
14. ACCOUNTANTS' REPORT (*cont'd*)
(Prepared for inclusion in this Prospectus)

G. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts are prepared under the historical cost convention modified by the revaluation of land and buildings and comply with applicable approved accounting standards in Malaysia.

(b) Basis of Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to the end of ~~the~~ financial year. The ~~results~~ of subsidiaries acquired during the year which meet the conditions for merger accounting (as set out in Malaysian Accounting Standard No. 2) are accounted for under the said method. If the conditions for ~~merger~~ accounting are not met, the subsidiaries are consolidated on the acquisition method of accounting where the difference between the fair ~~value~~ of the net assets of subsidiaries acquired and ~~the~~ cost of investment is retained in the consolidated balance sheet as goodwill arising on consolidation. Goodwill arising on consolidation is written off over 25 years.

Under the merger method of accounting, the results of subsidiaries for ~~the~~ entire period have been included without any adjustment in respect of that part of year prior to the merger. The difference between the ~~carrying~~ value of the investment in ~~the~~ Company (nominal value of shares issued by the Company as consideration) and the nominal value of shares acquired represents merger deficit which is set off against reserves of ~~the~~ Group.

Related company transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.

(c) Currency Conversion and Translation

Transactions in foreign currencies during the period are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those ruling at that date. ~~All~~ exchange gains or losses are dealt with in the profit and loss accounts.

(d) Fixed Assets and Depreciation

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

Freehold land is not depreciated. Capital work-in-progress are not depreciated until they have been completed and ready for commercial use. Leasehold land is amortised over the period of the lease. Depreciation of other fixed assets is provided on a straight line basis calculated to write off the cost of each asset over its estimated useful life.

14. ACCOUNTANTS' REPORT (*cont'd*)
(*Prepared for inclusion in this Prospectus*)

The principal annual rates of depreciation are:

Leasehold land	over 99 years
Factory buildings and condominium	2%
Electrical installation	10%
Fire hydrants	10%
Tools and equipment	10%
Renovation	33%
Signboard	5% - 10%
Furniture and fittings	8% - 10%
Office equipment	10% - 20%
Plant and machinery	8% - 12%
Motor vehicles	16% - 20%

The remaining lease period of the leasehold land is between 91 to 97 years.

(e) stocks

Stocks are stated at the lower of cost and net realisable value **after** adequate provision has been made for slow moving and obsolete items. Cost is determined on a first-in, **first-out** basis.

Cost of finished goods and work-in-progress includes where appropriate direct materials, direct **labour** and variable production overheads.

(f) Deferred Taxation

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

(g) Investments

Investment in subsidiaries and other investments are stated at cost less provision for any permanent diminution in value.

(h) Research and Development

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

14. **ACCOUNTANTS' REPORT (cont'd)**
(Prepared for inclusion in this Prospectus)

(i) Hire Purchase Assets

The cost of the **assets** acquired under hire purchase agreements are **capitalised** as fixed assets. The depreciation **policy** on these assets is similar to that of the other assets as set out in (b) above. Outstanding obligations due under hire purchase agreements after deducting interest in suspense are included as liabilities in the accounts. The interest expenses of the hire purchase **instalments** are charged to the profit and **loss account** over the period of the respective agreements.

(j) Intangible Assets

Intangible assets represent the cost of preliminary and **pre-operating** expenses and will be amortised over **5** years upon commencement of operations.

2. **TRADE DEBTORS**

	Proforma Group RM'000
Trade debtors	8,580
Less : Provision for doubtful debts	(885)
	<u>7,695</u>

3: **OTHER DEBTORS, DEPOSITS AND PREPAYMENTS**

	Proforma Group RM'000
Other debtors	659
Deposits and prepayments	533
	<u>1,192</u>

4. **STOCKS**

	Proforma Group RM'000
Raw materials	693
Work-in-progress	2,007
Finished goods	944
	<u>3,644</u>

14. ACCOUNTANTS' REPORT *(cont'd)*
(Prepared for inclusion in this Prospectus)

5. SHORT TERM BORROWINGS

Proforma
Group
RM'000

Bank overdrafts	4,614
Bankers' acceptances	<u>918</u>
	<u>5,532</u>

The short term borrowings bear interest ranging ~~from~~ 8.80% to 10.55% per annum and are secured against:

- (a) loan agreement cum assignment and deed of assignment over ~~the~~ land and buildings of the subsidiaries;
- (b) specific debenture over all fixed assets of the subsidiaries; and
- (c) ~~letters~~ of guarantee and indemnity by Teng ~~Swee~~ Eng, Liow ~~Teck~~ Eng and Dai Kuang Yen.

