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ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

The Board of Directors
Supermax Corporation Berhad
Level 14 Uptown 1
No. 1 Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Gentlemen:

A. INTRODUCTION

This report has been prepared for inclusion in the Prospectus of Supermax Corporation Berhad (hereinafter referred to as "Supermax" or "the Company") to be dated June 30, 2000 in connection with the Offer for Sale of 4,000,000 ordinary shares of RM1.00 each at an offer price of RM2.00 per ordinary share and the Public Issue of 6,100,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 per ordinary share and the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company, comprising 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

B. GENERAL INFORMATION

1. Incorporation

The Company was incorporated as a private limited company in Malaysia on February 21, 1997 under the name of Supermax Corporation Sdn. Bhd. On July 14, 1999, the Company was converted to a public company and assumed its present name, Supermax Corporation Berhad.

2. Restructuring and Flotation Scheme

In conjunction with the offer for sale and public issue and, the listing of and quotation for its entire enlarged issued and paid-up share capital on the Second Board of the KLSE, the Company undertook a restructuring and flotation scheme involving the following:

a) Acquisition of 100% equity interest in Supermax Glove Manufacturing Sdn. Bhd. (SGM) for a total purchase consideration of RM5,941,630 to be satisfied by way of an issue of 5,658,695 new ordinary shares of RM1.00 each in Supermax at an issue price of RM1.05;

b) Acquisition of 100% equity interest in Maxter Glove Manufacturing Sdn. Bhd. (MGM) for a total purchase consideration of RM6,244,862 to be satisfied by way of an issue of 5,947,487 new ordinary shares of RM1.00 each in Supermax at an issue price of RM1.05;

c) Acquisition of 100% equity interest in Supermax Latex Products Sdn. Bhd. (SLP) for a total purchase consideration of RM4,807,844 to be satisfied by way of an issue of 4,578,900 new ordinary shares of RM1.00 each in Supermax at an issue price of RM1.05;

d) Rights issue of 9,714,916 new ordinary shares of RM1.00 each in Supermax at an issue price of RM1.10 per ordinary share on the basis of approximately 3 new ordinary shares for every 5 existing ordinary shares held after the acquisition of the aforementioned subsidiary companies; and

e) Special issue of 8,000,000 new ordinary shares of RM1.00 each in Supermax to Bumiputera investors approved by Minstry of International Trade and Industry (MITI) at an issue price of RM2.00 per ordinary share.

The scheme was approved by the Securities Commission on February 9, 2000.

The acquisitions of SGM, MGM and SLP were completed on June 16, 2000. The rights issue was completed on June 19, 2000 while the special issue was completed on June 22, 2000.

3. Share Capital

The authorised share capital of the Company at the date of its incorporation was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. As part of the abovementioned restructuring exercise, the authorised share capital was increased from RM100,000 to RM50,000,000 by the creation of 49,900,000 new ordinary shares of RM1.00 each.

The present issued and paid-up capital of the Company is RM33,900,000 comprising 33,900,000 ordinary shares of RM1.00 each.

Following the abovementioned restructuring exercise, the changes in the issued and paid-up capital of the Company since the date of its incorporation are as follows:

Date of allotment	Type/ Consideration for shares issued	No. of ordinary shares of RM1 each allotted	Resultant share capital RM
At date of incorporation - February 21, 1997	Subscribers' shares	2	2
Subsequent shares issued			
- June 16 ,2000	Acquisition of SGM	5,658,695	5,658,697
- June 16 ,2000	Acquisition of MGM	5,947,487	11,606,184
- June 16 ,2000	Acquisition of SLP	4,578,900	16,185,084
- June 19 ,2000	Rights issue	9,714,916	25,900,000
- June 22 ,2000	Special issue	8,000,000	33,900,000

4. Principal Activities

The Company was incorporated as an investment holding company but has yet to commence operations as of December 31, 1999. Pursuant to the implementation of the restructuring scheme referred to in the foregoing paragraph, the Company became the holding company of the subsidiary companies as listed below.

