps to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

AUDIT COMMITTEE REPORT

1. COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

The Audit Committee currently comprises the following members:-

| | | |
|----------|----------------------|---|
| Chairman | : Dr. Seow Pin Kwong | <i>(Independent Non-Executive Director)</i> |
| Members | : Cheng Sim Meng | <i>(Independent Non-Executive Director)</i> |
| | Kan King Choy | <i>(Executive Director)</i> |

2. TERMS OF REFERENCE

a) Constitution

The Audit Committee was established on 27 May 2002.

b) Composition of Audit Committee

The Audit Committee shall be appointed by the Board of Directors from amongst their members and shall consist of at least three (3) Directors, the majority of whom are independent. The members of the Audit Committee shall elect a Chairman from amongst its members who shall be an Independent Non-Executive Director. The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every three years to determine whether the Audit Committee has carried out their duties according with their terms of reference.

c) Meetings

The Audit Committee shall meet not less than four (4) times per year and as and when necessary. The quorum of each meeting shall be a minimum of two (2) members of which the majority must be Independent Non-Executive Directors. The presence of external auditors can be requested if required while other members of the Board and employees may attend the meeting upon the invitation of the Committee. The secretary to the Audit Committee shall be the Company Secretary and minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Audit Committee shall report on each meeting to the Board.

d) Authority

The Audit Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference. The Committee shall have unrestricted access to information, records, properties and personnel of the Company and has direct communication channels with the external auditors and person(s) carrying out the internal audit function. The Committee shall have all the resources it needs to perform its duties at the cost of the Company including the right to appoint independent professionals to advise the Committee.

Notwithstanding the above, the Committee does not have executive powers, and shall report to the Board on matters considered and its recommendations thereon, pertaining to the Company.

AUDIT COMMITTEE REPORT (Cont'd)

e) Duties and Responsibility

The duties and responsibilities of the Audit Committee shall include the following:-

- (i) To consider and recommend the appointment of the external auditors, their audit fees and any questions of resignation or dismissal to the Board.
- (ii) To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their audit reports.
- (iii) To review the quarterly and annual financial statements of the Company, before submission to the Board, focusing in particular on the going concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgement issues.
- (iv) To discuss problems and reservation arising from the interim and final audits and any matter the auditor may wish to discuss in the absence of the management, if necessary.
- (v) Where an internal audit function exists:-
 - review the internal audit programme and results of the internal audit process;
 - review the follow-up actions by the management on the weakness of internal accounting procedures and controls;
 - review the assistance and co-operation given by the Company and its officers to the external and internal auditors;
 - review any appraisal or assessment of the performance of staff of the internal audit function, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgement issues.;
 - approve any appointment or termination of senior staff members of the internal audit functions;
 - be informed of any resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (vi) To consider and review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company and the Group.
- (vii) To consider other topics and subjects as may be defined and directed by the Board from time and time.

AUDIT COMMITTEE REPORT (Cont'd)

3. SUMMARY OF ACTIVITIES

The Audit Committee met three (3) times during the financial year ended 31 December 2002. All members of the Committee attended the meetings during the year.

During the financial year ended 31 December 2002, the Audit Committee reviewed the quarterly and annual financial statements of the Group prior to presentation for the Board for approval

4. INTERNAL AUDIT FUNCTION

Presently, the Group does not have an internal audit department and the Audit Committee relied on discussions with the management and executive directors, review of quarterly financial statements and input from the external auditors to discharge its duties. The Committee has recommended to the Board to outsource the internal audit function to an independent professional services firm within the coming financial year.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholder's investments and the Group's assets. Below is the Board of Directors' Statement on Internal Control which has been prepared with reference to the KLSE's "Statement on Internal Control: Guidance for Directors of Public Listed Companies".

RESPONSIBILITIES

The Board of Directors recognises the importance of a sound system of internal control and effective risk management practises to good corporate governance. The Board affirms its overall responsibility and reviews the adequacy and integrity of these system of internal control. However, it is recognised that such system is designed to manage rather than eliminate risk and improve the governance process. Hence, it is recognised that the evaluation and implementation of the system can only provide reasonable, and not absolute, assurance against any material loss occurrence.

RISK MANAGEMENT

The Board recognises that to ensure the review process for identifying, evaluating and managing the significant risks affecting the Group, the internal control procedures with clear lines of accountability and delegated authority has to be established. Presently, the Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. Throughout the financial year, the Board has evaluated and managed the significant risks faced by the Group through monitoring of the Group's operational efficiency as well as its profitability at Board meetings.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to carry on the business of holding company. The principal activities of the subsidiary companies are as set out in Note 7 in the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

| | Group RM | Company RM |
|--|-------------|---------------|
| Net profit after taxation for the year | 3,010,078 | 1,228,902 |

DIVIDEND

The Directors proposed a final gross dividend on ordinary shares of 1.11sen per share, less tax, amounting to RM1,198,800 in respect of the financial year ended 31 December 2002 subject to approval of the members at the forthcoming Annual General Meeting.

MOVEMENTS ON RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM2 to RM15,000,000 by way of:-

- i) Allotment and issuance of 112,499,980 new ordinary shares of RM0.10 each at an issue price of approximately RM0.10 per ordinary share to finance the acquisitions of Brite-Tech Corporation Sdn. Bhd., Hooker Chemical Sdn. Bhd., Rank Chemical Sdn. Bhd., Spectrum Laboratories Sdn. Bhd., Spectrum Laboratories (Johore) Sdn. Bhd., and Spectrum Laboratories (Penang) Sdn. Bhd..
- ii) Allotment and issuance of 30,100,000 new ordinary shares of RM0.10 each at a placement price of RM0.35 per ordinary share through placement.
- iii) Allotment and issuance of 7,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.35 per ordinary share through a public issue.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

The Group and the Company has not issued any debentures during the financial year.

DIRECTORS' REPORT (Cont'd)

DIRECTORS OF THE COMPANY

Directors who held office during the year since the date of the last report are as follows:-

| | |
|--|--------------------------------|
| HEMA LATHA A/P SINNAKAUNDAN (F) (<i>First Director</i>) | (Resigned w.e.f. 26 May 2002) |
| AMARJIT KAUR A/P SARBAN SINGH (F) (<i>First Director</i>) | (Resigned w.e.f. 26 May 2002) |
| PANG WEE SEE | (Appointed w.e.f. 25 May 2002) |
| TAN BOON KOK | (Appointed w.e.f. 25 May 2002) |
| CHAN AH KIEN | (Appointed w.e.f. 25 May 2002) |
| KAN KING CHOY | (Appointed w.e.f. 25 May 2002) |
| IR. KOH THONG HOW | (Appointed w.e.f. 25 May 2002) |
| DR. SEOW PIN KWONG | (Appointed w.e.f. 25 May 2002) |
| CHENG SIM MENG | (Appointed w.e.f. 25 May 2002) |
| YEE OII PAH @ YEE OOI WAH (F) (<i>Alternate director to Pang Wee See</i>) | (Appointed w.e.f. 25 May 2002) |

In accordance with Article 102 of the Company's Articles of Association, all Directors retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interest of Directors in office at the end of the financial year in the ordinary shares of the Company are as follows:-

| Shares in the Company | Number of ordinary shares of RM0.10 each | | | Balance at 31/12/2002 |
|--|--|------------|------|-----------------------|
| | Balance at 1/1/2002 date of appointment | Bought | Sold | |
| Direct interest | | | | |
| Pang Wee See | – | 71,852,894 | – | 71,852,894 |
| Tan Boon Kok | – | 16,222,978 | – | 16,222,978 |
| Chan Ah Kien | – | 16,481,826 | – | 16,481,826 |
| Kan King Choy | – | 6,658,858 | – | 6,658,858 |
| Ir. Koh Thong How | – | 290,000 | – | 290,000 |
| Dr. Seow Pin Kwong | – | 260,000 | – | 260,000 |
| Yee Oii Pah @ Yee Ooi Wah (<i>Alternate director to Pang Wee See</i>) | – | 290,000 | – | 290,000 |

By virtue of their interest in shares in the Company, all the abovenamed directors are deemed to be interested in shares in the subsidiary companies to the extent that the Company has an interest.

Other than disclosed above, none of the directors in office at the end of the financial year held any shares in any related corporation.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than those included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

BAD AND DOUBTFUL DEBTS

Before the income statements and the balance sheets were made out, the Directors took reasonable steps to ascertain that action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and the balance sheets were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realize in the ordinary course of business their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected to realize.

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- a) any charge on the assets of the Group and of the Company, which has arisen since the end of the financial year which secures the liabilities of any other person, or
- b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the liability of the Group and of the Company to meet their obligations when they fall due.

DIRECTORS' REPORT (Cont'd)

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements which would render any amounts stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year ended 31 December 2002 were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

SIGNIFICANT EVENTS DURING THE YEAR

(a) Authorised and Paid-up Share capital

On 23 May 2002, the Company's authorised share capital was split from 125,000,000 ordinary shares of RM0.20 each into 250,000,000 ordinary shares of RM0.10 each; and paid-up share capital was split from 10 ordinary shares of RM0.20 each into 20 ordinary shares of RM0.10 each.

