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10. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

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Date : 25 January 2002

The Board of Directors  
**Meda Inc. Berhad**  
9th Floor, Menara Summit  
Persiaran Kewajipan, USJ 1  
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Selangor Darul Ehsan

Partners/Directors  
Dato' Koay Soon Eng  
Ong Eng Loo  
Tang Kin Kheong  
Jean Gan Morn Ghuat  
Tang Chin Fook

Dear Sirs

## ACCOUNTANTS' REPORT

### 1. INTRODUCTION

This report has been prepared by an approved company auditor, for inclusion in the Prospectus to be dated 31 January 2002 in connection with the Public Issue of 73,520,000 new ordinary shares of RM0.50 each and the Offer for Sale of 20,420,000 ordinary shares of RM0.50 each in Meda Inc. Berhad (hereinafter referred to as "Meda Inc." or "the Company") at an issue/offer price of RM0.80 per share and the listing of and quotation for the entire issued and fully paid-up share capital of Meda Inc. comprising up to 428,606,824 ordinary shares of RM0.50 each on the Main Board of the Kuala Lumpur Stock Exchange.

### 2. GENERAL INFORMATION

#### 2.1 Meda Inc.

The Company was incorporated in Malaysia as a private limited company on 11 March 2000 under the name of Court View Sdn Bhd. On 20 June 2000, the Company changed its name to Meda Inc. Sdn Bhd. On 12 July 2000, the Company was converted into a public limited company and assumed its present name. The authorised share capital as at the date of this report is RM250,000,000 comprising 500,000,000 ordinary shares of RM0.50 each. The issued and paid-up share capital as at the date of this report is RM174,014,000 comprising 348,028,000 ordinary shares of RM0.50 each.

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**10. ACCOUNTANTS' REPORT..... cont'd**

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

<b>Date of allotment</b>	<b>Number of ordinary shares</b>	<b>Purpose</b>	<b>Resultant issued and paid-up share capital (RM)</b>
11.3.2000	2	Subscribers' shares	2
7.7.2000	299,998	Working capital	300,000
28.12.2001	300,000	2-for-1 share split resulting in the reduction of the par value per share from RM1.00 to RM0.50	300,000
28.12.2001	347,428,000	Acquisition of the subsidiary companies referred to in 2.2 below	174,014,000

On completion of the Public Issue and the Mandatory General Offer ("MGO")\* referred to in 2.2 below, the issued and fully paid-up share capital of Meda Inc. will increase to 428,606,824 ordinary shares of RM0.50 each.

Meda Inc. is an investment holding company.

*\*on the assumption that all the offerees accept Meda Inc. shares (totaling 7,058,824 ordinary shares of RM0.50 each) as consideration for the remaining 10% of Sri Lingga Sendirian Berhad shares.*

## **2.2 Acquisition of Subsidiary Companies**

As an integral part of its public flotation scheme, Meda Inc. acquired equity interest in the following companies:

Meda Development Sdn Bhd	("Meda")
ZKP Development Sdn Bhd	("ZKP")
Litaran Bayu Sdn Bhd	("Litaran Bayu")
Bernam Industrial Estate Sdn Bhd	("Bernam")
Sri Lingga Sendirian Berhad	("Sri Lingga")
Nandex Development Sdn Bhd <i>(formerly known as Nandex Trading Sdn Bhd)</i>	("Nandex")
Impressive Performance Sdn Bhd	("Impressive")
Everlasting Growth Sdn Bhd	("Everlasting")
Genting Unggul Sdn Bhd	("Genting Unggul")

(collectively referred to hereinafter as "the Subsidiary Companies")

**10. ACCOUNTANTS' REPORT..... cont'd**

The consideration for the purchase of each Subsidiary Company was satisfied by the issue of new ordinary shares of RM0.50 each by Meda Inc. at an issue price of approximately RM0.85 per share. The number of shares and percentage shareholding in each Subsidiary Company acquired, the purchase consideration and number of Meda Inc. shares issued as consideration were as follows:

Subsidiary Company	No. of shares acquired	Percentage shareholding acquired (%)	Purchase consideration (RM'000)	No. of Meda Inc. shares issued as consideration ('000)
Meda	16,375,000	100	160,000	188,234
ZKP	8,750,000	100	47,000	55,294
Litaran Bayu	500,000	100	20,000	23,529
Bernam	300,000	30	8,500	10,000
Sri Lingga	9,000,000	90	54,000	63,529
Nandex	100	100	1,500	1,765
Impressive	100	100		
Everlasting	100	100		
Genting Unggul	150,000	60	4,316	5,077
			<u>295,316</u>	<u>347,428</u>

The acquisition of Bernam was effected through the acquisition of the entire issued share capital of Litaran Bayu, an investment holding company which owns a 70% equity interest in Bernam, and the acquisition of the remaining 30% equity interest in Bernam from Perak Industrial Resources Sdn. Bhd.

The above acquisitions were approved by the Securities Commission on 30 April 2001 and completed on December 2001.

Meda Inc. is also offering to take-over the remaining 10% of Sri Lingga shares pursuant to the *Malaysian Code on Take-Overs and Mergers 1998*. The MGO is expected to be completed by end-April 2002.

### **2.3 Incorporation of the revaluation surplus on hotel properties and investment properties**

Meda Inc. also obtained the approval of the Securities Commission on 30 April 2001 for the incorporation of the revaluation surplus on the Group's hotel properties and investment properties in the books of Meda and ZKP amounting to RM70.742 million and RM13.606 million, respectively.

**10. ACCOUNTANTS' REPORT..... cont'd****2.4 Utilisation of the proceeds from the Public Issue**

The Company will make a Public Issue for cash of 73,520,000 new ordinary shares of RM0.50 each at an issue price of RM0.80 per share. The gross proceeds from the Public Issue totaling RM58,816,000 will be utilised as follows:

	<b>RM'000</b>
Repayment of bank borrowings	30,000
Working capital	
- general	19,816
- payment of cash offer arising from the MGO*	6,000
Estimated listing expenses	3,000
	<u>58,816</u>

*\* this amount may be utilised to finance the acquisition of remaining 10% of Sri Lingga shares pursuant to the MGO. Notwithstanding this, any proceeds earmarked for the MGO of Sri Lingga which is not utilised in the event that the remaining shareholders of Sri Lingga opt not to accept or opt to accept new shares in Meda Inc. will be utilised for Meda Inc's general working capital requirements.*

**3. BACKGROUND OF THE SUBSIDIARY COMPANIES****3.1 Meda**

Meda was incorporated in Malaysia as a private limited company on 20 September 1993 under the name of Simephoenix Development Sdn Bhd. It assumed its present name on 21 April 1994. The authorised share capital as at the date of this report is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 July 2001 and as at the date of this report is RM16,375,000 comprising 16,375,000 ordinary shares of RM1.00 each.

Meda is principally engaged in property development, property management and investment, and the operation of a hotel.

**3.2 ZKP**

ZKP was incorporated in Malaysia as a private limited company on 16 August 1994 under the name of Orion Atur (M) Sdn Bhd. On 24 September 1994, it assumed its present name. The authorised share capital as at the date of this report is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 July 2001 and as at the date of this report is RM8,750,000 comprising of 8,750,000 ordinary shares of RM1.00 each.

ZKP is principally engaged in property development, property management and investment, and the operation of a hotel.

**10. ACCOUNTANTS' REPORT..... cont'd****3.3 Litaran Bayu**

Litaran Bayu was incorporated in Malaysia as a private limited company on 3 September 1992. The authorised share capital as at the date of this report is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 July 2001 and as at the date of this report is RM500,000 comprising of 500,000 ordinary share of RM1.00 each.

Litaran Bayu is an investment holding company.

**3.4 Bernam**

Bernam was incorporated in Malaysia as a private limited company on 27 December 1993. The authorised share capital as at the date of this report is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 July 2001 and as at the date of this report is RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each.

Bernam is principally engaged in business as a land and property developer.

**3.5 Sri Lingga**

Sri Lingga was incorporated in Malaysia as a private limited company on 30 November 1974. The authorised share capital as at the date of this report is RM12,000,000 comprising 12,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 July 2001 and as at the date of this report is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each.

Sri Lingga is principally engaged in the cultivation of oil palm. In 2001, Sri Lingga commenced business as a property developer.

**3.6 Nandex**

Nandex was incorporated in Malaysia as a private limited company on 31 July 1991 under the name of Nandex Trading Sdn Bhd. It assumed its present name on 27 December 2001. The authorised share capital as at the date of this report is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 July 2001 was RM100 comprising 100 ordinary shares of RM1.00 each and as at the date of this report is RM250,000 comprising 250,000 ordinary shares of RM1.00 each.

Nandex is principally engaged in business as a property developer.

**3.7 Impressive**

Impressive was incorporated in Malaysia as a private limited company on 12 July 1991. The authorised share capital as at the date of this report is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 July 2001 and as at the date of this report is RM100 comprising 100 ordinary shares of RM1.00 each.

Impressive is principally engaged in business as a property developer.

**10. ACCOUNTANTS' REPORT..... cont'd****3.8 Everlasting**

Everlasting was incorporated in Malaysia as a private limited company on 29 July 1991. The authorised share capital as at the date of this report is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 July 2001 and as at the date of this report is RM100 comprising 100 ordinary shares of RM1.00 each.

Everlasting is principally engaged in business as a property developer.

**3.9 Genting Unggul**

Genting Unggul was incorporated in Malaysia as a private limited company on 26 July 1995. The authorised share capital as at the date of this report is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital as at 31 July 2001 and as at the date of this report is RM250,000 comprising 250,000 ordinary shares of RM1.00 each.

Genting Unggul is principally engaged in business as a property developer.

**4. AUDITORS**

Of the financial statements covered in this report, we have audited the financial statements of the following Subsidiary Companies for the periods indicated below:

<u>Subsidiary Company</u>	<u>Financial periods covered</u>
Sri Lingga Nandex Impressive Everlasting	} Year ended 31 December 2000 and 7 months ended 31 July 2001
Genting Unggul	} Year ended 31 March 2000, 9 months ended 31 December 2000 and 7 months ended 31 July 2001

We have issued unqualified audit reports on the abovementioned Subsidiary Companies' financial statements for the said financial periods.

