
10. ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

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17th July, 2000

The Board of Directors
Spritzer Bhd.
Lot 85, Jalan Portland
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Gentlemen

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus to be dated 24th July, 2000 in connection with the Public Issue of 14,264,000 new ordinary shares of RM1.00 each and the Offer For Sale of 6,821,000 ordinary shares of RM1.00 each in Spritzer Bhd. (SB) at an issue and offer price of RM1.70 per ordinary share respectively and the listing and quotation of its entire issued and paid-up share capital on the Second Board of the Kuala Lumpur Stock Exchange (KLSE).

2. GENERAL INFORMATION

2.1 The Company's Background

SB was incorporated as a private limited company on 26th May, 1993 and was converted to a public company on 11th July, 1994.

2.2 Share Capital

The authorised and issued and paid-up share capital of SB as at the date of this report are as follows:

	No. of ordinary shares of RM1.00 each	Total RM
Authorised	100,000,000	100,000,000
Issued and fully paid	34,736,000	34,736,000

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

The changes in authorised share capital of SB since its incorporation are as follows:

Date of creation	No. of ordinary shares	Par value RM	Total authorised share capital (cumulative) RM
At incorporation	1,000,000	1.00	1,000,000
09.06.1994	24,000,000	1.00	25,000,000
21.06.2000	75,000,000	1.00	100,000,000

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

Date of allotment	No. of ordinary shares allotted	Par value RM	Consideration	Total issued and fully paid share capital (cumulative) RM
At incorporation	2	1.00	Subscribers' shares	2
08.06.1994	54,998	1.00	Cash	55,000
22.06.2000	245,000	1.00	Rights issue at RM1.50 per share	300,000
23.06.2000	34,436,000	1.00	Issued as purchase consideration for the acquisition of subsidiary companies at approximately RM1.723 per share	34,736,000

The issued and paid-up capital of SB would subsequently be increased to RM49,000,000 by way of Public Issue of 14,264,000 new ordinary shares of RM1.00 each at an issue price of RM1.70 per share.

2.3 Principal Activity

The principal activity of the Company is intended to be investment holding.

The Company has not commenced operation since incorporation.

2.4 Restructuring Scheme

In connection with and as part of the listing of and quotation for the entire issued and paid-up share capital of SB on the Second Board of the KLSE, the following restructuring scheme was carried out:

- Rights issue of 245,000 new ordinary shares of RM1.00 each for cash at an issue price of RM1.50 per share on the basis of approximately nine (9) new ordinary shares for every two (2) existing shares held.
- Disposal of JRSB by CS to CSR at cost for a cash consideration of RM2.00. CSR in return will make full repayment to CS of the advances owing by JRSB to CS totalling RM4,716,846.

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

- Acquisition of subsidiary companies (CS, GPI, CSC and PM) by cash consideration of RM6,592,737 and the issuance of 34,436,000 new ordinary shares of RM1.00 each at approximately RM1.723 per share based on the fair value of the audited net tangible assets of the subsidiary companies at 31st May, 1999 after taking into account surplus of RM6,010,404 arising from the revaluation of the subsidiary companies' properties.
- Public Issue of 14,264,000 new ordinary shares of RM1.00 each of SB at an issue price of RM1.70 per share.
- Offer For Sale of 6,821,000 ordinary shares of RM1.00 each of SB at an offer price of RM1.70 per share.
- Admission to the Official List of the listing of the enlarged issued and paid-up share capital of SB of 49,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE.

The estimated listing expenses of RM1,200,000 will be set off against the Share Premium Account.

The Company with its subsidiary companies acquired in the above restructuring scheme are hereinafter referred to as the Spritzer Group.

The above scheme was approved by the Securities Commission (SC) on 17th February, 2000 and 21st April, 2000.

2.5 Subsidiary Companies

The subsidiary companies of SB upon the completion of acquisition are as follows:

2.5.1 Background

Chuan Sin Sdn. Bhd. (CS)

CS was incorporated as a private limited company on 20th May, 1977 under the name of Kwong Fun Kee Chan Sdn. Bhd. and changed to its present name on 5th December, 1980.

Golden PET Industries Sdn. Bhd. (GPI)

GPI was incorporated as a private limited company on 21st June, 1967 under the name of Golden Voice Musical Industries Sendirian Berhad and changed to its present name on 5th July, 1994.

10. ACCOUNTANTS' REPORT (CONT'D)

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Chuan Sin Cactus Sdn. Bhd. (CSC)

CSC was incorporated as a private limited company on 29th October, 1979 under the name of Chuan Sin Food Industry Sdn. Bhd. and changed to its present name on 3rd March, 1994.

PET Master Sdn. Bhd. (PM)

PM was incorporated as a private limited company on 11th December, 1986 under the name of Global Packaging Corporation Sdn. Bhd. and changed to its present name on 11th January, 1994.