(b) In conjunction with the listing and quotation of the shares of the Company on the MESDAQ Market of the KLSE, the restructuring and flotation scheme were as follows:-

i) Acquisition of Subsidiary Companies

Acquisition by the Company of the issued and paid-up share capital of the following companies:-

- (a) 686,628 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Brite-Tech Corporation Sdn. Bhd. for a total purchase consideration of RM4,381,267 satisfied by the issuance of 42,574,226 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
- (b) 330,900 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Hooker Chemical Sdn. Bhd. for a total purchase consideration of RM2,817,206 satisfied by the issuance of 27,375,728 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
- (c) 547,506 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Rank Chemical Sdn. Bhd. for a total purchase consideration of RM1,425,724 satisfied by the issuance of 13,854,232 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
- (d) 300,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Spectrum Laboratories Sdn. Bhd. for a total purchase consideration of RM1,876,599 satisfied by the issuance of 18,235,532 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
- (e) 233,100 ordinary shares of RM1.00 each representing approximately 70.64% of the issued and paid-up share capital of Spectrum Laboratories (Johore) Sdn. Bhd. for a total purchase consideration of RM668,324 satisfied by the issuance of 6,494,318 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share; and
- (f) 188,800 ordinary shares of RM1.00 each representing approximately 70.24% of the issued and paid-up share capital of Spectrum Laboratories (Penang) Sdn. Bhd. for a total purchase consideration of RM408,131 satisfied by the issuance of 3,965,944 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share.

DIRECTORS' REPORT (Cont'd)**ii) Placement**

Placement of 30,100,000 new ordinary shares of RM0.10 each at a placement price of RM0.35 per ordinary share.

iii) Public Issue

Public issue of 7,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.35 per ordinary share.

iv) Listing on MESDAQ Market of the KLSE

Listing and quotation of the enlarged issued and paid-up share capital of the Company totaling RM15,000,000 comprising 150,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the KLSE on 30 July 2002.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to effect substantially the results of the operations of the Group and of the Company for the financial year in which the report is made, other than as stated in note 38 in the notes to the financial statements.

OPTIONS

No options has been granted during the year ended covered by the income statement to take up unissued shares of the Group and of the Company.

AUDITORS

The retiring auditors, MESSRS S.F.YAP & CO., have indicated their willingness to be re-appointed in accordance with section 172(2) of the Companies Act, 1965.

Signed on behalf of the Board of Directors
in accordance with a resolution the Directors

PANG WEE SEE
Director

KAN KING CHOY
Director

Kuala Lumpur
28 April 2003

STATUTORY DECLARATION

PURSUANT TO SUB-SECTION (16) OF SECTION 169 OF THE COMPANIES ACT, 1965

I, PANG WEE SEE, the Director primarily responsible for the financial management of BRITE-TECH BERHAD, do solemnly and sincerely declare that the accompanying financial statements of the Group and of the Company as set out on pages 25 to 55 are to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at Kuala Lumpur)
in the State of Federal Territory on)
this 28 day of April 2003)

Before me,

CHAN LEONG CHOI
Commissioner for Oaths
No. W309

STATEMENT OF DIRECTORS

PURSUANT TO SUB-SECTION (15) OF SECTION 169 OF THE COMPANIES ACT, 1965

We, the undersigned, being two Directors of BRITE-TECH BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements of the Group and of the Company as set out on pages 25 to 55 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2002 and of the results of their operations and cash flows of the Group and of the Company for the year ended on that date.

On behalf of the Board,

PANG WEE SEE
Director

KAN KING CHOY
Director

28 April 2003

REPORT OF THE AUDITORS

TO THE MEMBERS OF BRITE-TECH BERHAD

We have audited the financial statements as set out on pages 25 to 55. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - i) the state of affairs of the Group and of the Company as at 31 December 2002 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

S.F. YAP & CO.

No. AF 0055

Chartered Accountants

YAP SEONG FATT

No. 398 / 04 / 04 (J)

Chartered Accountants

Kuala Lumpur
28 April 2003

FINANCIAL STATEMENTS

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Statements of Changes in Equity **27**

Cash Flow Statements **28**

Notes to the Financial Statements **29 - 55**

BALANCE SHEETS

AS AT 31 DECEMBER 2002

| | Note | Group 2002 RM | Company 2002 RM | 2001 RM |
|---|------|---------------------|-----------------------|------------|
| PROPERTY, PLANT AND EQUIPMENT | 6 | 12,826,950 | 29,666 | – |
| INVESTMENT IN SUBSIDIARY COMPANIES | 7 | – | 11,577,251 | – |
| INVESTMENT IN ASSOCIATED COMPANY | 8 | – | – | – |
| OTHER INVESTMENTS | 9 | 20,000 | – | – |
| CURRENT ASSETS | | | | |
| Inventories | 10 | 1,025,708 | – | – |
| Trade receivables | 11 | 5,072,402 | – | – |
| Other receivables, deposits and prepayments | 12 | 1,001,436 | 2,500 | – |
| Amount due from subsidiary companies | 13 | – | 9,269,153 | – |
| Amount due from associated company | 14 | 3,006 | – | – |
| Fixed deposits | 15 | 9,291,508 | 3,280,057 | – |
| Cash and bank balances | 16 | 769,062 | 92,543 | 2 |
| | | 17,163,122 | 12,644,253 | 2 |
| CURRENT LIABILITIES | | | | |
| Amount due to contract customers | 17 | 175,418 | – | – |
| Trade payables | 18 | 1,079,693 | – | – |
| Other payables and accruals | 19 | 478,659 | 11,753 | 393,905 |
| Amount due to directors | 20 | 90,658 | – | – |
| Borrowings | 21 | 438,343 | – | – |
| Provision for taxation | | 222,328 | 17,243 | – |
| | | 2,485,099 | 28,996 | 393,905 |
| NET CURRENT ASSETS/(LIABILITIES) | | 14,678,023 | 12,615,257 | (393,903) |
| DEFERRED EXPENDITURE | 25 | – | – | 367,453 |
| | | 27,524,973 | 24,222,174 | (26,450) |
| FINANCED BY:- | | | | |
| SHARE CAPITAL | 22 | 15,000,000 | 15,000,000 | 2 |
| RESERVES | 23 | 10,977,073 | 9,221,746 | (26,452) |
| SHAREHOLDERS' EQUITY | | 25,977,073 | 24,221,746 | (26,450) |
| LONG TERM AND DEFERRED LIABILITIES | | | | |
| Deferred tax liabilities | 24 | 177,421 | 428 | – |
| Borrowings | 21 | 1,370,479 | – | – |
| | | 27,524,973 | 24,222,174 | (26,450) |

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

| | Note | Group 2002 RM | Company 2002 RM | 2001 RM |
|--|------|---------------------|-----------------------|------------|
| REVENUE | 26 | 12,971,217 | 1,629,846 | – |
| Cost of sales | | (4,786,771) | – | – |
| GROSS PROFIT | | 8,184,446 | 1,629,846 | – |
| Other operating income | | 153,330 | 110,243 | – |
| Administrative and other operating expenses | | (4,123,898) | (31,159) | (26,452) |
| PROFIT/(LOSS) FROM OPERATIONS | | 4,213,878 | 1,708,930 | (26,452) |
| Interest income | | 187,138 | – | – |
| Finance costs | | (110,747) | – | – |
| NET PROFIT/(LOSS) BEFORE TAXATION | 27 | 4,290,269 | 1,708,930 | (26,452) |
| Taxation | 29 | (1,280,191) | (480,028) | – |
| NET PROFIT/(LOSS) AFTER TAXATION FOR THE YEAR | | 3,010,078 | 1,228,902 | (26,452) |
| EARNINGS PER ORDINARY SHARE (SEN) | 30 | 3.52 | 1.44 | – |

