
14. EXPERT REPORT ON FAIR VALUE OF VIETNAM ASSETS

(Prepared for the purpose of inclusion in the Prospectus)

KHOO & CO.
Chartered Accountants

FURNIWEB INDUSTRIAL PRODUCTS BERHAD

**Report on the Fairness of Purchase Consideration of
Premier Elastic Webbing & Accessories (Vietnam) Co.,
Ltd**

**Report on the Fairness of Purchase Consideration of
Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd.**

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11 SEP 2003

The Board of Directors
Furniweb Industrial Products Berhad
Lot 208, Jalan Sungai Besi
Bt 12, Kampung Baru Balakong
43300 Cheras
Selangor Darul Ehsan.

EXPERTS' REPORT IN RELATION TO THE FAIRNESS OF PURCHASE CONSIDERATION OF PREMIER ELASTIC WEBBING & ACCESSORIES (VIETNAM) CO., LTD

Dear Sirs,

Introduction

We understand that Furniweb Industrial Products Berhad ("FIPB") has submitted an application to the Securities Commission ("SC") for the proposed listing and quotation of FIPB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

In conjunction with and as an integral part of listing FIPB on the Second Board of the KLSE, FIPB undertakes a corporate reorganization and restructuring exercise which involves, inter alia, the acquisition of the entire equity interest of Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd. ("PEWA" or the "Company"), a company incorporated under the laws of Vietnam from Premier Gesture Sdn Bhd ("PGSB") for a purchase consideration of RM4,081,000 to be satisfied by way of cash (the "Acquisition"). We understand that the corporate reorganization exercise (which inter-alia, includes the Acquisition), restructuring exercise and the listing exercise have been approved by the SC, Foreign Investment Committee ("FIC") and Ministry of International Trade and Industry ("MITI") on 10 March 2003 and 19 August 2003, 19 November 2002 and 26 August 2003, and 1 October 2002 and 23 July 2003, respectively. The full details of the proposed Acquisition are more particularly set out in the conditional sale and purchase agreements between FIPB and PGSB.

Pursuant to the Securities Commission ("SC") Guidelines on the acquisition of foreign assets/securities, the Board of Directors of FIPB has engaged us to express our opinion in the form of an experts' report as to whether the total purchase consideration for the Acquisition of RM4,081,000 in cash is fair, from a financial point of view, to FIPB.

Scope of work

For the purposes of providing our opinion, we have:

1. Reviewed an Information Memorandum, dated 18 April 2003, in relation to FIPB, as prepared by the financial advisor of the company, as well as the Board Memorandum, dated 17 June 2002, relating to the company, as prepared by the senior management of the company;

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KHOO & CO.
Chartered Accountants

2. Reviewed certain business and financial information on PEWA as described, inter alia, in the Information Memorandum, Board Memorandum and as provided and made available to us by the Directors and management of FIPB;
3. Reviewed the financial forecast of PEWA for the financial year ending 2003, which was made available to us;
4. Reviewed the legal due diligence report, dated 30 April 2003 in relation to PEWA, as prepared by professional advisor;
5. Reviewed the experts' report on Vietnam pertaining to policies on foreign investment and repatriation of profits, dated 2 September 2003 as prepared by industry experts;
6. Reviewed the audited financial statements of PEWA for the financial period 23 January 2002 to 31 December 2002;
7. Reviewed other relevant information publicly available;
8. Participated in discussions with certain members of the senior management of FIPB, and PEWA with respect to the businesses and prospects of the Company; and
9. Performed such other reviews and investigations, as we, in our absolute discretion, have deemed appropriate.

Limitations

For the purpose of providing this opinion, we have assumed and relied upon the accuracy and completeness of the information, forecast, data and other relevant information provided to us and have not assumed any responsibility for any independent verification or checking of such information nor for any independent valuation or appraisal of any of the assets, operations or liabilities of the Company.

With respect to the forecast, we have assumed that they have been reasonably prepared on bases reflecting the best available estimates and judgements of the senior management of FIPB and the management of PEWA as to the future financial performance of the Company at that time, and that no event subsequent to this and/or undisclosed to us has had a material effect on them.

We assume no responsibility or liability for and express no view as to such forecast and the assumptions on which they are based.