Except for the above, we have not in the past acted as auditors of the Company and the Subsidiary Companies. However, on 21 January 2002 we were appointed auditors of Meda Inc., and the first set of financial statements to be audited by us will be its statutory financial statements for the financial year ended 31 December 2001.

In respect of the financial statements of the Company and of the Subsidiary Companies which are covered in this report but not audited by us, the other auditors have issued unqualified audit reports thereon.

The auditors' reports also did not include any emphasis of matter.

**10. ACCOUNTANTS' REPORT..... cont'd****5. BASIS OF ACCOUNTING AND ACCOUNTING POLICIES**

This report is based on audited financial statements (unless otherwise stated) which have been prepared in accordance with approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB") and is presented on a basis consistent with the accounting policies previously adopted by the Group except that adjustments have been made where appropriate, principally to comply with MASB standards.

**6. DIVIDEND**

Meda Inc. has not paid or declared any dividend since its incorporation. Except for the following, no dividends have been paid or declared by the Subsidiary Companies during the financial periods covered in this report.

	Dividend rate %	Tax rate %	Net dividend paid RM
<b>Bernam</b>			
Year ended 31 December 1998	69.4	28.0	500,000
<b>Sri Lingga</b>			
Year ended 31 July			
1996	22.0	30.0	1,540,000
2000	10.0	28.0	720,000

**7. SUMMARISED HISTORICAL RESULTS****7.1 Proforma Group**

We set out below the proforma consolidated financial results of Meda Inc. for the financial years ended 31 December 1996, 1997, 1998, 1999 and 2000 and the 7 months ended 31 July 2001. The proforma consolidated results are provided for illustrative purposes only, on the assumption that the Subsidiary Companies (including the remaining 10% of Sri Lingga shares to be acquired via the MGO) had already been acquired on their respective dates of incorporation. The proforma consolidated results are to be read in conjunction with the notes thereon.

**10. ACCOUNTANTS' REPORT..... cont'd**

	Year ended 31 December					7 months ended 31 July 2001
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	July 2001 RM'000
Revenue	59,684	61,758	72,189	87,851	94,348	58,461
Operating profit before depreciation and interest expense	41,159	34,495	32,690	31,360	56,976	36,024
Depreciation	(1,004)	(1,347)	(1,457)	(1,706)	(2,238)	(3,278)
Interest expense	(123)	(668)	(4,368)	(6,309)	(10,009)	(9,949)
Operating profit	40,032	32,480	26,865	23,345	44,729	22,797
Exceptional items	1,179	-	-	3,146	-	-
Profit before taxation	41,211	32,480	26,865	26,491	44,729	22,797
Taxation	(12,406)	(9,151)	(7,945)	(83)	(12,743)	(6,567)
Profit after taxation	28,805	23,329	18,920	26,408	31,986	16,230
Minority interest	1	-	1	1	5	14
Profit attributable to shareholders of Meda Inc.	28,806	23,329	18,921	26,409	31,991	16,244
Number of ordinary shares of RM0.50 each assumed in issue ('000)	355,087	355,087	355,087	355,087	355,087	355,087
Earnings per share (sen)	8.11	6.57	5.33	7.44	9.01	4.57
Return on share capital (%)	16.22	13.14	10.66	14.88	18.02	9.14

**Notes**

(a) *The proforma consolidated results have been prepared from the audited financial statements of the Subsidiary Companies except that in the case of Subsidiary Companies with financial year end dates other than 31 December, the following have been used instead:*

- i) *Sri Lingga, Nandex, Impressive and Everlasting*
  - *Audited results for the years ended 31 July 1996, 1997, 1998, 1999 and 2000 apportioned on a time basis to cut-off on 31 December of each year;*
  - *Audited results for the year ended 31 December 2000; and*
- ii) *Genting Unggul*
  - *Audited results for the years ended 31 March 1997, 1998, 1999 and 2000 as if they were for the years ended 31 December 1996, 1997, 1998 and 1999, respectively*
  - *Audited results for the 9 months ended 31 December 2000 as if they were for the year then ended.*



**10. ACCOUNTANTS' REPORT..... cont'd**

- (b) *The proforma consolidated results are prepared after incorporating the adjustments which we considered necessary. These adjustments are summarised as follows:*
- i) *Adjustment to conform with the formula of calculating percentage of completion based on the cost method, and the tax effect thereon*
  - ii) *Adjustment for underprovision of real property gains tax*
  - iii) *Adjustment to write off deferred expenses in the year of incurrence*
  - iv) *Adjustment for underprovision or overprovision of tax to the respective years*
- (c) *The proforma consolidated results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the respective Subsidiary Companies, unless they are inconsistent with applicable approved accounting standards in force at the present moment, in which case the latter standards have been applied retrospectively.*
- (d) *The summarised results of Sri Lingga used for consolidation exclude the results of Kilang Kelapa Sawit Sri Lingga Sdn Bhd, a subsidiary company of Sri Lingga, which was disposed of in 1999.*
- (e) *Revenue is analysed as follows:*

	----- Year ended 31 December -----					7 months
	1996	1997	1998	1999	2000	ended 31
	RM'000	RM'000	RM'000	RM'000	RM'000	July 2001
						RM'000
Development revenue	57,086	58,668	61,123	69,254	59,982	35,268
Gross complex operation income	-	567	8,583	15,071	19,912	13,072
Gross plantation income	2,598	2,523	2,483	1,904	1,777	754
Gross hotel revenue	-	-	-	1,622	12,677	9,367
	=====	=====	=====	=====	=====	=====
	59,684	61,758	72,189	87,851	94,348	58,461

**10. ACCOUNTANTS' REPORT..... cont'd**

(f) *The exceptional items represent the following:*

	----- Year ended 31 December -----					7 months
	1996	1997	1998	1999	2000	ended 31
	RM'000	RM'000	RM'000	RM'000	RM'000	July 2001
						RM'000
<i>Gain/(Loss) on partial disposal of Sri Lingga's long leasehold land, net of real property gains tax</i>	1,179	-	-	(679)	-	-
<i>Gain on disposal of Sri Lingga's subsidiary company</i>	-	-	-	3,825	-	-
	<u>1,179</u>	<u>-</u>	<u>-</u>	<u>3,146</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====	=====	=====

(g) *The effective tax rate for 1998 was higher than the statutory tax rate mainly due to the disallowance of certain expenses. In view of the waiver granted under the Income Tax (Amendment) Act, 1999, no provision for taxation was made in the financial statements for 1999. The tax provision for 1999 was deferred tax in respect of interest receivable.*

(h) *There were no extraordinary items during the financial years under review.*

(i) *Earnings per share for the respective years under review is calculated based on the proforma profit attributable to shareholders of Meda Inc. and the number of ordinary shares assumed in issue.*

*The number of ordinary shares assumed in issue is derived at after adjusting for the 2-for-1 share split on 28 December 2001 and the number of shares issued as consideration for the acquisitions of the Subsidiary Companies (including the number of shares to be issued pursuant to the MGO).*

(j) *Return on share capital for the respective years under review is calculated based on the proforma profit attributable to shareholders of Meda Inc. and the nominal value of shares assumed in issue.*

**10. ACCOUNTANTS' REPORT..... cont'd****7.2 Meda Inc. – company level**

	Period from 11.3.2000 (date of incorporation) to 31 December 2000 RM'000	7 months ended 31 July 2001 RM'000
Revenue	-	-
Loss before depreciation and interest expense	(70)	(89)
Depreciation	-	-
Interest expense	-	-
Loss before taxation	(70)	(89)
Taxation	-	-
Loss after taxation	(70)	(89)
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	300	600
Loss per share (sen)	(23.3)	(14.8)

Notes

- (a) *Meda Inc. was incorporated on 11 March 2000 and prepared its first set of audited financial statements up to 31 December 2000.*
- (b) *Loss for 2000 and 2001 represents preliminary and pre-operating expenses.*
- (c) *There were no extraordinary items during the financial periods under review.*
- (d) *Loss per share is calculated based on loss after taxation and the weighted average number of ordinary shares in issue. The 2000 and 2001 weighted average number of ordinary shares has been adjusted to reflect the 2-for-1 share split on 28 December 2001.*

**10. ACCOUNTANTS' REPORT..... cont'd****7.3 Meda**

	Year ended 31 December					7 months ended 31 July 2001
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Revenue	36,815	39,464	27,760	39,543	52,629	41,792
Profit before depreciation and interest expense	27,225	28,212	16,115	19,402	36,505	24,190
Depreciation	(526)	(625)	(646)	(906)	(1,276)	(1,693)
Interest expense	(119)	(151)	(451)	(4,556)	(7,408)	(6,993)
Profit before taxation	26,580	27,436	15,018	13,940	27,821	15,504
Taxation	(8,144)	(7,706)	(4,598)	-	(7,790)	(4,341)
Profit after taxation	18,436	19,730	10,420	13,940	20,031	11,163
Weighted average number of ordinary shares of RM1.00 each in issue ( '000)	7,573	16,375	16,375	16,375	16,375	16,375
Earnings per share (sen)	243.4	120.5	63.6	85.1	122.3	68.2

Notes

(a) *Meda's results are prepared after incorporating the adjustments which we considered necessary. These adjustments are summarised as follows:*

- i) *Adjustment to conform with the formula of calculating percentage of completion based on the cost method, and the tax effect thereon*
- ii) *Adjustment to write off deferred expenses in the year of incurrence*
- iii) *Adjustment for overprovision of tax to the respective years*

**10. ACCOUNTANTS' REPORT..... cont'd**

- (b) *Meda commenced property letting toward the end of 1998 and hotel operations in September 1999.*

*Revenue is analysed as follows:*

	----- Year ended 31 December -----					7 months
	1996	1997	1998	1999	2000	ended 31
	RM'000	RM'000	RM'000	RM'000	RM'000	July 2001
						RM'000
<i>Development revenue</i>	36,815	39,464	27,412	28,926	25,041	23,316
<i>Gross complex operation income</i>	-	-	348	8,995	15,156	10,226
<i>Gross hotel revenue</i>	-	-	-	1,622	12,432	8,250
	-----	-----	-----	-----	-----	-----
	36,815	39,464	27,760	39,543	52,629	41,792
	=====	=====	=====	=====	=====	=====

*Development revenue represents the proportion of the aggregate sales value of The Summit, Subang USJ shopping lots sold attributable to the percentage of development work performed.*