The subsidiary companies, all incorporated in Malaysia, as mentioned in the abovementioned restructuring exercise and the respective companies' principal activities are as follows:

Name of Company	Date of Incorporation	Effective Equity Interest (%)	Principal Activities
Direct Subsidiary Companies			
Supermax Glove Manufacturing Sdn. Bhd.	13.06.1991	100	Manufacturing and sales of latex gloves
Maxter Glove Manufacturing Sdn. Bhd.	28.11.1991	100	Manufacturing and sales of latex gloves
Supermax Latex Products Sdn. Bhd.	28.07.1977	100	Trading, exporting and acting as commission agent for latex gloves

C. AUDITORS' REPORTS

We were appointed as the first auditors of the Company and have reported on the accounts of the Company for the financial period February 21, 1997 (date of incorporation) to December 31, 1997 and for the two financial years ended December 31, 1999.

We have also acted as auditors of SGM since the financial year ended June 30, 1996 and auditors of MGM since the financial year ended April 30, 1996 as well as auditors of SLP since the financial year ended December 31, 1996. Prior to that, these accounts were audited by another firm of auditors.

The auditors' reports on the accounts of the Company and all its subsidiary companies for the respective period/years under review were reported on without any reservation.

D. DIVIDENDS

No dividend has been paid by the Company since its incorporation.

Details of dividends paid by the subsidiary companies during the period under review are as stated below:

Year/Period Ended	Issued and Paid-up capital (RM'000)	Dividend Rate (Gross) %	Net Dividend (RM'000)
SGM			
June 30, 1995	400	-	-
June 30, 1996	400	-	-
June 30, 1997	400	-	-
6 months ended December 31, 1997	1,762	-	-
December 31, 1998	1,762	-	-
December 31, 1999	1,762	51.09	900
MGM			
April 30, 1995	500	-	-
April 30, 1996	500	-	-
April 30, 1997	930	-	-
Eight months ended December 31, 1997	930	-	-
December 31, 1998	2,000	-	-
December 31, 1999	2,000	150	3,000
SLP			
December 31, 1995	142	-	-
December 31, 1996	142	-	-
December 31, 1997	142	-	-
December 31, 1998	142	-	-
December 31, 1999	142	773.13	1,100

E. SUMMARISED PROFIT AND LOSS ACCOUNTS

1. Proforma Consolidated Profit and Loss Accounts

The summarised proforma consolidated profit and loss accounts of the Company and its subsidiary companies ("the Group") for the five financial years ended December 31, 1999 as set out below, for illustrative purposes only, have been prepared on the assumption that the acquisitions of the subsidiary companies under the restructuring scheme mentioned in paragraph B2 of this report had been effected throughout the period under review.

	Year ended December 31				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	22,754	31,354	36,337	48,929	55,223
Profit before depreciation and interest expense	2,964	6,077	6,976	10,317	13,368
Depreciation	(847)	(1,106)	(1,164)	(1,640)	(2,434)
Interest expense	(589)	(717)	(889)	(1,205)	(1,142)
Profit before taxation	1,528	4,254	4,923	7,472	9,792
Taxation	(320)	(947)	(1,090)	(2,039)	-
Net profit	1,208	3,307	3,833	5,433	9,792
Number of ordinary shares of RM1.00 each	16,185	16,185	16,185	16,185	16,185
Net earnings per ordinary share (sen)	7	20	24	34	61

Notes:

a) The summarised proforma consolidated profit and loss accounts of the Proforma Group for the five financial years ended December 31, 1999 are prepared based on the following:

(i) audited accounts of Supermax for the financial period February 21, 1997 (date of incorporation) to December 31, 1997 and for the two financial years ended December 31, 1999;

(ii) audited accounts of SGM for the three financial years ended June 30, 1997, audited accounts for the six months ended December 31, 1997, and the two financial years ended December 31, 1999;

(iii) audited accounts of MGM for the three financial years ended April 30, 1997, audited accounts for the eight months ended December 31, 1997 and the two financial years ended December 31, 1999; and

(iv) audited accounts of SLP for the five financial years ended December 31, 1999.

In view of the different financial year-ends of the subsidiary companies of Supermax Group, the proforma group profit and loss accounts presented for the financial years ended December 31, 1995 to 1997 have been arrived at by prorating the audited profit and loss accounts of SGM and MGM as mentioned above on time apportionment basis.

b) There were no extraordinary or exceptional items during the period under review.

c) The Group's turnover is mainly derived from sales of manufactured latex gloves to external parties in overseas markets, especially the American, European and Australian industries. The Group's turnover has grown substantially over the five-year period mainly due to its significant business expansion through increasing its geographical and customer base internationally. The selling prices of latex gloves are mainly quoted in US dollar.