In preparing this opinion, we have assumed and have received specific confirmation from the senior management of the Company that:-

- (i) the information made available to us is true, accurate and complete;

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KHOO & CO.
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- (ii) no information has been withheld that could have influenced the purport of this opinion or the assumptions on which it is based in any respect; and
- (iii) as at the date hereof no facts or circumstances have occurred which are unknown to us and which could have affected the purport of our opinion in any respect.

Further, our opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us as at, the date hereof. This opinion exclusively focuses on the fairness, from a financial point of view, of the purchase consideration to FIPB and does not address any other issues such as the underlying business decision to recommend the Acquisition or its commercial merits, which are matters solely for the Board of Directors of FIPB. Subsequent developments in the aforementioned conditions may affect this opinion and the assumptions made in preparing this opinion and we are not obliged to update, revise or reaffirm this opinion if such conditions change.

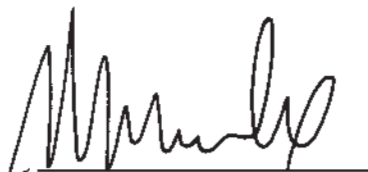
In rendering this opinion, we have not provided legal, tax, accounting, environmental or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof. Furthermore, we have assumed that the Acquisition will be consummated on the terms as set out in the proposed corporate reorganization and restructuring exercise, without any material changes to, or waiver of, its terms or conditions.

Our engagement, this letter and the opinion expressed herein are solely for the benefit of FIPB's Board of Directors and for submission to the SC. It is understood that this letter may not be relied upon by, nor be disclosed, in whole or in part, to any other third party for any other purpose whatsoever.

Conclusion

Based upon and subject to the foregoing, we are of the opinion as at the date hereof, that the purchase consideration is fair, from a financial point of view, to FIPB.

Yours faithfully



Khoo & Co
(AF 0008)
Chartered Accountants

KHOO & CO.
Chartered Accountants

Report on the Fairness of Purchase Consideration of Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd.

1 INTRODUCTION

1.1 Purpose

Furniweb Industrial Products Berhad ("FIPB") has submitted an application to the Securities Commission ("SC") for the proposed listing and quotation of FIPB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

In conjunction with and as an integral part of listing FIPB on the Second Board of the KLSE, FIPB undertakes a corporate reorganization and restructuring exercise which involves, inter alia, the acquisition of the entire equity interest of Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd. ("PEWA"), a company incorporated under the laws of Vietnam from Premier Gesture Sdn Bhd ("PGSB") for a purchase consideration of RM4,081,000 to be satisfied by way of cash (the "Acquisition"). The corporate reorganization exercise (which inter-alia, includes the Acquisition), restructuring exercise and the listing exercise have been approved by the SC, Foreign Investment Committee ("FIC") and Ministry of International Trade and Industry ("MITI") on 10 March 2003 and 19 August 2003, 19 November 2002 and 26 August 2003, and 1 October 2002 and 23 July 2003, respectively.

Pursuant to the Securities Commission ("SC") Guidelines on the acquisition of foreign assets/securities, FIPB is required to submit to the SC an Experts' report, prepared by industry experts on the fairness of the total purchase consideration for the foreign securities/assets proposed to be acquired.

Khoo & Co, Chartered Accountants have been commissioned to assist FIPB in determining the fairness of the purchase consideration solely for the purpose of the proposed corporate reorganization and restructuring exercise of FIPB.

1.2 Limitations

In preparing this report, Khoo & Co relied on the following:

- (i) An Information Memorandum, dated 18 April 2003, in relation to FIPB, as prepared by the financial advisor of the company, as well as the Board Memorandum, dated 17 June 2002, relating to the company, as prepared by the senior management of the company;
- (ii) Certain business and financial information on PEWA as described, inter alia, in the Information Memorandum, Board Memorandum and as provided and made available to us by the Directors and management of FIPB;
- (iii) The financial forecast of PEWA for the financial year 2003, which was made available to us;

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- (iv) The legal due diligence report, dated 30 April 2003 in relation to PEWA, as prepared by professional advisor;
- (v) The experts' report on Vietnam pertaining to policies on foreign investment and repatriation of profits, dated 2 September 2003 as prepared by industry experts;
- (vi) The audited financial statements of PEWA for the financial period from 23 January 2002 to 31 December 2002; and
- (vii) Other relevant information publicly available.