- (c) *Prior to the completion of the construction of The Summit, Subang USJ, interest expense was being capitalised. Capitalisation ceased in stages commencing 1999, resulting in the high interest expense being charged to the income statement since then.*
- (d) *The effective tax rates were generally higher than the applicable statutory tax rates for 1996 and 1998 mainly due to the disallowance of certain expenses. In view of the waiver granted under the Income Tax (Amendment) Act, 1999, no provision for taxation was made in the financial statements for 1999*
- (e) *There were no extraordinary items in the relevant periods under review.*
- (f) *Earnings per share is calculated based on profit after taxation and the weighted average number of ordinary shares in issue.*

**10. ACCOUNTANTS' REPORT..... cont'd****7.4 ZKP**

	----- Year ended 31 December -----					7 months
	1996	1997	1998	1999	2000	ended 31
	RM'000	RM'000	RM'000	RM'000	RM'000	July 2001
						RM'000
Revenue	20,271	12,179	30,599	24,638	21,673	14,308
Profit before depreciation and interest expense	11,561	2,152	13,688	8,235	10,918	9,360
Depreciation	(63)	(86)	(162)	(143)	(299)	(1,198)
Interest expense	(1)	(513)	(3,911)	(1,741)	(2,583)	(2,939)
Profit before taxation	11,497	1,553	9,615	6,351	8,036	5,223
Taxation	(3,459)	(435)	(2,692)	-	(2,250)	(1,462)
Profit after taxation	8,038	1,118	6,923	6,351	5,786	3,761
Weighted average number of ordinary shares of RM1.00 each in issue ( '000)	5,396	8,750	8,750	8,750	8,750	8,750
Earnings per share (sen)	149.0	12.8	79.1	72.6	66.1	42.9

Notes

- (a) *ZKP's results are prepared after incorporating the adjustments which we considered necessary. These adjustments are summarised as follows:*
- i) *Adjustment to conform with the formula of calculating percentage of completion based on the cost method, and the tax effect thereon*
  - ii) *Adjustment for underprovision or overprovision of tax to the respective years*
- (b) *ZKP commenced property letting in 1997 and hotel operations in 2000.*

*Revenue is analysed as follows:*

	----- Year ended 31 December -----					7 months
	1996	1997	1998	1999	2000	ended 31
	RM'000	RM'000	RM'000	RM'000	RM'000	July 2001
						RM'000
Development revenue	20,271	11,612	22,364	18,562	16,672	10,345
Gross complex operation income	-	567	8,235	6,076	4,756	2,846
Gross hotel revenue	-	-	-	-	245	1,117
	20,271	12,179	30,599	24,638	21,673	14,308

**10. ACCOUNTANTS' REPORT..... cont'd**

*Development revenue represents the proportion of the aggregate sales value of The Summit Bukit Mertajam Plaza shopping lots and Pusat Komersil Bukit Mertajam sold attributable to the percentage of development were performed.*

*In 1999 and 2000, the gross complex operation income dropped mainly due to the management decision in granting some rental reduction to certain tenants.*

- (c) *Prior to the completion of the construction of The Summit Bukit Mertajam Plaza, interest expense was being capitalised. Capitalisation ceased in stages commencing 1998, resulting in the high interest expense being charged to the income statement since then.*

*The interest expense dipped in 1999 due to the refinancing of interest bearing bank loans with interest free advances from Meda. The level of interest expense increased in 2000 with the drawdown of new bank loans.*

- (d) *In view of the waiver granted under the Income Tax (Amendment) Act, 1999, no provision for taxation was made in the accounts for 1999.*
- (e) *There were no extraordinary items in the relevant periods under review.*
- (f) *Earnings per share is calculated based on profit after taxation and the weighted average number of ordinary shares in issue.*

**7.5 Litiran Bayu**

	Year ended 31 December					7 months
	1996	1997	1998	1999	2000	ended 31
	RM'000	RM'000	RM'000	RM'000	RM'000	July 2001
						RM'000
Revenue	-	1	488	1	1	-
(Loss)/Profit before depreciation and interest expense	(102)	(18)	472	(20)	(13)	(10)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
(Loss)/Profit before taxation	(102)	(18)	472	(20)	(13)	(10)
Taxation	-	-	(136)	-	-	-
(Loss)/Profit after taxation	(102)	(18)	336	(20)	(13)	(10)

**10. ACCOUNTANTS' REPORT..... cont'd**

	Year ended 31 December					7 months ended 31 July 2001
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Weighted average number of ordinary shares of RM1.00 each in issue ( '000)	1	1	2	400	500	500
(Loss)/Earnings per share (sen)	(10,200.0)	(1,800.0)	16,800.0	(5.0)	(2.6)	(2.0)

Notes

- (a) *Litaran Bayu's results are prepared after incorporating the adjustment to write off deferred expenses in the year of incurrence*
- (b) *Revenue comprises interest income and dividend income. The revenue for 1998 increased due to gross dividend amounting to RM486,000 received from the subsidiary, Bernam.*
- (c) *The effective tax rate for 1998 was higher than the statutory rate due to the disallowance of certain expenses for tax purposes.*
- (d) *There were no extraordinary items in the relevant periods under review.*
- (e) *(Loss)/Earnings per share is calculated based on (loss)/profit after taxation and the weighted average number of ordinary shares in issue.*

**7.6 Bernam**

	Year ended 31 December					7 months ended 31 July 2001
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Revenue	-	7,592	11,347	21,766	18,269	1,607
(Loss)/Profit before depreciation and interest expense	(419)	2,051	1,591	2,592	7,730	2,201
Depreciation	(34)	(43)	(69)	(57)	(41)	(24)
Interest expense	(3)	(4)	(4)	(4)	(3)	-
(Loss)/Profit before taxation	(456)	2,004	1,518	2,531	7,686	2,177
Taxation	-	(453)	(434)	-	(2,130)	(610)
(Loss)/Profit after taxation	(456)	1,551	1,084	2,531	5,556	1,567



**10. ACCOUNTANTS' REPORT..... cont'd**

	Year ended 31 December					7 months ended 31 July 2001
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	RM'000
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	417	1,000	1,000	1,000	1,000	1,000
(Loss)/Earnings per share (sen)	(109.4)	155.1	108.4	253.1	555.6	156.6

**Notes**

- (a) *The Bernam's results are prepared after incorporating the adjustment to conform with the formula of calculating percentage of completion based on the cost method, and the tax effect thereon*
- (b) *Bernam commenced property development in 1997. Revenue represents the sales value of properties sold based on the percentage of completion.*
- (c) *No taxation was provided in 1996 as Bernam incurred a loss. The effective tax rate was lower than the statutory rate in 1997 due to the availability of tax losses and unabsorbed capital allowance brought forward from 1996.*
- In view of the waiver granted under the Income Tax (Amendment) Act, 1999, no provision for taxation was made in the financial statements for 1999.*
- (d) *There were no extraordinary items in the relevant periods under review.*
- (e) *(Loss)/Earnings per share is calculated based on (loss)/profit after taxation and the weighted average number of ordinary shares in issue.*

**7.7 Sri Lingga**

	Year ended 31 July					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	2,674	2,492	2,564	2,369	1,859	1,194
Profit before depreciation and interest expense	3,145	3,722	1,481	4,219	1,178	1,765
Depreciation	(220)	(606)	(575)	(587)	(618)	(585)
Interest expense	-	-	-	(4)	(14)	(18)
Profit before taxation	2,925	3,116	906	3,628	546	1,162
Taxation	(895)	(675)	(391)	18	(265)	(556)
Profit after taxation	2,030	2,441	515	3,646	281	606

**10. ACCOUNTANTS' REPORT..... cont'd**

	----- Year ended 31 July -----					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	10,000	10,000	10,000	10,000	10,000	10,000
Earnings per share (sen)	20.3	24.4	5.2	36.5	2.8	6.1

Notes

- (a) *The Sri Lingga's results are prepared after incorporating the adjustments which we considered necessary. These adjustments are summarised as follows:*
- i) *Adjustment for interest income under-accrued*
  - ii) *Adjustment for underprovision of real property gain tax*
- (b) *The above results exclude the results of Kilang Kelapa Sawit Sri Lingga Sdn Bhd ("KKSSL"), a subsidiary company which was disposed of in 1999 to Kumpulan Emas Berhad.*
- (c) *Revenue represents the invoice value of fresh fruit bunches sold.*
- (d) *Sri Lingga's 1996 and 1997 results include gross dividends received from KKSSL of RM1,658,000 and RM1,020,000, respectively.*
- (e) *Included in the results are the following exceptional items:*

	----- Year ended 31 July -----					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Gain/(Loss) on partial disposal of long leasehold land, net of real property gains tax	-	1,179	-	(679)	-	-
Gain on disposal of subsidiary company	-	-	-	3,825	-	-
	-	1,179	-	3,146	-	-

**10. ACCOUNTANTS' REPORT..... cont'd**

- (f) *The effective tax rates in 1998, 2000 and 2001 were higher than the applicable statutory tax rates mainly due to the disallowance of certain expenses. The effective tax rate was lower than the statutory tax rate in 1997 mainly because the gain arising from the disposal of leasehold plantation land was not subject to income tax. In view of the waiver granted under the Income Tax (Amendment) Act, 1999, no provision for taxation was made in the financial statements for 1999. The tax credit for 1999 was an overprovision of tax in the previous year.*
- (g) *There were no extraordinary items in the relevant periods under review.*
- (h) *Earnings per share is calculated based on profit after taxation and the weighted average number of ordinary shares in issue.*

**7.8 Nandex**

	----- Year ended 31 July -----					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	-	-	-	-	-	-
Loss before depreciation and interest expense	-	-	-	-	(37)	(9)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loss before taxation	-	-	-	-	(37)	(9)
Taxation	-	-	-	-	-	-
Loss after taxation	-	-	-	-	(37)	(9)
Weighted average number of ordinary shares of RM1.00 each in issue	100	100	100	100	100	100
Loss per share (RM)	-	-	-	-	(370.0)	(90.0)

**10. ACCOUNTANTS' REPORT..... cont'd**Notes

- (a) *The loss incurred in 2000 mainly comprises preliminary and pre-operating expenses written off following the adoption of MASB standards.*
- (b) *There were no extraordinary items in the relevant periods under review.*
- (c) *Loss per share is calculated based on loss after taxation and the weighted average number of ordinary shares in issue.*