The increase in production capacity due to the commissioning of two additional production lines in 1996 has led to a higher turnover and profit before taxation for 1996. In 1998, the commencement of production in the Group's Meru factory coupled with the upward movement of foreign exchange rates has also resulted in a substantially higher turnover as well as profit before taxation for 1998. The higher turnover and profit before taxation in 1999 is mainly due to economies of scale achieved together with extensive promotional activities and aggressive marketing strategies to obtain new customers.

d) The taxation charge, where agreed with tax authorities, has been adjusted to reallocate the over/underprovisions to the respective years to which they relate.

The effective tax rates for 1995 to 1998 is lower than the statutory income tax rate due mainly to reinvestment allowances claimed under Schedule 7A of the Income Tax Act, 1967, and double deduction tax incentives claimed by the subsidiary companies. No provision for taxation has been made in 1999 as tax payable on chargeable income of the Group and of the Company is to be waived under the Income Tax (Amendment) Act 1999 to facilitate the transition of the income tax assessment from a preceding year system to a current year system.

e) The net earnings per ordinary share of the Group for the respective financial years under review is calculated based on the proforma net profit divided by the enlarged issued and paid-up share capital of 16,185,084 ordinary shares of RM1.00 each following the acquisition of SGM, MGM and SLP as mentioned under paragraph B2 of this report.

2. Supermax (the Company)

The summarised profit and loss accounts of the Company based on the audited accounts for the financial period ended December 31, 1997 and two financial years ended December 31, 1999 are as follows:

	Period ended December 31 1997 (10 months) RM'000	←Year ended December 31→ 1998 (12 months) RM'000	1999 (12 months) RM'000
Turnover	-	-	-
Profit before depreciation and interest expense	-	-	-
Depreciation	-	-	-
Interest expense	-	-	-
Profit before taxation	-	-	-
Taxation	-	-	-
Net profit	-	-	-
Number of ordinary shares of RM1.00 each	-*	-*	-*
Net earnings per ordinary share (sen)	-	-	-

Notes:

The Company was incorporated on February 21, 1997 and has yet to commence operations as of December 31, 1999. All expenses incurred in connection with the incorporation of the Company have been deferred and charged to preliminary expenses while all expenses incurred after incorporation have been deferred and charged to pre-operating expenses.

There were no extraordinary or exceptional items during the period under review.

* This represents RM2.00 comprising 2 ordinary shares of RM1.00 each.

3. SGM

The summarised profit and loss accounts of SGM based on the audited accounts after making such adjustments as we considered necessary for the three financial years ended June 30, 1997, financial period ended December 31, 1997 and two financial years ended December 31, 1999 are as follows:

Financial year/period ended	June 30 1995 (12 months) RM'000	June 30 1996 (12 months) RM'000	June 30 1997 (12 months) RM'000	December 31 1997* (6 months) RM'000	December 31 1998 (12 months) RM'000	December 31 1999 (12 months) RM'000
Turnover	6,896	13,230	18,821	10,997	22,464	21,068
Profit before depreciation and interest expense	631	2,260	3,291	1,803	3,459	2,152
Depreciation	(338)	(681)	(865)	(446)	(968)	(1,164)
Interest expense	(178)	(442)	(466)	(222)	(320)	(172)
Profit before taxation	115	1,137	1,960	1,135	2,171	816
Taxation	(38)	(185)	(191)	(318)	(563)	100
Net profit	77	952	1,769	817	1,608	916
Weighted average number of ordinary shares of RM1.00 each	1,163	1,163	1,262	1,762	1,762	1,762
Net earnings per ordinary share (sen)	7	82	140	93**	91	52

* *In 1997, SGM changed its financial year-end from June 30 to December 31, as decided by the directors of SGM. Accordingly, the accounts were drawn up for the period July 1, 1997 to December 31, 1997 or a period of six months.*

** *Annualised.*

Notes:

a) There were no extraordinary or exceptional items during the period under review.

b) The higher turnover and profit before taxation for the financial years ended June 30, 1996 and 1997 was mainly due to the commission of two additional production lines in 1996 coupled with continuing increase in production efficiency and improved consistency in quality as a result of economies of scale resulting in lower fixed overheads per unit manufactured whilst having higher outputs.

The lower profit before taxation in 1999 is mainly due to a downward movement of foreign exchange rates resulting in a lower profit margin.

c) The taxation charge, where agreed with tax authorities, has been adjusted to reallocate the over/underprovisions to the respective years/period to which they relate.

