

9. INFORMATION ON THE NWPH GROUP

9.1 History

NWPH was incorporated in Malaysia under the Companies Act, 1965 on 5 October 1999 as a public limited company under its present name. On 18 October 1999, it obtained its Certificate of Commencement of Business from the Registrar of Companies, and in accordance with Section 142 of the Companies Act, 1965, held a statutory meeting on 29 December 1999.

9.2 Restructuring and Listing Exercise

In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of NWPH on the Main Board of KLSE, the Company undertook a restructuring exercise which was approved by the FIC, MITI and SC on 4 January 2000, 16 February 2000 and 14 July 2000 respectively and which involved the following:-

9.2.1 Acquisition of NWP

On 11 November 1999, NWPH entered into a conditional Sale and Purchase Agreement with the shareholders of NWP for the acquisition of the entire equity interest in NWP, comprising 2,000,000 ordinary shares of RM1.00 each, for a total purchase consideration of RM56,906,714, to be satisfied wholly by the issuance of 48,481,341 new ordinary shares of RM1.00 each in NWPH, credited as fully paid-up, at an issue price of approximately RM1.17 per new NWPH share. The SC had, vide its letter dated 7 June 2000, approved of a market value of RM13,000,000 on the landed properties of NWP instead of RM16,272,000 proposed by the parties. The vendors of NWP had, on 12 June 2000, accepted the revised purchase consideration of RM53,634,714, satisfied wholly by the issuance of 46,034,714 new ordinary shares of RM1.00 each in NWPH, credited as fully paid-up, at an issue price of approximately RM1.165 per new NWPH share.

The vendors of NWP, their respective shareholdings therein and the number of NWPH shares issued to them pursuant to the Acquisition of NWP are as follows:-

Vendors	-----Shareholdings in NWP-----		New NWPH ordinary shares issued as consideration
	No. of shares held	% held	
Sepang Heights	1,300,000	65.00	29,922,564
CBSB	200,000	10.00	4,603,472
TESB	100,000	5.00	2,301,736
Tan Kok Chan	99,800	4.99	2,297,132
Chai Chin Thai @ Lai Kiau Moi	98,200	4.91	2,260,304
Khong Fekh Huat	73,500	3.67	1,691,776
Ding Ming Tiong	68,500	3.43	1,576,689
Chan Wai Peng	60,000	3.00	1,381,041
	2,000,000	100.00	46,034,714

9. INFORMATION ON THE NWPH GROUP *(Cont'd)*

The purchase consideration of RM53,634,714 for the Acquisition of NWP was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited NTA of NWP as at 31 August 1999 of RM51,123,978 and revaluation surplus of RM2,510,736 arising from the revaluation of its timber complex. Details on the valuation of the timber complex is set out in Section 9.8 of this Prospectus.

The 46,034,714 new ordinary shares of RM1.00 each in NWPH issued pursuant to the Acquisition of NWP rank pari passu in all respects with the existing ordinary shares of NWPH and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

Upon completion of the Acquisition of NWP on 18 July 2000, the issued and fully paid-up share capital of NWPH increased from 2 ordinary shares of RM1.00 each to 46,034,716 ordinary shares of RM1.00 each.

9.2.2 Rights Issue

On 16 August 2000, NWPH implemented a rights issue of 4,965,284 new ordinary shares of RM1.00 each at par on the basis of approximately 108 new ordinary shares of RM1.00 each for every 1,000 ordinary shares held after the Acquisition of NWP.

Upon completion of the Rights Issue, the issued and fully paid-up share capital of NWPH increased from 46,034,716 ordinary shares of RM1.00 each to 51,000,000 ordinary shares of RM1.00 each.

The 4,965,284 new ordinary shares of RM1.00 each in NWPH issued pursuant to the Rights Issue rank pari passu in all respects with the existing ordinary shares of NWPH and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

9.2.3 Public Issue

NWPH is now making a public issue of 9,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per new ordinary share to eligible employees of the NWPH Group and the Malaysian public, which is the subject of this Prospectus.

Upon completion of the Public Issue, the issued and fully paid-up share capital of NWPH will increase from 51,000,000 ordinary shares of RM1.00 each to 60,000,000 ordinary shares of RM1.00 each.

9.2.4 Listing and Quotation

Admission to the Official List and the listing of and quotation for the 60,000,000 ordinary shares of RM1.00 each, representing the entire enlarged issued and fully paid-up share capital of NWPH, will be on the Main Board of KLSE.

9.3 Business Overview

NWPH is principally an investment holding company while its wholly-owned subsidiary, NWP is an integrated downstream timber processing company. NWP manufactures various types of timber products such as jambs, solid, finger-jointed and laminated mouldings and timber flooring. In addition, NWP is also involved in sawn timber trading and the provision of timber-treatment and kiln-drying services. The Group operates a timber complex on a 16.63-acre site located at Kampung Lanas, Kimanis, District of Papar, Sabah.

9. **INFORMATION ON THE NWPH GROUP** *(Cont'd)*

A brief description of the Group's diversified range of timber products and its kiln-drying services are as follows:-

9.3.1 Products

(a) Solid Timber Moulding

This product provides the highest level of sales to the NWPH Group and is expected to continue providing stable sales turnover and profitability. In general, solid timber mouldings are timber products that are moulded or formed from solid sawn timber strip (i.e. whole piece of sawn timber strip) into certain profiles or shapes for the manufacture of larger timber products such as door frames, paneling and furniture.

The Group currently produces a very wide range of solid timber mouldings, which includes both fixed and random lengths mainly for the export market. The products cover a wide range of popular timber moulding profiles and include casing, casing cover, stop, base, base cap, crown, coves, frame, round (full, half and quarter round), square, panel, corner guard, batten, lattice, panel and chamber strip and astragels. The NWPH Group's products are mainly exported to the USA. Being an established manufacturer of timber mouldings, the Group is able to manufacture both standard profile and specific profile.

In order to optimise production capacity, the Group also produces general profile timber mouldings that are in great demand in the USA market. General profile timber mouldings are essentially standard profiles/shapes that are regularly purchased by the distributors. Hence, with ready stock of general profile timber mouldings, urgent orders for such stock-up profiles can be delivered immediately to the full satisfaction of buyers.

(b) Jointed/Laminated Jambs

Jambs are substantially used in the USA housing industry, in compliance with its housing industry's specifications. Structurally, these jambs are not too thick but have to be long and strong to support heavy doors. To ease the fixture of door-hinge, medium-density hardwood is preferred. Hence, the preference for medium-density tropical hardwood timber. The temperate countries have to buy their timber jambs from the traditional tropical areas as their own source of softwood has too many knots and are less dense and strong. With good quality medium-density hardwood and NWPH Group's in-house technical know-how, the Group is confident that this product will continue to enjoy increasing demand over the long-term.