**7.9 Impressive**

	----- Year ended 31 July -----					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	-	-	-	-	-	-
Loss before depreciation and interest expense	-	-	-	-	(36)	(8)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loss before taxation	-	-	-	-	(36)	(8)
Taxation	-	-	-	-	-	-
Loss after taxation	-	-	-	-	(36)	(8)
Weighted average number of ordinary shares of RM1.00 each in issue	100	100	100	100	100	100
Loss per share (RM)	-	-	-	-	(360.0)	(80.0)

Notes

- (a) *The loss incurred in 2000 mainly comprises preliminary and pre-operating expenses written off following the adoption of MASB standards.*
- (b) *There were no extraordinary items in the relevant periods under review.*
- (c) *Loss per share is calculated based on loss after taxation and the weighted average number of ordinary shares in issue.*

**10. ACCOUNTANTS' REPORT..... cont'd****7.10 Everlasting**

	Year ended 31 July					2001 RM'000
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	
Revenue	-	-	-	-	-	-
Loss before depreciation and interest expense	-	-	-	-	(35)	(9)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loss before taxation	-	-	-	-	(35)	(9)
Taxation	-	-	-	-	-	-
Loss after taxation	-	-	-	-	(35)	(9)
Weighted average number of ordinary shares of RM1.00 each in issue	100	100	100	100	100	100
Loss per share (RM)	-	-	-	-	(350.0)	(90.0)

Notes

- (a) *The loss incurred in 2000 mainly comprises preliminary and pre-operating expenses written off following the adoption of MASB standards.*
- (b) *There were no extraordinary items in the relevant periods under review.*
- (c) *Loss per share is calculated based on loss after taxation and the weighted average number of ordinary shares in issue.*

**10. ACCOUNTANTS' REPORT..... cont'd****7.11 Genting Unggul**

	----- Year ended 31 March -----				9 months	7 months
	1997	1998	1999	2000	ended 31	ended 31
	RM'000	RM'000	RM'000	RM'000	December	July
					2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	8	1	-	-	-	-
(Loss)/Profit before depreciation and interest expense	(3)	-	(3)	(2)	(3)	2
Depreciation	-	-	-	-	(8)	(32)
Interest expense	-	-	-	-	(2)	(5)
Loss before taxation	(3)	-	(3)	(2)	(13)	(35)
Taxation	-	-	-	-	-	-
Loss after taxation	(3)	-	(3)	(2)	(13)	(35)
Weighted average number of ordinary shares of RM1.00 each in issue ( '000)	250	250	250	250	250	250
Loss per share (sen)	(1.2)	(0.0)	(1.2)	(0.8)	(5.2)	(14.0)

Notes

- (a) *The Genting Unggul's results are prepared after incorporating the adjustment to write off deferred expenses in the year of incurrence*
- (b) *Genting Unggul was incorporated on 26 July 1995 and has not launched its Larkin project until August 2001.*
- (c) *There were no extraordinary items in the relevant periods under review.*
- (d) *Loss per share is calculated based on loss after taxation and the weighted average number of ordinary shares in issue.*

**10. ACCOUNTANTS' REPORT..... cont'd****8. SUMMARIZED BALANCE SHEETS****8.1 Proforma Group**

We set out below the proforma consolidated balance sheets of the Company as at 31 December 1996, 1997, 1998, 1999, 2000 and 31 July 2001. The proforma consolidated balance sheets as set out below are provided for illustrative purposes only on the assumption that:

- (i) the Subsidiary Companies, including the remaining 10% of Sri Lingga shares pursuant to the MGO, had already been acquired on their respective dates of incorporation for considerations comprising Meda Inc. shares; and
- (ii) the present issued and paid-up share capitals of the Subsidiary Companies had been in existence since 31 December 1995.

The proforma consolidated balance sheets should be read in conjunction with the notes thereon.

	31 December					31 July
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets						
Property, plant and equipment	102,351	104,567	111,337	140,544	176,062	194,287
Investment properties	176,721	247,901	273,729	293,716	299,062	301,386
Other investments	3,118	3,132	3,064	363	363	363
Land held for development	39,750	44,128	47,080	49,819	70,187	77,360
Current assets	48,196	116,713	80,666	112,457	129,038	129,946
Current liabilities	(106,311)	(197,306)	(203,317)	(136,900)	(173,666)	(170,212)
Net current liabilities	(58,115)	(80,593)	(122,651)	(24,443)	(44,628)	(40,266)
Deferred expenditure	174	190	209	-	-	-
Non-current liabilities	263,999	319,325	312,768	459,999	501,046	533,130
	(49,505)	(81,422)	(56,252)	(177,671)	(186,731)	(202,585)
	214,494	237,903	256,516	282,328	314,315	330,545
Share capital	177,543	177,543	177,543	177,543	177,543	177,543
Share premium	4,248	4,248	4,248	4,248	4,248	4,248
Unappropriated profit	29,824	53,233	71,847	97,660	129,652	145,896
Minority interest	211,615	235,024	253,638	279,451	311,443	327,687
	2,879	2,879	2,878	2,877	2,872	2,858
	214,494	237,903	256,516	282,328	314,315	330,545
Net tangible assets per ordinary share of RM0.50 each (RM)	0.60	0.66	0.71	0.79	0.88	0.92

**10. ACCOUNTANTS' REPORT..... cont'd**Notes

(a) *The proforma consolidated balance sheets have been prepared based on generally accepted consolidation principles from audited financial statements, except that in the case of Subsidiary Companies with financial year end dates other than 31 December, the following have been used instead:*

- i) *Sri Lingga - unaudited management accounts made up to 31 December 1996, 1997, 1998 and 1999;*
- ii) *Nandex, Impressive and Everlasting - unaudited management accounts made up to 31 January 1997, 1998 and 1999 and 31 December 1999;*
- iii) *Genting Unggul - audited financial statements made up to 31 March 1997, 1998, 1999 and 2000.*

(b) *Additionally, the proforma consolidated balance sheets have been prepared after incorporating the adjustments which we considered necessary. These adjustments are summarised as follows:*

- i) *Reclassification of land and development expenditure to/from land held for development, land under development, property, plant and equipment and investment properties, as appropriate*
- ii) *Reclassification to conform with the cost allocation bases in use in 2001*
- iii) *Adjustment to conform with the formula of calculating attributable development profit based on cost method of determining percentage of completion, and the tax effects thereon*
- iv) *Adjustment for real property gain tax underprovided*
- v) *Reclassification to separately disclose hire purchase liabilities according to current and non-current portions*
- vi) *Reclassification to disclose term loans according to current and non-current portions*
- vii) *Adjustment for deferred expenses written off in subsequent years*
- viii) *Adjustment for deferred tax, including under-provision made in the financial statements*



**10. ACCOUNTANTS' REPORT..... cont'd**

- (c) *The revaluation surplus on the Group's hotel properties and investment properties as approved by the Securities Commission on 30 April 2001 has been incorporated in the proforma consolidated balance sheets.*
- (d) *Except for Genting Unggul and the remaining 10% of Sri Lingga shares pursuant to the MGO which are consolidated on the acquisition method of accounting, the acquisition of the other Subsidiary Companies are consolidated on the merger method of accounting permitted under Malaysian Accounting Standard No. 2 - Accounting for Acquisitions and Mergers.*

**8.2 Meda Inc. – company level**

	31 December 2000 RM'000	31 July 2001 RM'000
Current assets	302	302
Current liabilities	(72)	(161)
	<u>230</u>	<u>141</u>
Share capital	300	300
Accumulated loss	(70)	(159)
	<u>230</u>	<u>141</u>
Net tangible assets per ordinary shares of RM0.50 each (RM)	<u>0.38</u>	<u>0.24</u>

Note

- (a) *Meda Inc. was incorporated on 11 March 2000 and prepared its first set of audited financial statements up to 31 December 2000.*
- (b) *The current assets and current liabilities of Meda Inc. include the following:*

	31 December 2000 RM'000	31 July 2001 RM'000
<b>Included under current assets</b>		
Amount owing by ZKP	300	300
Amount owing by Meda Complex Management (USJ) Sdn Bhd	2	2
	<u>302</u>	<u>302</u>
<b>Included under current liabilities</b>		
Amount owing to Meda	65	145
Amount owing to Meda Property Services Sdn Bhd	4	4
	<u>69</u>	<u>149</u>

**10. ACCOUNTANTS' REPORT..... cont'd****8.3 Meda**

	31 December					31 July
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Property, plant and equipment	32,027	33,494	36,444	56,118	81,454	100,243
Investment properties	79,567	144,417	153,496	168,919	167,611	167,654
Current assets	18,732	52,502	25,332	82,243	73,684	72,499
Current liabilities	(62,312)	(128,319)	(104,082)	(65,151)	(97,241)	(85,763)
Net current assets/(liabilities)	(43,580)	(75,817)	(78,750)	17,092	(23,557)	(13,264)
Non-current liabilities	68,014	102,094	111,190	242,129	225,508	254,633
	(20,124)	(34,474)	(33,150)	(150,149)	(113,497)	(131,459)
	47,890	67,620	78,040	91,980	112,011	123,174
Share capital	16,375	16,375	16,375	16,375	16,375	16,375
Unappropriated profit	31,515	51,245	61,665	75,605	95,636	106,799
	47,890	67,620	78,040	91,980	112,011	123,174
Net tangible assets per ordinary share of RM1.00 each (RM)	2.92	4.13	4.77	5.62	6.84	7.52

**Notes**

(a) *Meda's balance sheets have been prepared after incorporating the adjustments which we considered necessary. These adjustments are summarised as follows:*

- i) *Reclassification of land and development expenditure to investment properties*
- ii) *Reclassification to conform with the cost allocation bases in use in 2001*
- iii) *Adjustment to conform with the formula of calculating attributable development profit based on cost method of determining percentage of completion, and the tax effects thereon*
- iv) *Reclassification to separately disclose hire purchase liabilities according to current and non-current portions*
- v) *Adjustment for deferred expenses written off in subsequent years*

**10. ACCOUNTANTS' REPORT..... cont'd**

- (b) *The current assets and current liabilities of Meda include the following:*