2.5.2 Principal Activities and Share Capital

The principal activities and the authorised and issued and paid-up share capital of the subsidiary companies as at 31st January, 2000 are as follows:

Name of company	Effective equity interest (%)	Principal activities	Authorised share capital (RM'000)	Issued & fully paid share capital (RM'000)
CS	100	Producing natural mineral water, carbonated flavoured water, distilled water and drinking water.	10,000	10,000
GPI	100	Producing pre-forms for PET bottles, PET bottles, toothbrush and other plastic products.	10,000	5,200
CSC	100	Distribution of bottled water products and other consumer goods.	1,000	450
PM	100	Producing PET bottles and PP cups.	1,000	500

10. ACCOUNTANTS' REPORT (CONT'D)
(Prepared for inclusion in this Prospectus)

2.6 Accounts and Auditors

We have acted as the auditors of SB and PM since the dates of incorporation (financial periods ended 31st May, 1994 and 31st December, 1987 respectively). We are also the auditors of CSC since the financial period ended 31st May, 1994. Prior to that, the accounts of CSC were audited by other firm of public accountants.

The accounts of SB and its subsidiary companies for the respective financial years/period were reported on by auditors without any qualification.

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

3. SUMMARY OF RESULTS

The summarised audited proforma consolidated results of the Spritzer Group for the past five (5) financial years ended 31st May, 1995 to 1999 and the audited proforma consolidated results for the eight (8) months ended 31st January, 2000 have been prepared for illustrative purposes after making such adjustments that we considered necessary and assuming that the Spritzer Group had been in existence throughout the years/period under review.

3.1 The Proposed Spritzer Group – Proforma Consolidated Results

	Years Ended 31st May					8 months ended 31st January
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000
Turnover	29,434	34,170	37,620	46,765	47,951	33,434
Profit before depreciation and interest	9,040	11,385	15,393	18,435	17,067	12,613
Depreciation	(1,839)	(2,639)	(2,829)	(4,343)	(5,868)	(4,032)
Interest income	27	-	-	12	8	-
Interest expense	(1,228)	(2,019)	(2,157)	(3,174)	(3,789)	(1,887)
Profit before taxation	6,000	6,727	10,407	10,930	7,418	6,694
Taxation	(18)	(1,462)	(1,430)	(929)	(661)	(1,153)
Profit after taxation	5,982	5,265	8,977	10,001	6,757	5,541
Weighted average number of ordinary shares of RM1.00 each assumed in issue ('000)	34,736	34,736	34,736	34,736	34,736	34,736
Gross earnings per share (sen)	17.27	19.37	29.96	31.47	21.36	*28.91
Net earnings per share (sen)	17.22	15.16	25.84	28.79	19.45	*23.93

* Annualised

10. ACCOUNTANTS' REPORT (CONT'D)
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3.2 Notes To The Proforma Consolidated Results

3.2.1 Basis of consolidation

The proforma consolidated results of the Spritzer Group are based on the audited accounts of SB and its subsidiary companies for the years/period under review and have been presented on the basis that the proposed restructuring scheme as stated in Section 2.4 had been in effect throughout the years/period under review.

3.2.2 Earnings per share

The gross earnings per share has been calculated based on profit before taxation, excluding extraordinary item and on the weighted average number of issued and paid-up share capital of the Spritzer Group at 34,736,000 ordinary shares of RM1.00 each.

The net earnings per share has been calculated based on the profit after taxation, excluding extraordinary item and on the weighted average number of issued and paid-up share capital of the Spritzer Group at 34,736,000 ordinary shares of RM1.00 each.

3.2.3 Exceptional and extraordinary items

There were no exceptional and extraordinary items during the financial years/period under review.

3.3 The summarised results of SB and its subsidiary companies for the relevant years/period based on the audited accounts of the respective companies are as follows:

SB

No Profit and Loss Account has been prepared as the Company has not commenced operations since its incorporation on 26th May, 1993.

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

CS

	Years Ended 31st May					8 months ended 31st January 2000
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000
Turnover	17,140	21,281	26,648	35,825	29,029	22,810
Profit before depreciation and interest	4,384	5,776	7,636	10,147	8,660	6,595
Depreciation	(680)	(1,081)	(1,206)	(2,006)	(2,950)	(2,083)
Interest income	22	-	-	12	-	-
Interest expense	(170)	(514)	(645)	(1,037)	(1,389)	(673)
Profit before taxation	3,556	4,181	5,785	7,116	4,321	3,839
Taxation	79	(1,140)	(1,228)	456	(355)	(913)
Profit after taxation	3,635	3,041	4,557	7,572	3,966	2,926
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	5,000	5,000	10,000	10,000	10,000	10,000
Gross earnings per share (sen)	71.12	83.62	57.85	71.16	43.21	*57.59
Net earnings per share (sen)	72.70	60.82	45.57	75.72	39.66	*43.89

* Annualised

10. ACCOUNTANTS' REPORT (CONT'D)
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Note:

- i) The increase in turnover and profit before taxation from 1995 to 1998 was mainly due to continuous introduction of new products into the market. Distilled drinking water and drinking water were launched in 1994 whilst 0.25L cup mineral water and carbonated fruit flavoured drink, Spritzer POP were launched in 1996 and 1998 respectively. In addition, "Spritzer" mineral water became the official mineral water of the Malaysian Contingent for the 1996 Olympics Games. The water shortage in Kuala Lumpur as well as the Commonwealth Games in 1998 also contributed to the increase in turnover. CS is able to meet the increasing market demand with the increase in production capacity of the new plant set up in Air Kuning, Taiping.

