

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

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

**KHOO & CO.**  
Chartered Accountants

- 
- (ii) 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;
  - (iii) The financial forecast of FVN for the financial year ending 2003, which was made available to us;
  - (iv) The legal due diligence report, dated 30 April 2003 in relation to FVN, 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 property valuation report, dated 10 May 2002 in relation to FVN, as prepared by professional valuers;
  - (vii) The audited financial statements of FVN for the financial years ended 31 December 2001 to 2002; and
  - (viii) 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 FVN. We have also not conducted any review for litigation, commitments, claims, contracts and potential or contingent liabilities relating to FVN nor have we verified FVN 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.

**14. EXPERT REPORT ON FAIR VALUE OF VIETNAM ASSETS (Cont'd)****Report on the Fairness of Purchase Consideration of  
Furniweb Manufacturing (Vietnam) Co., Ltd.**KHOO & CO.  
Chartered Accountants**2 ASSESSMENT ON THE COMPANY****2.1 Information on FVN****2.1.1 Historical Background and Principal Activity**

FVN was incorporated on 16 January 1997 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 Furniweb Manufacturing Sdn Bhd ("FMSB"). Its incorporation was in line with the FMSB's expansion exercise.

FVN is principally involved in the manufacturing of furniture webbing and covered elastic yarn. It has an operation term of 47 years commencing from 16 January 1997. Presently, FVN operates from two (2) adjacent factories with a total built-up area of approximately 10,637 m<sup>2</sup> situated on a parcel of land of approximately 13,986 m<sup>2</sup>.

**2.1.2 Landed Properties**

FVN has a land lease contract with the Vietnamese Government, which gives the Company leasehold title over 13,986 m<sup>2</sup> of land at Bien Hoa Industrial Zone 2, Long Binh Ward, Bien Hoa City, Dong Nai Province, Vietnam. The Company has constructed office and factory buildings for production of covered elastic yarn and furniture webbing on the land. The Company has also constructed warehouse for materials on the land in year 2003.

The land lease contract is for a period of 47 years commencing from 16 January 1997. The rental of land per annum is fixed at USD2.25 per m<sup>2</sup> until 2029 and thereafter is subject to conformity with the Vietnamese Government regulations at that point in time.

**2.1.3 Tax Incentives**

FVN has an Investment License issued by the Ministry of Planning and Investment of the Vietnam. The tax incentives under the license terms are as follows:

- (i) Corporate income tax rate of 10% of the profit earned with a waiver from tax charges for 4 years from the first profit-making year and a 50% reduction of corporate income tax for a further period of 4 years thereafter; and
- (ii) Withholding tax on profit remitted outside Vietnam is 3%.

---

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

---

**2.2 Prospect of the Company****2.2.1 Furniture Webbing**

Furniture webbing is an elastic webbing used in the furniture industry, mainly as support in the seat and back areas of sofas. In recent years, webbing products have been gradually used as a substitute for springs as its costs are lower and easier to install.

**2.2.2 Covered Elastic Yarn**

Covered elastic yarn is mainly used in the textile and apparel industry. It is made from heat resistant rubber thread and consists of a core, covered by one or more yarns. It is used in a large number of applications such as socks, gloves, stretch fabrics and narrow fabrics which are used mainly in the production of undergarments such as brassieres and underpants.

**2.2.3 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 FVN is dependent on the Vietnamese political and economic conditions.

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

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

**KHOO & CO.**  
Chartered Accountants

#### 2.3 Historical Performance

Set out below are the audited results of FVN, for the financial years ended 31 December 1997 to 2002.

	← Year ended 31 December →					
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Revenue	-	1,125	4,429	7,386	11,784	18,174
Profit before depreciation and interest expense	-	1	228	1,845	3,591	4,748
Depreciation	-	(114)	(278)	(346)	(539)	(692)
Interest expense	-	-	(55)	(215)	(255)	(379)
(Loss)/profit before taxation	-	(113)	(105)	1,284	2,797	3,677
Taxation	-	-	-	-	-	-
(Loss)/profit after taxation	-	(113)	(105)	1,284	2,797	3,677

Note: FVN was incorporated on 16 January 1997

**THE REST OF THIS PAGE IS INTENTIONALLY BLANK**

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

**KHOO & CO.**  
Chartered Accountants

**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.

---

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

---

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

**KHOO & CO.**  
Chartered Accountants

---

**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.

**THE REST OF THIS PAGE IS INTENTIONALLY BLANK**



**14. EXPERT REPORT ON FAIR VALUE OF VIETNAM ASSETS (Cont'd)****Report on the Fairness of Purchase Consideration of  
Furniweb Manufacturing (Vietnam) Co., Ltd.**KHOO & CO.  
Chartered Accountants**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 FVN. The purchase consideration of RM7,486,000 by FIPB was arrived at based on the NTA of FVN as at 31 December 2001.