The effective tax rate in 1995 was higher than the statutory tax rate due mainly to certain expenses which are non-deductible for tax purposes.

The effective tax rates of SGM in 1996 to 1998 were lower than the prevailing statutory tax rates due mainly to reinvestment allowances claimed under Schedule 7A of the Income Tax Act, 1967, and double deduction tax incentives to offset the taxable income for the year which would otherwise be payable.

No provision for current taxation has been made in 1999 as tax payable on chargeable income of the Company is to be waived under the Income Tax (Amendment) Act 1999 to facilitate the transition of the income tax assessment from a preceding year system to a current year system. The tax credit in 1999 represents a reversal of deferred taxation.

d) The net earnings per ordinary share is calculated based on the net profit divided by the weighted average number of ordinary shares in issue during those financial period/years.

4. MGM

The summarised profit and loss accounts of MGM based on the audited accounts after making such adjustments as we considered necessary for the three financial years ended April 30, 1997, financial period ended December 31, 1997 and two financial years ended December 31, 1999 are as follows:

	April 30			December 31		
Financial year/period ended	**1995 (12 months) RM'000**	**1996 (12 months) RM'000**	**1997 (12 months) RM'000**	**1997* (8 months) RM'000**	**1998 (12 months) RM'000**	**1999 (12 months) RM'000**
Turnover	9,039	11,258	11,713	8,389	20,247	31,894
Profit before depreciation and interest expense	905	1,124	1,150	2,202	3,856	5,886
Depreciation	(208)	(221)	(221)	(348)	(558)	(1,154)
Interest expense	(333)	(87)	(219)	(535)	(859)	(649)
Profit before taxation	364	816	710	1,319	2,439	4,083
Taxation	(141)	(158)	(226)	(265)	(693)	(100)
Net profit	223	658	484	1,054	1,746	3,983
Weighted average number of ordinary shares of RM1.00 each	500	500	804	930	1,643	1,762
Net earnings per ordinary share (sen)	45	132	60	170**	106	226

* *In 1997, MGM changed its financial year-end from April 30 to December 31, as decided by the directors of MGM. Accordingly, the accounts were drawn up for the period May 1, 1997 to December 31, 1997 or a period of eight months.*

** *Annualised.*

Notes:

a) There were no extraordinary or exceptional items during the period under review.

b) The profit before taxation in 1996 increased as compared to prior year due mainly to lower latex costs incurred whilst pricing for latex gloves increased hence increasing profit margins.

The turnover and profit before taxation grew significantly in 1998 and 1999 as a result of the commencement of production in the Meru factory together with economies of scale.

c) The taxation charge, where agreed with tax authorities, has been adjusted to reallocate the over/underprovisions to the respective years/period to which they relate.

The effective tax rates in 1995 and 1998 were higher than the prevailing statutory tax rates due mainly to certain expenses which are non-deductible for tax purposes.

The effective tax rate in 1996 and the period ended December 31, 1997 were lower than the statutory tax rate due mainly to reinvestment allowances claimed under Schedule 7A of the Income Tax Act, 1967.

No provision for current taxation has been made in 1999 as tax payable on chargeable income of the Company is to be waived under the Income Tax (Amendment) Act 1999 to facilitate the transition of the income tax assessment from a preceding year system to a current year system. The tax charge in 1999 is in respect of deferred taxation.

d) The net earnings per ordinary share is calculated based on the net profit divided by the weighted average number of ordinary shares in issue during those financial period/years.

5. SLP

The summarised profit and loss accounts of SLP based on the audited accounts after making such adjustments as we considered necessary for the five financial years ended December 31, 1999 are as follows:

	Year ended December 31				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	20,243	28,479	32,811	41,060	53,206
Profit before depreciation and interest expense	466	2,159	1,332	3,003	5,032
Depreciation	(120)	(111)	(66)	(115)	(115)
Interest expense	(110)	(88)	(13)	(24)	(24)
Profit before taxation	236	1,960	1,253	2,864	4,893
Taxation	(56)	(555)	(336)	(784)	-
Net profit	180	1,405	917	2,080	4,893
Number of ordinary shares of RM1.00 each	142	142	142	142	142
Net earnings per ordinary share (RM)	1.27	9.89	6.46	14.65	34.46

Notes:

a) There were no extraordinary or exceptional items during the period under review.

b) The substantial growth in turnover over the five-year period is mainly due to significant business expansion.

