
11. ACCOUNTANTS' REPORT

[Prepared for inclusion in this Prospectus]



27th May 2004

The Board of Directors
Adventa Berhad (618533 M)
No.1, Jalan 8
Pengkalan Chepa 2 Industrial Zone
16100 Kota Bharu
Kelantan Darul Naim

Dear Sirs,

ACCOUNTANTS' REPORT

1 INTRODUCTION

This report has been prepared by Messrs Yeng & Co., an approved company auditor for inclusion in the Prospectus of Adventa Berhad (hereinafter referred to as Adventa or the Company) to be dated 9 June 2004 in connection with the following :-

- i) Public Issue of 67,500,000 new ordinary shares of RM0.10 each in Adventa at an issue price of RM0.30 per share (hereinafter referred to as the "Public Issue") comprising :
 - a) 11,000,000 new ordinary shares of RM0.10 each available for application by eligible directors, employees, customers and suppliers of Adventa Group ;
 - b) 30,000,000 new ordinary shares of RM0.10 each for application by the Malaysian public ;
 - c) 26,500,000 new ordinary shares of RM0.10 each available for placement to selected investors.
- ii) Placement of 122,500,000 new ordinary shares of RM0.10 each in Adventa to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI") at an issue price of RM0.30 per share (hereinafter referred to as the "Placement").
- iii) Offer for Sale by the shareholder of the Company of 12,500,000 existing ordinary shares of RM0.10 each in Adventa at an offer price of RM0.30 per share to Bumiputera investors approved by MITI (hereinafter referred to as the "Offer for Sale");

11. ACCOUNTANTS' REPORT (cont'd)**2 GENERAL INFORMATION**

Adventa Berhad was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 16th June 2003 under the name of Adventa Sdn. Bhd. The Company was subsequently converted into a public limited company and assumed the name of Adventa Berhad on 21st July 2003.

The registered office and principal place of business of Adventa is located at No.1, Jalan 8, Pengkalan Chepa 2 Industrial Zone, 16100 Kota Bharu, Kelantan.

The Company is an investment holding company. The principal activities and particulars of the subsidiary companies at the date of this report are as follows :-

Name of Company	Date and place of Incorporation	Share Capital		Equity interest %	Principal activities
		Authorised RM	Issued and fully paid up RM		
<u>Subsidiaries of Adventa</u>					
Terang Nusa	18th September, 1987 Malaysia	5,000,000	2,000,000	100	Manufacturing and distribution of sterile surgical gloves and medical examination gloves
Profit Point	27th October, 1988 Malaysia	10,000,000	5,000,000	100	Manufacturing and distribution of medical examination gloves
Nusaco	7th September, 1989 Malaysia	1,000,000	200,000	100	Generation and supply of energy and electricity using biomass technology
American Healthcare	2nd September, 1991 Malaysia	100,000	5	100	Manufacturing and distribution of sterile surgical gloves
Ulma	15th January, 2003 Germany	100,000 (EURO 25,000)	100,000 (EURO 25,000)	100	Distribution of hospital and medical products

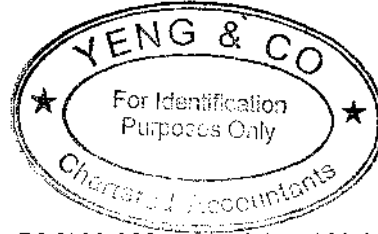


11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**3 RESTRUCTURING SCHEME**

In conjunction with, and as an integral part of the listing of and quotation for the enlarged issued and paid-up capital of Adventa on the Second Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ("BMSB"), the Company undertake the following restructuring scheme which were approved by the relevant authorities :-