In 1999, the bottled water industry was severely affected by the economic slowdown especially in the months of September 1998 to March 1999. Higher depreciation charges from new plant and machinery purchased and full year's fixed loan and hire-purchase interest were incurred in 1999. This caused the decrease in Company's turnover and profit before taxation.

- ii) The estimated tax payable in 1995 and 1998 have been set off against amounts transferred from deferred taxation account.

The provision for taxation for 1999 reflects an effective tax rate which is lower than the statutory income tax rate because tax on income earned in the Year of Assessment 2000 is waived in accordance with the Income Tax (Amendment) Act 1999. The provision for taxation of the Company relates to dividend income received for the calendar year 1998.

- iii) There were no exceptional and extraordinary items during the years/period under review.

- iv) Earnings per share

The gross earnings per share has been calculated based on profit before taxation, excluding extraordinary item and on the weighted average number of ordinary shares of RM1.00 each in issue during the above financial years/period.

The net earnings per share has been calculated based on the profit after taxation, excluding extraordinary item and on the weighted average number of ordinary shares of RM1.00 each in issue during the above financial years/period.

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

GPI

	Years Ended 31st December					13 months ended 31st January
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	2000 RM'000
Turnover	11,888	17,060	18,631	19,264	21,614	23,566
Profit before depreciation and interest	3,725	3,809	5,590	7,195	6,932	8,693
Depreciation	(816)	(1,342)	(1,363)	(1,605)	(2,706)	(2,903)
Interest income	-	-	-	-	-	-
Interest expense	(756)	(1,453)	(1,559)	(1,636)	(2,619)	(2,091)
Profit before taxation	2,153	1,014	2,668	3,954	1,607	3,699
Taxation	174	5	(175)	(649)	(516)	(36)
Profit after taxation	2,327	1,019	2,493	3,305	1,091	3,663
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	2,600	2,600	2,600	5,200	5,200	5,200
Gross earnings per share (sen)	82.81	39.00	102.62	76.04	30.90	*65.66
Net earnings per share (sen)	89.50	39.20	95.90	63.55	20.99	*65.02

* *Annualised*

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

Note:

- i) The increase in turnover over the years was mainly due to the increase in demand for the Company's products and drop in average price of raw materials in 1996 and 1997. In addition, the introduction of new products, namely 3kg PET bottle at the end of 1994 and 0.5L pre-form and 1.5L pre-form in 1998 has also contributed to the increase in turnover.
- ii) The profit before taxation shows an increase which is in line with the increase in demand except for 1998 which shows a slight deterioration. This arose mainly from increase in cost of raw materials due to depreciation of Ringgit Malaysia, additional depreciation charges from plant and machinery acquired for new products and increase in interest rates on borrowings.
- iii) There was no provision for taxation in 1995 as GPI has sufficient capital allowances and reinvestment allowances to set off against its chargeable income.
- iv) There were no exceptional and extraordinary items during the years/period under review.
- v) Earnings per share

The gross earnings per share has been calculated based on profit before taxation, excluding extraordinary item and on the weighted average number of ordinary shares of RM1.00 each in issue during the above financial years/period.

The net earnings per share has been calculated based on the profit after taxation, excluding extraordinary item and on the weighted average number of ordinary shares of RM1.00 each in issue during the above financial years/period.

10. ACCOUNTANTS' REPORT (CONT'D)

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CSC

	Years Ended 31st May					8 months ended 31st January 2000
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	RM'000
Turnover	3,707	3,265	4,079	4,385	3,475	2,797
Profit before depreciation and interest	834	851	1,022	1,164	604	577
Depreciation	(62)	(73)	(76)	(76)	(76)	(59)
Interest income	-	-	-	-	8	-
Interest expense	(12)	(8)	(2)	(10)	(2)	(1)
Profit before taxation	760	770	944	1,078	534	517
Taxation	(198)	(228)	(267)	(302)	(10)	(151)
Profit after taxation	562	542	677	776	524	366
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	450	450	450	450	450	450
Gross earnings per share (sen)	168.89	171.11	209.78	239.56	118.67	*172.33
Net earnings per share (sen)	124.89	120.44	150.44	172.44	116.44	*122.00

* *Annualised*

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

Note:

- i) The demand for the Company's products improved over the years and this is shown in the gradual increase in turnover and profit before taxation except for years ended 1996 and 1999. The decrease in 1996 and 1999 was due to reduction in average selling prices for bottled water to remain competitive.
- ii) There were no exceptional and extraordinary items during the years/period under review.
- iii) Earnings per share

The gross earnings per share has been calculated based on profit before taxation, excluding extraordinary item and on the weighted average number of ordinary shares of RM1.00 each in issue during the above financial years/period.