The profit before taxation in 1996 increased as a result of lower latex prices arising from the oversupply in the market as compared to prior year. In 1997 and 1998, the upward movement of foreign exchange rates has contributed to the increase in sales value in Ringgit Malaysia as well as the profit before taxation. The higher profit before taxation in 1999 is mainly due to extensive promotional activities and aggressive marketing strategies resulting in new customers.

c) The taxation charge, where agreed with tax authorities, has been adjusted to reallocate the over/underprovisions to the respective years to which they relate.

The effective tax rates of SLP in 1995 to 1998 were lower than the prevailing statutory tax rates due mainly to double deduction tax incentives to offset the taxable income for the year which would otherwise be payable.

No provision for taxation has been made in 1999 as tax payable on chargeable income of the Company is to be waived under the Income Tax (Amendment) Act 1999 to facilitate the transition of the income tax assessment from a preceding year system to a current year system.

d) The net earnings per ordinary share is calculated based on the net profit divided by the number of ordinary shares in issue during those financial years.

F. SUMMARISED BALANCE SHEETS

The summarised balance sheets of Supermax and its subsidiary companies based on their respective audited accounts are set out below:

1. Supermax

The summarised balance sheets of the Company based on the audited accounts as of December, 31 for the financial period ended December 31, 1997 and two financial years ended December 31, 1998 to1999 are as follows:

	As of December 31		
	1997 RM'000	1998 RM'000	1999 RM'000
Expenditure carried forward	16	27	355
Net current liabilities	(16)	(27)	(355)
Net assets	-	-	-
Represented by:			
Share capital	-*	-*	-*
Net liabilities per share based on issued share capital at balance sheet date (RM)	8	14	177

Supermax was incorporated on February 21, 1997 and accounts were prepared for the first time for the financial period February 21, 1997 (date of incorporation) to December 31, 1997. Supermax has yet to commence operations as of December 31, 1999. All expenses incurred in connection with the incorporation of the Company have been deferred and charged to preliminary expenses while all expenses incurred after incorporation have been deferred and charged to pre-operating expenses.

* This represents RM2.00 comprising 2 ordinary shares of RM1.00 each.

2. SGM

The summarised balance sheets of the SGM based on the audited accounts after making such adjustments as we considered necessary as of June 30 for the four financial years ended June 30, 1997 and as of December 31 for the financial period ended December 31, 1997 and the two financial years ended December 31, 1999 are as follows:

	As of June 30				As of December 31		
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Fixed assets	1,459	5,229	6,761	6,485	6,158	6,076	6,071
Net current assets/ (liabilities)	319	(1,781)	(2,132)	(772)	140	1,423	1,033
Long term and deferred liabilities	(601)	(2,195)	(2,424)	(1,739)	(1,507)	(1,100)	(690)
	1,177	1,253	2,205	3,974	4,791	6,399	6,415
Represented by:							
Share capital	400	400	400	1,762	1,762	1,762	1,762
Unappropriated profit	777	853	1,805	2,212	3,029	4,637	4,653
	1,177	1,253	2,205	3,974	4,791	6,399	6,415
Net tangible assets per share based on issued share capital at balance sheet date (RM)	2.94	3.13	5.51	2.26	2.72	3.63	3.64

3. MGM

The summarised balance sheets of the MGM based on the audited accounts after making such adjustments as we considered necessary as of April 30 for the four financial years ended April 30, 1997 and as of December 31 for the financial period ended December 31, 1997 and the two financial years ended December 31, 1999 are as follows:

	As of April 30				As of December 31		
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Fixed assets	1,325	1,238	1,850	8,793	9,947	22,231	28,190
Net current assets/ (liabilities)	(607)	(277)	99	(5,038)	(1,783)	(8,877)	(14,863)
Long term and deferred liabilities	(138)	(158)	(488)	(1,380)	(4,735)	(7,109)	(6,099)
	580	803	1,461	2,375	3,429	6,245	7,228
Represented by:							
Share capital	500	500	500	930	930	2,000	2,000
Unappropriated profit	80	303	961	1,445	2,499	4,245	5,228
	580	803	1,461	2,375	3,429	6,245	7,228
Net tangible assets per share based on issued share capital at balance sheet date (RM)	1.16	1.61	2.92	2.55	3.69	3.12	3.61