**4.2 NTA Computation**

The NTA of FVN and its computation, based on the audited balance sheet of the Company as at 31 December 2001 and 2002 are set out as follows:

	<u>31.12.2001</u>	<u>31.12.2002</u>
	RM	RM
Property, Plant and Equipment	8,260,879	7,993,723
Intangible Assets	328,208	214,301
Net Current Assets	1,503,399	5,092,474
Non-Current Liabilities	<u>(2,278,013)</u>	<u>(1,809,421)</u>
TOTAL NET ASSETS	7,814,473	11,491,077
Less:		
Intangible assets	<u>(328,208)</u>	<u>(214,301)</u>
NTA	<u>7,486,265</u>	<u>11,276,776</u>

**5 Conclusion**

Based upon and subject to the foregoing, we are of the opinion, that the purchase consideration of RM7,486,000 is fair as at the date hereof, from a financial point of view, to FIPB.

---

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

---

**KHOO & CO.**  
Chartered Accountants

**FURNIWEB INDUSTRIAL PRODUCTS BERHAD**

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



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

**CONTENTS**

**Cover letter**

**Our report:**

- 1. INTRODUCTION**
  - 1.1 Purpose
  - 1.2 Limitations
  
- 2. ASSESSMENT ON THE COMPANY**
  - 2.1 Information on the Company
  - 2.2 Prospect of the Company
  - 2.3 Historical Performance
  
- 3. VALUATION METHODS**
  - 3.1 Net Tangible Assets Method
  - 3.2 Discounted Cash Flow Method
  - 3.3 Earnings Method
  
- 4. VALUATION**
  - 4.1 Net Tangible Assets Method
  - 4.2 NTA Computation
  
- 5. CONCLUSION**

# KHOO & CO.

Chartered Accountants

11 SEP 2003

Suite 903, Magnum Plaza,  
128 Jalan Pudu,  
55100 Kuala Lumpur, Malaysia  
Tel: 603-2715 3993  
Fax: 603-2715 3992  
Email: kcca@hotmail.com

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 TRUNET (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 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, Trunet (Vietnam) Co., Ltd. ("Trunet" or the "Company"), a company incorporated under the laws of Vietnam becomes an indirect joint venture (50%) of FIPB. Hence, the carrying amount of Trunet, as recorded on the consolidated balance sheet of FMSB, of RM378,417 forms part of the 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 Trunet of RM378,417 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 Trunet 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 Trunet 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 Trunet, 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 Trunet for the financial period 15 February 2001 to 31 December 2001 and the financial year ended 31 December 2002;
7. Reviewed other relevant information publicly available;
8. Participated in discussions with certain members of the senior management of FIPB, and Trunet 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 the FIPB and the management of Trunet 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.

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

**KHOO & CO.**  
Chartered Accountants

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 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 Trunet (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 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, Trunet (Vietnam) Co., Ltd. ("Trunet"), a company incorporated under the laws of Vietnam becomes an indirect joint venture of FIPB. Hence, the carrying amount of Trunet, as recorded on the consolidated balance sheet of FMSB, of RM378,417 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 Trunet, 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;

---

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

---

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

**KHOO & CO.**  
Chartered Accountants

- 
- (ii) Certain business and financial information on Trunet 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 Trunet for the financial year ending 2003, which was made available to us;
  - (iv) The legal due diligence report, dated 30 April 2003 in relation to Trunet, 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 Trunet for the financial years ended 31 December 2001 to 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 Trunet. We have also not conducted any review for litigation, commitments, claims, contracts and potential or contingent liabilities relating to Trunet nor have we verified Trunet 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.



**Report on the Fairness of Purchase Consideration of  
Trunet (Vietnam) Co., Ltd.****KHOO & CO.**  
Chartered Accountants**2 ASSESSMENT ON THE COMPANY****2.1 Information on the Company****2.1.1 Historical Background and Principal Activity**

Trunet was incorporated on 15 February 2001 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 joint venture between Furniweb Manufacturing Sdn Bhd ("FMSB") and Trunature Ltd. Its incorporation was in line with the FMSB's product diversification strategy.