	31 December					31 July
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Included under current assets</b>						
Deposit held by turnkey contractor	11,750	11,750	12,440	12,440	12,440	12,440
Amount owing by ZKP	-	2,078	1,692	41,736	13,450	17,382
Amount owing by turnkey contractor	-	-	-	-	441	1,787
Amount owing by Meda Inc.	-	-	-	-	65	145
Amount owing by Kumpulan Emas Berhad	-	-	-	-	56	121
Amount owing by Kumpulan Emas Berhad's subsidiary companies	-	-	-	-	24	31
Advances to directors' affiliates	-	12,925	6,000	-	5,134	1,315
	=====	=====	=====	=====	=====	=====
<b>Included under current liabilities</b>						
Amount owing to turnkey contractor	3,298	69,095	49,925	16,540	-	-
Amounts owing to directors' affiliates	-	102	151	-	709	52
Amount owing to Kumpulan Emas Berhad	-	-	-	-	-	14
	=====	=====	=====	=====	=====	=====

*The turnkey contractor is Meda Property Services Sdn Bhd, a company in which certain directors of Meda have substantial financial interest. The turnkey deposit is refundable by Meda Property Services Sdn Bhd upon completion of the construction of The Summit, Subang USJ. The amount owing by/to Kumpulan Emas Berhad, its subsidiaries and directors' affiliates are unsecured and interest free and are to be settled upon the issue of the prospectus for Meda Inc.'s initial public offering of shares.*

*The amount owing to Kumpulan Emas Berhad as at 31 December 2001 was RM nil.*

- (c) *The revaluation surplus on Meda's hotel properties and investment properties as approved by the Securities Commission on 30 April 2001 has not been incorporated in the above summarised balance sheets.*

**10. ACCOUNTANTS' REPORT..... cont'd****8.4 ZKP**

	31 December					31 July
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	6,079	7,580	11,915	23,046	33,756	33,435
Investment properties	32,335	38,665	55,414	59,978	66,632	68,913
Current assets	12,091	40,997	20,586	21,867	31,654	36,120
Current liabilities	(24,163)	(41,740)	(58,344)	(64,024)	(38,526)	(40,119)
Net current liabilities	(12,072)	(743)	(37,758)	(42,157)	(6,872)	(3,999)
Non-current liabilities	26,342	45,502	29,571	40,867	93,516	98,349
	(4,952)	(22,994)	(140)	(5,085)	(51,948)	(53,020)
	21,390	22,508	29,431	35,782	41,568	45,329
Share capital	8,750	8,750	8,750	8,750	8,750	8,750
Unappropriated profit	12,640	13,758	20,681	27,032	32,818	36,579
	21,390	22,508	29,431	35,782	41,568	45,329
Net tangible assets per ordinary share of RM1.00 each (RM)	2.44	2.57	3.36	4.09	4.75	5.18

**Notes**

(a) *ZKP's balance sheets have been prepared after incorporating the adjustments which we considered necessary. These adjustments are summarised as follows:*

- i) *Reclassification of land and development expenditure to investment properties*
- ii) *Reclassification to conform with the cost allocation bases in use in 2001*
- iii) *Adjustment to conform with the formula of calculating attributable development profit based on cost method of determining percentage of completion, and the tax effects thereon*
- iv) *Reclassification to separately disclose hire purchase liabilities according to current and non-current portions*
- v) *Reclassification to disclose term loans according to current and non-current portions*
- vi) *Adjustment for deferred expenses written off in subsequent years*

**10. ACCOUNTANTS' REPORT..... cont'd**(b) *The current assets and current liabilities of ZKP include the following:*

	31 December					31 July
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Included under current assets</b>						
Deposit held by turnkey contractor	5,950	5,950	5,950	5,950	5,950	4,950
Advances to turnkey contractor	-	26,788	1,517	-	-	343
Advances to directors' Affiliates	-	3,635	3,419	-	1,969	70
Directors' account	-	30	31	1,304	1,122	-
<b>Included under current liabilities</b>						
Amount owing to turnkey contractor	3,743	-	-	8,863	4,844	-
Amount owing to Meda Inc.	-	2,078	1,692	41,736	13,450	17,382
Amounts owing to directors' affiliates	-	-	-	-	300	300
	-	8,714	16,108	-	31	9

*The turnkey contractor is Meda Bina Sdn Bhd, a company in which certain directors of ZKP have substantial financial interest. The turnkey deposit is refundable by Meda Bina Sdn Bhd upon completion of the construction of The Summit Bukit Mertajam. The amount owing by/to directors' affiliates were unsecured and interest free.*

(c) *The revaluation surplus on ZKP's hotel properties and investment properties as approved by the Securities Commission on 30 April 2001 has not been incorporated in the above summarised balance sheets.***8.5 Litaran Bayu**

	31 December					31 July
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investment in Bernam	700	700	700	700	700	700
Amount owing to Bernam	(10)	-	-	(4)	(9)	(11)
Current assets	287	115	178	94	86	2
Current liabilities	(260)	(100)	(55)	(1)	(1)	(33)
Net current assets/(liabilities)	27	15	123	93	85	(31)
Non-current liabilities	717	715	823	789	776	658
	(833)	(849)	(522)	(108)	(108)	-
	(116)	(134)	301	681	668	658
Share capital	1	1	100	500	500	500
Unappropriated profit	(117)	(135)	201	181	168	158
	(116)	(134)	301	681	668	658
Net tangible (liabilities)/assets per ordinary share of RM1.00 each (RM)	(116.00)	(134.00)	3.01	1.36	1.34	1.32

**10. ACCOUNTANTS' REPORT..... cont'd**Notes

- (a) *Litaran Bayu's balance sheets have been prepared after incorporating the adjustment for deferred expenses written off in subsequent years*
- (b) *The current assets and liabilities of Litaran Bayu include the following:*

	31 December					31 July
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
<b>Included under current assets</b>						
Amount owing by a shareholder	-	-	61	61	61	-
Directors' account	-	-	18	18	18	-
<b>Included under liabilities</b>						
Amount owing to shareholders	565	521	334	78	78	-
Directors' account	469	373	188	30	30	-

**8.6 Bernam**

	31 December					31 July
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Property, plant and equipment	190	197	248	191	152	128
Land held for development	12,651	13,390	14,716	17,172	22,250	22,375
Amount owing by Litaran Bayu	10	-	-	4	9	11
Current assets	6,357	13,317	23,637	29,375	16,553	17,722
Current liabilities	(1,996)	(8,141)	(19,254)	(24,864)	(25,195)	(24,904)
Net current assets	4,361	5,176	4,383	4,511	(8,642)	(7,182)
Non-current liability	17,212	18,763	19,347	21,878	13,769	15,332
	(16,668)	(16,668)	(16,668)	(16,668)	(3,003)	(2,999)
	544	2,095	2,679	5,210	10,766	12,333
Share capital	1,000	1,000	1,000	1,000	1,000	1,000
Unappropriated profit	(456)	1,095	1,679	4,210	9,766	11,333
	544	2,095	2,679	5,210	10,766	12,333
Net tangible assets per ordinary share of RM1.00 each (RM)	0.54	2.10	2.68	5.21	10.77	12.33

**10. ACCOUNTANTS' REPORT..... cont'd***Notes*

- (a) *Bernam's balance sheets have been prepared after incorporating the adjustments which we considered necessary. These adjustments are summarised as follows:*
- i) *Reclassification to conform with the cost allocation bases in use in 2001*
  - ii) *Adjustment to conform with the formula of calculating attributable development profit based on cost method of determining percentage of completion, and the tax effects thereon*
- (b) *The non-current liability represents an amount owing to Perbadanan Kemajuan Negeri Perak. The amount owing represents the outstanding consideration for purchase of land. The amount is unsecured, interest free and not expected to be repaid within the next 12 months.*

**8.7 Sri Lingga**

	31 July					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Property, plant and equipment	48,176	44,006	43,442	41,921	41,303	40,529
Investment in subsidiary company	2,550	2,550	2,550	-	-	-
Amount owing by subsidiary company	1,048	782	300	-	-	-
Investment in a related company	363	363	363	363	363	363
Amount owing by related companies	2,521	2,272	2,286	3,402	3,427	-
Current assets	857	7,736	8,948	15,672	15,764	20,754
Current liabilities	(1,213)	(1,039)	(737)	(437)	(296)	(681)
Net current assets/(liabilities)	(356)	6,697	8,211	15,235	15,468	20,073
	54,302	56,670	57,152	60,921	60,561	60,965
Non-current liabilities	(2,820)	(2,747)	(2,714)	(2,837)	(2,916)	(2,714)
	51,482	53,923	54,438	58,084	57,645	58,251
Share capital	10,000	10,000	10,000	10,000	10,000	10,000
Capital reserve	40,369	38,641	38,641	35,992	35,992	35,992
Unappropriated profit	1,113	5,282	5,797	12,092	11,653	12,259
	51,482	53,923	54,438	58,084	57,645	58,251
Net tangible assets per ordinary share of RM1.00 each (RM)	5.15	5.39	5.44	5.81	5.76	5.83

**10. ACCOUNTANTS' REPORT..... cont'd**Notes

- (a) *Sri Lingga's balance sheets have been prepared after incorporating the adjustments which we considered necessary. These adjustments are summarised as follows:*
- i) *Adjustment for interest income under-accrued, and the deferred tax effect thereon.*
  - ii) *Adjustment for real property gain tax under provided*
  - iii) *Adjustment to provide for deferred tax on the revaluation surplus*
- (b) *The assets and liabilities of Sri Lingga include the following:*

	31 July					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
<b>Included under assets</b>						
<i>Amount owing by related companies (i.e subsidiaries of Kumpulan Emas Berhad)</i>						
<i>- loans</i>						
<i>- due within 12 months</i>	-	-	-	-	-	2,155
<i>- due after 12 months</i>	2,521	2,272	2,286	2,703	2,725	-
<i>- other advances</i>						
<i>- due within 12 months</i>	370	-	-	-	-	635
<i>- due after 12 months</i>	-	-	-	699	702	-
<i>Amount owing by Kumpulan Emas Berhad</i>						
<i>- loan</i>	1,027	7,349	8,938	15,994	16,443	-
<i>- other advances</i>	(642)	38	(91)	(397)	(765)	17,630
<b>Included under liabilities</b>						
<i>Amount owing to related companies (i.e subsidiaries of Kumpulan Emas Berhad)</i>						
	87	46	42	56	31	42