The net earnings per share has been calculated based on the profit after taxation, excluding extraordinary item and on the weighted average number of ordinary shares of RM1.00 each in issue during the above financial years/period.

10. ACCOUNTANTS' REPORT (CONT'D)

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PM

	Years Ended 31st May					8 months ended 31st January 2000
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	RM'000
Turnover	545	1,005	994	1,508	1,132	824
Profit before depreciation and interest	63	206	240	275	226	288
Depreciation	(62)	(134)	(137)	(144)	(150)	(100)
Interest income	5	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Profit before taxation	6	72	103	131	76	188
Taxation	(2)	(24)	(32)	(20)	5	(53)
Profit after taxation	4	48	71	111	81	135
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	500	500	500	500	500	500
Gross earnings per share (sen)	1.20	14.40	20.60	26.20	15.20	*56.40
Net earnings per share (sen)	0.80	9.60	14.20	22.20	16.20	*40.50

* *Annualised*

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

Note:

- i) The increase in turnover in 1996 is due to a full year operation at higher capacity in comparison to a seven (7) month operation period in 1995 while the increase in 1998 is due to additional demand for PET bottles and PP cups.
- ii) Profit before taxation in 1996 increased due to economies of scale resulting from increased volume of production. Despite a decrease in turnover, profit before taxation in 1997 showed an improvement due to fall in unit price of raw materials and decrease in material wastage. The decrease in profit before taxation in 1999 was due to drop in unit selling prices of PET bottles and PP cups and increase in price of raw materials.
- iii) No provision for taxation has been made in the accounts for the financial year 1999 as tax on income earned in the Year of Assessment 2000 is waived in accordance with the Income Tax (Amendment) Act 1999.
- iv) There were no exceptional and extraordinary items during the years/period under review.
- v) Earnings per share

The gross earnings per share has been calculated based on profit before taxation, excluding extraordinary item and on the weighted average number of ordinary shares of RM1.00 each in issue during the above financial years/period.

The net earnings per share has been calculated based on the profit after taxation, excluding extraordinary item and on the weighted average number of ordinary shares of RM1.00 each in issue during the above financial years/period.

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4. DIVIDENDS

Details of dividends declared by SB and its subsidiary companies during the financial years/period under review are as follows:

Company	Financial year ended 31st May/ *31st December	Issued and paid-up capital as at date of payment of dividend RM	Gross dividend per share RM	Type of dividend	Net dividend paid RM
CS	1995	5,000,000	0.06, less tax	Interim	210,000
	1996	5,000,000	0.08, less tax	Interim	280,000
	1997	#5,000,000	0.10, less tax	Interim	350,000
	1998	10,000,000	0.10, less tax	Interim	720,000
	1999	10,000,000	0.10, less tax	Interim	720,000
GPI	*1994	@1,300,000	1.00, tax-exempt	Interim	1,300,000
	*1995	2,600,000	0.10, tax-exempt	Interim	260,000
	*1996	2,600,000	0.10, tax-exempt	Interim	260,000
CSC	1995	450,000	0.60, less tax	Interim	189,000
	1996	450,000	1.00, less tax	Interim	315,000
	1999	450,000	1.50, less tax	Interim	486,000
	+2000	450,000	1.50, less tax	Interim	486,000

The issued and paid-up capital was increased to RM10,000,000 subsequent to payment of interim dividend during the financial year ended 31st May, 1997.

@ The issued and paid-up capital was increased to RM2,600,000 subsequent to payment of interim dividend during the financial year ended 31st December, 1994.

+ Interim dividend paid for the 8 months ended 31st January, 2000.

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5. SUMMARISED BALANCE SHEETS

The summarised balance sheets of SB and its subsidiary companies for the relevant years/periods based on the audited accounts of the respective companies are as follows:

5.1 SB

	-----		As at 31st May		-----		As at
	1994	1995	1996	1997	1998	1999	31st January 2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Expenditure carried forward	7	25	27	30	34	38	40
Current assets	1	31	31	31	84	84	759
Current liabilities	(7)	(1)	(3)	(6)	(63)	(67)	(744)
Net current assets/(liabilities)	(6)	30	28	25	21	17	15
	1	55	55	55	55	55	55
Long-term and deferred liabilities	-	-	-	-	-	-	-
Total assets employed	1	55	55	55	55	55	55
Financed by:							
Share capital	1	55	55	55	55	55	55
Reserves	-	-	-	-	-	-	-
Total capital employed	1	55	55	55	55	55	55
Net tangible assets (RM'000)	-	30	28	25	21	17	15
Net tangible assets per share (RM)	-	0.54	0.51	0.45	0.38	0.31	0.27