(c) Jointed/Laminated Moulding

Timber moulding can be in many forms including solid, finger-jointed, laminated or even jointed and laminated mouldings.

In finger-jointed moulding, previously discarded pieces of sawn timber of "shorter-than-required" length are joined together into finger-jointed mouldings of acceptable length. With the finger-jointed division, the Group's output improved by approximately 5%.

Laminated mouldings are laminated long and large timber mouldings, produced by laminating together many discarded shorter and lower-grade timber strips recovered from the manufacture of solid profile mouldings or less strong sawn timber strips from less mature logs. These are laminated together with strong

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glue using a lamination machine to form one strong and stable and large laminated moulding.

Moulding can also come in the form of laminated-cum-jointed moulding, i.e. a piece of moulding that involves both joining and laminating various smaller pieces of timber-strips.

Research conducted by the Company has shown that jointed/laminated moulding is technically and structurally stronger than the normal natural solid-timber moulding as the separate small timber strips reinforce each other's strength. This has resulted in the product being highly demanded in heavy-duty structural timber-work, especially in the USA.

(d) Jointed/Moulded Timber Flooring

In line with its objective to widen the range of timber products produced from its timber complex, NWPH has ventured into the manufacture of hardwood timber flooring. It is a natural forward integration since the NWPH Group is operating in Sabah and hardwood is readily available. Basically, timber flooring is a principal portion of a house structure, especially in temperate countries. Being a poor conductor of heat, timber flooring makes the floor cooler in the hot summer and keeps it less cold and less humid in the winter. The Group is currently manufacturing Kempas-specie flooring which is a popular specie for overseas market although Merbau and Rengas species are also popular. The popular size range is 15mm to 18mm (thickness), 90mm to 95mm (width) and 400mm to 3000 mm (length).

(e) Kiln-Dry ("KD") Services

There is an increasing demand for KD services, especially from sawn timber exporters. The NWPH Group has been providing KD services to medium and large sawmillers in Sabah. To capitalise on this demand, the Group has in 1994 invested in a new block of nine (9) new KD chambers which came into operation by 1995, thereby increasing its total annual capacity to 27,000 tonnes. A new and large timber yard was also constructed beside the new KD chambers to support the new KD service division. Additional services connected to KD services, such as timber-treatment, timber-grading, timber re-packing are charged separately as additional income.

The Group's KD facility is one of the more advanced KD facilities in Sabah, being a fully-computerised automation system. The facility provides good quality output with low drying defects. With the proper control of the flow of moisture and steam, the fully computerised and automatic KD system can kiln-dry the timber to produce perfectly dried timber eliminating crack, warp, twist and any other drying defects.

Computerised KD reduces overall processing time as it has the following advantages:-

- (a) it can achieve repeatable and uniform drying quality;
- (b) it can reduce cycle-time by 20% - 30%;
- (c) it can lower manpower cost as no highly skilled KD operators are required;
- (d) it has low energy consumption; and
- (e) it has high efficiency.

9. INFORMATION ON THE NWPB GROUP (Cont'd)

The system can monitor, analyse and control various process stages within the drying cycles. There are three environmental variables that control the rate and quality of drying – temperature, relative humidity and air velocity. Factors like sticker thickness, timber thickness and width of the load also affect the basic variables.

To encourage the export of more value-added timber products via the export of KD sawn timber, the Sabah government has provided the incentive of export rebate averaging RM120 per tonne depending on the species.

In line with the NWPB Group's business strategy to seize the opportunity in generating additional income from timber products, the Group has also traded in sawn timber, especially in 1995 and 1996 when the market was more favourable. Normally, the Group is very well stocked with sawn timber for internal production use. Occasionally, when the NWPB Group receives good offer from buyers, it will sell its sawn timber which is surplus to current production, to these buyers. As this is merely an additional income source which is more of an occasional business opportunity, the Group has decided to de-emphasise on this small incremental business activity in order for management to concentrate on its core business of manufacturing profile moulding and laminated moulding products.

9.3.2 Sourcing of Raw Materials

The main raw material for the Group's timber processing activities is sawn timber strips, which are purchased from third parties. In Sabah, sawn timber can be purchased throughout the year from many local sawmillers.

To ensure the consistent supply of sawn timber strips, NWPB Group has executed three (3) Sale of Goods Agreements ("SGA") on 20 November 1997 with the suppliers as set out below to secure a minimum of 33,000 tonnes of sawn timber strips per annum.

Name of supplier	Minimum tonnes to be supplied each year	Purchase made in the financial year ended 31 August 1999 RM'000
Pucuk Jaya Sdn. Bhd.	13,200	17,687
Tibow Sawmill Sdn. Bhd.	12,000	4,671
Project Antara Bersatu Sdn. Bhd.	7,800	12,062
	33,000	34,420

The initial period of the SGA will expire on 14 November 2000. However, the Group managed to secure an extension for another three (3) years to 14 November 2003. The supply of sawn timber strips from these SGA constitutes approximately 85% of the average projected yearly requirement of the Group for the said duration of the SGA. The Directors of NWPB are confident of renewing the SGA when it expires in year 2003 based on terms prevailing at that time.

The salient terms of the three (3) SGA are as follows:-

- (i) The purchase price of various types of sawn timber is fixed for the first contractual year and neither party has the right to change the stated purchase price without written consent from the other party.

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- (ii) The purchase price of the sawn timber shall remain the same during the second (2nd) and third (3rd) contractual years unless the market price of the said sawn timber strips has increased or decreased (as the case may be) for more than ten percentum (10%), and in such an event, the purchase price of the sawn timber shall also be increased or decreased (as the case may be) at a rate to be agreed upon by both parties in writing provided always that the said increase or decrease shall not be more than the said ten percentum (10%) of the purchase price. In the event of any dispute by the parties hereto on the determination of the market price, the parties hereto shall refer this matter to an arbitrator to be appointed and agreed by them, and any decision made by the said arbitrator shall be final and binding upon them.
- (iii) In the event that the Group shall in any one contractual year fail to purchase the minimum quantity of the sawn timber, it shall then purchase the balance thereof in the following contractual year at the same price of the previous contractual year, provided always that if the Group shall eventually fail to purchase a minimum total of three times of the minimum tonnes to be supplied for each year at the end of the year following the expiration of the three (3) years term of the SGA, NWPH Group shall immediately pay to the seller as agreed liquidated damages a sum equivalent to ten percentum (10%) of the purchase price of the remaining minimum quantity of the sawn timber not bought.