4. SLP

The summarised balance sheets of the SLP based on the audited accounts after making such adjustments as we considered necessary as of December 31 for the six financial years ended December 31, 1999 are as follows:

	As of December 31					
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Fixed assets	383	270	154	456	341	226
Goodwill	5	-	-	-	-	-
Net current assets/ (liabilities)	(148)	241	1,738	2,603	4,644	8,497
Long term and deferred liabilities	-	(91)	(67)	(317)	(163)	(108)
	240	420	1,825	2,742	4,822	8,615
Represented by:						
Share capital	142	142	142	142	142	142
Unappropriated profit	98	278	1,683	2,600	4,680	8,473
	240	420	1,825	2,742	4,822	8,615
Net tangible assets per share based on issued share capital at balance sheet date (RM)	1.69	2.95	12.85	19.31	33.96	60.67

G. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of the Proforma Group and the Company as of December 31, 1999 based on the audited accounts as at that date are as follows:

	Note	Proforma Group RM	The Company RM
FIXED ASSETS	H3	34,487,156	-
EXPENDITURE CARRIED FORWARD	H4	354,810	354,810
CURRENT ASSETS			
Stocks	H5	3,100,155	-
Trade debtors		4,270,868	-
Other debtors, deposits and prepayments	H6	3,329,235	-
Fixed deposits with licensed banks	H7	380,470	-
Cash and bank balances		3,481,345	2
Total Current Assets		14,562,073	2
CURRENT LIABILITIES			
Trade creditors		5,414,096	-
Other creditors and accrued expenses	H6	9,447,680	354,810
Term loans – current portion	H8	1,628,613	-
Bank borrowings	H9	2,535,204	-
Hire-purchase creditors – current portion	H10	100,845	-
Provision for taxation		1,124,080	-
Total Current Liabilities		20,250,518	354,810
NET CURRENT LIABILITIES		(5,688,445)	(354,808
LONG-TERM AND DEFERRED LIABILITIES			
Term loans – non-current portion	H8	5,901,263	-
Hire-purchase creditors – non-current portion	H10	100,793	-
Deferred taxation		894,113	
Total Long-Term and Deferred Liabilities		(6,896,169)	-
NET ASSETS		22,257,352	2

(Forward)

	Note	Proforma Group RM	The Company RM
Represented By:			
SHARE CAPITAL	H11	16,185,084	2
SHARE PREMIUM		809,254	
RESERVE ON CONSOLIDATION		5,263,014	-
UNAPPROPRIATED PROFIT		-	-
SHAREHOLDERS' EQUITY		22,257,352	2
Net tangible assets per share based on issued share capital at balance sheet date (RM)		1.35	-

The above statement of assets and liabilities should be read in conjunction with the notes set out in section H of this Report.

H. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

1. BASIS OF PREPARATION OF STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of the Proforma Group (for illustrative purposes only) and the Company as of December 31, 1999 have been presented based on the audited accounts of the Company, SGM, MGM and SLP which were prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

The proforma statement of assets and liabilities of the Proforma Group and the Company have been prepared under the historical cost convention.

Basis of Consolidation

The Proforma Group's statement of assets and liabilities include the statement of assets and liabilities of the Company and the subsidiary companies, SGM,MGM and SLP, the acquisition of which is assumed to have been effected as of December 31, 1999.

Significant intercompany balances and transactions are eliminated on consolidation.

Reserve arising on consolidation represents the excess of the fair values attributable to the identifiable net assets of the subsidiary companies at the effective date of acquisition over the cost of the Company's investment.

Reserve arising on consolidation is credited to the profit and loss account systematically over five years based on the average life of the fixed assets of the respective subsidiary company.

Investment in Subsidiary Companies

Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's accounts at cost. Provision for diminution in value is made when the directors consider there is a permanent impairment in the value of the investment.

Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation of fixed assets, except for freehold land and buildings under construction which are not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various classes of depreciable assets:

Long leasehold land	Over the remaining lease period of 63 years
Buildings	2%
Plant, machinery and equipment	10% - 30%
Factory equipment	10% - 20%
Electrical fittings	10%
Office equipment, furniture and fittings	10%
Motor vehicles	20%
Signboards	10% - 20%
Renovation	10% - 33 1/3%

Assets 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.

Expenditure Carried Forward

Expenditure carried forward of the Proforma Group and the Company consists of preliminary and pre-operating expenses and expenses relating to the restructuring and flotation exercise. The preliminary and pre-operating expenses will be amortised evenly over a period of five years commencing from the date of commencement of operations while the expenses relating to the restructuring and flotation exercise will be charged against the share premium account upon completion of the said exercise.