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5.2 CS

	-----		As at 31st May		-----		As at
	1994	1995	1996	1997	1998	1999	31st
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	January
							2000
							RM'000
Fixed assets	4,793	12,430	14,014	14,881	29,350	32,147	35,504
Investments	-	-	-	150	150	150	150
Expenditure carried forward	-	-	-	-	-	-	-
Current assets	8,457	6,966	10,341	19,529	22,375	22,591	24,829
Current liabilities	(3,694)	(6,434)	(8,091)	(9,199)	(14,755)	(15,256)	(14,384)
Net current assets	4,763	532	2,250	10,330	7,620	7,335	10,445
	9,556	12,962	16,264	25,361	37,120	39,632	46,099
Long-term and deferred liabilities	(538)	(480)	(829)	(860)	(5,834)	(5,100)	(4,325)
Net assets employed	9,018	12,482	15,435	24,501	31,286	34,532	41,774
Financed by:							
Share capital	5,000	5,000	5,000	10,000	10,000	10,000	10,000
Reserves	4,018	7,482	10,435	14,501	21,286	24,532	31,774
Total capital employed	9,018	12,482	15,435	24,501	31,286	34,532	41,774
Net tangible assets (RM'000)	9,018	12,482	15,435	24,501	31,286	34,532	41,774
Net tangible assets per share (RM)	1.80	2.50	3.09	2.45	3.13	3.45	4.17

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5.3 GPI

	As at 31st December					As at	As at
	1994	1995	1996	1997	1998	31st May	31st
	RM'000	RM'000	RM'000	RM'000	RM'000	1999	January
						RM'000	2000
						RM'000	RM'000
Fixed assets	15,928	16,748	17,617	30,105	35,691	34,780	34,080
Investments	-	-	-	-	-	-	-
Expenditure carried forward	-	-	-	-	-	-	-
Current assets	5,932	8,401	7,067	8,365	9,214	11,372	12,007
Current liabilities	(8,961)	(13,525)	(12,490)	(19,266)	(17,392)	(18,306)	(17,569)
Net current liabilities	(3,029)	(5,124)	(5,423)	(10,901)	(8,178)	(6,934)	(5,562)
	12,899	11,624	12,194	19,204	27,513	27,846	28,518
Long-term and deferred liabilities	(6,939)	(4,904)	(3,241)	(4,355)	(7,592)	(6,367)	(3,897)
Net assets employed	5,960	6,720	8,953	14,849	19,921	21,479	24,621
Financed by:							
Share capital	2,600	2,600	2,600	5,200	5,200	5,200	5,200
Reserves	3,360	4,120	6,353	9,649	14,721	16,279	19,421
Total capital employed	5,960	6,720	8,953	14,849	19,921	21,479	24,621
Net tangible assets (RM'000)	5,960	6,720	8,953	14,849	19,921	21,479	24,621
Net tangible assets per share (RM)	2.29	2.58	3.44	2.86	3.83	4.13	4.73

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5.4 CSC

	As at 31st May						As at
	1994	1995	1996	1997	1998	1999	31st January 2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	469	998	1,094	666	716	654	1,424
Investments	-	-	-	-	-	-	-
Expenditure carried forward	-	-	-	-	-	-	-
Current assets	1,509	918	1,054	2,080	3,239	2,975	3,195
Current liabilities	(881)	(503)	(518)	(469)	(900)	(512)	(955)
Net current assets	628	415	536	1,611	2,339	2,463	2,240
	1,097	1,413	1,630	2,277	3,055	3,117	3,664
Long-term and deferred liabilities	(49)	(32)	(24)	(26)	(26)	(26)	(26)
Net assets employed	1,048	1,381	1,606	2,251	3,029	3,091	3,638
Financed by:							
Share capital	450	450	450	450	450	450	450
Reserves	598	931	1,156	1,801	2,579	2,641	3,188
Total capital employed	1,048	1,381	1,606	2,251	3,029	3,091	3,638
Net tangible assets (RM'000)	1,048	1,381	1,606	2,251	3,029	3,091	3,638
Net tangible assets per share (RM)	2.33	3.07	3.57	5.00	6.73	6.87	8.08