*The loans to related companies and Kumpulan Emas Berhad bear interest at 5.5% per annum and 8% per annum, respectively. The other advances and outstanding balances with Kumpulan Emas Berhad are interest free. The loans and advances are to be settled upon the issue of the prospectus for Meda Inc.'s initial public offering of shares.*



**10. ACCOUNTANTS' REPORT..... cont'd****8.8 Nandex**

	31 July					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Land held for development	5,268	6,562	7,041	7,330	8,004	8,923
Current assets	-	-	-	-	-	15,824
Current liabilities	(5,323)	(6,621)	(7,106)	(7,362)	(8,041)	(12,793)
Net current liabilities	(5,323)	(6,621)	(7,106)	(7,362)	(8,041)	3,031
Deferred expenditure	55	59	65	32	-	-
Non-current liabilities	-	-	-	-	(37)	11,954
	-	-	-	-	-	(12,000)
	*	*	*	*	(37)	(46)
Share capital	*	*	*	*	*	*
Accumulated loss	-	-	-	-	(37)	(46)
	*	*	*	*	(37)	(46)
Net tangible liabilities per ordinary share of RM1.00 each (RM)	-	-	-	-	370.0	460.0

\* represents RM100

Notes

- (a) *The current assets and current liabilities of Nandex include the following:*

	31 July					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
<b>Included under current assets</b>						
<i>Amounts owing by related companies</i>						
- Impressive	-	-	-	-	-	7,911
- Everlasting	-	-	-	-	-	7,912
<b>Included under current liabilities</b>						
<i>Amount owing to Kumpulan Emas Berhad</i>	5,322	6,620	7,105	7,361	8,040	2,258

**10. ACCOUNTANTS' REPORT..... cont'd**

*The amount owing to Kumpulan Emas Berhad is unsecured and bears interest at 9% per annum. The amount owing is to be settled upon the issue of the prospectus for Meda Inc.'s initial public offering of shares.*

*The amount owing to Kumpulan Emas Berhad as at 31 December 2001 was RM nil.*

- (b) *The non-current liability represents a secured term loan bearing interest at 2% above BLR.*

**8.9 Impressive**

	31 July					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Land held for development	5,488	6,781	7,261	7,547	8,228	9,086
Current assets	-	-	-	-	-	-
Current liabilities	(5,546)	(6,846)	(7,332)	(7,578)	(8,264)	(9,130)
Net current liabilities	(5,546)	(6,846)	(7,332)	(7,578)	(8,264)	(9,130)
Deferred expenditure	58	65	71	31	-	-
	*	*	*	*	(36)	(44)
Share capital	*	*	*	*	*	*
Accumulated loss	-	-	-	-	(36)	(44)
	*	*	*	*	(36)	(44)
Net tangible liabilities per ordinary share of RM1.00 each (RM)	-	-	-	-	360.0	440.0

\* represents RM100

**Notes**

- (a) *The current liabilities of Impressive include the following:*

	31 July					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
<b>Included under current liabilities</b>						
Amount owing to Nandex	-	-	-	-	-	7,911
Amount owing to Kumpulan Emas Berhad	5,545	6,846	7,330	7,576	8,264	1,218

**10. ACCOUNTANTS' REPORT..... cont'd**

*The amount owing to Kumpulan Emas Berhad is unsecured and interest free. The amount owing is to be settled upon the issue of the prospectus for Meda Inc.'s initial public offering of shares.*

*The amount owing to Kumpulan Emas Berhad as at 31 December 2001 was RM nil.*

**8.10 Everlasting**

	31 July					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Land held for development	5,332	6,606	7,089	7,383	8,064	8,924
Current assets	-	-	-	-	-	-
Current liabilities	(5,386)	(6,666)	(7,154)	(7,413)	(8,099)	(8,968)
Net current liabilities	(5,386)	(6,666)	(7,154)	(7,413)	(8,099)	(8,968)
Deferred expenditure	54	60	65	30	-	-
	*	*	*	*	(35)	(44)
Share capital	*	*	*	*	*	*
Accumulated loss	-	-	-	-	(35)	(44)
	*	*	*	*	(35)	(44)
Net tangible liabilities per ordinary share of RM1.00 each (RM)	-	-	-	-	350.0	440.0

\* represents RM100

Notes

(a) *The current liabilities of Everlasting include the following:*

	31 July					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
<b>Included under current liabilities</b>						
Amount owing to Nandex	-	-	-	-	-	7,912
Amount owing to Kumpulan Emas Berhad	5,386	6,665	7,152	7,412	8,099	1,055

*The amount owing to Kumpulan Emas Berhad is unsecured and interest free. The amount owing is to be settled upon the issue of the prospectus for Meda Inc.'s initial public offering of shares.*

*The amount owing to Kumpulan Emas Berhad as at 31 December 2001 was RM nil.*

**10. ACCOUNTANTS' REPORT..... cont'd****8.11 Genting Unggul**

	31 March					31 July
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	-	-	-	422
Development expenditure	21	126	412	593	709	18,391
Current assets	293	276	219	227	248	374
Current liabilities	(69)	(160)	(389)	(581)	(720)	(11,310)
Net current assets/(liabilities)	224	116	(170)	(354)	(472)	(10,936)
Non-current liabilities	245	242	242	239	237	7,877
	-	-	-	-	-	(7,688)
	245	242	242	239	237	189
Share capital	250	250	250	250	250	250
Accumulated loss	(5)	(8)	(8)	(11)	(13)	(61)
	245	242	242	239	237	189
Net tangible assets per ordinary share of RM1.00 each (RM)	0.98	0.97	0.97	0.96	0.95	0.76

**Notes**

- (a) *Genting Unggul's balance sheets have been prepared after incorporating the adjustment for deferred expenses written off in subsequent year*
- (b) *The current assets and current liabilities of Genting Unggul include the following:*

	31 March					31 July
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Included under current assets</b>						
Director's account	41	132	215	225	227	-
<b>Included under current liabilities</b>						
Amount owing to former holding company	53	160	387	554	598	-
Amount owing to Kumpulan Emas Berhad	-	-	-	-	28	10,320
Amount owing to related companies (i.e. subsidiaries of Kumpulan Emas Berhad)	-	-	-	-	-	121
Amounts owing to directors' affiliates	-	-	-	-	-	66

*All the above outstanding amounts are unsecured and interest free except for the amount owing to Kumpulan Emas Berhad which bears interest at 9% per annum. The amounts owing are to be settled upon the issue of the prospectus for Meda Inc.'s initial public offering of shares.*

*The amount owing to Kumpulan Emas Berhad as at 31 December 2001 was RM nil.*

**10. ACCOUNTANTS' REPORT..... cont'd****9. PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**

We set out below the proforma consolidated statement of assets and liabilities of Meda Inc. as at 31 July 2001 which has been presented for illustrative purposes only on the assumption that the acquisitions, for considerations comprising Meda Inc. shares, of the Subsidiary Companies, including the remaining 10% of Sri Lingga shares, were already effected on 31 July 2001. This statement has been prepared from audited financial statements made up to 31 July 2001 and should be read in conjunction with the notes thereon set out in 10 below:

	<i>Note</i>	<b>RM'000</b>
<b>Non-current assets</b>		
Property, plant and equipment	<i>10.2</i>	194,287
Investment properties	<i>10.3</i>	301,386
Other investment	<i>10.4</i>	363
Land held for development	<i>10.5</i>	77,360
<b>Current assets</b>		
Land under development	<i>10.6</i>	28,931
Inventories	<i>10.7</i>	246
Trade receivables	<i>10.8</i>	50,284
Other receivables, deposits and prepayments	<i>10.9</i>	48,387
Fixed deposits with licensed banks	<i>10.10</i>	1,141
Bank balances		957
		<b>129,946</b>
<b>Current liabilities</b>		
Trade payables	<i>10.11</i>	4,862
Other payables and accruals	<i>10.12</i>	39,533
Hire purchase liabilities	<i>10.13</i>	205
Taxation		52,119
Bank borrowings	<i>10.14</i>	73,493
		<b>170,212</b>
<b>Net current liabilities</b>		<b>(40,266)</b>
		<b>533,130</b>
Less:		
<b>Non-current liabilities</b>		
Long term loans	<i>10.15</i>	193,863
Hire purchase liabilities	<i>10.13</i>	304
Unpaid land cost	<i>10.16</i>	2,999
Deferred taxation	<i>10.17</i>	5,419
		<b>330,545</b>
<b>Financed by:</b>		
Share capital	<i>10.18</i>	177,543
Reserves	<i>10.19</i>	150,144
		<b>327,687</b>
Minority interest		2,858
		<b>330,545</b>

**10. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****10.1 Significant accounting policies****(a) *Basis of accounting***

The proforma consolidated statement of assets and liabilities comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board and have been prepared under the historical cost convention unless otherwise indicated in the accounting policies set out below.

**(b) *Basis of consolidation***

The proforma consolidated statement of assets and liabilities incorporate the assets and liabilities of the Company and its subsidiary companies based on financial statements made up to 31 July 2001. All inter-company balances are eliminated on consolidation.

All the subsidiary companies are consolidated on the merger method of accounting permitted by *Malaysian Accounting Standard No. 2 - Accounting for Acquisitions and Mergers* except for Genting Unggul and the remaining 10% of Sri Lingga shares pursuant to the MGO which are consolidated on the acquisition method of accounting.

Under the merger method of accounting, the results of subsidiary companies are accounted for on a full year basis irrespective of the date of merger.

The difference between the nominal value of the shares issued as consideration for the merger and the nominal value of the share capitals of the subsidiary companies acquired, being a merger deficit of RM136.250 million, has been written off against revaluation reserve and against unappropriated profit to the extent of RM19.509 million.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the period are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies assets and liabilities are determined and these values are reflected in the proforma consolidated statement of assets and liabilities.

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**10. ACCOUNTANTS' REPORT..... cont'd**

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The difference, if any, between the acquisition cost and these fair values is reflected as goodwill or discount on acquisition as appropriate. Where goodwill is considered to be capable of generating future economic benefits, it is capitalised in the financial statements and amortised on the straight line basis over its estimated useful life or 25 years, whichever is shorter; otherwise it is written off in the income statement in the year of acquisition. The carrying amount and the amortisation period is reviewed annually, and goodwill is written down when, in the opinion of the directors, its value has deteriorated or when it ceases to have a useful life.