9.3.3 Quality Control and Efficiency

To maintain the quality of the NWPH Group's timber products and efficiency of the production process, the Group emphasises, amongst others, on its human resource training such as maintenance of machinery and grading of timber. In addition, the Group has designated supervisors at certain critical production stages during the production process to ensure that the quality of its products is maintained.

In order to keep abreast with the demand for quality timber products and maintain efficiency in the production process, the Directors and senior management of NWPH attend trade fairs and seminars relevant to the timber industry so as to be aware of the latest machinery available as well as the latest developments and progress in the industry.

9.3.4 Research And Development

In line with the Government's move to promote more downstream value-added timber production, the NWPH Group conducts research and development for new uses of timber which is value-added, to find ways to reduce wastage, to further improve recovery rate and to explore new markets.

9.3.5 Marketing and Distribution

The NWPH Group's timber moulding products are mainly exported to large and established overseas buyers. These large importers in turn supply to a very broad base of customers in their respective countries. The Group also exports its products via local agents.

The approximate breakdown of NWPH Group's sales for the financial year ended 31 August 1999 is as follows:-

	%
USA	73.48
Canada	21.23

9. INFORMATION ON THE NWPH GROUP (Cont'd)

	%
Europe	0.64
Malaysia	3.72
Others	0.93
	100.00

9.4 Share Capital

The present authorised and issued and fully paid-up share capital of NWPH are as follows:-

	No. of shares	Par value RM	Total share capital RM
Authorised:-			
Ordinary shares	100,000,000	1.00	100,000,000
Issued and fully paid-up:-			
Ordinary shares	51,000,000	1.00	51,000,000

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Issued and paid-up share capital RM
05.10.1999	2	1.00	Cash; Subscribers' shares	2
18.07.2000	46,034,714	1.00	Issued pursuant to the Acquisition of NWP	46,034,716
16.08.2000	4,965,284	1.00	Rights issue of new ordinary shares at par on the basis of approximately 108 new ordinary shares of RM1.00 each for every 1,000 ordinary shares held	51,000,000

9.5 Subsidiary and Associated Company

Details of NWPH's wholly-owned subsidiary, which is incorporated in Malaysia, are as follows:-

Name	Date of incorporation	Authorised share capital RM	Issued and paid-up share capital RM	Principal activities
NWP	06.07.85	25,000,000	2,000,000	Manufacturing of various types of timber products, sawn timber trading and provision of timber treatment and kiln drying services

NWPH does not have any associated company as at the date hereof.

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Further information on NWP is set out in Section 10 of this Prospectus.

9.6 Profit and Dividend Records

The following is a summary of the proforma audited results of the NWP Group for the past five (5) financial years ended 31 August 1995 to 1999 and the eight (8) months period ended 30 April 2000, prepared on the assumption that the current structure of the Group has been in existence throughout the years and period under review:-

	Financial year ended 31 August					8-month period ended 30 April 2000
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	RM'000
Turnover	21,800	31,072	34,784	45,840	54,573	37,403
Profit before depreciation and interest	6,220	8,962	9,624	11,084	11,886	8,516
Depreciation	(860)	(952)	(976)	(1,322)	(1,626)	(1,136)
Interest expense	(463)	(533)	(476)	(163)	(118)	(227)
Interest income	-	4	-	34	48	568
Profit before taxation	4,897	7,481	8,172	9,633	10,190	7,721
Taxation	-	-	(65)	(12)	(15)	(159)
Profit after taxation	4,897	7,481	8,107	9,621	10,175	7,562
No. of ordinary shares assumed in issue ('000)	46,035	46,035	46,035	46,035	46,035	46,035
Net EPS (sen)	10.64	16.25	17.61	20.90	22.10	24.64*
Gross dividend rate (%)	-	-	-	-	-	-

Notes:-

* Annualised.

- (i) Apart from that mentioned in notes (iii) and (iv) below, turnover increased significantly from financial year 1995 to financial year 1999 mainly due to the increase in production capacity and the installation of new production lines for the production of new products such as jambs, laminated mouldings and timber flooring. The production capacity of solid timber moulding increased from 7,500 tonnes per annum in 1995 to 9,000 tonnes in 1999 whilst the capacity of jambs increased from 1,100 tonnes per annum in 1995 to 2,200 tonnes in 1999. The production capacity of jointed/laminated moulding increased from 1,600 tonnes per annum in 1995 to 4,000 tonnes per annum in 1999. The production capacity for timber flooring increased from 800 tonnes per annum in 1996 to 6,000 tonnes per annum in 1999.
- (ii) The increase in profit before taxation throughout the financial years under review is in line with the increase in turnover and effective control over the Group's operating overheads.
- (iii) The relatively significant increase in turnover and profit before taxation for the financial year 1996 is due to contributions from a new finger joint system and nine (9) kiln-drying chambers installed during the financial year 1995 whilst the relatively significant increase in turnover for the financial year 1998 is mainly due to the depreciation of RM against USD.

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- (iv) *Turnover and profit before taxation for the financial period ended 30 April 2000 are higher in comparison to the corresponding period in the previous financial year due mainly to the increase in production of its timber mouldings products.*
- (v) *The taxation charged for the financial year 1999 is related to the underprovision in the previous year.*
- (vi) *The number of ordinary shares assumed in issue throughout the financial years and period under review is the number of ordinary shares in issue after the Acquisition of NWP.*
- (vii) *No dividend was declared and paid by the proforma Group during the financial years and period under review. However, NWP has, on 21 August 2000, declared and paid an interim tax-exempt dividend of 5% amounting to RM2.55 million (whilst NWP has, on 19 August 2000, declared and paid an interim tax-exempt dividend of 130% amounting to RM2.6 million to NWP) for the financial year ended 31 August 2000.*
- (viii) *The Group enjoys pioneer status for its general moulding products under the Promotion of Investment Act, 1986 for a period of ten (10) years, which will expire on 30 June 2001. In addition, the Group has unabsorbed capital allowances amounting to RM17,854 as at 31 August 1999 (subject to confirmation from the Inland Revenue Board) to off-set the taxable income derived from non-pioneer status products and services such as sawn timber trading and kiln-drying services.*
- (ix) *There was no exceptional or extraordinary item in respect of the financial years and period under review.*

9.7 Board of Directors, Senior Management and Employees
9.7.1 Board of Directors

Majid bin Mat Lazim, aged 38, is the Executive Chairman, having been appointed to the Board on 19 July 2000. He is also the Executive Chairman of NWP. Prior to joining NWP in July 1994, he worked in two (2) timber moulding companies, namely as a Supervisor with Genagco Sdn. Bhd. from August 1982 to January 1987 and as a Technical Supervisor with Ikman Industries Sdn. Bhd. from February 1987 to June 1994. He specialises in machinery maintenance and quality-control and is also very experienced in the checking and grading of timber products. He obtained a Certificate of Wood-Machining and Timber-Moulding from Majlis Amanah Rakyat ("MARA") in 1981. He also sits on the board of several private limited companies.