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2002

| Group | Note | Issued and fully paid ordinary shares of RM0.10 each RM | Non-distributable Share premium RM | Reserve on consolidation RM | Distributable retained profits RM | Total RM |
|---|------|--|---|-----------------------------------|--|-------------|
| Balance upon consolidation | | 2 | – | – | (26,452) | (26,450) |
| Issue of 112,499,980 ordinary shares of RM0.10 each pursuant to acquisitions of subsidiary companies | | 11,249,998 | 327,253 | – | – | 11,577,251 |
| Dividends in respect of financial year ended 31 December 2001 paid to their respective shareholders | 36 | – | – | – | (856,996) | (856,996) |
| Reserve on consolidation | | – | – | 831,147 | – | 831,147 |
| Placement issue of 30,100,000 new ordinary shares of RM0.10 each at an issue price of RM0.35 per share | | 3,010,000 | 7,525,000 | – | – | 10,535,000 |
| Public issue of 7,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.35 per share (listing expenses of RM1,682,957 deducted from share premium) | | 740,000 | 167,043 | – | – | 907,043 |
| Net profit after taxation for the year | | – | – | – | 3,010,078 | 3,010,078 |
| Balance as at 31 December 2002 | | 15,000,000 | 8,019,296 | 831,147 | 2,126,630 | 25,977,073 |

| Company | Issued and fully paid ordinary shares of RM0.10 each RM | Non- distributable share premium RM | Distributable retained profits RM | Total RM |
|--|--|---|--|-------------|
| Balance as at 14 June 2001 | 2 | – | – | 2 |
| Net loss after taxation for the period | – | – | (26,452) | (26,452) |
| Balance as at 31 December 2001 | 2 | – | (26,452) | (26,450) |
| Issue of 112,499,980 ordinary shares of RM0.10 each pursuant to acquisitions of subsidiary companies | 11,249,998 | 327,253 | – | 11,577,251 |
| Placement issue of 30,100,000 new ordinary shares of RM0.10 each at an issue price of RM0.35 per share | 3,010,000 | 7,525,000 | – | 10,535,000 |
| Public issue of 7,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.35 per share (listing expenses of RM1,682,957 deducted from share premium) | 740,000 | 167,043 | – | 907,043 |
| Net profit after taxation for the year | – | – | 1,228,902 | 1,228,902 |
| Balance as at 31 December 2002 | 15,000,000 | 8,019,296 | 1,202,450 | 24,221,746 |

CASH FLOW OPERATING ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2002

| | Note | Group 2002 RM | Company 2002 RM | 2001 RM |
|---|------|---------------------|-----------------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net profit/(loss) before taxation | | 4,290,269 | 1,708,930 | (26,452) |
| Adjustments for:- | | | | |
| Depreciation on property, plant and equipment | | 640,553 | 3,296 | — |
| Gain on disposal of property, plant and equipment | | (5,214) | — | — |
| Property, plant and equipment written off | | 5,161 | — | — |
| Interest income | | (187,138) | (110,243) | — |
| Interest expenses | | 110,747 | — | — |
| Bad debts written off | | 10,556 | — | — |
| Allowance for doubtful debt | | 75,957 | — | — |
| Dividend income | | — | — | — |
| Dividend paid | | — | — | — |
| Operating profit/(loss) before changes in working capital | | 4,940,891 | 1,601,983 | (26,452) |
| Changes in working capital:- | | | | |
| Inventories | | (9,206) | — | — |
| Receivables | | 882,896 | (9,271,653) | — |
| Payables | | (3,881,593) | (382,152) | 393,905 |
| Cash generated from/(absorbed by) operations | | 1,932,988 | (8,051,822) | 367,453 |
| Interest paid | | (110,747) | — | — |
| Income tax paid | | (2,825,881) | (462,357) | — |
| Net cash from/(used in) operating activities | | (1,003,640) | (8,514,179) | 367,453 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisition of subsidiary companies net of cash acquired | 37 | 2,766,041 | — | — |
| Interest received | | 187,138 | 110,243 | — |
| Purchase of property, plant & equipment | 31 | (1,790,971) | (32,962) | — |
| Proceeds from disposal of property, plant and equipment | | 10,500 | — | — |
| Deferred expenditure | | 367,453 | 367,453 | (367,453) |
| Net cash from/(used in) investing activities | | 1,540,161 | 444,734 | (367,453) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of borrowings | | (1,094,983) | — | — |
| Dividend paid | | (856,996) | — | — |
| Proceeds from issue of shares | | 3,750,000 | 3,750,000 | 2 |
| Proceeds from issue of share premium | | 7,692,043 | 7,692,043 | — |
| Net cash from financing activities | | 9,490,064 | 11,442,043 | 2 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 10,026,585 | 3,372,598 | 2 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 2 | 2 | — |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 32 | 10,026,587 | 3,372,600 | 2 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is at 2nd Floor, No. 17 & 19, Jalan Brunei Barat, Pudu, 55100 Kuala Lumpur.

The principal place of business of the Company is at Lot 14 (PT 5015), Jalan Pendamar 27/90, Seksyen 27, 40000 Shah Alam.

The financial statements are presented in Ringgit Malaysia.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is to carry on the business of holding company. The principal activities of the subsidiary companies are described in Note 7 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company as set out on pages 25 to 55 have been prepared in accordance with applicable approved accounting standards in Malaysia and provisions of the Companies Act, 1965.

The Group and the Company have also complied with the accounting standard MASB 25 on treatment of Income Taxes issued by the Malaysian Accounting Standards Board before its effective date.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy for managing each of these risks are set out as follows:-

a) Foreign Currency Risk

The Group incur foreign currency risk on the sales, purchases and investments that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk is primarily the US dollars and Euro Currency.

Given the government's peg at present, no hedging of these exposures by purchasing forward currency contracts was done. The Group ensure that net exposure to foreign currency risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

b) Interest Rate Risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

c) Credit Risk

The carrying amount of trade and other receivables, and cash deposits represent the Group's maximum exposure to credit risk. The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. This is done through reference to published credit ratings by prime financial institutions. In the absence of published ratings, an internal credit review is conducted if the credit risk is material.

Cash is deposited with financial institutions with good credit ratings.

At the balance sheet date, there were no significant concentrations of credit risks.

d) Liquidity and Cash Flow Risks

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets or the Group and flexible, cost-effective borrowing structure. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

a) Basis of Accounting

- (i) The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified by the revaluation of certain freehold land and buildings and leasehold land), unless otherwise indicated in this summary of significant accounting policies.
- (ii) The preparation of the financial statements in conformity with the applicable approved accounting standards and the provisions of the Companies Act, 1965 require the Directors to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial period. Actual results could differ from those estimates.

b) Basis of Consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies which have been prepared in accordance with the Group's accounting policies.

The subsidiary companies are consolidated using the acquisition method. Under the acquisition method, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the date on which control is transferred to the Group and are no longer consolidated from the date control ceases.

Goodwill or reserve on consolidation represents the difference between the acquisition cost of shares in the subsidiary companies and the fair value of attributable net assets acquired at the date of acquisition. Reserve on consolidation (net of goodwill arising on consolidation) is retained in the consolidated financial statements.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition and exchange differences.

All significant inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

c) Investments

(i) *Subsidiary Companies*

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investment in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

(ii) *Associated Companies*

Associated companies are companies in which the Group and the Company have a long term equity interest of between 20% to 50% and where the Group and the Company is in a position to exercise significant influence over the financial and operating policies of the investee company.

The Group's investment in associated companies is stated at cost less impairment losses, if any. Investment in associated companies are accounted for in the consolidated financial statements using the equity method. The Group's interests in associated companies are stated at cost plus adjustments to reflect changes in the Group's share of profits and losses in the associated companies.

Goodwill or negative goodwill arising on acquisition represents the difference between the cost of investment and the Group's share of the value of net assets of the associated companies at the date of acquisition.

The Group's share of results and reserves in the associated companies acquired or disposed of are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

(iii) *Other Investments*

Investments in other non-current investments are stated at cost and an allowance for diminution is made where, in the opinion of the Directors, there is a decline other than temporary, in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

d) Property, Plant and Equipment

The gross carrying amounts of property, plant and equipment are initially measured at cost. Land and buildings which have been subsequently revalued, are stated at valuation less accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Land and buildings are revalued at a regular interval of at least once in every five years.

Surplus arising from such valuations is credited to shareholders' equity as a revaluation surplus and any subsequent deficit is charged against such surplus to the extent that the decrease offsets any increase. In all other cases, the deficit will be charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated to write off the costs of the assets on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:-

| | Rate % |
|---|-------------------|
| Leasehold land and freehold buildings | 1 - 2 |
| Electrical fittings | 5 - 10 |
| Motor vehicles | 10 - 25 |
| Furniture & fittings, tools, office & store equipment | 5 - 20 |
| Laboratory, demo equipment, R & D equipment and machinery | 10 |
| Renovation | 10 - 20 |

No depreciation is provided for on site equipment in progress as it is still under commissioning and it is expected to be completed in the next financial year end.

Property, plant and equipment are written down to recoverable amount if, the recoverable amount is less than their carrying value. Recoverable amount is the higher of an asset's net selling price and its value in use.

e) Impairment of Assets

The carrying amount of the Group's and Company's assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same assets with the excess of the impairment loss charged to the income statement. All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued assets where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

f) Inventories

Inventories comprising raw materials, finished goods and laboratory supplies are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items.

Cost is determined on a first-in-first-out basis and comprise purchase price plus cost incurred in bringing the inventories to present location.

g) Foreign Currencies

Transactions in foreign currencies are recorded in Malaysian Ringgit at rates of exchange ruling at transaction dates. Outstanding balances as at the financial year end are reported at rates then ruling, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising therefrom are charged or credited to the income statement.

h) Deferred Tax Liabilities and Assets

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowance.

A deferred tax asset is recognised only to the extent that is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

i) Revenue Recognition

(i) Trading Income

Revenue from sales of goods are recognised upon delivery of products and customer acceptance, if any, or performance of services, and after eliminating sales within the Group.

(ii) Contract Income

Revenue from contract income is recognised based on percentage of completion method over the period of contract for all systems integration projects where a fixed contract sum has been agreed up front. Full provision is made for foreseeable losses, if any.