6. HIRE PURCHASE CREDITORS

Proforma
Group
RM'000

Hire purchase payments due :	
Within one year	566
Within two to five years	<u>379</u>
	945
Interest in suspense	<u>(181)</u>
	764
Repayments due within 12 months included in current liabilities	<u>(459)</u>
	<u>305</u>

14. ACCOUNTANT'S REPORT (cont'd)
(Prepared for inclusion in this Prospectus)

7. **TERM LOANS**

**Proforma
Group
RM'000**

Repayable over 120 equal monthly instalments commencing May, 1996	442
Repayable over 144 equal monthly instalments commencing May, 1996	219
Repayable over 120 equal monthly instalments commencing six months after the loan is fully drawdown	5,482
Repayable over 120 equal monthly instalments commencing September , 1997	260
	<u>6,403</u>
Repayments due within twelve months included in current liabilities	(651)
	<u>5,752</u>

The above term loans bear interest of between 8.80% - 10.55% per annum and are secured against the following :

- i) loan ~~agreement~~ cum assignment and deed of assignment -over the land and buildings of the subsidiaries;
- ii) specific debenture over ~~all~~ the ~~fixed~~ assets of the subsidiaries; and
- iii) letters of guarantee and indemnity executed by ~~Teng Swee Eng~~, Liow ~~Teck~~ Eng and Dai ~~Kuang~~ Yen.

8. **FIXED ASSETS**

Proforma Group

	At Valuation	At Cost			
			Furniture and fittings, office equipment and motor vehicles	Capital work-in-progress	Total
	Land and buildings	Machinery and equipment			
	RM'000	RM'000	RM'000	RM'000	RM'000
At Valuation/ cost	23,811	1,123	2,334	2,139	39,507
Accumulated Depreciation	259	3,101	1,239	-	4,599
Net book value	<u>23,552</u>	<u>8,122</u>	<u>1,095</u>	<u>2,139</u>	<u>34,908</u>

14. ACCOUNTANTS' REPORT *(cont'd)*
(Prepared for inclusion in this Prospectus)



* The details of land and buildings at valuation are as follows :

	Freehold <u>land</u> RM'000	Leasehold <u>land</u> RM'000	Factory <u>Buildings</u> RM'000	<u>Condominium</u> RM'000	<u>Total</u> RM'000
At Valuation	1,000	7,846	14,465	500	23,811
Accumulated depreciation		63	182	14	259
Net book value	1,000	7,783	14,283	486	23,552

** Capital work-in-progress

	<u>Buildings and</u> RM	<u>Machinery and equipment</u> RM	<u>Total</u> RM
<u>At cost</u>			
Beginning of year	404	4,417	4,821
Additions	730	18	748
Reclassification	(1,134)	(2,296)	(3,430)
End of year		2,139	2,139

(a) All the **fixed** assets of the Group have been charged to banks for banking facilities.

(b) Assets Held Under Hire Purchase

Included in the above fixed assets are the following assets held under hire purchase :

	Proforma Group <u>Net book value</u> RM'000
Machinery and equipment	1,541
Motor vehicles	496
	<u>2,037</u>

14. ACCOUNTANTS' REPORT *(cont'd)*
(Prepared for inclusion in this Prospectus)

- (c) The details of independent professional valuation of properties **using** the open market value basis are as follows:

<u>Year of valuation</u>	<u>Description of property</u>	<u>Amount</u> <u>RM'000</u>
1999	Land and buildings at Cheng	17,375
	Land and buildings at Tanjung Minyak	3,650
	Land and buildings at Balai Panjang	150
	Land at Paya Rumpit	940
	Land at Bukit Katil	315
	Condominium at Tanjung Kling	250
	Condominium at Pekan Klebang	250
		<u>22,930</u>

If the properties reflected at valuation are stated at cost, their net book values would have been as follows:

	<u>1999</u> <u>RM'000</u>
Freehold land	453
Long term leasehold land	6,208
Factory buildings	9,667
Condominiums	653
	<u>16,981</u>

9. DEFERRED TAXATION
Proforma Group

The deferred taxation provided in the accounts is mainly in respect of timing differences between depreciation and corresponding capital allowances.

Deferred taxation is not provided on the surplus arising **from** the revaluation of the land and building as it is not the intention of the directors to dispose of the properties in the near future.