We have not independently verified the information provided by the management, especially on the review of the basis and assumptions of the financial forecast of PEWA. We have also not conducted any review for litigation, commitments, claims, contracts and potential or contingent liabilities relating to PEWA nor have we verified PEWA ownership and encumbrances, if any, relating to their assets.

Our reliance on the information should not in any way be construed as an indication of the correctness and accuracy of the information.

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Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd.**

2 ASSESSMENT ON THE COMPANY

2.1 Information on PEWA

2.1.1 Historical Background and Principal Activity

The Company was incorporated on 23 January 2002 in Vietnam as a private limited company with 100% foreign capital in accordance with regulations of Law on Foreign Investment in Vietnam. It was a wholly owned subsidiary of Premier Gesture Sdn Bhd ("PGSB") which in turn was a wholly owned subsidiary of Furniweb Manufacturing Sdn Bhd ("FMSB"). Its incorporation was in line with the FMSB Group's expansion and downstream diversification policy.

PEWA is principally involved in the manufacturing of narrow fabrics for the undergarment industries. It has an operation term of 46 years commencing from 23 January 2002. It has commenced commercial operations in February 2003. Presently, the Company has constructed its factory on a parcel of land of approximately 15,000 m².

2.1.2 Landed Properties

PEWA has a land Subleasing Contract with the Urban and Industrial Zone Development Company for leasehold title over 26,122.5 m² of land at Nhon Industrial Zone 1, Nhon Trach District, Dong Nai Province, Vietnam, of which 15,000 m² has been handed over to the Company and the balance will be handed over by December 2004.

The land subleasing contract is for a period of 46 years commencing from 23 January 2002. The rental of land per annum is fixed at USD1.54 per m², subject to not more than 15% increase per annum for the first 5 years and USD1.10 per m² from 2007 onwards.

2.1.3 Tax Incentives

PEWA has an Investment License issued by the Vietnamese Authority dated 23 January 2002. The tax incentives under the license terms are as follows:

- (i) Corporate income tax rate of 15% of the profit earned with a waiver from tax charges for 2 years from the first profit-making year and a 50% reduction of corporate income tax for a further period of 3 years thereafter; and
- (ii) Withholding tax on profit remitted outside Vietnam is 3%.

14. EXPERT REPORT ON FAIR VALUE OF VIETNAM ASSETS (Cont'd)**KHOO & CO.**
Chartered Accountants**Report on the Fairness of Purchase Consideration of
Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd.****2.2 Prospect of the Company****2.2.1 Narrow Fabrics**

Narrow Fabrics are used mainly in the production of undergarments such as brassieres and underpants. It is produced from either needle loom weaving process or crochet knitting process. This includes medical products for orthopaedic, corsetry, surgical and sports support wear.

2.2.2 Foreign Operations

The Vietnamese economy is currently in transition towards a market-led economy. Whilst the economy has favourable export-led growth prospects, a conservative policy management and favourable government and external debt positions, its public finances and monetary flexibility are limited, thus providing a challenge towards becoming a market-led economy.

In cognizance of that, the Vietnamese Government has committed to certain measures under its trade liberalization program which commenced from year 2002. Specific actions are proposed to assist the private sector such as modifying laws on banks to reduce their constraints on providing credit to small medium enterprises, modifying the land laws to provide easier access to land, removing existing business licensing restrictions in various sub-sectors and facilitating the formation of domestic private business associations.

In addition, a number of policy changes such as reduction in personal income taxes, movements on interest rate caps, new procedures for the conversion of foreign investment into joint-stock companies have resulted in a generally improved business sentiment among foreign investors and a significant increase in the number of new investments and expansions of existing operations.

The ratification and implementation of the US Bilateral Trade Agreement with Vietnam will also assist labour intensive and export oriented sectors. The lower US tariffs on Vietnamese manufactured exports present a great opportunity, in particular the textile and garment sector will benefit from the enhanced market access.

Briefly, the growth and level of profitability of PEWA is dependent on the Vietnamese political and economic conditions.