(iii) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(iv) Interest Income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

j) Finance Lease

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the estimated present value of the underlying lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of financial charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance lease contracts is depreciated over the useful life of the asset in line with the Group's accounting policy for property, plant and equipment. If there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

k) Amount Due from/to Contract Customers

Amount due from contract customers is the net amount of cost incurred for contracts in progress plus attributable profit less progress billings and anticipated losses, if any. Contract cost incurred to date include:-

- i) Costs directly related to the contract;
- ii) Costs attributable to contract activity in general and can be allocated to the contract; and
- iii) Other costs specifically chargeable to the customers under the terms of the contract.

Where progress billings exceed cost incurred plus attributable profit less foreseeable losses, the net credit balance on all such contracts is shown in other payables as amounts due to contract customers.

l) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand, bank balances, fixed 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

m) Trade Receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the period end.

n) Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings in the year in which they are declared.

o) Research and Development

Research costs are written off as an expenses when incurred. Development costs relating to specific projects intended for commercial exploitation is carried forward so long as it can reasonably be expected to be recovered from related future revenues. Such expenditure is amortised over five years from the year in which related sales are first made.

p) Deferred Expenditure

Deferred expenditure represents expenses incurred in connection with the flotation of the Company on the MESDAQ Market of the KLSE. It is written off against the share premium account during the year.

q) Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

r) Segmental Information

Segment revenues and expense are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segments assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

s) Intersegment Transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

6. PROPERTY, PLANT AND EQUIPMENT

i) Group

| 2002 | Balance as at 1 January RM | Subsidiary companies acquired RM | Additions RM | Disposals RM | Written off RM | Balance as at 31 December RM |
|---|-------------------------------------|---|-----------------|-----------------|----------------------|---------------------------------------|
| COST UNLESS OTHERWISE STATED | | | | | | |
| Freehold land & buildings | | | | | | |
| - at cost | - | 1,196,841 | - | - | - | 1,196,841 |
| - at 2001 valuation | - | 6,470,001 | - | - | - | 6,470,001 |
| Leasehold land (long term) | | | | | | |
| - at valuation | - | 815,000 | - | - | - | 815,000 |
| Motor vehicles | - | 1,035,416 | 1,915,038 | (44,863) | - | 2,905,591 |
| Furniture & fittings, laboratory, office & store equipment | - | 2,757,824 | 121,800 | - | (12,067) | 2,867,557 |
| Demo equipment, R & D equipment, machinery | - | 107,916 | - | (600) | - | 107,316 |
| Site equipment in progress | - | - | 1,154,321 | - | - | 1,154,321 |
| Electrical fittings | - | 53,211 | - | - | - | 53,211 |
| Renovation | - | 217,212 | 25,312 | - | - | 242,524 |
| | - | 12,653,421 | 3,216,471 | (45,463) | (12,067) | 15,812,362 |
| ACCUMULATED DEPRECIATION | | | | | | |
| Freehold land & buildings | | | | | | |
| - at cost | - | 11,968 | 11,968 | - | - | 23,936 |
| - at 2001 valuation | - | 59,278 | 55,142 | - | - | 114,420 |
| Leasehold land (long term) | | | | | | |
| - at valuation | - | 2,050 | 8,150 | - | - | 10,200 |
| Motor vehicles | - | 824,475 | 265,784 | (39,577) | - | 1,050,682 |
| Furniture & fittings, laboratory, office & store equipment | - | 1,314,803 | 265,843 | - | (6,906) | 1,573,740 |
| Demo equipment, R & D equipment, machinery | - | 11,782 | 10,732 | (600) | - | 21,914 |
| Site equipment in progress | - | - | - | - | - | - |
| Electrical fittings | - | 24,859 | 4,218 | - | - | 29,077 |
| Renovation | - | 142,727 | 18,716 | - | - | 161,443 |
| | - | 2,391,942 | 640,553 | (40,177) | (6,906) | 2,985,412 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

| ii) Company 2002 | Balance as at 1 January RM | Additions RM | Disposals RM | Balance as at 31 December RM |
|---|-------------------------------------|---|-----------------------|---------------------------------------|
| COST UNLESS OTHERWISE STATED | | | | |
| Furniture & fittings, laboratory, office & store equipment | – | 7,650 | – | 7,650 |
| Renovation | – | 25,312 | – | 25,312 |
| | – | 32,962 | – | 32,962 |
| | Balance as at 1 January RM | Charge for the financial year RM | Disposals RM | Balance as at 31 December RM |
| ACCUMULATED DEPRECIATION | | | | |
| Furniture & fittings, laboratory, office & store equipment | – | 765 | – | 765 |
| Renovation | – | 2,531 | – | 2,531 |
| | – | 3,296 | – | 3,296 |
| | | Group 2002 RM | Company 2002 RM | 2001 RM |
| NET BOOK VALUE | | | | |
| Freehold land & buildings | | | | |
| - at cost | | 1,172,905 | – | – |
| - at 2001 valuation | | 6,355,581 | – | – |
| Leasehold land (long term) | | | | |
| - at valuation | | 804,800 | – | – |
| Motor vehicles | | 1,854,909 | – | – |
| Furniture & fittings, laboratory, office & store equipment | | 1,293,817 | 6,885 | – |
| Demo equipment, R & D equipment, machinery | | 85,402 | – | – |
| Site equipment in progress | | 1,154,321 | – | – |
| Electrical fittings | | 24,134 | – | – |
| Renovation | | 81,081 | 22,781 | – |
| | | 12,826,950 | 29,666 | – |

The freehold land and buildings and the leasehold land of the Group have been revalued based on independent valuation reports dated 15 May 2001 carried out by Messrs Colliers, Jordan Lee & Jaafar Sdn. Bhd., Colliers, Jordan Lee & Jaafar (S) Sdn. Bhd., Colliers, Jordan Lee & Jaafar (PG) Sdn. Bhd. and Colliers, Jordan Lee & Jaafar (JH) Sdn. Bhd., registered independent firms of professional valuers, where the properties were valued using the fair value market basis.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts would have been as follows:-

| Group 2002 | Cost RM | Accumulated depreciation RM | Net book value RM |
|---------------------------|------------|-----------------------------------|-------------------------|
| Freehold land & buildings | 4,822,795 | 200,028 | 4,622,767 |
| Leasehold land | 204,980 | 8,199 | 196,781 |
| | 5,027,775 | 208,227 | 4,819,548 |

Details of assets under finance lease agreements:-

| | Group 2002 RM |
|--|---------------------|
| Motor vehicles | |
| - additions during the year | 1,869,154 |
| - net book value at year end | 1,682,238 |
| Laboratory equipment | |
| - net book value at year end | 228,900 |
| Net book value of assets pledged as security for bank borrowings:- | |
| Freehold land and buildings | 6,999,706 |

7. INVESTMENT IN SUBSIDIARY COMPANIES

| | Company 2002 RM | 2001 RM |
|-----------------|-----------------------|------------|
| Unquoted shares | | |
| - at cost | 11,577,251 | - |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

The subsidiary companies are as follows:-

| Name of Company | Effective interest | | Principal activities |
|--|--------------------|------|--|
| | 2002 | 2001 | |
| Brite-Tech Corporation Sdn. Bhd. | 100% | — | To provide a complete range of services and products in the field of water treatment, pollution control and fuel treatment as well as engineered and formulated chemical products for water clarification, wastewater treatment, minimizing wastewater sludge generation, steam generation system and cooling water system. |
| Hooker Chemical Sdn. Bhd. | 100% | — | To provide consultation, environmental impact studies, engineering design, construction, installation and commissioning of water purification, recycling and wastewater treatment systems. |
| Rank Chemical Sdn. Bhd. | 100% | — | To provide rental of portable ion-exchange resin columns and supply of institutional housekeeping chemicals, industrial maintenance chemicals and hotel amenities. |
| Spectrum Laboratories Sdn. Bhd. | 100% | — | To provide analytical laboratory services such as effluent analysis, air and water quality analysis, soil analysis, food analysis and organics analysis; and to provide environmental monitoring services such as air and water quality monitoring, noise level monitoring, air emission monitoring and wastewater characteristic studies. |
| Spectrum Laboratories (Penang) Sdn. Bhd. | 100% | — | To provide analytical laboratory services such as effluent analysis, air and water quality analysis, soil analysis, food analysis and organics analysis; and to provide environmental monitoring services such as air and water quality monitoring, noise level monitoring, air emission monitoring and wastewater characteristic studies. |
| (The Company holds 70.24% direct interest in Spectrum Laboratories (Penang) Sdn. Bhd., the remaining 29.76% is held indirectly through subsidiary Spectrum Laboratories Sdn. Bhd.) | | | |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

| Name of Company | Effective interest | | Principal activities |
|---|--------------------|------|--|
| | 2002 | 2001 | |
| Spectrum Laboratories (Johore) Sdn. Bhd. (The Company holds 70.64% direct interest in Spectrum Laboratories (Johore) Sdn. Bhd., the remaining 14.68% is held indirectly through Brite-Tech Corporation Sdn. Bhd. and 14.68% through Hooker Chemical Sdn. Bhd.) | 100% | – | To provide analytical laboratory services such as effluent analysis, air and water quality analysis, soil analysis, food analysis and organics analysis; and to provide environmental monitoring services such as air and water quality monitoring, noise level monitoring, air emission monitoring and wastewater characteristic studies. |
| Subsidiary company of Brite-Tech Corporation Sdn. Bhd. | | | |
| Cybond Chemical Sdn. Bhd. | 100% | – | To provide water treatment chemicals and provide other related services. |