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

5.5 PM

	-----		As at 31st May		-----		As at
	1994	1995	1996	1997	1998	1999	31st January 2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	-	1,257	1,158	1,094	973	881	835
Investments	-	-	-	-	-	-	-
Expenditure carried forward	12	10	6	2	-	-	-
Current assets	489	119	55	226	173	134	488
Current liabilities	(1)	(882)	(643)	(643)	(341)	(135)	(313)
Net current assets/ (liabilities)	488	(763)	(588)	(417)	(168)	(1)	175
	500	504	576	679	805	880	1,010
Long-term and deferred liabilities	-	-	(24)	(56)	(70)	(65)	(60)
Net assets employed	500	504	552	623	735	815	950
Financed by:							
Share capital	500	500	500	500	500	500	500
Reserves	-	4	52	123	235	315	450
Total capital employed	500	504	552	623	735	815	950
Net tangible assets (RM'000)	488	494	546	621	735	815	950
Net tangible assets per share (RM)	0.98	0.99	1.09	1.24	1.47	1.63	1.90

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

6. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of the Company and the Spritzer Group based on the audited accounts of SB and its subsidiary companies as at 31st January, 2000 and on the assumption that the restructuring scheme of the Spritzer Group as stated in Section 2.4 has been effective as at 31st January, 2000 are prepared for illustration purposes and should be read in conjunction with the notes thereon.

	Note	Company		Spritzer Group	
		(A) As at 31st January, 2000 RM'000	(B) After (A) and Rights Issue RM'000	(C) After (B) and Acquisition of Subsidiaries RM'000	(D) After (C) and Public Issue RM'000
FIXED ASSETS	7.2	-	-	71,842	71,842
INVESTMENT	7.3	-	-	150	150
EXPENDITURE CARRIED FORWARD	7.4	40	40	40	40
CURRENT ASSETS					
Stocks	7.5	-	-	5,450	5,450
Trade debtors		-	-	13,848	13,848
Other debtors, deposits and prepayments		758	758	17,795	17,795
Cash on hand and at banks		1	369	640	23,689
		759	1,127	37,733	60,782
CURRENT LIABILITIES					
Trade creditors		-	-	2,542	2,542
Other creditors and accrued expenses		9	9	8,592	8,592
Amount owing to a subsidiary company		735	735	-	-
Amount owing to directors	7.6	-	-	28	28
Hire-purchase creditors	7.7	-	-	3,507	3,507
Bank borrowings	7.8	-	-	21,438	21,438
Provision for taxation		-	-	538	538
		744	744	36,645	36,645

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

	Note	Company		Spritzer Group	
		(A) As at 31st January, 2000 RM'000	(B) After (A) and Rights Issue RM'000	(C) After (B) and Acquisition of Subsidiaries RM'000	(D) After (C) and Public Issue RM'000
NET CURRENT ASSETS		15	383	1,088	24,137
		55	423	73,120	96,169
LONG- TERM AND DEFERRED LIABILITIES	7.9	-	-	(8,308)	(8,308)
NET ASSETS EMPLOYED		55	423	64,812	87,861
SHARE CAPITAL	7.10	55	300	34,736	49,000
RESERVES	7.11	-	-	10,135	10,135
Revaluation reserves		-	-	10,135	10,135
Share premium reserve		-	123	123	8,908
Unappropriated profit		-	-	19,818	19,818
		-	123	30,076	38,861
TOTAL CAPITAL EMPLOYED		55	423	64,812	87,861
Net tangible assets per share (RM)		0.27	1.28	1.86	1.79

10. ACCOUNTANTS' REPORT (CONT'D)
(Prepared for inclusion in this Prospectus)

7. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

7.1 SIGNIFICANT ACCOUNTING POLICIES

7.1.1 Basis of Accounting

The accounts of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in compliance with applicable approved accounting standards in Malaysia.

7.1.2 Basis of Consolidation

The consolidated accounts include the audited accounts of the Company and all its subsidiary companies made up to 31st January, 2000 on the assumption that the restructuring scheme of the Spritzer Group as stated in Section 2.4 has been effective as at 31st January, 2000. The accounts of the subsidiary companies are consolidated using the merger method of accounting.

Under the merger method of accounting, the results of the Company and the subsidiary companies are presented as if the companies have been combined throughout the current period and previous financial years/period. The difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiary companies acquired is taken as merger reserve. Any debit merger reserve arising is written off against reserves and unappropriated profit.

All intercompany balances and transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.

7.1.3 Depreciation of Fixed Assets

Fixed assets are stated at cost or valuation less accumulated depreciation.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is amortised evenly over the lease period ranging from 36 to 89 years. Depreciation of other fixed assets is computed principally on the straight-line method except for assets in a subsidiary company, of which the reducing balance method is used. The effect on the Spritzer Group's profit is approximately RM170,000 and the directors are of the opinion that the difference in method of depreciation does not materially affect the consolidated accounts.

Short-term leasehold land and building	2.0%
Buildings	2.0% - 5.0%
Plant and machinery	7.5% - 10.0%
Motor vehicles	20.0%
Furniture, fittings and equipment	5.0% - 10.0%
Hot/cold water dispenser	33.0%

10. ACCOUNTANTS' REPORT (CONT'D)

(Prepared for inclusion in this Prospectus)

7.1.4 Expenditure Carried Forward

Expenditure carried forward of the Company consisting of preliminary and pre-operating expenses are carried forward at cost and will be amortised upon commencement of business operations.