14. ACCOUNTANTS' REPORT (*cont'd*)
(Prepared for inclusion in this Prospectus)

10. SHARE CAPITAL

	The <u>Company</u> RM'000	Proforma <u>Group</u> RM'000
ordinary shares of RM1.00 each		
Authorised	<u>100</u>	<u>50,000</u>
Issued and fully paid-up	<u>10</u>	<u>33,000</u>

11. RESERVES

	Proforma <u>Group</u> RM'000
(a) Non-distributable	
Revaluation surplus	6,571
Set off against merger deficit	<u>(6,571)</u>
Share premium	<u>6,559</u>
	<u>6,559</u>
(b) Distributable	
Retained profits	22,629
Set off against merger deficit	<u>(12,488)</u>
	<u>10,141</u>
As at 31 December 1999	<u>16,700</u>

12. CURRENCY

All amounts are stated in **Ringgit** Malaysia (**RM**).

14 ACCOUNTANTS' REPORT (*cont'd*)
(*Prepared for inclusion in this Prospectus*)

H. **PROFORMA NET TANGIBLE ASSETS COVER**

Based on the statement of assets and liabilities of the Proforma Group as at 31 December, 1999, the proforma net tangible assets (NTA) per ordinary share after incorporating the adjustments for the special issue and public issue and estimated listing cost will be as follows :

(i) **Net Tangible Assets**

	RM'000
NTA of the Proforma Group as at 31 December, 1999	47,134
Proceeds from Special Issue	4,420
Proceeds from Public Issue	10,880
	<u>62,434</u>
Less : Estimated listing cost	<u>(1,300)</u>
Proforma NTA	<u>61,134</u>

(ii) **share capital**

	Number of Ordinary shares of RM1.00 each (‘000)
At date of incorporation	10
Issued as consideration for the acquisition of the GSB Group	<u>22,059</u>
	22,069
Add: Rights Issue	10,931
Special Issue	<u>2,600</u>
Public Issue	<u>6,400</u>
Enlarged issued and paid-up share capital	<u>42,000</u>
Proforma NTA per ordinary share of RM1.00 each (RM)	<u>1.46</u>

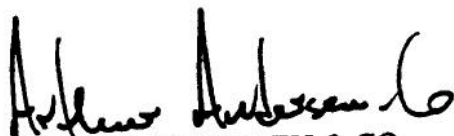
II A U D I T E D A C C O U N T S

No audited accounts have been prepared in respect of any period subsequent to 31 December, 1999.

14. ACCOUNTANTS* REPORT *(cont'd)*
(Prepared for inclusion in this Prospectus)

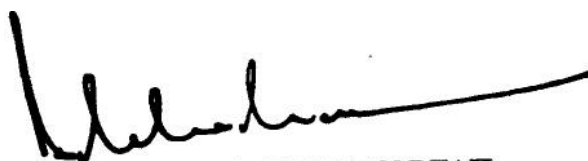


Your3 faithfully,



ARTHUR ANDERSEN & CO.

No. AF 0103
Public Accountants



BALA KRISHNAN A/L PONNIAH
No. 1394/7/01(J)
Partner of the Firm

15. DIRECTORS' REPORT
(Prepared for inclusion in this Prospectus)

Registered office:
11, ~~Jalan~~ **TTC** 30,
~~Taman~~ Teknologi Cheng,
75260, Melaka.

20 June 2000

The Shareholders
GOLSTA SYNERGY BERHAD

Dear Sirs/Madam

*On behalf of the Board of GOLSTA SYNERGY BERHAD, I report after due enquiry that during the period from 31 December 1999 (being the **date** to which the last audited accounts of the Company and its subsidiaries have been made up) to 20 June 2000 (being a **date** not earlier than fourteen days before the issue of this Prospectus), that:*

- (a) the businesses of the Company and its subsidiaries have in the opinion of the Directors been satisfactorily maintained;
- (b) in the opinion of the Directors no circumstances have arisen subsequent to the last audited accounts of the Company and its subsidiaries which have adversely affected the trading or the value of the assets of the Company and its subsidiaries;
- (c) the current assets of the Company and its subsidiaries appear in the books at values which are believed to be **realisable** in the ordinary course of business;
- (d) saved as disclosed in this Prospectus, there are no other contingent liabilities by reason of any guarantees given by the Company and its subsidiaries; and
- (e) saved as disclosed in this Prospectus, there have been no changes in published reserves save for the IPO or any unusual factors affecting the profit of the Company and its subsidiaries.

Yours faithfully
On behalf of the Board

Teng Swee Eng
Managing Director

16. **VALUATION CERTIFICATE**
(Prepared for inclusion in this Prospectus)

VALUATION CERTIFICATE.