Chang Ah Ngau, aged 48, is the Managing Director of NWP, having been appointed to the Board on 19 July 2000. He is also the Managing Director of NWP. He started working after completion of his primary education and has accumulated twenty (20) years of working experience in the timber industry and is very conversant with timber-grading, kiln-drying of timber and all aspects of profile-moulding operations. He started as a Federal Land Development Authority ("FELDA") land-development contractor in the 1970s, being involved in a number of FELDA land-development projects in Pahang Darul Makmur and Kelantan Darul Naim. Prior to joining NWP, he was the Production Manager of Long Huat Industries Sdn. Bhd. from 1982 to 1988 and the Factory Manager of Ikman Industries Sdn. Bhd. from 1988 to 1993, both which are timber related companies. He joined NWP as its Factory Manager in 1993 prior to being appointed to the Board of NWP in 1994.

Mohd. Zahiri bin Dato' Haji Maulud, aged 41, was appointed Director of NWP on 19 July 2000. He is also a Director of NWP since 27 October 1997. He obtained a Business Administration degree from Mara Institute of Technology in 1977. He served as the Marketing Manager for Syarikat Jengka Sdn. Bhd. (a wood-based company) from 1980 to 1984. Subsequently, he joined Perwira Niaga Malaysia Sdn. Bhd. (a retail-outlet chain serving the Armed Forces) from 1984 to 1988 as the Regional Manager before joining Cold Storage (M) Bhd. (now known as CSM Corporation Berhad) (a public company listed on the KLSE) as the Senior Business Manager from 1988 until 1992. He

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was also a Director-cum-General Manager for Dewina Bhd. (a public company listed on KLSE) from 1992 to 1993. He is now the Managing Director of Plus Eleven Sdn. Bhd. (a processed food manufacturer company) and the Managing Director of Khemah Technology Sdn. Bhd. (a trading company).

Lee Khim Sin, aged 59, was appointed Director of NWP on 19 July 2000. He is also a Director of NWP since 4 August 1995. He graduated from Nanyang University, Singapore in 1962 with a Bachelor of Arts degree. He is also a Chartered Accountant and is a member of the Institute of Chartered Accountants of England and Wales. He is now a Senior Partner of Hii & Lee and Hii Chung Giu & Co., both firms of which he joined since 1975 and which are firms of Public Accountants in association with BDO Binder, Public Accountants. Having been in the accounting profession for more than thirty (30) years, he has been closely involved in advising clients varying from small to multinational enterprises in the fields of corporate planning, management, mergers, acquisitions, investments and businesses. He has had very extensive experience in manufacturing and property development. Between 1982 to 1988, he was a director of S.K. Timber Corporation Sdn. Bhd., a timber exporter in Sabah. Between 1984 to 1987, he was the Executive Director of International Wood Products Ltd., a company previously listed on the Singapore and Kuala Lumpur Stock Exchanges, which was engaged in the manufacture and trading of plywood in Singapore. His other positions include being a member of Kuching Municipal Council from 1982 to 1985 and being a Member of the Panel Of Industrial Court since 1 January 1984.

9.7.2 Senior Management

The senior management team of the NWP Group is headed by Encik Majid bin Mat Lazim, the Executive Chairman and assisted by Mr. Chang Ah Ngau, the Managing Director. The other members of the senior management team are as follows:-

Koh Kai Yek, aged 46, is the Finance Manager. She holds a Diploma in Commerce (Association of Chartered Certified Accountants) from Tunku Abdul Rahman College, Kuala Lumpur. She was an Audit/Account Supervisor with Chan & Folk, Public Accountants for three (3) years from 1979 to 1981, an Accounts Supervisor with Insuna Underwriting Agencies Sdn. Bhd. for two (2) years from 1981 to 1983 and as an Assistant Accountant with Cathay Organisation (M) Sdn. Bhd. for thirteen (13) years from 1984 to 1997. She joined NWP in June 1997 in her current position where she heads the Accounts Department and also assists in office administration. These responsibilities include financial management, budgetary controls and implementation of the accounting and internal control systems.

Hoh Kim Ling, aged 46, is the Marketing Manager and is a key figure on the management team. She has twenty four (24) years of working experience with four (4) timber-based companies. Upon completion of her Malaysian Certificate of Education, she started her career as a General/Tally clerk cum Account & Documentation Clerk with Sum Woh Sawmill Sdn. Bhd., where she worked from 1974 to 1981. She then joined Holmawood Sdn. Bhd. (a timber agent and exporter) as a general clerk in 1981 and worked her way up to become Shipping and Documents Clerk cum Marketing Assistant. With her two decades of extensive experience in timber marketing, especially in dealing with overseas customers, she joined NWP as its Marketing Manager in April 1997.

Chai Yoon Heng, aged 33, is the Corporate Affairs Manager and is responsible for the Group's corporate matters. He graduated with a Bachelor of Accounting from Universiti Malaya in 1992 and is a Public Accountant registered with the Malaysian Institute of Accountants. Prior to joining NWP in March 2000, he was attached with E.S. Lim & Co., Public Accountants for eight (8) years from 1992 to 1999 where he last served as Audit Manager.

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Michael Sau Eng Wah, aged 32, is the Factory Manager. He started working after completion of his primary education and has twelve (12) years of working experience with three (3) timber based companies. He was an Assistant Supervisor with Long Huat Manufacturing Sdn. Bhd. for five (5) years from 1987 to 1991. From 1992 to 1993, he was employed by NWP in the capacity of Production Supervisor. Subsequently, he joined Wangsa Timber Industries Sdn. Bhd. as Production Manager from 1994 to 1998. In 1999, he rejoined NWP in his current capacity where his responsibilities include managing production activities and ensuring the overall smooth operations of the factory.

Wong Chau Phin, aged 29, is the Production Manager. He started working after completing his Senior Middle Three. His responsibilities include assisting the Factory Manager on the production activities of the factory. He was previously with NWP for two (2) years from 1991 to 1992 as Supervisor and subsequently with Tong Skong Timber as Supervisor for three (3) years from 1993 to 1995. From 1996 to January 2000, he was attached with Wangsa Timber as Chief Supervisor and rejoined NWP in February 2000 as Production Manager.