During the financial year, the Company acquired the following subsidiary companies:-

1. 686,628 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Brite-Tech Corporation Sdn. Bhd. for a total purchase consideration of RM4,381,267 satisfied by the issuance of 42,574,226 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
2. 330,900 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Hooker Chemical Sdn. Bhd. for a total purchase consideration of RM2,817,206 satisfied by the issuance of 27,375,728 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
3. 547,506 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Rank Chemical Sdn. Bhd. for a total purchase consideration of RM1,425,724 satisfied by the issuance of 13,854,232 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
4. 300,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Spectrum Laboratories Sdn. Bhd. for a total purchase consideration of RM1,876,599 satisfied by the issuance of 18,235,532 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
5. 233,100 ordinary shares of RM1.00 each representing approximately 70.64% of the issued and paid-up share capital of Spectrum Laboratories (Johore) Sdn. Bhd. for a total purchase consideration of RM668,324 satisfied by the issuance of 6,494,318 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share; and
6. 188,800 ordinary shares of RM1.00 each representing approximately 70.24% of the issued and paid-up share capital of Spectrum Laboratories (Penang) Sdn. Bhd. for a total purchase consideration of RM408,131 satisfied by the issuance of 3,965,944 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

Reserve on consolidation arising on these acquisitions amounting to RM831,147 have been accounted for using the acquisition method of accounting effective from January 2002.

The effect on these acquisitions on the financial results of the Group during the financial year is as follows:-

| | RM |
|------------------------------|-------------|
| Revenue | 12,971,217 |
| Other income | 230,225 |
| Operating costs | (8,990,257) |
| Profit before tax | 4,211,185 |
| Tax expense | (1,280,191) |
| Increase in Group net profit | 2,930,994 |

The effect of these acquisitions on the financial position of the Group at the end of the financial year is as follows:-

| | RM |
|---|-------------|
| Property, plant and equipment | 12,797,284 |
| Other investments | 20,000 |
| Inventories | 1,025,708 |
| Trade receivables | 5,072,402 |
| Other receivables, deposits and prepayments | 998,936 |
| Amount due from associated company | 3,006 |
| Fixed deposits | 6,011,451 |
| Cash and bank balances | 676,519 |
| Trade payables | (1,079,693) |
| Amount due to contract customers | (175,418) |
| Other payables and accruals | (466,906) |
| Amount due to directors | (90,658) |
| Provision for taxation | (205,085) |
| Borrowings | (1,808,822) |
| Deferred tax liabilities | (176,993) |
| Increase in Group net assets | 22,601,731 |

There were no acquisitions in the previous financial year.

8. INVESTMENT IN ASSOCIATED COMPANY

The detail of the associated company which is incorporated in Malaysia is as follow:-

| Name of Company | Effective interest | | Principal activities |
|---------------------------------------|---------------------------|-------------|--|
| | 2002 | 2001 | |
| Hooker Chemical (Johore) Sdn. Bhd. | 19% | 19% | Dealing with water and wastewater treatment system. It has ceased business on 1 June 2001. |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

Recognition of further losses is discontinued for investment in Hooker Chemical (Johore) Sdn. Bhd. as the Group's share of losses exceeds the carrying amount of the investment, as follows:-

| | Group 2002 RM |
|--------------------|------------------------------|
| Investment at cost | 11,400 |
| Share of losses | (14,433) |
| | (3,033) |

9. OTHER INVESTMENTS

| | Group 2002 RM |
|----------------------|------------------------------|
| Unit trust - at cost | 20,000 |
| Market value | 17,423 |

10. INVENTORIES

| | Group 2002 RM |
|---------------------|------------------------------|
| At Cost | |
| Laboratory supplies | 157,170 |
| Raw materials | 714,913 |
| Finished goods | 153,625 |
| | 1,025,708 |

11. TRADE RECEIVABLES

| | Group 2002 RM |
|-------------------------------------|------------------------------|
| Trade receivables | 5,287,220 |
| Less : Allowance for doubtful debts | (214,818) |
| | 5,072,402 |

The Group's and the Company's normal credit term is 90 to 120 days. Other credit terms are assessed and approved on a case by case basis. The Group and the Company has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|------------------------|---------------------|-----------------------|------------|
| Other receivables | 11,880 | – | – |
| Deposits | 59,310 | 2,500 | – |
| Prepayments | 16,080 | – | – |
| Prepayment of taxation | 914,166 | – | – |
| | 1,001,436 | 2,500 | – |

13. AMOUNT DUE FROM SUBSIDIARY COMPANIES

The amount due from subsidiary companies represent advances which are unsecured, interest-free and have no fixed terms of repayment.

14. AMOUNT DUE FROM ASSOCIATED COMPANY

The amount due from associated company represent payments made on behalf which are unsecured, interest-free and have no fixed terms of repayment.

15. FIXED DEPOSITS

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|---------------------------------|---------------------|-----------------------|------------|
| Placed with:- Licensed banks | 9,291,508 | 3,280,057 | – |

16. CASH AND BANK BALANCES

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|--------------|---------------------|-----------------------|------------|
| Cash in hand | 25,709 | – | 2 |
| Cash at bank | 743,353 | 92,543 | – |
| | 769,062 | 92,543 | 2 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

17. AMOUNT DUE TO CONTRACT CUSTOMERS

| | Group 2002 RM |
|----------------------------------|------------------------------|
| Aggregate costs incurred to date | 7,550 |
| Add : Attributable profits | 60,582 |
| Less : Progress billings | (243,550) |
| | (175,418) |

18. TRADE PAYABLES

| | Group 2002 RM |
|----------------|------------------------------|
| Trade payables | 1,079,693 |

The credit terms of trade payables granted to the Group range from 60 to 90 days.

The foreign currency exposure of the trade payables of the Group are as follows:-

| | Group 2002 RM |
|---------------|------------------------------|
| US Dollar | 2,133 |
| Euro Currency | 11,600 |

19. OTHER PAYABLES AND ACCRUALS

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|-------------------|------------------------------|--------------------------------|--------------------|
| Other payables | 27,437 | – | 391,805 |
| Accruals | 427,562 | 11,753 | 2,100 |
| Deposits received | 23,660 | – | – |
| | 478,659 | 11,753 | 393,905 |

20. AMOUNT DUE TO DIRECTORS

The amounts due to directors represent advances from directors which are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

21. BORROWINGS

| | Group 2002 RM |
|------------------------------|------------------------------|
| Current Liabilities | |
| <u>Secured</u> | |
| Bank overdraft | 33,983 |
| Finance lease liabilities | 368,089 |
| Term loans | 36,271 |
| | 438,343 |
| Long Term Liabilities | |
| <u>Secured</u> | |
| Finance lease liabilities | 1,117,906 |
| Term loans | 252,573 |
| | 1,370,479 |
| Total Borrowings | |
| Bank overdraft | 33,983 |
| Finance lease liabilities | 1,485,995 |
| Term loans | 288,844 |
| | 1,808,822 |

Interest rates on the above are as follows:-

| | Group 2002 % |
|---------------------------|-----------------------------|
| Bank overdraft | 7.90 - 8.15 |
| Finance lease liabilities | 7.07 - 10.98 |
| Term loans | 7.65 - 7.90 |

The banking facilities of the Group comprise term loan, bank overdraft, trade financing facilities, performance guarantee, and financial guarantee which are secured by:-

- legal charge over the Group's freehold land and buildings.
- jointly and severally guaranteed by the directors of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

Finance Lease Liabilities

| | Group 2002 RM |
|---|------------------------------|
| Minimum lease payment | |
| - not later than one year | 464,188 |
| - later than one year and not later than five years | 1,281,174 |
| | 1,745,362 |
| Less : Future interest charges | (259,367) |
| Present value of finance lease liabilities | 1,485,995 |
| Repayable as follows:- | |
| Current Liabilities | |
| - not later than one year | 368,089 |
| Long Term Liabilities | |
| - later than one year and not later than five years | 1,117,906 |
| | 1,485,995 |
| There is no finance lease liabilities later than five years. | |
| Term Loan - Secured | |
| Term loan repayable by twelve equal annual instalments of RM4,864 each commencing 1 June 2000 | 288,844 |
| Repayable as follows:- | |
| Current Liabilities | |
| - not later than one year | 36,271 |
| Long Term Liabilities | |
| - later than one year and not later than five years | 175,038 |
| - later than five years | 77,534 |
| | 288,844 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

22. SHARE CAPITAL

| | Group and Company | |
|----------------------------------|--------------------------|-------------|
| | 2002 | 2001 |
| | RM | RM |
| Ordinary shares of RM0.10 each:- | | |
| Authorised | 25,000,000 | 25,000,000 |
| Issued and fully paid:- | | |
| Balance as at 1 January | 2 | - |
| Increased during the year | 14,999,998 | 2 |
| Balance as at 31 December | 15,000,000 | 2 |

On 23 May 2002, the Company's authorised share capital was split from 125,000,000 ordinary shares of RM0.20 each into 250,000,000 ordinary shares of RM0.10 each.