Date : 20 June, 2000

The Board of Directors
Golsta Synergy Berhad
11, **Jalan TTC 30**
Taman Teknologi Cheng
75260 Melaka

Dear Sirs

**VALUATION OF PROPERTIES
BELONGING TO GOLSTA SYNERGY BERHAD**

The **Certificate** has been prepared for inclusion in the Prospectus of Golsta Synergy Berhad to be dated 28 June, 2000 in relation to the Special Issue of **2,600,000** ordinary shares of **RM1.00** each and Public Issue of **6,400,000 ordinary shares** of **RM1.00** each at an issue price of **RM1.70** per share.

In accordance with your **instructions**, we have assessed the Market Values of the landed properties set out below in **conjunction** with the listing of **Golsta Synergy Berhad** on the Second Board of the **Kuala Lumpur** Stock Exchange. We have **valued** the **aforsaid** properties on June 16, 1999 and June 17, 1999, the details of which are set out in our **valuation** reports bearing reference nos. **MK/SC99/545** to **MK/SC99/545/7**.

These valuation reports have been prepared in accordance with the requirements as set out in the Guidelines on Asset Valuation for submission to the Securities Commission **and** the Malaysian Valuation Standards as prescribed by the Board of Valuers, Appraisers **and Estate** Agents, Malaysia



**COLLIERS JORDAN LEE
& JAAFAR (M'CCA) SDN BHD.**
(136815-K)

No. 669 & 669A,
Taman Melaka Raya,
75000 Melaka.
Tel No. **06-2835522** (3 lines)
Fax No. 06.2837635

International Property Consultants • Chartered Valuation Surveyors • Registered Valuers & Real Estate Agents •
Project & Property Managers • Plant & Machinery Valuers • Auctioneers

Managing Director JORDAN LEE, IQRN, FRS, FICS, Apsos, Inv. Mgmt, Soc. Chairman JAAPAN IBRAHIM, FRS, FICS, Director LEE THIAN SENG, MFRS.

THOO SENG CHOON, FRS, Inv. Asst. Apsos, FICS, Apsos, R. TANGSA PERASASAM, MFRS, FICS, CHN LAI SITT, FRS (M), FICS, Inv. L.L.B. (Hons), THYNS KIM HOK, MFRS, FICS.

Headquarters: Kuala Lumpur: Ground & Level 8, Block G North, Pusat Bandar Damansara, Damansara Heights, 50480 Kuala Lumpur. Tel: 03-2958811 (12 lines) Fax No: 03-2958843

Other Offices: Selangor : 31, Jalan Kapas, 41400 Klang, Selangor Darul Ehsan. Tel: 03-3430880 (3 Lines) Fax: 03-3417888
N. Sembawang: 5A, Kompleks Nagari, Jalan Dr. Kitarman, 70089 Seremban, Nagari Sembilan Darul Khusus, Malaysia. Tel: 03-7838880 & 7838880 Fax No: 03-7837936
Perak : Suite 3 & 5, Tingkat Kedua, Laboratory House, Jalan Dato Bangar, 30000 Ipoh, Perak Darul Ridzuan. Tel: 05-2414886 (3 Lines) Fax No: 05-2988383
Johor : Suite 308, 3rd Floor, PanGlobal Plaza, Jalan Wang Ah Fook, 80000 Johor Bahru, Johor Darul Takzim. Tel: 07-2238888 Fax: 07-2246888
Pahang : 17, Jalan Gambat 2, 25000 Kuantan, Pahang Darul Makmur. Tel: 09-568888 Fax No: 09-6148148
Perang : Lot 2.01, 2nd Floor, Southern Bank Building, 21, Leboh Pantai, 10000 Pulau Pinang. Tel: 04-2637749 & 2637750 Fax No: 04-2637944
Kuching : Lot 216 (2/F), Jalan Haji Taha, 93400 Kuching, Sarawak. Tel: 082-419200 & 419222 Fax No: 082-423515

Other Colliers Offices: Australia, China, Hong Kong, India, Indonesia, Japan, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam, Austria, Belgium, Czech Republic, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Portugal, Republic of Ireland, Russia, Scotland, Slovenia, South Africa, Spain, Turkey, United Kingdom, The Americas Argentina, Canada, Mexico, Venezuela and United States Of America.