Discount on consolidation is retained in the balance sheet and credited to the income statement over a suitable period decided in relation to the particular circumstances which gave rise to it.

Minority interest represents the interests of outside members in the operating results and net assets of subsidiary companies.

(c) *Property, plant and equipment*

(i) *Measurement basis*

Freehold land and hotel buildings are stated at valuation less accumulated depreciation on hotel buildings. Additions subsequent to the date of the last valuation are stated at cost. Revaluations are carried out every 5 years, or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Other property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

Property, plant and equipment are assessed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

**10. ACCOUNTANTS' REPORT..... cont'd***(ii) Leased assets*

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases and hire purchase. Assets acquired by way of finance leases and hire purchase arrangements are stated at amounts equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

*(iii) Depreciation*

Freehold land is not amortised while leasehold plantation land is amortised on the straight-line basis over the remaining period of the leases of 75 years.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight-line basis over their estimated useful lives. The principal annual rates used for this purpose are:

Hotel buildings	1%
Motor vehicles	20%
Machinery, equipment, furniture and fitting	5% - 33 1/3%
Renovation	10% - 33 1/3%
Computer	33 1/3% - 50%

*(iv) Plantation development expenditure*

The plantation land is fully planted with oil palm many years ago. The cost of the initial planting has been capitalised under the land cost and depreciated in accordance with the policy for land as in note 10.1(c)(iii) above.

Replanting expenditure is charged to the income statement in the year in which the expenditure is incurred.



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**10. ACCOUNTANTS' REPORT..... cont'd**

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**(d) *Investment properties***

Investment properties are properties held for their investment potential and rental income.

Investment properties are stated at valuation. Additions subsequent to the date of the last valuation are stated at cost. Investment properties are appraised by independent professional valuers at least once in every 5 years on the open market value basis. Revaluation surpluses are incorporated in the financial statements through the Revaluation Reserve Account. Any reduction in the value of investment properties below their respective original costs is charged to the income statement.

**(e) *Other investments***

Other investments are stated at cost and provision for impairment loss is made if the directors are of the opinion that the impairment is of a permanent nature.

On disposal, the difference between the net disposal proceeds and the carrying amount of investments disposed of is taken to the income statement.

**(f) *Development properties***

Development properties are classified under two categories i.e land held for development and land under development.

Land held for development is defined as land on which development is not expected to complete within the normal operating cycle. Usually, no significant development work would have been undertaken on this land. Accordingly, land held for development is classified as non-current assets on the balance sheet and is stated at cost or valuation plus incidental expenditure incurred to put the land in a condition ready for development.

Land under development is defined as land on which development has commenced and is expected to complete within the normal operating cycle and is classified as current assets.

Where the outcome of a development can be reasonably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion that costs incurred to date bear to estimated total costs. In applying this method of determining stage of completion, only those costs that reflect actual development work performed are included as costs incurred.

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**10. ACCOUNTANTS' REPORT..... cont'd**

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Where the outcome of a development cannot be reasonably estimated, no development profit is recognised.

When it is probable that total costs will exceed revenue, the foreseeable loss is immediately recognised in the income statement irrespective of whether development work has commenced or not, or of the stage of completion of development activity, or of the amounts of profits expected to arise on other unrelated development projects.

On the balance sheet, land under development is stated at cost plus attributable development profit recognised under the percentage of completion method less recognised foreseeable losses and progress billings.

(g) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis.

In arriving at net realisable value, due allowance is made for all obsolete and slow moving items.

(h) *Receivables*

Known bad debts are written off and specific allowance is made for any receivables considered to be doubtful in collection.

(i) *Deferred taxation*

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

Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

(j) *Capitalisation of borrowing costs*

Borrowing costs incurred on assets under development that take a substantial period of time for completion are capitalised into the carrying value of the assets. Capitalisation of borrowing costs will cease when those assets are completed or during extended periods in which active development is interrupted.

**10. ACCOUNTANTS' REPORT..... cont'd**

All other borrowing costs are charged to the income statement in the period in which they are incurred. The interest component of hire purchase payments is charged to the income statement over the hire purchase period so as to give a constant periodic rate of interest on the remaining hire purchase liabilities.

**(k) Cash equivalents**

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are stated after deducting bank overdrafts and exclude fixed deposits pledged to secure banking facilities.

**(l) Rounding of amounts**

Unless otherwise indicated, the amounts shown in this proforma statement of assets and liabilities have been rounded to the nearest thousand. The currency used is Ringgit Malaysia ("RM").

**10.2 Property, plant and equipment**

	Cost/ Valuation	Accumulated depreciation	Net book value	Net book value of revalued assets stated under the historical cost convention
	RM'000	RM'000	RM'000	RM'000
At valuation				
Freehold land and hotel buildings	122,510	583	121,927	102,399
Freehold plantation land	576	-	576	29
Long leasehold plantation land	42,665	2,726	39,939	27
	<u>165,751</u>	<u>3,309</u>	<u>162,442</u>	<u>102,455</u>
At cost				
Long leasehold plantation land	8	3	5	
Furniture, fittings and equipment	13,533	3,181	10,352	
Motor vehicles	1,954	1,393	561	
Renovation	21,843	920	20,923	
Plant and machinery	63	60	3	
Computers	30	29	1	
	<u>203,182</u>	<u>8,895</u>	<u>194,287</u>	

**10. ACCOUNTANTS' REPORT..... cont'd**

Included in property, plant and equipment are assets acquired under unexpired hire purchase arrangements with net book values as follows:

	<b>RM'000</b>
Furniture, fittings and equipment	92
Motor vehicles	<u>474</u>

Title to certain freehold land and hotel buildings included above at a valuation of RM27.354 million have not been transferred to the subsidiary company concerned.

The freehold land and hotel buildings were revalued by the directors in 2001 based on independent professional valuations on the open market value basis. The valuations were carried out by Mr Long Tian Chek *B.Sc., ARICS, MIS(M)*, registered valuer, of Henry Butcher, Lim & Long Sdn Bhd and Mr Khor Boon Soo *MIS(M)*, registered valuer, of Henry Butcher, Lim & Long (North) Sdn Bhd on 23 March 2001.

The plantation land stated at valuation were revalued by the directors in 1996 based on independent professional valuations carried out on the open market basis. The Group does not adopt a policy of regular revaluations for its plantation land. Accordingly, the plantation land shown at valuation have been retained on the basis of their previous revaluation as though they have never been revalued.

The plantation land have been pledged to a financial institution to secure banking facilities granted to Kumpulan Emas Berhad.

**10.3 Investment properties**

	<b>RM'000</b>
At valuation	
Freehold land and buildings	<u>301,386</u>

Title to certain freehold land and buildings included above at a valuation of RM81.661 million have not been transferred to the subsidiary company concerned.

The investment properties were revalued by the directors in 2001 based on independent professional valuations on the open market basis. The valuations were carried out by Mr Long Tian Chek *B.Sc., ARICS, MIS(M)*, registered valuer, of Henry Butcher, Lim & Long Sdn Bhd and Mr Khor Boon Soo *MIS(M)*, registered valuer, of Henry Butcher, Lim & Long (North) Sdn Bhd on 23 March 2001.

**10. ACCOUNTANTS' REPORT..... cont'd****10.4 Other investment****RM'000**

Unquoted shares, at valuation

363

The above investment was revalued in 1982 based on the underlying net assets of the investee company. The valuation was a one-off exercise. It has never been the Group's policy to carry out regular revaluations of its other investments and accordingly, the carrying amount of the above revalued investment has been retained as though it has never been revalued.

**10.5 Land held for development****RM'000**

Long leasehold land, at cost

31,122

Development expenditure, at cost

46,238

77,360

Titles to certain long leasehold land included above at a cost of RM22.311 million have not been transferred to the subsidiary companies concerned.

**10.6 Land under development****RM'000**

Freehold land, at cost

12,164

Long leasehold land, at cost

6,356

Development expenditure, at cost

166,921

185,441

Attributable profit to date

227,963

413,404

Progress billings to date

(384,473)28,931

Titles to certain land under development included above at a total cost of RM8.437 million have not been transferred to the subsidiary company concerned.

**10.7 Inventories****RM'000**

At cost

Food and beverage

117

General supplies

129

246

**10. ACCOUNTANTS' REPORT..... cont'd****10.8 Trade receivables**

	<b>RM'000</b>
Gross trade receivables	50,639
Allowance for doubtful debts	(355)
	<u>50,284</u>

Included in gross trade receivables are:

	<b>RM'000</b>
Amount owing by certain director-affiliated companies	398
Amount owing by Kumpulan Emas Berhad	95
Amount owing by Kumpulan Emas Berhad's subsidiary companies	<u>31</u>

The amounts outstanding are unsecured, interest free and recoverable in accordance with normal credit terms.

**10.9 Other receivables, deposits and prepayments**

	<b>RM'000</b>
Gross other receivables, deposits and prepayment	48,418
Allowance for doubtful debts	(31)
	<u>48,387</u>

Included in gross other receivables, deposits and prepayment are:

	<b>RM'000</b>
Deposits held by turnkey contractors	17,390
Amount owing by certain director-affiliated companies	3,119
Amount owing by Kumpulan Emas Berhad	17,656
Amount owing by Kumpulan Emas Berhad's subsidiary companies	
- bearing interest at 5.5% per annum	2,155
- interest free	<u>635</u>

All the above amounts are unsecured. Other than the interest bearing advances to Kumpulan Emas Berhad's subsidiary companies, all the amounts outstanding are interest free. Except for the deposits held by turnkey contractors, the amounts are to be recovered upon the issue of the prospectus for Meda Inc.'s initial public offering of shares.

**10.10 Fixed deposits with licensed banks**

Fixed deposits amounting to RM0.891 million have been pledged to banks to secure banking facilities of the Group.

**10. ACCOUNTANTS' REPORT..... cont'd****10.11 Trade payables**

Included in trade payables is RM0.042 million owing to a subsidiary company of Kumpulan Emas Berhad. The amount outstanding is unsecured and interest free and is to be settled within normal credit terms.