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM2 to RM15,000,000 by way of:-

- (a) Issues of 112,499,980 ordinary shares of RM0.10 each pursuant of acquisitions of subsidiary companies.
- (b) Placement issue of 30,100,000 new ordinary shares of RM0.10 each.
- (c) Public issue of 7,400,000 new ordinary shares of RM0.10 each.

23. RESERVES

| | Group | Company | |
|--|--------------|----------------|-------------|
| | 2002 | 2002 | 2001 |
| | RM | RM | RM |
| Non-distributable:- | | | |
| Reserve on consolidation | 831,147 | - | - |
| Share premium reserve | 8,019,296 | 8,019,296 | - |
| | 8,850,443 | 8,019,296 | - |
| Distributable:- | | | |
| Unappropriated profit/(Accumulated loss) | 2,126,630 | 1,202,450 | (26,452) |
| | 10,977,073 | 9,221,746 | (26,452) |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

24. DEFERRED TAX LIABILITIES

The deferred tax liabilities are made up of the following:-

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|---|---------------------|-----------------------|------------|
| Property, plant and equipment | | | |
| - Capital allowance in excess of depreciation | 119,036 | 428 | - |
| Revaluation surplus | 118,666 | - | - |
| | 237,702 | 428 | - |
| General allowance for doubtful debts | (60,281) | - | - |
| | 177,421 | 428 | - |

25. DEFERRED EXPENDITURE

| | 2002 RM | Company 2001 RM |
|--|------------|-----------------------|
| MESDAQ Market of the KLSE listing expenses | 367,453 | 367,453 |
| Less : Written off against share premium account | (367,453) | - |
| | - | 367,453 |

26. REVENUE

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|-----------------------------------|---------------------|-----------------------|------------|
| Dividend received and receivables | - | 1,629,846 | - |
| Contract fees | 2,268,880 | - | - |
| Trading sales and services | 10,702,337 | - | - |
| | 12,971,217 | 1,629,846 | - |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

27. NET PROFIT/(LOSS) BEFORE TAXATION

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|--|------------------------------|--------------------------------|--------------------|
| Net profit/(loss) before taxation is arrived at after charging:- | | | |
| Allowance for doubtful debts | 75,957 | - | - |
| Auditors' remuneration | 30,300 | 1,500 | 1,500 |
| Bad debts written off | 10,556 | - | - |
| Depreciation of property, plant & equipment | 640,553 | 3,296 | - |
| Directors' remuneration:- | | | |
| Paid by the company | | | |
| - fees | - | 4,800 | - |
| Paid by the subsidiary companies | | | |
| - salaries | 471,000 | - | - |
| - fees | 51,600 | - | - |
| - bonus | 55,526 | - | - |
| - benefit-in-kind | 47,604 | - | - |
| Incorporation fee | - | - | 24,352 |
| Interest expenses on:- | | | |
| Finance lease interest | 26,064 | - | - |
| Bank overdraft interest | 27,208 | - | - |
| Term loan interest | 53,365 | - | - |
| Late payment interest | 443 | - | - |
| LC charges & TR interest | 3,667 | - | - |
| Loss on foreign currency exchange | 2,345 | - | - |
| Property, plant & equipment written off | 5,161 | - | - |
| Rental of premises | 13,600 | - | - |
| And crediting:- | | | |
| Bad debts recovered | 29,953 | - | - |
| Dividend received | - | 1,629,846 | - |
| Gain on disposal of property, plant & equipment | 5,214 | - | - |
| Insurance claim | 11,500 | - | - |
| Interest income received from:- | | | |
| Fixed deposit interest | 138,370 | 91,833 | - |
| Other interest | 48,768 | 18,410 | - |
| Rental received | 104,370 | - | - |

28. NUMBER OF EMPLOYEES AND STAFF COSTS

| | Group 2002 RM |
|---|------------------------------|
| Number of employees, including executive directors, at the end of the financial year | 93 |
| Staff costs for the financial year | 2,786,274 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

29. TAXATION

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|--|---------------------|-----------------------|------------|
| Current tax based on profit for the financial year:- | | | |
| Malaysian income tax | 1,239,989 | 479,600 | - |
| Deferred tax | (64,940) | 428 | - |
| Under provision of taxation in prior years | 105,142 | - | - |
| | 1,280,191 | 480,028 | - |

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:-

| | Group 2002 % | Company 2002 % | 2001 % |
|--|--------------------|----------------------|-----------|
| Average applicable tax rate | 28 | 28 | - |
| Tax effect in respect of:- | | | |
| Depreciation on non-qualifying property, plant and equipment | 1.0 | - | - |
| Non-allowable expenses | 0.9 | 0.1 | - |
| Expenses allowed for double deduction | (0.8) | - | - |
| Bad debts recovered | (0.2) | - | - |
| Average effective tax rate | 28.9 | 28.1 | - |

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 to frank the payment of dividends out of all its retained profits as at 31 December 2002.

30. EARNINGS PER ORDINARY SHARES

Basic earnings per ordinary share:-

The basic earnings per ordinary share for the financial year has been calculated based on the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

| | Group 2002 RM | Company 2001 RM |
|---|---------------------|-----------------------|
| Net profit attributable to shareholders | 3,010,078 | 1,228,902 |
| Weighted average number of ordinary shares:- | | |
| Issued ordinary shares at beginning of the year | 10 | 10 |
| Effect of shares split on 23 May 2002 | 6 | 6 |
| Effect of shares issued on 23 May 2002 | 68,424,645 | 68,424,645 |
| Effect of shares issued on 18 July 2002 | 17,054,795 | 17,054,795 |
| | 85,479,456 | 85,479,456 |
| Basic earnings per share (sen) | 3.52 | 1.44 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

31. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:-

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|---|------------------------------|--------------------------------|--------------------|
| Purchase of property, plant and equipment (Note 3) | 3,216,471 | 32,962 | – |
| Financed by finance lease arrangement | (1,425,500) | – | – |
| Cash payments on purchase of property, plant and equipment | 1,790,971 | 32,962 | – |

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:-

| | Group 2002 RM | Company 2002 RM | 2001 RM |
|------------------------------------|------------------------------|--------------------------------|--------------------|
| Cash and bank balances | 769,062 | 92,543 | 2 |
| Fixed deposits with licensed banks | 9,291,508 | 3,280,057 | – |
| Bank overdraft | 10,060,570 (33,983) | 3,372,600 – | 2 – |
| | 10,026,587 | 3,372,600 | 2 |

33. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure. No geographical segmental information is presented as the business segments are principally operated in Malaysia only.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

Segmental turnover, profit before taxation for the year ended 31 December 2002 and the assets employed are as follows:-

Primary reporting - Business segments

| | Water treatment chemicals RM | System equipment RM | Ancillary products RM | Laboratories RM | Others RM | Eliminations RM | Consolidated RM |
|---|------------------------------------|---------------------------|-----------------------------|--------------------|------------------|--------------------|--------------------|
| Revenue | | | | | | | |
| External sales | 2,433,604 | 3,398,015 | 2,703,488 | 4,436,110 | - | - | 12,971,217 |
| Inter-segment sales | 398,268 | 4,055 | 514,720 | 154,777 | 1,629,846 | (2,701,666) | - |
| Total revenue | 2,831,872 | 3,402,070 | 3,218,208 | 4,590,887 | 1,629,846 | (2,701,666) | 12,971,217 |
| Result | | | | | | | |
| Segment results (external) | 875,680 | 988,456 | 579,150 | 1,801,751 | (31,159) | | 4,213,878 |
| Interest income | 5,340 | 13,821 | 28,723 | 29,011 | 110,243 | | 187,138 |
| Finance costs | (41,728) | (32,430) | (15,792) | (20,797) | - | | (110,747) |
| Profits before taxation | | | | | | | 4,290,269 |
| Tax expenses | | | | | | | (1,280,191) |
| Net profit after taxation for the year | | | | | | | 3,010,078 |
| Other Information | | | | | | | |
| Segment assets | 9,158,006 | 7,227,252 | 2,906,819 | 6,399,063 | 3,404,766 | | 29,095,906 |
| Segment liabilities | 915,980 | 1,358,877 | 601,855 | 744,785 | 11,753 | | 3,633,250 |
| Capital expenditure | 669,100 | 1,570,536 | 375,965 | 567,908 | 32,962 | | 15,869,892 |
| Depreciation | 149,057 | 79,611 | 123,657 | 284,932 | 3,296 | | 640,553 |
| Non-cash expenses other than depreciation | 243 | 16,912 | 9,804 | 64,715 | - | | 91,674 |

Turnover and profit before tax for others mainly relates to dividend income received by the Company from its subsidiary companies. The amount is set-off in inter-company adjustments.