Trunet is principally involved in the manufacturing and sale of meat netting. It has an operation term of 44 years commencing from 15 February 2001. Presently, Trunet is renting a double-storey factory located at Bien Hoa, Industrial Zone 2, Bien Hoa City, Vietnam for its operation with an area of approximately 804 m<sup>2</sup>. The owner of the factory is Furniweb Manufacturing (Vietnam) Co., Ltd ("FVN"), a related company.

**2.1.2 Landed Properties**

The Company has installed machinery for manufacturing nets on a workshop with a total area of 402 m<sup>2</sup> leased from FVN.

**2.1.3 Tax Incentives**

Trunet has an Investment License issued by the Vietnamese Authority. The tax incentives under the license terms are as follows:

- (i) Corporate income tax rate of 10% of the profit earned with a waiver from tax charges for 4 years from the first profit-making year and a 50% reduction of corporate income tax for a further period of 4 years thereafter; and
- (ii) Withholding tax on profit remitted outside Vietnam is 3%.

**2.2 Prospect of the Company****2.2.1 Meat Netting**

Meat netting is produced from circular knitting process by combining polyester yarn and the covered elastic yarn (food grade). Meat netting is used in the packing of meat before or after cooking, to maintain the shape of meat for better presentation and handling.

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

**KHOO & CO.**  
Chartered Accountants

**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 invested 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 Trunet is dependent on the Vietnamese political and economic conditions.

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

**Report on the Fairness of Purchase Consideration of  
Trunet (Vietnam) Co., Ltd.**
**KHOO & CO.**  
Chartered Accountants

**2.3 Historical Performance**

Set out below are the audited results of Trunet, for the financial period 15 February 2001 to 31 December 2001 and the financial year ended 31 December 2002.

	Period 15 February 2001 to 31 December 2001	Year ended 31 December 2002
	RM	RM
Revenue	<u>162,244</u>	<u>2,465,531</u>
Profit before depreciation and interest expense	24,518	780,674
Depreciation	(27,484)	(162,089)
Interest expense	<u>(202)</u>	<u>(15,989)</u>
(Loss)/profit before taxation	(3,168)	602,596
Taxation	<u>-</u>	<u>-</u>
(Loss)/profit after taxation	<u>(3,168)</u>	<u>602,596</u>

*Note: Trunet was incorporated on 15 February 2001*

**THE REST OF THIS PAGE IS INTENTIONALLY BLANK**

---

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

---

**Report on the Fairness of Purchase Consideration of  
Trunet (Vietnam) Co., Ltd.****KHOO & CO.**  
Chartered Accountants

---

**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.

---

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

---

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

**KHOO & CO.**  
Chartered Accountants

---

**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.

**THE REST OF THIS PAGE IS INTENTIONALLY BLANK**

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

**KHOO & CO.**  
Chartered Accountants

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

**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 Trunet. The purchase consideration of RM378,417 by FIPB was arrived at based on the carrying amount of Trunet as recorded in the consolidated financial statements of FMSB as at 31 December 2001.

**4.2 NTA Computation**

The NTA of Trunet and its computation, based on the audited balance sheet of the Company as at 31 December 2001 and 2002 are set out as follows:

	<u>31.12.2001</u>	<u>31.12.2002</u>
	RM	RM
Property, Plant and Equipment	482,046	752,979
Intangible Assets	10,470	6,836
Net Current Assets	246,679	950,437
<b>TOTAL NET ASSETS</b>	<u>739,195</u>	<u>1,710,252</u>
Less:		
Intangibles assets	<u>(10,470)</u>	<u>(6,836)</u>
<b>NTA</b>	<u>728,725</u>	<u>1,703,416</u>
50% of NTA	<u>364,363</u>	<u>851,708</u>

The purchase consideration of RM378,417 is higher than the proportionate share of the NTA acquired of RM364,363 by RM14,054 or approximately 3.9%, due to certain consolidation adjustments in the FMSB group financial statements. In our opinion, the difference is immaterial as Trunet has generated internal profits in year 2002 and its NTA as at 31 December 2002 has increased substantially over the purchase consideration.



---

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

---

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

**KHOO & CO.**  
Chartered Accountants

---

**5 Conclusion**

Based upon and subject to the foregoing, we are of the opinion, that the purchase consideration of RM378,417 based on the consolidated financial statements of FMSB as at 31 December 2001 is fair as at the date hereof, from a financial point of view, to FIPB.

**THE REST OF THIS PAGE IS INTENTIONALLY BLANK**