Adnan bin Sapah, aged 41, is the Kiln-Drying ("KD") Manager. He started working after completing his Sijil Rendah Pelajaran. He is responsible for all aspects of the KD chambers and KD service business. Previously, he worked as a KD Operator with Messrs. You Lam Sing, the former KD-Contractor of NWP, from 1991 to 1994. He joined NWP in April 1994 as KD Manager.

Wong See Ming, aged 33, is the Research and Development Manager and his main duty is to explore the latest technology to maximise production and to minimise wastage. He obtained a Bachelor of Arts (Professional Accounting and Management Information System) from Eastern Washington University, USA. After graduation in 1991, he joined Ikman Industries Sdn. Bhd. as its Marketing Manager. In 1994, he was promoted to the position of Operation Manager. He joined NWP in May 1997 in his current position. He is also the Personal Assistant to the Managing Director.

9.7.3 Employees

As at 15 September 2000, the Group has a total workforce of 289 employees. The employees do not belong to any labour union and enjoy a cordial relationship with the management.

9.7.4 Family relationship

There are no family relationship amongst the Directors and/or senior management of the NWP Group.

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9.8 Properties

The details of the landed properties of the NWPH Group are as follows:-

Title/ Location	Registered owner	Existing use	Land area (acres)	Tenure (years)	Appro- ximate age of building (years)	Net book value as at 31.08.99 RM'000	Market value as appraised by valuer RM'000	Market value as approved by SC RM'000	SC approved re- valuation surplus [^] RM'000
Country Lease 025339566 and 025348298; Located at Kampung Lanas, Kilometre 56, Kimanis in the District of Papar, 56 kilometres south of the Kota Kinabalu Municipal Centre	NWP	Timber complex	16.63	99 years leasehold expiring on 31.12.2064 and 31.12.2096	4 - 7	10,489	16,272	13,000	2,511

Note:-

[^] Based on net book value as at 31 August 1999.

The market valuation of the above landed properties was carried out by JS Valuers Property Consultants Sdn. Bhd., a firm of independent professional valuer using the Contractor's and Comparative methods of valuation on 1 September 1999. The Valuation Certificate is set out in Section 18 of this Prospectus.

On 7 June 2000, the market value as approved by SC amounted to RM13,000,000. The approved revaluation surplus was incorporated in the accounts of NWP for the financial year ended 31 August 2000.

9.9 Working Capital, Borrowings, Contingent Liabilities and Capital Commitments

The Directors of NWPH are of the opinion that, after taking into account the cashflow estimate and forecast of the Group and banking facilities available, the Group has adequate working capital for its present and foreseeable requirements.

As at 15 September 2000 (being the last practical date at which such amounts could be calculated prior to the printing of this Prospectus), the total bank borrowings, overdrafts and banking facilities of the Group amounted to RM6.394 million, of which RM1.802 million was charged against the Group's landed properties.

Save as disclosed above and in Section 17 of this Prospectus, the Group does not have any other loan capital outstanding or created but unissued, nor any mortgages or charges, bank borrowings, overdraft, banking facilities, contingent liabilities or capital commitment as at 15 September 2000.

10. INFORMATION ON NWP

10.1 History and Business

NWP was incorporated in Malaysia under the Companies Act, 1965 on 6 July 1985 under the name of G.H. Agriculture (Products) Sdn. Bhd. It changed its name to Nianli Wood Products Sdn. Bhd. on 16 June 1988 and was subsequently converted to a public limited company on 7 December 1994 under the name of Nianli Wood Products Berhad. On 25 June 1997, it reverted its status to a private limited company and changed its name to Nianli Wood Products Sdn. Bhd. and subsequently changed its name to NWP Industries Sdn. Bhd. on 12 November 1997.

On 30 December 1997, it was converted to a public limited company under the name NWP Industries Berhad. Subsequently, on 5 November 1999, it reverted its status back to a private limited company under its previous name, NWP Industries Sdn. Bhd..

NWP is principally involved in the manufacturing of various types of timber products such as jambs, solid, finger-jointed and laminated mouldings and timber flooring. In addition, NWP is also involved in sawn timber trading and the provision of timber treatment and kiln drying services. As at 15 September 2000, NWP has a total workforce of 289 employees.

NWP commenced operations in 1988 as a manufacturer of stickers, a type of timber-moulding used for stacking of timber and other goods, for the export market. The factory operations were then carried out on rented premises on a 1.5 acre site in Kawasan Perindustrian Songsang, Pahang Darul Makmur. Due to shortage of supply of sawn timber and continued business expansion, the entire operations were relocated to Sabah on 31 March 1989.

In Sabah, NWP's operations expanded into various types of profile-mouldings for the export market such as jambs, door frames and new operations such as production of laminated products, timber flooring and kiln-drying services. NWP was among one of the earlier companies in Sabah to operate a timber moulding business. The expansion was achieved due to accumulated technical expertise, established network of international buyers and the abundant supply of raw material and labour in Sabah.

Presently, NWP operates on a timber complex with a built-up area of approximately 280,158 square feet located on a 16.63-acre land at Kampung Lanas, Kimanis, District of Papar, Sabah. The expansion from a timber-moulding mill into a timber complex was achieved both by organic growth and forward and backward integration as demonstrated by the progressive increase in turnover from financial year 1995 to 1999 contributed by the installation of additional production lines for mouldings and jambs, the addition of the timber flooring line in financial year 1996 and the commissioning of nine (9) new kiln-drying chambers in the financial year 1995. Training programmes were implemented to complement the new policies on maximum utilisation of raw materials and minimum wastage whilst new building blocks were constructed to increase storage space. With the additional management effort, the focused-strategy paid off when NWP recorded an increasing trend in both turnover and profitability over the years as evidenced by the company's profit track record set out in Section 10.4 of this Prospectus. For the financial year ended 31 August 1999, the principal markets for the company's products are set out in Section 9.3.5 of this Prospectus.

For its timber processing activities, NWP obtains its supply of sawn timber strips from various sawmillers. To ensure consistent supply of sawn timber strips, NWP has executed three (3) Sale of Goods Agreements ("SGA") with its suppliers to secure a minimum 33,000 tonnes of sawn timber strips per annum. Details of the suppliers under the SGA are set out in Section 9.3.2 of this Prospectus.