**10.12 Other payables and accruals**

Included in other payables and accruals are:

	<b>RM'000</b>
Amount owing to certain director-affiliated companies	131
Amount owing to Kumpulan Emas Berhad	
- bearing interest at 9% per annum	12,578
- interest free	2,287
Amount owing to Kumpulan Emas Berhad's subsidiary companies	<u>121</u>

All the above amounts are unsecured and are to be settled upon the issue of the prospectus for Meda Inc.'s initial public offering of shares. Other than the interest bearing advances from Kumpulan Emas Berhad, all the amounts outstanding are interest free.

**10.13 Hire purchase liabilities**

	<b>RM'000</b>
Future instalments payable	
- not later than one year	273
- later than one year and not later than 5 years	<u>365</u>
Total future instalments payable	638
Unexpired term charges	<u>(129)</u>
Total principal payable	<u>509</u>
Principal payable	
- not later than one year ( <i>included under current liabilities</i> )	205
- later than one year and not later than 5 years	<u>304</u>
	<u>509</u>

**10. ACCOUNTANTS' REPORT..... cont'd****10.14 Bank borrowings**

	<b>RM'000</b>
Bank overdrafts	14,109
Current portion of term and bridging loans (see 10.15 below)	59,384
	<u>73,493</u>

The bank overdrafts together with the term and bridging loans in note 10.15 below are secured by:

- (i) first legal charges over the Group's land held for development costing RM54.985 million
- (ii) first legal charges over the Group's entire land under development
- (iii) first and second legal charges over the Group's entire freehold land and hotel buildings and investment properties
- (iv) debentures over Meda's and ZKP's fixed and floating assets.
- (v) assignment of rental receipts from the Group's entire investment properties and proceeds from the sale of certain of the Group's land under development.
- (vi) joint and several guarantees by certain directors and third parties
- (vii) corporate guarantee from Kumpulan Emas Berhad

Further covenants on certain bank overdrafts and long term loans include the subordination of a sum of RM8.0 million from Kumpulan Emas Berhad's outstanding advances in favour of the banks.

The bank overdrafts bear interest at 1.75% to 2% per annum above the banks' base lending rate.



**10. ACCOUNTANTS' REPORT..... cont'd****10.15 Long term loans**

	Interest rate %	Outstanding RM'000
RM125.0 million term loan repayable as follows:		
• RM8.354 million by 30 June 2002		
• RM60.0 million by 60 monthly instalments of RM1.0 million each commencing 31 July 2002		
• RM61.404 million by 30 June 2007	2% + BLR	129,916 +
RM30 million term loan repayable as follows:		
• RM18.05 million by 31 December 2001 or upon listing of Meda Inc, whichever is earlier		
• RM11.255 million by 34 monthly instalments of RM321,700 each commencing 31 July 2002 and a final instalment of RM317,693	2% + BLR	29,305 +
RM20.0 million bridging loan repayable as follows:		
• RM250,000 upon acceptance of revised offer		
• RM1.959 million by 31 December 2001 or upon listing of Meda Inc, whichever is earlier	2% + BLR	1,995 +
RM40 million term loan repayable by 120 monthly instalments of RM333,333 each commencing 3 December 2001	2% + BLR	39,031
RM20 million term loan repayable by 43 monthly instalments of RM458,600 each with adjustment to final instalment, commencing 31 January 2002 or receipt of the proceeds from the initial public offering, whichever is earlier. (Additionally, RM10 million of the proceeds of Meda Inc.'s Public Issue is to be used to pay down this loan)	2% + BLR	19,859
RM12.5 million long term loan repayable over five years in 16 quarterly unequal instalments commencing not later than 15 months from 7 December 2000	2% + BLR	12,500
RM10 million term loan repayable by 29 equal monthly principal instalments of RM333,000 each and a final 30th instalment of RM343,000, commencing 18 months from 6 April 2001, provided always that the balance must be fully repaid before 1 July 2003 notwithstanding the instalment payment plan stated above	2.5% + BLR	7,511
RM15 million bridging loan for a period of 36 months from date of facility agreement or upon completion of the project whichever is earlier, repayable by 24 monthly instalments commencing 13 months after the date of full drawdown	1.75% + BLR	13,130
		<u>253,247</u>
Current portion of term and bridging loans (see 10.14 above)		<u>(59,384)</u>
		<u><u>193,863</u></u>

BLR : Base lending rate

**10. ACCOUNTANTS' REPORT..... cont'd**

+ On 13 December 2001, the bank offered and Meda accepted the deferment of the repayment of the amounts of RM18.05 million and RM1.959 million which were due on 31 December 2001 to 30 June 2002 or upon the listing of Meda Inc., whichever is earlier. The deferment is subject to an additional early repayment of RM7.0 million by 30 June 2002 or upon the listing of Meda Inc., whichever is earlier, which shall be applied to any of these 3 loans at the bank's discretion.

The bridging loan included above at RM13.130 million and a bank overdraft included in note 10.14 at RM4.118 million have been acquired by Danaharta Urus Sdn Bhd on 3 April 2000.

**10.16 Unpaid land cost**

The unpaid land cost is due to Perbadanan Kemajuan Negeri Perak, the former holding company of Litaran Bayu. The amount is unsecured and interest free and is not expected to be repaid within 12 months.

**10.17 Deferred taxation**

No deferred taxation has been provided on the surplus arising from the revaluation of freehold land and hotel buildings and investment properties as it is not the intention of the directors to dispose of these assets.

Except as stated above, there are no material timing differences on which deferred taxation has not been provided.

**10.18 Share capital**

	<b>RM'000</b>
<b>Authorised:</b>	
500,000,000 ordinary shares of RM0.50 each	250,000
	<u>          </u>
<b>Issued and fully paid:</b>	
355,086,824 ordinary shares of RM0.50 each	177,543
	<u>          </u>

**10.19 Reserves**

	<b>RM'000</b>
Share premium (non-distributable)	4,248
Unappropriated profit	145,896
	<u>          </u>
	<u>150,144</u>

**10. ACCOUNTANTS' REPORT..... cont'd****11. PROFORMA CONSOLIDATED NET TANGIBLE ASSET COVER**

Based on the proforma consolidated statement of assets and liabilities of Meda Inc. as at 31 July 2001 as set out in 9 above, the proforma consolidated net tangible asset cover will be as follows:

	<b>RM'000</b>
Net tangible assets per proforma consolidated statement of assets and liabilities as at 31 July 2001	327,687
Add: Proceeds from the Public Issue	58,816
Less: Estimated listing expenses	(3,000)
	<u>383,503</u>
Proforma consolidated net tangible assets after the Public Issue	<u>383,503</u>
	<b>'000</b>
Number of ordinary shares of RM0.50 each in issue as per proforma statement of assets and liabilities as at 31 July 2001	355,087
Add: Public Issue	73,520
	<u>428,607</u>
Number of ordinary shares of RM0.50 each in issue after the Public Issue	<u>428,607</u>
Proforma consolidated net tangible assets per share after the Public Issue (RM)	<u>0.89</u>

**10. ACCOUNTANTS' REPORT..... cont'd****12. PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

We set out below the proforma consolidated cash flow statement of Meda Inc. for the 7 months ended 31 July 2001, which is prepared based on audited financial statements.

	<i>Note</i>	<b>RM'000</b>
<b>Cash flow from operating activities</b>		
Profit before taxation		22,797
Adjustments for:		
Depreciation		3,278
Interest income		(652)
Interest expense		9,949
Profit accrued based on the percentage of completion		(20,550)
Gain on disposal of property, plant and equipment		(13)
Property, plant and equipment written off		1
Operating profit before working capital changes		14,810
Changes in land under development		35,512
Changes in inventories		53
Changes in trade and other receivables		(23,764)
Changes in trade and other payables		(8,107)
Cash generated from operations		18,504
Interest received		468
Interest paid		(199)
Advances given		(50)
Deposit paid		(48)
Tax paid		(211)
Net cash generated from operating activities		18,464
<b>Cash flow from investing activities</b>		
Interest received		72
Development expenditure paid		(3,548)
Purchase of property, plant and equipment	<i>12.1</i>	(21,472)
Proceeds from disposal of property, plant and equipment		200
Payment for construction of investment properties		(2,324)
Advances to Kumpulan Emas Berhad's subsidiary companies		(47)
Repayment from director-affiliated companies		3,554
Placement of fixed deposit		(308)
Net cash used in investing activities		(23,873)

**10. ACCOUNTANTS' REPORT..... cont'd**

	<b>RM'000</b>
<b>Cash flow from financing activities</b>	
Interest paid	(6,116)
Drawdown of term loans	14,800
Repayment of term loans	(988)
Advances from director-affiliated companies	(679)
Repayment from Kumpulan Emas Berhad's subsidiary company	112
Advances to Kumpulan Emas Berhad	(2,747)
Repayment of hire purchase liabilities	(235)
	<hr/>
Net cash generated from financing activities	4,147
	<hr/>
Net decrease in cash and cash equivalents	(1,262)
Cash and cash equivalents at 1 January 2001	(11,640)
	<hr/>
Cash and cash equivalents at 31 July 2001	(12,902)
	<hr/> <hr/>
Cash and cash equivalents comprise:	
Fixed deposits	250
Cash and bank balances	957
Bank overdrafts	(14,109)
	<hr/>
	(12,902)
	<hr/> <hr/>

**12.1 Purchase of property, plant and equipment**

	<b>RM'000</b>
Total property, plant and equipment additions	21,691
Financed by hire purchase arrangements	(183)
Unpaid balances (included in other payables and accruals)	(36)
	<hr/>
Net cash outflow	21,472
	<hr/> <hr/>

**13. EVENT SUBSEQUENT TO BALANCE SHEET DATE 31 JULY 2001**

Since the date of the last audited financial statements of Meda Inc. and of the Subsidiary Companies which were dealt with in this report, we are not aware of any subsequent event which would require any amounts stated herein to be adjusted or any further disclosure that is required to be made in this report.

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**10. ACCOUNTANTS' REPORT..... cont'd**

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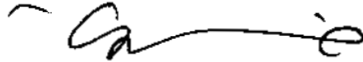
**14. AUDITED FINANCIAL STATEMENTS**

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

Yours faithfully



MOORES ROWLAND  
No. AF: 0539  
Chartered Accountants



TANG KIN KHEONG  
No. 1501/9/03 (J/PH)  
Partner