34. SIGNIFICANT RELATED PARTY DISCLOSURE

The Group have related parties relationships with its subsidiary companies and associated company.

The Group also has related party relationships with KP Perunding, a company in which a director of the Company, Ir. Koh Thong How has a substantial financial interest. The related party transaction is to the extent of engineering consulting fees paid by a subsidiary company of the Group amounting to RM4,250.

The related party transactions were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

35. CONTINGENT LIABILITIES (UNSECURED)

| | 2002 RM |
|---|--------------------|
| Corporate guarantees given to financial institutions for finance lease facilities granted to subsidiary companies | 1,380,500 |
| Corporate guarantees given to financial institutions for banking facilities granted to subsidiary companies | 14,150,000 |
| Corporate guarantees in favour of suppliers as security for goods supplied to a subsidiary company | 80,000 |
| | 15,610,500 |

It is anticipated that no material liabilities will arise as a result of these guarantees.

36. DIVIDENDS

Final dividends amounting to RM856,996 in respect of financial year ended 31 December 2001 prior to the acquisition of subsidiary companies by the Company, were paid on 23 May 2002 by the subsidiary companies to their respective shareholders.

The Directors proposed a final gross dividend on ordinary shares of 1.11 sen per share, less tax, amounting to RM1,198,800 in respect of the financial year ended 31 December 2002 subject to approval of the members at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

37. ACQUISITION OF SUBSIDIARY COMPANIES

During the financial year, the Group acquired Brite-Tech Corporation Sdn. Bhd., Hooker Chemical Sdn. Bhd., Rank Chemical Sdn. Bhd., Spectrum Laboratories Sdn. Bhd., Spectrum Laboratories (Penang) Sdn. Bhd. and Spectrum Laboratories (Johore) Sdn. Bhd.. The fair value of the assets acquired and the liabilities assumed are as follows:-

| | RM |
|--|-------------------|
| Amount due from contract customers | 38,911 |
| Property, plant & equipment | 10,261,479 |
| Other investments | 20,000 |
| Inventories | 1,016,502 |
| Trade receivables | 4,741,749 |
| Other receivables, deposits and prepayments | 907,348 |
| Amount due from associated company | 3,006 |
| Fixed deposits | 2,601,133 |
| Cash and bank balances | 652,397 |
| Bank overdraft | (487,489) |
| Trade payables | (1,265,423) |
| Other payables and accruals | (664,631) |
| Amount due to directors | (3,377,749) |
| Finance lease liabilities | (217,292) |
| Term loan | (1,227,029) |
| Provision for taxation | (341,429) |
| Deferred tax liabilities | (253,085) |
| Net assets acquired | 12,408,398 |
| Reserve on consolidation | (831,147) |
| Total purchase consideration | 11,577,251 |
| Less : Purchase consideration discharged by shares issued | (11,577,251) |
| Purchase consideration discharged by cash | — |
| Cash and cash equivalents of subsidiary companies acquired | 2,766,041 |
| Cash flow on acquisition net of cash acquired | 2,766,041 |

38. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

i) Material Litigation

Subsequent to the financial year end, the Company received a High Court Summon dated 5th December 2002 naming the Company as the 5th defendant in a legal suit between the plaintiff and the substantial shareholders of the Company namely, Pang Wee See, Tan Boon Kok, Chan Ah Kien and Kan King Choy (as the 1st to 4th defendants). The plaintiff who was a former director and shareholder of the subsidiary companies of the Company, Brite-Tech Corporation Sdn. Bhd., Rank Chemical Sdn. Bhd., Hooker Chemical Sdn. Bhd. and Spectrum Laboratories Sdn. Bhd. is claiming for restitution and recovery of sale of shares and to avoid the four sale of share agreement dated 22 June 1999 in respect of the plaintiff's share in the abovementioned companies to the 1st, 2nd, 3rd and 4th defendant.

Notwithstanding that the Company was not incorporated at the material time, the Company has been included as the 5th defendant on the grounds that the 5th defendant had actual or imputed a constructive knowledge of the matters and circumstances vitiating the sale and purchase transactions between the plaintiff and the 1st to the 4th defendants.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

The solicitors of the Company has advised that the plaintiff has no ground of action in citing the Company and the claim by the plaintiff against the Company is without basis.

The Company has instructed its solicitors to defend the action including to take the necessary objections as to the inclusion of the Company in the private disputes between the plaintiff and the 1st to the 4th defendants.

ii) Acquisition of Dormant Company

The Company had on 21 April 2003 acquired the entire issued and paid-up capital of 2 ordinary shares of RM1.00 each of a dormant company, Renown Orient Sdn. Bhd. for a total cash consideration of RM2,100 only.

Arising from the above acquisition, Renown Orient Sdn. Bhd. is now a wholly owned subsidiary company of Brite-Tech Berhad.

None of the Directors, substantial shareholders or persons connected to the Directors and substantial shareholders of the Company has any interest, direct or indirect, in the above acquisition.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to effect substantially the results of the operations of the Group and of the Company for the financial year in which the report is made.

39. FINANCIAL INSTRUMENTS**i) a) Interest Rate Risk**

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates, and the effective interest rates on classes of financial assets and financial liabilities, are as follows:-

| Group 2002 | Less than 1 year RM | 1 to 5 years RM | More than 5 years RM | Total RM | Effective interest rate during the year % |
|-------------------------------------|---------------------------|--------------------|----------------------------|-------------|---|
| Financial Assets | | | | | |
| Deposits, cash and bank balances | 10,060,570 | – | – | 10,060,570 | 3.25 |
| Other investments | 20,000 | – | – | 20,000 | – |
| Financial Liabilities | | | | | |
| Borrowings | 438,343 | 1,292,944 | 77,535 | 1,808,822 | 7.30 - 11.55 |
| Company 2002 | | | | | |
| Financial Assets | | | | | |
| Deposits, cash and bank balances | 3,372,600 | – | – | 3,372,600 | 3.25 |

b) Credit Risk

The Group has no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts shown in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2002

ii) Fair Values of Financial Instruments

The carrying amounts and estimated fair values of financial instruments of the Group and the Company as at 31 December 2002 are as follows:-

| | Group | | Company | |
|---|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| Financial Assets | | | | |
| Trade and other receivables | 5,143,592 | 5,143,592 | 2,500 | 2,500 |
| Amount due from subsidiary companies | – | – | 9,269,153 | 9,269,153 |
| Amount due from associated company | 3,006 | 3,006 | – | – |
| Deposits, cash and bank balances | 10,060,570 | 10,060,570 | 3,372,600 | 3,372,600 |
| Other investments | 20,000 | 17,423 | – | – |
| Financial Liabilities | | | | |
| Trade and other payables | 1,649,010 | 1,649,010 | 11,753 | 11,753 |
| Borrowings | 1,808,822 | 1,808,822 | – | – |

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

(a) Trade and Other Receivables and Payables

The historical cost carrying amount of receivables and payables subject to normal trade credit terms approximates fair value. The carrying amounts of other receivables and payables are reasonable estimates of fair value because of their short maturity.

(b) Other Investments

The fair values of quoted investments are estimated based on quoted market prices.

(c) Deposits, Cash and Bank Balances

The carrying amount of cash and bank balances approximates fair value due to the relatively short term maturity of these instruments.

(d) Borrowings

The carrying amount of short term borrowings approximated fair value because of the short period to maturity of those instruments. The fair value of long term borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates available for borrowings with the same maturity profile.

STATISTIC OF SHAREHOLDINGS

AS AT 9 MAY 2003

| | | |
|--------------------------------|---|-------------------------------|
| Authorised Share Capital | : | RM25,000,000 |
| Issued & Fully Paid-Up Capital | : | RM15,000,000 |
| Class of Shares | : | Ordinary Share of RM0.10 each |
| Voting Rights | : | One Vote per Ordinary Share |

DISTRIBUTION OF SHAREHOLDINGS

| Size of shareholdings | No. of shareholders | % of shareholders | No. of shares held | % of issued share capital |
|------------------------|---------------------|-------------------|--------------------|---------------------------|
| Less than 100 shares | 4 | 0.54 | 120 | 0.00 |
| 100 - 999 | 51 | 6.81 | 11,700 | 0.01 |
| 1,000 - 4,999 | 324 | 43.26 | 552,700 | 0.37 |
| 5,000 - 10,000 | 155 | 20.69 | 1,171,100 | 0.78 |
| 10,001 - 100,000 | 132 | 17.62 | 5,227,700 | 3.48 |
| 100,00 - 1,000,000 | 74 | 9.88 | 24,210,516 | 16.14 |
| Above 1,000,000 shares | 9 | 1.20 | 118,826,164 | 79.22 |
| | 749 | 100.00 | 150,000,000 | 100.00 |