For its moulding operations, NWP enjoyed pioneer status under the Promotion of Investment Act, 1986 with full tax exemption on income earned for a period of five (5) years which expired on 30 June 1996. Subsequently, NWP applied for and was granted an extension of its pioneer status for a further five (5) years which will expire on 30 June 2001.

10. INFORMATION ON NWP (Cont'd)

In line with the expansion of NWP, sales has improved significantly since 1995. NWP's timber product sales mix in terms of percentage of turnover for the past five (5) financial years ending 31 August 1995 to 1999 and the eight (8) months period ended 30 April 2000 are as follows:-

	-----Financial year ended 31 August-----					8-month period ended
	1995	1996	1997	1998	1999	30 April 2000
Turnover (RM'000)	21,800	31,072	34,784	45,840	54,573	37,403
Solid Timber Moulding (%)	58.71	57.77	55.98	43.36	41.32	37.43
Jointed/Laminated Jambs (%)	11.20	10.25	13.25	10.00	11.14	11.94
Jointed/Laminated Moulding (%)	15.32	14.38	18.64	21.51	16.81	19.26
Jointed/Moulded Timber Flooring (%)	-	-	6.57	21.36	26.70	26.69
Sawn timber (%)	8.37	8.42	0.28	0.49	0.52	0.63
Kiln-Drying Services (%)	6.40	9.18	5.28	3.28	3.51	4.05

Presently, NWP is operating at about 72% of its capacity on a two (2)-shift operation. Hence, there is room to increase the capacity utilisation by another 28%. It also plans to invest in an additional line for its timber flooring division. The new line, costing approximately RM10.0 million, will be installed and become fully operational by September 2001, with additional equipment to enhance the quality of its timber flooring to be integrated by early 2002. The additional production line is to cater for the anticipated increase in demand for its timber flooring in the target markets. The line will have a maximum capacity of 10,000 tonnes of input and 6,000 tonnes of output. Although it usually operates on a two (2)-shift programme, NWP runs a third shift when required, to meet any temporary increase in demand. Over the years, it has embarked on a series of expansion and modernisation programmes to expand and upgrade its facilities to meet the growing demand for its various timber related products.

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10. INFORMATION ON NWP (Cont'd)

The production output and capacity per annum of NWP for the past five (5) financial years ended 31 August 1995 to 1999 and the eight (8) months period ended 30 April 2000 are as follows:-

	Financial year ended 31 August										8-month period ended		
	1995	1996	1997	1998	1999	1999	1999	1999	1999	1999	30 April 2000	30 April 2000	
	Production output Tonnes	Production output Tonnes	Production output Tonnes	Production output Tonnes	Production output Tonnes	Production capacity Tonnes	Production output Tonnes	Production output Tonnes	Production capacity Tonnes	Production output Tonnes	Production capacity Tonnes	Production output Tonnes	Production capacity Tonnes
Solid Timber Moulding	3,625	6,619	6,197	6,175	6,556	9,000	6,175	6,556	9,000	3,995	9,000	3,995	9,000
Jointed/Laminated Jambs	1,050	1,616	1,554	1,243	1,460	2,200	1,243	1,460	2,200	1,063	2,200	1,063	2,200
Jointed/Laminated Moulding	1,514	2,418	2,387	3,314	3,025	3,200	3,314	3,025	4,000	2,316	4,000	2,316	4,000
Jointed/Moulded Timber Flooring	-	61	714	2,551	4,196	800	2,551	4,196	6,000	2,864	6,000	2,864	6,000
Kiln-Drying Services	9,976	22,216	16,777	16,603	16,930	27,000	16,603	16,930	27,000	10,282	27,000	10,282	27,000

Note:-

The production output of jointed/moulded timber flooring in the financial year ended 31 August 1996 was a result of test runs for the new timber flooring line.

10. INFORMATION ON NWP (Cont'd)**10.2 Share Capital**

The present authorised share capital of NWP is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each.

Changes in the issued and paid-up share capital of NWP since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Issued and paid-up share capital RM
06.07.85	4	1.00	Subscribers' shares	4
15.12.89	10,000	1.00	Cash	10,004
14.03.90	989,996	1.00	Cash	1,000,000
29.08.90	500,000	1.00	Cash	1,500,000
25.01.91	50,000	1.00	Cash	1,550,000
26.08.91	450,000	1.00	Cash	2,000,000

10.3 Subsidiary and Associated Company

As at the date hereof, NWP does not have any subsidiary or associated company.

10.4 Profit and Dividend Records

The following is a summary of the audited results of NWP for the past five (5) years ended 31 August 1995 to 1999 and the eight (8) months period ended 30 April 2000:-

	-----Financial year ended 31 August-----					8-month period ended
	1995	1996	1997	1998	1999	30 April
	RM'000	RM'000	RM'000	RM'000	RM'000	2000
						RM'000
Turnover	21,800	31,072	34,784	45,840	54,573	37,403
Profit before depreciation and interest	6,220	8,962	9,624	11,084	11,886	8,516
Depreciation	(860)	(952)	(976)	(1,322)	(1,626)	(1,136)
Interest expense	(463)	(533)	(476)	(163)	(118)	(227)
Interest income	-	4	-	34	48	568
Profit before taxation	4,897	7,481	8,172	9,633	10,190	7,721
Taxation	-	-	(65)	(12)	(15)	(159)
Profit after taxation	4,897	7,481	8,107	9,621	10,175	7,562
No. of ordinary shares in issue ('000)	2,000	2,000	2,000	2,000	2,000	2,000
Net EPS (RM)	2.45	3.74	4.05	4.81	5.09	5.67*
Gross dividend rate (%)	-	-	-	-	-	-