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2.3 Historical Performance

Set out below are the audited results of PEWA, for the financial period 23 January 2002 to 31 December 2002.

	From 23 January 2002 to 31 December 2002 RM
Revenue	-
Loss before depreciation and interest expense	(464,320)
Depreciation	-
Interest expense	-
Loss before taxation	(464,320)
Taxation	-
Loss after taxation	(464,320)

Note: PEWA was incorporated on 23 January 2002

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3 VALUATION METHODS

The following are some of the valuation methods which are commonly applied in determining the fair value of a company.

3.1 Net Tangible Assets Method

The net tangible assets ("NTA") basis of valuation basically entails an examination of the Company's assets and liabilities with the objective of prescribing a fair value to each of the respective balance sheet items.

The net realizable value of its tangible assets less payment for all outstanding liabilities will give an indicative worth of the company on a "break-up" basis. However, in instance where the company is to be sold as a going concern, a premium above the net realizable value of its net tangible assets may be prescribed as goodwill.

This straightforward valuation method hinges materially on the assumption that the net book values reflect the true underlying values of the assets and liabilities of the company.

This method is normally considered as one of the benchmark particularly during the period of depressed market as the price earning ("PE") multiple of the listed companies may not be representative of the industry PE.

3.2 Discounted Cash Flow Method

A discounted cash flow method requires the compilation of detailed financial projections of the company for several years into the future, and the value of the company is computed by discounting to the present all future after-tax net operating cash flows at a discount rate which reflects the time value of these cash flows and subtracting from this the market value of any debt outstanding used to fund the operations as at the date of valuation.

The discount rate to be used is a weighted average of the business' after-tax cost of debt and the required return on equity. The required return on equity represents the return potential investors in the company's equity shares will require, given the level of risk they perceive in the investment.

This method assumes that a company is in a steady state. This model is best suited for companies growing at a rate comparable to the nominal growth in the economy.

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3.3 Earnings Method

Under this method, the value of a company is arrived at by applying an appropriate price earning ("PE") multiple to the maintainable profit after taxation. Although the profit projections for the immediate future are important, it would be prudent to take into consideration, the track record of the company in order to produce a reflective value of the worth of the company.

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**Report on the Fairness of Purchase Consideration of
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4 VALUATION**4.1 Net Tangible Assets Method**

In determining the method of valuation to be applied, we have considered the following factors:

- (i) purpose of the valuation from the perspective of FIPB;
- (ii) track records of the Company under valuation; and
- (iii) appropriateness of various valuation methods in the circumstances.

Taking into consideration the above factors, we believe that the NTA Method would be the most appropriate method of valuation to be applied.

This method is also consistent with the valuation method adopted by FIPB in determining the purchase consideration for PEWA. The purchase consideration of RM4,081,000 as proposed by FIPB was arrived at based on the NTA of PEWA as at 31 December 2002.

4.2 NTA Computation

The NTA of PEWA and its computation, based on the audited balance sheet of the Company as at 31 December 2002 is set out as follows:

	<u>31.12.2002</u>
	RM
Property, Plant and Equipment	4,655,696
Intangible Assets	23,590
Net Current Liabilities	<u>(598,804)</u>
TOTAL NET ASSETS	4,080,482
Less:	
Intangibles assets	<u>(23,590)</u>
NTA	<u>4,056,892</u>

The purchase consideration of RM4,081,000 is higher than the NTA by RM24,108 or approximately 1% due to different accounting principles which are acceptable in Vietnam. In our opinion, this discrepancy is immaterial as we have taken into consideration, amongst other factors, the prospect and the projected future performance of the Company

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KHOO & CO.
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**Report on the Fairness of Purchase Consideration of
Premier Elastic Webbing & Accessories (Vietnam) Co., Ltd.**

5 Conclusion

Based upon and subject to the foregoing, we are of the opinion, that the purchase consideration of RM4,081,000 is fair as at the date hereof, from a financial point of view, to FIPB.