Stocks

Stocks are stated at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost of raw materials and indirect materials comprises the cost of purchase plus the cost of bringing the stocks to their present location and condition. The cost of work-in-progress and finished goods include the cost of raw materials, direct labour and an applicable portion of manufacturing overheads.

Debtors

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

Taxation

The tax effects of transactions are recognised, using the 'liability' method, in the year such transactions enter into the determination of net income, regardless of when they are recognised for tax purposes. However, where timing differences would give rise to net future tax benefits, the tax effects are recognised generally on actual realisation.

Deferred taxation is provided at applicable tax rates on timing differences resulting principally from differences between tax capital allowances and book depreciation of fixed assets.

Turnover

Turnover of the subsidiary companies represents gross invoiced value of sales less discounts and returns and commissions earned.

Foreign Currency Transactions

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

3. **FIXED ASSETS**

Proforma Group	Cost RM	Accumulated Depreciation RM	Net Book Value RM
Freehold land	8,838,069	-	8,838,069
Long leasehold land	143,400	10,621	132,779
Factory building	11,220,040	539,271	10,680,769
Office building	653,562	9,803	643,759
Plant, machinery and equipment	13,154,206	4,991,959	8,162,247
Factory equipment	1,474,391	617,484	856,907
Electrical fittings	1,057,024	221,706	853,318
Office equipment, furniture and fittings	990,654	330,167	660,487
Motor vehicles	663,059	629,846	33,213
Motor vehicles under hire-purchase	859,423	608,115	251,308
Signboards	8,689	6,505	2,184
Renovation	604,949	400,093	204,856
Buildings under construction	3,185,260	-	3,185,260
Total	42,852,726	8,365,570	34,487,156

All the assets are charged as mentioned in Notes 8 and 9 to secure the term loan and other credit facilities granted to the Proforma Group.

4. **EXPENDITURE CARRIED FORWARD**

	Proforma Group RM	The Company RM
Preliminary expenses	6,800	6,800
Pre-operating expenses	31,067	31,067
Expenses relating to the restructuring and flotation exercise	316,943	316,943
	354,810	354,810

Included under pre-operating expenses are the current charges for auditors' remuneration of RM500.

5. **STOCKS**

	Proforma Group RM
At cost:	
Finished goods	506,987
Raw materials	879,667
Work-in-progress	382,489
Indirect materials	1,331,012
	3,100,155

6. **RELATED PARTY TRANSACTIONS**

Included in other debtors, deposits and prepayments of the Proforma Group are balances totalling RM650,944 owing by certain companies in which certain directors of the subsidiary companies are also directors and have financial interest. These balances which arose mainly from payments made on behalf are interest-free with no fixed terms of repayment.

Also included in other debtors, deposits and prepayments of the Proforma Group is an amount of RM2,007,119 representing unsecured interest-free advances to certain directors of two of the subsidiary companies.

Included in other creditors and accrued expenses of the Proforma Group is an amount of RM5,000,000 representing proposed dividends to be payable to the vendors of the subsidiary companies.

Also included in other creditors and accrued expenses of the Proforma Group is an amount of RM245,934 representing unsecured interest-free advances from certain directors of a subsidiary company.

The amount included under other debtors, deposits and prepayments of the Company represents balances due to the subsidiary companies.

7. FIXED DEPOSITS WITH LICENSED BANK

The fixed deposits with licensed bank amounting to RM360,470 are pledged to local banks as disclosed in Notes 8 and 9 for bank overdraft and other credit facilities granted to the Proforma Group.

8. TERM LOANS

Term loans pertaining to subsidiary companies consists of:

	Proforma Group RM
Outstanding loan principal	7,529,876
Less: Portion due within one year (included under current liabilities)	(1,628,613)
Non-current portion	5,901,263

The non-current portion of long-term loans is due as follows:

	Proforma Group RM
2001	1,605,717
2002	1,173,088
2003	1,117,848
2004	709,668
2005 and onwards	1,294,942
	5,901,263

The long-term loans, together with the overdraft and other credit facilities of the Proforma Group mentioned under Note 9 are secured by:

(i) debentures incorporating fixed and floating charges over the present and future assets of two subsidiary companies for RM6.15million;

(ii) deed of assignment on a plot of land belonging to the subsidiary company;

(iii) third party legal charge over certain properties registered in the name of certain directors of the subsidiary companies and two units of industrial building registered in the name of a subsidiary company;

(v) lien and authorities to set off against the fixed deposits of two subsidiary companies;

(v) negative pledge of a subsidiary company; and

(vi) joint and several guarantee from certain directors of the subsidiary companies.