10. INFORMATION ON NWP (Cont'd)

Notes:-

- * *Annualised.*
- (i) *Apart from that mentioned in notes (iii) and (iv) below, turnover increased significantly from financial year 1995 to financial year 1999 mainly due to the increase in production capacity and the installation of new production lines for the production of new products such as jambs, laminated mouldings and timber flooring. The production capacity of solid timber moulding increased from 7,500 tonnes per annum in 1995 to 9,000 tonnes in 1999 whilst the capacity of jambs increased from 1,100 tonnes per annum in 1995 to 2,200 tonnes in 1999. The production capacity of jointed/laminated moulding increased from 1,600 tonnes per annum in 1995 to 4,000 tonnes per annum in 1999. The production capacity for timber flooring increased from 800 tonnes per annum in 1996 to 6,000 tonnes per annum in 1999.*
- (ii) *The increase in profit before taxation throughout the financial years under review is in line with the increase in turnover and effective control over its operating overheads.*
- (iii) *The relatively significant increase in turnover and profit before taxation for the financial year 1996 is due to contributions from a new finger joint system and nine (9) kiln-drying chambers installed during the financial year 1995 whilst the relatively significant increase in turnover for the financial year 1998 is mainly due to the depreciation of RM against USD.*
- (iv) *Turnover and profit before taxation for the financial period ended 30 April 2000 are higher in comparison to the corresponding period in the previous financial year due mainly to the increase in production of its timber mouldings products.*
- (v) *The taxation charged for the financial year 1999 is related to the underprovision in the previous year.*
- (vi) *No dividend was declared and paid by NWP during the financial years and period under review. However, NWP has, on 19 August 2000, declared and paid an interim tax-exempt dividend of 130%, amounting to RM2.6 million, to NWP.*
- (vii) *NWP enjoys pioneer status for its general moulding products under the Promotion of Investment Act, 1986 for a period of ten (10) years, which will expire on 30 June 2001. In addition, it has unabsorbed capital allowances amounting to RM17,854 as at 31 August 1999 (subject to confirmation from the Inland Revenue Board) to off-set the taxable income derived from non-pioneer status products and services such as sawn timber trading and kiln-drying services.*
- (viii) *There was no exceptional or extraordinary item in respect of the financial years and period under review.*

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11. CONSOLIDATED PROFIT ESTIMATE AND FORECAST TOGETHER WITH THE ASSUMPTIONS THEREON

11.1 The Directors of NWPH estimate and forecast that, barring unforeseen circumstances, the consolidated profit after taxation of NWPH for the financial years ended/ending 31 August 2000 and 2001 respectively will be as follows:-

Financial year ended/ending 31 August	Estimate 2000	Forecast 2001
Consolidated profit after taxation (RM'000)	11,371	12,466
Net EPS (sen)	23.67 ^{*1}	21.30 ^{*2}
Net PE multiple based on the issue price of RM1.60 per share (times)	6.76	7.51

^{*1} Based on the weighted average number of shares in issue of 48,032,361 ordinary shares of RM1.00 each after adjusting for the bonus element inherent in the Rights Issue in accordance with MASB 13 of the Malaysian Accounting Standards Board.

^{*2} Based on weighted average number of shares in issue of 58,520,548 ordinary shares of RM1.00 each assuming the Public Issue is completed on 31 October 2000.

11.2 The principal assumptions upon which the estimate and forecast have been made are as follows:-

- (a) There will be no material changes in the principal activities and structure of the Group other than those taken into consideration in the estimate and forecast.
- (b) There will be no material changes in the present legislation, or regulations and taxes affecting the activities or the markets in which the Group operates.
- (c) There will be no major industrial disputes and significant changes in the national and international economic and political climate which will affect the timber industry.
- (d) There will be no major breakdown or disruption in the manufacturing facilities, disruption in supply of material or other abnormal factors or changes both domestic and overseas which may materially affect the Group's production or sales at the estimate and forecast levels.
- (e) The prevailing market conditions for the Group's products will not change materially and the average prices of the Group's products will not fluctuate significantly from the estimate and forecast levels.
- (f) The foreign currency exchange rate used in the estimate and forecast is at USD1.00 : RM3.80.
- (g) Existing financing facilities will remain available and the level of interest rate will not change materially from those prevailing.
- (h) There will be no material changes in inflation rates which will force wages, raw materials and other operating costs to fluctuate substantially.
- (i) The average log prices will not fluctuate significantly from estimate and forecast levels.
- (j) There will be no material changes in the accounting and management policies currently adopted.

11. CONSOLIDATED PROFIT ESTIMATE AND FORECAST TOGETHER WITH THE ASSUMPTIONS THEREON *(Cont'd)*

- (k) There will be no significant changes in the planned capital expenditure programme of the Group and the programme will be implemented as scheduled.
- (l) There will be no major changes in the existing key personnel and management of the Group which will affect the marketing capability and level of activities of the Group.
- (m) There will be no material acquisition, disposal of fixed assets and investments other than those included in the estimate and forecast.

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12. **REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST**

(Prepared for inclusion in this Prospectus)

YEAP CHENG CHUAN, P.A. (M), FCCA, CPA.

شرکت یاف چینگ چوان
YEAP CHENG CHUAN & CO.
Public Accountants

葉清來會計公司

SUITE 609, BLOCK C, PHILEO DAMANSARA 1, 9, JALAN 16/11, OFF JALAN DAMANSARA, 46350 P.J.
Tel: 03-4608112, 4608121, 4608966 Fax: 03-4608911 E-Mail: sbsyeap@pd.jaring.my

18 September 2000

The Board Of Directors
NWP HOLDINGS BERHAD
68C, Jalan SS 2/72
47300 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,


**NWP HOLDINGS BERHAD
CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE FINANCIAL YEARS ENDED/ENDING
31 AUGUST 2000 AND 2001**

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast of NWP Holdings Berhad and its subsidiary ("NWPH Group") for the financial years ended/ending 31 August 2000 and 2001 respectively, for which the Directors are solely responsible, as set out in the Prospectus to be dated 27 September 2000 in connection with the public issue of 9,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per ordinary share pursuant to the listing of and quotation for its entire issued and fully paid-up share capital on the Main Board of Kuala Lumpur Stock Exchange.

In our opinion the profit estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the NWPH Group.

Yours faithfully,


YEAP CHENG CHUAN & CO
NO. AF 0116
PUBLIC ACCOUNTANTS


YEAP CHENG CHUAN
NO. 566/4/02 (J/PH)
PUBLIC ACCOUNTANT

13. DIVIDEND ESTIMATE AND FORECAST

It is the policy of the Directors of NWPB to recommend dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of the Group.

The Directors of the Company declared and paid an interim dividend for the financial year ended 31 August 2000 on 21 August 2000. They will not be proposing any final dividend for the said financial year. However, based on the forecast consolidated profit after taxation of RM12,466,000 for the financial year ending 31 August 2001, the Directors of NWPB anticipate that, in the absence of unforeseen circumstances, the Company will be in a position to propose a final tax-exempt dividend of 5.0 sen per share for the financial year ending 31 August 2001 based on its enlarged issued and paid-up share capital of 60,000,000 ordinary shares of RM1.00 each.