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14. EXPERT REPORT ON FAIR VALUE OF VIETNAM ASSETS (Cont'd)

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FURNIWEB INDUSTRIAL PRODUCTS BERHAD

**Report on the Fairness of Purchase Consideration of
Furniweb Manufacturing (Vietnam) Co., Ltd**

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Cover letter

Our report:

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EXPERTS' REPORT IN RELATION TO THE FAIRNESS OF PURCHASE CONSIDERATION OF FURNIWEB MANUFACTURING (VIETNAM) CO., LTD

Dear Sirs,

Introduction

We understand that Furniweb Industrial Products Berhad ("FIPB") has submitted an application to the Securities Commission ("SC") for the proposed listing and quotation of FIPB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

In conjunction with and as an integral part of listing FIPB on the Second Board of the KLSE, FIPB undertakes a corporate reorganization and restructuring exercise which involves, inter alia, the acquisition of the entire equity interest of Furniweb Manufacturing Sdn Bhd ("FMSB") for a purchase consideration, based upon the consolidated net tangible assets ("NTA") of FMSB at 31 December 2001, of RM23,121,189 satisfied by an issuance of 21,408,508 fully paid-up new ordinary shares in FIPB of RM1.00 each at an issue price of approximately RM1.08 per share (the "Acquisition"). As a result of the Acquisition, Furniweb Manufacturing (Vietnam) Co., Ltd ("FVN" or the "Company"), a company incorporated under the laws of Vietnam becomes an indirect subsidiary of FIPB. Hence, the NTA of FVN of RM7,486,000 forms part of the total purchase consideration for FMSB. We understand that the corporate reorganization exercise (which inter-alia, includes the Acquisition), restructuring exercise and the listing exercise have been approved by the SC, Foreign Investment Committee ("FIC") and Ministry of International Trade and Industry ("MITI") on 10 March 2003 and 19 August 2003, 19 November 2002 and 26 August 2003, and 1 October 2002 and 23 July 2003, respectively. The full details of the proposed Acquisition are more particularly set out in the conditional sale and purchase agreements between FIPB and the vendors of FMSB.

Pursuant to the Securities Commission ("SC") Guidelines on the acquisition of foreign assets/securities, the Board of Directors of FIPB has engaged us to express our opinion in the form of an experts' report as to whether the purchase consideration for FVN of RM7,486,000 based on its NTA, which forms part of the total purchase consideration for the Acquisition in shares is fair, from a financial point of view, to FIPB.

14. EXPERT REPORT ON FAIR VALUE OF VIETNAM ASSETS (Cont'd)

KHOO & CO.
Chartered Accountants

Scope of work

For the purposes of providing our opinion, we have:

1. Reviewed an Information Memorandum, dated 18 April 2003, in relation to FIPB, as prepared by the financial advisor of the company, as well as the Board Memorandum, dated 17 June 2002, relating to the company, as prepared by the senior management of the company;
2. Reviewed certain business and financial information on FVN as described, inter alia, in the Information Memorandum, Board Memorandum and as provided and made available to us by the Directors and management of FIPB;
3. Reviewed the financial forecast of FVN for the financial year ending 2003, which was made available to us;
4. Reviewed the legal due diligence report, dated 30 April 2003 in relation to FVN, as prepared by professional advisor;
5. Reviewed the experts' report on Vietnam pertaining to policies on foreign investment and repatriation of profits, dated 2 September 2003 as prepared by industry experts;
6. Reviewed the property valuation report, dated 10 May 2002 in relation to FVN, as prepared by professional valuers;
7. Reviewed the audited financial statements of FVN for the financial years ended 31 December 2001 to 2002;
8. Reviewed other relevant information publicly available;
9. Participated in discussions with certain members of the senior management of FIPB and FVN with respect to the businesses and prospects of the Company; and
10. Performed such other reviews and investigations, as we, in our absolute discretion, have deemed appropriate.

Limitations

For the purpose of providing this opinion, we have assumed and relied upon the accuracy and completeness of the information, forecast, data and other relevant information provided to us and have not assumed any responsibility for any independent verification or checking of such information nor for any independent valuation or appraisal of any of the assets, operations or liabilities of the Company.

With respect to the forecast, we have assumed that they have been reasonably prepared on bases reflecting the best available estimates and judgements of the senior management of FIPB and the management of FVN as to the future financial performance of the Company at that time, and that no event subsequent to this and/or undisclosed to us has had a material effect on them.