SUBSTANTIAL SHAREHOLDERS

| Name of shareholders | No. of shares | % of shareholdings |
|----------------------|---------------|--------------------|
| 1. Pang Wee See | 71,852,894 | 47.90 |
| 2. Chan Ah Kien | 16,481,826 | 10.99 |
| 3. Tan Boon Kok | 16,222,978 | 10.82 |
| | 104,557,698 | 69.71 |

DIRECTORS' SHAREHOLDINGS

| Name | No. of ordinary shares RM0.10 each held | | | |
|------------------------------|---|-------|-------------------------|-------|
| | Direct | % | Indirect | % |
| 1. Pang Wee See | 71,852,894 | 47.90 | 580,000 [*] | 0.39 |
| 2. Chan Ah Kien | 16,481,826 | 10.99 | — | |
| 3. Tan Boon Kok | 16,222,978 | 10.82 | — | |
| 4. Kan King Choy | 6,658,858 | 4.44 | — | |
| 5. Ir. Koh Thong How | 290,000 | 0.19 | 71,852,894 ⁺ | 47.90 |
| 6. Dr. Seow Pin Kwong | 260,000 | 0.17 | — | |
| 7. Cheng Sim Meng | — | | — | |
| 8. Yee Oii Pah @ Yee Ooi Wah | 290,000 | 0.19 | 71,852,894 [^] | 47.90 |

^{*} Deemed interested by virtue of the shareholdings of 290,000 shares each, of his spouse, Yee Oii Pah @ Yee Ooi Wah and brother-in-law, Ir. Koh Thong How

⁺ Deemed interested by virtue of the shareholdings of his brother-in-law, Pang Wee See

[^] Deemed interested by virtue of the shareholdings of her spouse, Pang Wee See

LIST OF TWENTY LARGEST SHAREHOLDERS

AS AT 9 MAY 2003

| Name of shareholders | No. of shares | % |
|---|---------------|-------|
| 1. Pang Wee See | 71,852,894 | 47.90 |
| 2. Chan Ah Kien | 16,481,826 | 10.99 |
| 3. Tan Boon Kok | 16,222,978 | 10.82 |
| 4. Kan King Choy | 6,658,858 | 4.44 |
| 5. Liang G-E | 2,618,008 | 1.75 |
| 6. Yeoh Poi Long | 2,102,500 | 1.40 |
| 7. Yee Khee Wee @ Yee Kee Wee | 2,020,000 | 1.35 |
| 8. Lim Hock Seng Holdings Sdn Berhad | 1,500,000 | 1.00 |
| 9. HDM Nominees (Tempatan) Sdn Berhad | 1,387,500 | 0.93 |
| 10. Lim Suat Lean | 1,382,616 | 0.92 |
| 11. Mayban Nomineees (Tempatan) Sdn Bhd | 1,037,400 | 0.69 |
| 12. Yee Kim Keow | 1,024,000 | 0.68 |
| 13. Yiap Chee Keng | 950,000 | 0.63 |
| 14. Chan Yin Juan @ Chin Hin Poon | 910,000 | 0.61 |
| 15. Chong Kim Foo @ Chong Kim Lean | 740,000 | 0.49 |
| 16. Chow Chin Van | 720,000 | 0.48 |
| 17. Eric Lim Boon Eng | 700,000 | 0.47 |
| 18. Goh Choo Lien | 630,000 | 0.42 |
| 19. Teo Hwee Mien | 600,000 | 0.40 |
| 20. Tay Lay Cheng | 515,000 | 0.34 |
| | 130,053,580 | 86.71 |

LIST OF PROPERTIES

AS AT 31 DECEMBER 2002

The following are the properties held by the Group as at 31 December 2002:-

A summary of the land and building owned by Brite-Tech Corporation Sdn. Bhd. is set out below:-

| Location | Tenure and existing use | Land area | Net book value @ 31.12.2002 RM'000 | Type of property | Built up area (sq ft) |
|---|---|--|------------------------------------|--|-----------------------|
| P.T. No. 5015, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan. | Freehold Land & Building (Operational assets held for owner-occupation) | 42,880 sq. ft. | 3,166 | Triple storey office block and a single storey factory | 20,402 |
| P.T. No. 12144, Mukim of Kapar, District of Kelang, Selangor Darul Ehsan. | Freehold Land & Building (Idle) | 4,220 sq. ft. | 304 | Double storey semidetached factory | 1,900 |
| | | | | Extension | 4,074 |
| P.T. No. 723, H.S.(M) 956, Mukim of Setul, District of Seremban, Negeri Sembilan. | Leasehold Land (Surplus to the operational requirement) | 50,939 sq. ft. (99 years, expiring in 2/10/2085) | 805 | Vacant land | — |
| P.T. No. 24201, Mukim of Kapar, District of Klang, Selangor Darul Ehsan. | Freehold Land & Building (Operational assets held for owner-occupation) | 20,761 sq. ft. | 1,173 | One-and-a-half storey semidetached light industrial building | 11,440 |

A summary of the land and building owned by Hooker Chemical Sdn. Bhd. is set out below:-

| Location | Tenure and existing use | Land area | Net book value @ 31.12.2002 RM'000 | Type of property | Built up area (sq ft) |
|--|--|---------------|------------------------------------|-------------------------|-----------------------|
| H.S.(M) 1117, Lot No. 4568, Mukim 14, District of Seberang Perai Tengah, Pulau Pinang. | Freehold Building (Operational assets held for owner-occupation) | 1,540 sq. ft. | 225 | Double storey shophouse | 3,322 |
| PTD 85433, H.S.(D) 169547, Mukim Pelentong, District of Johor Bahru, Johor. | Freehold Building (Operational assets held for owner-occupation) | 2,400 sq. ft. | 491 | Double storey shophouse | 3,072 |
| P.T. No. 11419, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan. | Freehold Building (Assets held for investments) | 1,760 sq. ft. | 1,235 | Triple storey shophouse | 5,161 |

LIST OF PROPERTIES (Cont'd)

AS AT 31 DECEMBER 2002

A summary of the land and building owned by Rank Chemical Sdn. Bhd. is set out below:-

| Location | Tenure and existing use | Land area | Net book value @ 31.12.2002 RM'000 | Type of property | Built up area (sq ft) |
|--|---|---------------|------------------------------------|-----------------------------------|-----------------------|
| H.S.(D) 31573, Lot No. PTD 42295, Mukim and District of Kluang, Johor. | Freehold Building (Operational assets held for owner occupation) | 9,375 sq. ft. | 481 | Single storey detached factory | 4,800 |
| H.S.(D) 23144, Lot No. PTD 38519, Mukim and District of Kluang, Johor. | Freehold Building (Assets held for investment) | 1,540 sq. ft. | 116 | Double storey shophouse | 2,156 |
| PTD 32881, Mukim and District of Kluang, Johor. | Freehold Building (Idle) | 1,540 sq. ft. | 338 | Double storey shophouse | 3,080 |

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BRITE-TECH BERHAD

(Company No.: 550212-U)

(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

No. of shares held

I/We _____

of _____

being a member/members of **BRITE-TECH BERHAD** hereby appoint

or failing him/her _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Second Annual General Meeting of the Company, to be held Prince 8, Level 3, Prince Hotel & Residence Kuala Lumpur, Jalan Conlay, 50450 Kuala Lumpur on Tuesday, 10 June 2003 at 9.30 a.m. and any adjournment thereof.

My/Our Proxy(ies) is/are to vote as indicated below:-

| No. | Resolution | For | Against |
|-----|--|-----|---------|
| 1. | To receive and consider the Audited Accounts for the financial year ended 31 December 2002 and the Reports of the Directors and Auditors thereon | | |
| 2. | To declare a final gross dividend of 1.11 sen per ordinary share, less income tax at 28%, in respect of the year ended 31 December 2002. | | |
| 3. | To approve the payment of Directors' fees for the year ended 31 December 2002. | | |
| | To re-elect the following Directors who are retiring pursuant to Article 102 of the Articles of Association of the Company, and being eligible, offer themselves for re-election:- | | |
| 4. | Mr. Pang Wee See | | |
| 5. | Mr. Tan Boon Kok | | |
| 6. | Mr. Chan Ah Kien | | |
| 7. | Mr. Kan King Choy | | |
| 8. | Ir. Koh Thong How | | |
| 9. | Dr. Seow Pin Kwong | | |
| 10. | Mr. Cheng Sim Meng | | |
| 11. | To re-appoint S. F. Yap & Co as auditors of the Company and to authorise the Directors to fix their remuneration | | |
| | Special Business | | |
| 12. | To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. | | |

(Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain at his/their discretion)

Signed this.....day of 2003

.....
Signature/Common Seal of Shareholder(s)

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. The instrument of appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office at 17 & 19, 2nd Floor, Jalan Brunei Barat, 55100 Kuala Lumpur, not less than 48 hours before the time appointed for holding the annual general meeting or any adjournment thereof.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
BRITE-TECH BERHAD (550212-U)
17 & 19, 2nd Floor
Jalan Brunei Barat
55100 Kuala Lumpur
Malaysia

1st fold here