The intended appropriation of the estimated and forecast consolidated profit after taxation for the financial years ended/ending 31 August 2000 and 2001 respectively will be as follows:-

Financial year ended/ending 31 August	Estimate 2000 RM'000	Forecast 2001 RM'000
Consolidated profit after taxation	11,371	12,466
Less: Tax-exempt dividend	(2,550)	(3,000)
Profit retained for the financial year	<u>8,821</u>	<u>9,466</u>
Tax-exempt dividend per share (sen)	5.00	5.00
Tax-exempt dividend yield based on the issue price of RM1.60 per share (%)	N/A*	3.13
Net dividend cover (times)	4.46 [#]	4.16

Notes:-

* *Not applicable. An interim tax-exempt dividend of 5.00% amounting to RM2.55 million for the financial year ended 31 August 2000 was declared and paid on 21 August 2000. The Directors will not be proposing any final dividend for the financial year ended 31 August 2000.*

Based on the interim tax-exempt dividend of 5.00% amounting to RM2.55 million declared and paid on 21 August 2000.

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14. PROFORMA CONSOLIDATED BALANCE SHEETS

The Proforma Consolidated Balance Sheets of NWPH as at 30 April 2000 as set out below are provided for illustrative purposes only to show the effects of the Acquisition of NWP, the Rights Issue and the Public Issue in conjunction with its flotation on the Main Board of KLSE on the assumption that these transactions were completed on 30 April 2000.

	Audited as at 30 April 2000 RM'000	Proforma (I) After the Acquisition of NWP RM'000	Proforma (II) After Proforma (I) and the Rights Issue RM'000	Proforma (III) After Proforma (II) and the Public Issue RM'000
FIXED ASSETS	-	20,737	20,737	20,737
EXPENDITURE CARRIED FORWARD	3	3	3	3
CURRENT ASSETS				
Stocks	-	11,663	11,663	11,663
Trade debtors	-	2,207	2,207	2,207
Other debtors, deposits and prepayments	-	562	562	562
Cash & bank balances	*	28,919	33,884	46,284
	*	43,351	48,316	60,716
CURRENT LIABILITIES				
Trade creditors	-	315	315	315
Other creditors and accruals	3	460	460	460
Short term borrowings	-	1,957	1,957	1,957
Taxation	-	159	159	159
	3	2,891	2,891	2,891
NET CURRENT (LIABILITIES)/ASSETS	(3)	40,460	45,425	57,825
	*	61,200	66,165	78,565
Represented by:-				
SHARE CAPITAL	*	46,035	51,000	60,000
UNAPPROPRIATED PROFIT	-	55,617	55,617	55,617
CAPITAL RESERVE	-	3,579	3,579	3,579
MERGER RESERVE	-	(44,035)	(44,035)	(44,035)
SHARE PREMIUM	-	-	-	3,400
	*	61,196	66,161	78,561
HIRE PURCHASE CREDITORS	-	4	4	4
	*	61,200	66,165	78,565
NTA per share (RM)	(1,499.00)	1.33	1.30	1.31

Note:-

* RM2.

14. PROFORMA CONSOLIDATED BALANCE SHEETS (Cont'd)

Notes to the Proforma Consolidated Balance Sheets**1. Basis of preparation**

1.1 The Proforma Consolidated Balance Sheets of NWPH have been prepared for illustrative purposes only based on accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements and are based on the audited balance sheets of NWPH and NWP respectively as at 30 April 2000.

1.2 Proforma Balance Sheets

(a) The Proforma Balance Sheets have been prepared for illustrative purposes only to show the effects on the proforma consolidated balance sheets of NWPH as at 30 April 2000 had the following proposals been effected on that date:-

(i) Proforma (I)

Proforma (I) incorporates on a proforma basis the acquisition of 2,000,000 ordinary shares of RM1.00 each in NWP, representing the entire equity interest therein, for a total purchase consideration of RM53,634,714 satisfied by the issuance of 46,034,714 new ordinary shares of RM1.00 each in NWPH, credited as fully paid-up, at an issue price of approximately RM1.165.

(ii) Proforma (II)

Proforma (II) incorporates on a proforma basis the transaction in Proforma (I) and the rights issue of 4,965,284 new ordinary shares of RM1.00 each in NWPH at an issue price of RM1.00 per ordinary share on the basis of approximately 108 new ordinary shares for every 1,000 ordinary shares of RM1.00 each held after Proforma (I).

(iii) Proforma (III)

Proforma (III) incorporates on a proforma basis the transactions in Proforma (II) and the public issue of 9,000,000 new ordinary shares of RM1.00 each in NWPH at the issue price of RM1.60 in conjunction with its flotation on the Main Board of KLSE.

(b) The total estimated listing expenses of RM2,000,000 is charged to the share premium account.

2. Share Capital

	RM'000
Audited as at 30 April 2000	*
Issue of shares pursuant to the Acquisition of NWP	46,035
As per Proforma (I)	46,035
Issue of shares pursuant to the Rights Issue	4,965
As per Proforma (II)	51,000
Issue of shares pursuant to the Public Issue	9,000
As per Proforma (III)	60,000

14. **PROFORMA CONSOLIDATED BALANCE SHEETS** *(Cont'd)*

Note:-

* RM2.

3. **Share Premium**

	RM'000
Audited as at 30 April 2000	-
Pursuant to the Public Issue	5,400
Estimated listing expenses	<u>(2,000)</u>
As per Proforma (III)	<u>3,400</u>

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15. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)

YEAP CHENG CHUAN, P.A. (M), FCCA, CPA

شرکت یاف چینگ چوان
YEAP CHENG CHUAN & CO.
Public Accountants

葉清來會計公司

SUITE 609, BLOCK C, PHILEO DAMANSARA 1, 9, JALAN 18/11, OFF JALAN DAMANSARA, 46350 PJ.
Tel: 03-4608112, 4608121, 4608966 Fax: 03-4608911 E-Mail: sbsyeap@pd.jaring.my

18 September 2000

The Board of Directors
NWP HOLDINGS BERHAD
68C, Jalan SS 2/72
47300 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,


**NWP HOLDINGS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 APRIL 2000**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of NWP Holdings Berhad ("NWPH") as at 30 April 2000, together with the accompanying notes thereon, for which the Directors are solely responsible, as set out in the Prospectus to be dated 27 September 2000 in connection with the public issue of 9,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per ordinary share pursuant to the listing of and quotation for its entire issued and fully paid-up share capital on the Main Board of Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Consolidated Balance Sheets of NWPH as at 30 April 2000 together with the notes thereto, which are provided for illustrative purposes only, have been properly compiled on a basis consistent with the accounting policies normally adopted by NWPH and its subsidiary and are presented in a form suitable for inclusion in the Prospectus.

Yours faithfully,


YEAP CHENG CHUAN & CO
NO. AF 0116
PUBLIC ACCOUNTANTS


YEAP CHENG CHUAN
NO. 566/4/02 (J/PH)
PUBLIC ACCOUNTANT