7.1.5 Investments

Investment in unquoted shares is stated at cost. Provision for diminution in value is made only when, in the opinion of the directors, there is a permanent diminution in value of investment.

7.1.6 Stocks

Stocks of finished goods and work-in-progress are valued at the lower of cost and net realisable value. Spare parts, packing materials and consumables are valued at cost. Cost is determined principally on the "Weighted-Average" and "First-in, First-out" methods.

Cost of finished goods and work-in-progress include cost of direct materials, packing materials, direct labour and an appropriate allocation of factory overheads. Cost of spare parts, packing materials and consumables include the original purchase price plus cost of bringing these stocks to location.

7.1.7 Debtors

Known bad debts are written off whilst provision for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain debtor accounts.

7.1.8 Assets Acquired Under Hire-Purchase Arrangements

Fixed assets acquired under hire-purchase arrangements are capitalised in the accounts and the corresponding obligations treated as liabilities. Finance charges are allocated to the profit and loss account to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

7.1.9 Deferred Taxation

Provision is made using the liability method for taxation deferred by capital allowances and other timing differences except to the extent that it can be demonstrated with reasonable probability that the timing differences will continue in the foreseeable future. Timing differences giving rise to deferred tax benefits are not recognised.

10. ACCOUNTANTS' REPORT (CONT'D)
(Prepared for inclusion in this Prospectus)

7.1.10 Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the approximate exchange rates prevailing on the transaction dates or, where settlement has not taken place at the end of the financial year, at the approximate exchange rates prevailing on that date. All exchange differences are taken up currently in the profit and loss account.

7.1.11 Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

10. ACCOUNTANTS' REPORT (CONT'D)
(Prepared for inclusion in this Prospectus)

7.2 FIXED ASSETS

Spritzer Group

	-----Cost (Unless otherwise stated)-----				
	Beginning of period	Additions/ Transfer	Disposals/ Transfer	Revaluation	End of period
	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land					
At cost	2,263	-	-	(2,263)	-
At 1999 valuation	-	-	-	7,670	7,670
Long-term leasehold land					
At 1998 valuation	3,295	-	-	(3,295)	-
At 1999 valuation	-	-	-	3,710	3,710
Short-term leasehold land					
At cost	151	-	-	(151)	-
At 1999 valuation	-	-	-	765	765
Buildings					
At cost	9,224	561	-	(9,224)	561
At 1998 valuation	7,225	-	-	(7,225)	-
At 1999 valuation	-	-	-	15,561	15,561
Plant and machinery	58,403	251	(145)	-	58,509
Motor vehicles	2,321	-	(18)	-	2,303
Furniture, fittings and equipment	2,843	215	(2)	-	3,056
Capital work-in-progress:					
At cost	2,231	418	(119)	(2,112)	418
At 1999 valuation	-	-	-	1,714	1,714
Hot/cold water dispenser	-	144	-	-	144
Total	87,956	1,589	(284)	5,150	94,411

10. ACCOUNTANTS' REPORT (CONT'D)
(Prepared for inclusion in this Prospectus)

	Accumulated depreciation					Net book value RM'000
	Beginning of period RM'000	Charge for the period RM'000	Disposals RM'000	Revaluation RM'000	End of period RM'000	
Freehold land						
At cost	-	-	-	-	-	-
At 1999 valuation	-	-	-	-	-	7,670
Long-term leasehold land						
At 1998 valuation	18	-	-	(18)	-	-
At 1999 valuation	-	33	-	-	33	3,677
Short-term leasehold land						
At cost	50	-	-	(50)	-	-
At 1999 valuation	-	2	-	-	2	763
Buildings						
At cost	732	8	-	(732)	8	553
At 1998 valuation	60	-	-	(60)	-	-
At 1999 valuation	-	236	-	-	236	15,325
Plant and machinery	16,077	3,302	(80)	-	19,299	39,210
Motor vehicles	1,760	254	(18)	-	1,996	307
Furniture, fittings and equipment	798	185	(1)	-	982	2,074
Capital work-in-progress:						
At cost	-	-	-	-	-	418
At 1999 valuation	-	-	-	-	-	1,714
Hot/cold water dispenser	-	13	-	-	13	131
Total	19,495	4,033	(99)	(860)	22,569	71,842

10. ACCOUNTANTS' REPORT (CONT'D)
(Prepared for inclusion in this Prospectus)

The freehold land, short-term leasehold land and buildings of the subsidiary companies were revalued by the directors during the financial period based on opinion of values expressed by a firm of external professional valuers using the "Open Market Value" basis.

As at 31st January, 2000, the cost and net book value of certain plant and machinery acquired under instalment hire-purchase plans amounted to RM16,749,311 and RM13,378,744 respectively.