16. VALUATION CERTIFICATE (cont'd)
(Prepared for inclusion in this Prospectus)

COLLIERS
JORDAN LEE • JAAFAR

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We have valued the properties listed below with titles **free from** all legal encumbrances, using the **Comparison**, Investment and Cost Methods-of Valuation (as appropriate) and are of the **opinion** that the Market Values of these properties are as follows:

(A) **Held for Investment Purpose:**

Property/ Ref. No.	Date of Valuation	Tenure/ Approximate <u>Age of Building</u>	Land Area/ Gross Built- <u>Area</u> (sq.m)	Existing Use/ Description	Market Value (RM)
<u>Golsta Sdn Bhd</u>					
H.S (D) 35382, Lot PT No. 43 10, (Formerly Plot No.3-4), Mukim of Cheng, District of Melaka Tengah, State of Melaka MK/SC99/545	16/06/1999	Leasehold 99 years, expiring on 14/08/2096 6 years	4,737 3,312.18	Industrial A block of single- storey factory building together with a four (4)-storey office block annexe and a TNB sub- station.	2,250,000
Geran No.16946, Lot No. 23, Pekan Paya Rumput , District of Melaka Tengah, State of Melaka MK/SC99/545/4	16/06/1999	Freehold	20,521.61	Nil A plot of vacant commercial cum residential develop- ment land	1,435,000
Pajakan Negeri No. 5138, Plot Nos. 2-48 & 2-49 on Parent Lot No. 4967, Mukim of Bukit Katil , District of Melaka Tengah, State of Melaka MK/SC99/545/5	17/06/1999	Leasehold 99 years, expiring on 05/12/2090	2,000 (Total)	Residential Two (2) adjoining plots of vacant bungalow land.	3 15,000

16. VALUATION CERTIFICATE (cont'd)
(Prepared for inclusion in this Prospectus)

COLLIERS
JORDAN LEE & JAAFAR

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(B) Held for Owner-Occupancy:

<u>Property/ Ref. No.</u>	<u>Date of Valuation</u>	<u>Tenure/ Approximate Age of Building</u>	<u>Land Area/ Gross Built- % .m?</u>	<u>Existing Use/ Description</u>	<u>Market Value (RM)</u>
<u>Golsta Sdn Bhd</u>					
KS (D) 35296, & 35297, Lot P.T. Nos. 4224 & 4225 (Formerly Plot Nos. 4-16 & 4-17), Mukim of Cheng, District of Melaka Tengah, state of Melaka MK/SC99/545/1	16/06/1999	Leasehold 99 years, expiring on 14/08/2096 1 year	36,878 (Total) 1331.93	Industrial A block of large single-storey factory building, a four (4)-storey office block, a canteen, a guard house, a locker room, a switch room, a toilet block and a TNB sub- station.	15,120,000
Parcel No. KP-10-03(B4), 10 th Floor, Riviera Bay Resort Condomi- nium on Parent Lot P.T. No. 37, KS. (D) 21005, Pekan Tanjung Kling Section III (3), District of Melaka Tengah, state of Melaka MK/SC99/545/6	16/06/1999	Leasehold 99 years, expiring on 29/10/2090 4 - 5 years	118.17 (Built-up Area)	Residential A 2-bedroom condominium.	280,000
Parcel No. 11- 06, Storey No. 11, Sunshine Tower, Ocean Palms Condomi- nium on Parent Lot P.T. No. 146 (New Lot No. 233), KS. (D) 30379 (New Tide No. Geran 16346), Pekan Klebang Section I (1), Diict of Melaka Tengah, state of Melaka MK/SC99/545/7	16/06/1999	Freehold 3 years	136 (Built-q.) Area)	Residential A 3-bedroom condominium.	285,000

16. VALUATION CERTIFICATE (*cont'd*)
(Prepared for inclusion in this *Prospectus*)

COLLIERS
JORDAN LEE & JAAFAR

Page 4/-

<u>Property/ Ref. No.</u>	<u>Date of Valuation</u>	<u>Tenure/ Approximate Age of Building</u>	<u>Land Area/ Gross Built- up Area (sq. m)</u>	<u>Existing Use/ Description</u>	<u>Market Value (RM)</u>
<u>Foundry Engineering Works (Malacca) Sdn Bhd</u>					
H.S. (D) 30202, Lot P.T. No. 5 12 (Formerly Plot No. 197), Mukim of Tanjong Minyak, District of Melaka Tengah, State of Melaka MK/SC99/545/2	16/06/1999	Leasehold 99 years, expiring on 28/04/2094.	9,746 5,753.58	Industrial A block of single- storey factory building together with a double-storey office block annexe and a guard house.	3,655,000
Geran No. 14181, Lot No. 3198 (Old P.T. No. 2201), Mukim of Balai Panjang, District of Melaka Tengah, State of Melaka MK/SC99/545/3	17/06/1999	Freehold 4 – 5 years	111 162.57	Residential An intermediate double-storey terrace house.	150,000

Your8 faithfully

COLLIERS

JORDAN LEE & JAAFAR (M'CCA) SDN BED



LEE THIAM SING MIS (M)

Registered Valuer (V-3 15)