Two of the long-term loans are repayable by 72 monthly instalments of RM9,027 each commencing May 1997 and RM15,254 each commencing November 1994 respectively. The other loan is repayable by 120 monthly instalments of RM5,954 each commencing January 1996.

The long-term loans bear interest at rates ranging from 8.7% to10% per annum.

9. **BANK BORROWINGS**

Bank borrowings consist of the following:

	Proforma Group RM
Bankers' acceptances	1,814,000
Bank overdrafts	721,204
	2,535,204

As of December 31, 1999, the Proforma Group has bank overdraft and other credit facilities totalling RM14,147,000 obtained from a local bank. These facilities bear interest at rates ranging from 8.7% to 10.1% per annum.

The bank borrowings are also secured by collaterals as disclosed in Note 8.

10. **HIRE-PURCHASE CREDITORS**

Hire-purchase creditors consist of the following:

	Proforma Group RM
Outstanding principal	201,638
Less: Portion due within one year (included under current liabilities)	(100,845)
Non-current portion	100,793

The non-current portion is repayable as follows:

	Proforma Group RM
2001	55,008
2002	45,785
	100,793

11. SHARE CAPITAL

	RM
Authorised:	
50,000,000 ordinary shares of RM1 each	50,000,000
Issued and fully paid:	
16,185,084 ordinary shares of RM1 each	16,185,084

The issued and paid-up share capital of the Proforma Group as of December 31, 1999 includes the issue of 16,185,082 ordinary shares of RM1 each for the acquisition of SGM, MGM and SLP.

12. CAPITAL COMMITMENTS

As of December 31, 1999, the Proforma Group has the following capital commitments:

	Proforma Group RM
Approved and contracted for but not provided for:	
Construction of factory building	706,778
Purchase of plant and machinery	1,652,319
Purchase of industrial land lot	7,229,000
	9,588,097

13. DETAILS OF SUBSIDIARY COMPANIES

The subsidiary companies of the Proforma Group, all incorporated in Malaysia are as follows:

Name of Company	Effective Equity Interest (%)	Principal Activities
Direct Subsidiary Companies		
Supermax Glove Manufacturing Sdn. Bhd.	100	Manufacturing and sales of latex gloves
Maxter Glove Manufacturing Sdn. Bhd.	100	Manufacturing and sales of latex gloves
Supermax Latex Products Sdn. Bhd.	100	Trading, exporting and acting as commission agent for latex gloves

I. PROFORMA CONSOLIDATED NET TANGIBLE ASSETS COVER

Based on the proforma statement of assets and liabilities of the Supermax Group as of December 31, 1999 and after inclusion of the financial effects of the restructuring and flotation exercise of Supermax, the proforma consolidated net tangible assets per ordinary share of RM1.00 each is as follows:

	RM
Proforma net tangible assets of the Supermax Group as of December 31, 1999:	21,902,542
Add: Proceeds from:	
- Rights issue	10,686,408
- Special issue	16,000,000
- Public issue	12,200,000
Less: Estimated listing expenses	(1,200,000)
Adjusted net tangible assets	59,588,950
Number of ordinary shares of RM1.00 each as of December 31, 1999	2
Issue of 16,185,082 new ordinary shares of RM1.00 each for the acquisition of SGM, MGM and SLP	16,185,082
Rights issue of 9,714,916 new ordinary shares of RM1.00 each	9,714,916
Special issue of 8,000,000 new ordinary shares of RM1.00 each	8,000,000
Public issue of 6,100,000 new ordinary shares of RM1.00 each	6,100,000
Adjusted number of ordinary shares in issue	40,000,000
Net tangible assets of the Supermax Group per ordinary share of RM1.00 each is therefore	1.49

J. AUDITED ACCOUNTS

No audited accounts of the Company and its subsidiary companies have been prepared in respect of any period subsequent to December 31, 1999.

Yours very truly,

KASSIM CHAN & CO.
AF0080
Public Accountants

TAN BUN POO
1304/5/02 (J/PH)
Partner