7.3 INVESTMENT

	Spritzer Group RM'000
Unquoted shares, at cost	150
	=====

7.4 EXPENDITURE CARRIED FORWARD

	Company and Spritzer Group RM'000
At cost:	
Preliminary expenses	5
Pre-operating expenses	35

Total	40
	=====

Current charges to pre-operating expenses include audit fee of RM400 which has been deferred.

7.5 STOCKS

	Spritzer Group RM'000
Finished goods	1,874
Raw materials	1,859
Packing materials and consumables	1,228
Work-in-progress	488
Spare parts	1

Total	5,450
	=====

10. ACCOUNTANTS' REPORT (CONT'D)
(Prepared for inclusion in this Prospectus)

7.6 AMOUNT OWING TO DIRECTORS

The amount owing to directors arose mainly out of unsecured advances which are interest-free and have no fixed repayment terms.

7.7 HIRE-PURCHASE CREDITORS

	Spritzer Group RM'000
Balance at end of period	6,550
Less: Interest-in-suspense	(1,547)

Principal outstanding	5,003
Less: Portion due within one year included under current liabilities	(3,507)

Long-term portion (Note 7.9)	1,496
	=====

The interest rates implicit in these hire-purchase obligations range from 6.35% to 12.00% per annum.

The long-term portion of the hire-purchase obligations is repayable as follows:

	Spritzer Group RM'000
Within 1 to 2 years	1,496
	=====

7.8 BANK BORROWINGS

	Spritzer Group RM'000
Bank overdrafts	5,525
Bankers' acceptances	13,656
Current portion of term loans (Note 7.9)	2,257

Total	21,438
	=====

The bank overdrafts and other credit facilities of certain subsidiary companies bear interest rates ranging from 2.70% to 11.80% per annum during the financial period and are secured on similar assets and guarantees as mentioned in note 7.9.

10. ACCOUNTANTS' REPORT (CONT'D)
 (Prepared for inclusion in this Prospectus)

7.9 LONG-TERM AND DEFERRED LIABILITIES

	Spritzer Group RM'000
Term loans - Principal outstanding	6,692
Less: Portion due within one year included in bank borrowings under current liabilities (Note 7.8)	(2,257)

Long-term portion	4,435
Hire-purchase creditors (Note 7.7)	1,496
Deferred taxation	2,377

Total	8,308
	=====

The term loans of certain subsidiary companies bear interest rates ranging from 8.30% to 11.90% per annum and are secured by way of:

- i) Legal charges over the said subsidiary companies landed properties;
- ii) Debenture of RM600,000 over fixed and floating assets of a subsidiary company;
- iii) Corporate guarantee of a third party; and
- iv) Joint and several guarantee of all the directors of the respective subsidiary companies.

The long-term portion of the term loans is repayable as follows:

	Spritzer Group RM'000
Within 1 to 2 years	2,154
Within 2 to 5 years	2,281

Total	4,435
	=====

7.10 SHARE CAPITAL

	Spritzer Group RM'000
Ordinary shares of RM1 each: Authorised	100,000
	=====

10. ACCOUNTANTS' REPORT (CONT'D)
 (Prepared for inclusion in this Prospectus)

	Spritzer Group RM'000
Issued and fully paid	
Balance at beginning of period	55
Add: Rights issue of 245,000 new ordinary shares at an issue price of RM1.50 per share	245
: 34,436,000 new ordinary shares at an issue price of approximately RM1.723 per share issued for the acquisition of subsidiary companies	34,436
: Public Issue of 14,264,000 new ordinary shares at an issue price of RM1.70 per share	14,264

Balance at end of period	49,000
	=====

7.11 RESERVES

	Spritzer Group RM'000
Non-distributable:	
Revaluation reserve:	
Balance at beginning of period	4,125
Add: Surplus arising from revaluation of land and buildings	6,010

Balance at end of period	10,135
Share premium reserve:	
Balance at beginning of period	-
Add: Rights issue of 245,000 new ordinary shares at an issue price of RM1.50 per share	123
: Public Issue of 14,264,000 new ordinary shares at an issue price of RM1.70 per share	9,985

	10,108
Less: Estimated listing expenses	(1,200)

Balance at end of period	8,908

	19,043
Distributable:	
Unappropriated profit	19,818

Total	38,861
	=====

10. ACCOUNTANTS' REPORT (CONT'D)
(Prepared for inclusion in this Prospectus)

7.12 CAPITAL COMMITMENTS

Approved and contracted but not provided for

Spritzer Group
RM'000
54
=====

7.13 AUDITED ACCOUNTS

No audited accounts have been drawn up for any period subsequent to 31st January, 2000.



KASSIM CHAN & CO.
AF0080
Public Accountants



GREGORY WONG GUANG SENG
787/1/01(J/PH)
Partner