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We assume no responsibility or liability for and express no view as to such forecast and the assumptions on which they are based.

In preparing this opinion, we have assumed and have received specific confirmation from the senior management of the Company that:-

- (i) the information made available to us is true, accurate and complete;
- (ii) no information has been withheld that could have influenced the purport of this opinion or the assumptions on which it is based in any respect; and
- (iii) as at the date hereof no facts or circumstances have occurred which are unknown to us and which could have affected the purport of our opinion in any respect.

Further, our opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us as at, the date hereof. This opinion exclusively focuses on the fairness, from a financial point of view, of the purchase consideration to FIPB and does not address any other issues such as the underlying business decision to recommend the Acquisition or its commercial merits, which are matters solely for the Board of Directors of FIPB. Subsequent developments in the aforementioned conditions may affect this opinion and the assumptions made in preparing this opinion and we are not obliged to update, revise or reaffirm this opinion if such conditions change.

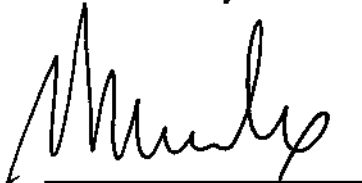
In rendering this opinion, we have not provided legal, tax, accounting, environmental or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof. Furthermore, we have assumed that the Acquisition will be consummated on the terms as set out in the proposed corporate reorganization and restructuring exercise, without any material changes to, or waiver of, its terms or conditions.

Our engagement, this letter and the opinion expressed herein are solely for the benefit of FIPB's Board of Directors and for submission to the SC. It is understood that this letter may not be relied upon by, nor be disclosed, in whole or in part, to any other third party for any other purpose whatsoever.

Conclusion

Based upon and subject to the foregoing, we are of the opinion, that the purchase consideration is fair as at the date hereof, from a financial point of view, to FIPB.

Yours faithfully



Khoo & Co
(AF 0008)
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Report on the Fairness of Purchase Consideration of Furniweb Manufacturing (Vietnam) Co., Ltd.

1 INTRODUCTION

1.1 Purpose

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In conjunction with and as an integral part of listing FIPB on the Second Board of the KLSE, FIPB undertakes a proposed corporate reorganization and restructuring exercise which involves, inter alia, the acquisition of the entire equity interest of Furniweb Manufacturing Sdn Bhd ("FMSB") for a purchase consideration, based upon the consolidated net tangible assets ("NTA") of FMSB at 31 December 2001, of RM23,121,189 satisfied by an issuance of 21,408,508 fully paid-up new ordinary shares in FIPB of RM1.00 each at an issue price of approximately RM1.08 per share (the "Acquisition"). As a result of the Acquisition, Furniweb Manufacturing (Vietnam) Co., Ltd. ("FVN"), a company incorporated under the laws of Vietnam becomes an indirect subsidiary of FIPB. Hence, the NTA of FVN of RM7,486,000 forms part of the total purchase consideration for FMSB. The corporate reorganization exercise (which inter-alia, includes the Acquisition), restructuring exercise and the listing exercise have been approved by the SC, Foreign Investment Committee ("FIC") and Ministry of International Trade and Industry ("MITI") on 10 March 2003 and 19 August 2003, 19 November 2002 and 26 August 2003, and 1 October 2002 and 23 July 2003, respectively.

Pursuant to the Securities Commission ("SC") Guidelines on the acquisition of foreign assets/securities, FIPB is required to submit to the SC an Experts' report, prepared by industry experts on the fairness of the total purchase consideration for the foreign securities/assets proposed to be acquired.

Khoo & Co, Chartered Accountants have been commissioned to assist FIPB in determining the fairness of the purchase consideration of FVN, which forms part of the total purchase consideration for the Acquisition, solely for the purpose of the corporate reorganization and restructuring exercise of FIPB.

1.2 Limitations

In preparing this report, Khoo & Co relied on the following:

- (i) An Information Memorandum, dated 18 April 2003, in relation to FIPB, as prepared by the financial advisor of the company, as well as the Board Memorandum, dated 17 June 2002, relating to the company, as prepared by the senior management of the company;