- i) Acquisitions by Adventa Berhad ("Adventa or the Company") (hereinafter referred to as the "Acquisitions") :-
 - a) the entire issued and paid-up capital of Profit Point Manufacturing Sdn. Bhd. ("Profit Point") acquired from Terang Nusa Sdn. Bhd. ("Terang Nusa") for a cash consideration of RM3,838,000 ;
 - b) the entire issued and paid-up capital of Ulma International GmbH ("Ulma") acquired from Terang Nusa for a cash consideration of RM100,000 ;
 - c) the entire issued and paid-up capital of Nusaco Sdn. Bhd. ("Nusaco") for a cash consideration of RM170,000 ;
 - d) the entire issued and paid-up capital of Terang Nusa for a purchase consideration of RM25,400,000 to be satisfied by the issuance of 254,000,000 new ordinary shares of RM0.10 each in Adventa as issued and fully paid-up at an issue price of RM0.10 per share ; and
 - e) the entire issued and paid-up capital of American Healthcare (Malaysia) Sdn. Bhd. ("American Healthcare") for a purchase consideration of RM599,998 to be satisfied by the issuance of 5,999,980 new ordinary shares of RM0.10 each in Adventa as issued and fully paid-up at an issue price of RM0.10 per share.
- ii) Placement of 122,500,000 new ordinary shares of RM0.10 each in Adventa to Bumiputera investors approved by MITI at an issue price of RM0.30 per share (hereinafter referred to as the "Placement");
- iii) Offer for Sale by the shareholder of the Company of 12,500,000 existing ordinary shares of RM0.10 each in Adventa at an offer price of RM0.30 per share to Bumiputera investors approved by MITI (hereinafter referred to as the "Offer for Sale") ;
- iv) Public Issue of 67,500,000 new ordinary shares of RM0.10 each in Adventa at an issue price of RM0.30 per share (hereinafter referred to as the "Public Issue") comprising :
 - a) 11,000,000 new ordinary shares of RM0.10 each available for application by eligible directors, employees, customers and suppliers of Adventa Group ;
 - b) 30,000,000 new ordinary shares of RM0.10 each for application by the Malaysian public ;
 - c) 26,500,000 new ordinary shares of RM0.10 each available for placement to selected investors.
- v) The listing of and quotation for the entire issued and paid-up capital of Adventa on the Second Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) (herein after referred to as "Listing").

Further, Adventa had obtained the approval of Securities Commission to establish an Employees' Share Option Scheme (hereinafter referred to as "ESOS"). The total number of shares to be offered under the ESOS shall not exceed 15% of the enlarged issued and paid-up capital at any one time.

11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**4 SHARE CAPITAL****4.1 The Company - Adventa**

The authorised share capital of Adventa is RM100,000 comprising 100,000 ordinary shares of RM1.00 each at the date of incorporation. At that date, Adventa's issued and fully paid-up share capital was RM2 comprising 2 ordinary shares of RM1 each. On 3rd July 2003, the authorised share capital of 100,000 ordinary shares of RM1.00 each were sub-divided into 1,000,000 ordinary shares of RM0.10 each and the issued and paid-up share capital of 2 ordinary shares of RM1.00 each were sub-divided into 20 ordinary shares of RM0.10 each.

Adventa increased its authorised share capital to RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each on 1st April 2004.

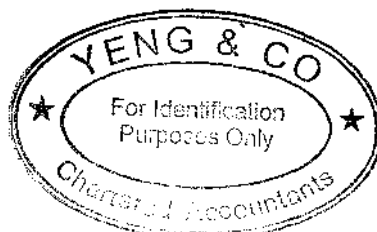
On 1st April 2004, Adventa acquired the entire issued and paid-up share capital of Terang Nusa and American Healthcare for a purchase consideration of RM25,400,000 and RM599,998 respectively satisfied by the issuance of 254,000,000 and 5,999,980 new ordinary shares of RM0.10 each at par in Adventa as fully paid-up.

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

Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative (RM)
16th June 2003	2	1.00	Cash	2
3rd July 2003	20	0.10	Share split	2
1st April 2004	254,000,000	0.10	Acquisition of entire issued and paid-up share capital of Terang Nusa	25,400,002
1st April 2004	5,999,980	0.10	Acquisition of entire issued and paid-up share capital of American Healthcare	26,000,000

The issued and fully paid-up capital of Adventa will further be increased to RM45,000,000 comprising 450,000,000 ordinary shares of RM0.10 each analysed as follows:-

<u>Issued and fully paid-up share capital</u>	RM
At 1st April 2004	26,000,000
After Placement	38,250,000
After Public Issue	45,000,000

11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**4 SHARE CAPITAL - (Cont'd)****4.2 Terang Nusa**

The authorised share capital of Terang Nusa is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital of Terang Nusa is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative (RM)
18th September 1987	2	1.00	Cash	2
19th April 1988	349,998	1.00	Cash	350,000
2nd January 1997	650,000	1.00	Bonus Issue	1,000,000
20th January 2000	1,000,000	1.00	Bonus Issue	2,000,000

4.3 Profit Point

The authorised share capital of Profit Point is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital of Profit Point is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

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

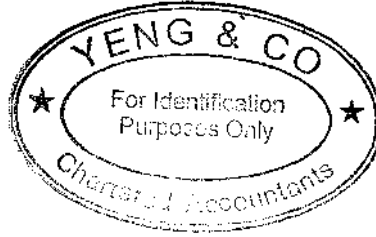
Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative (RM)
27th October 1988	2	1.00	Cash	2
8th August 1995	4,000,000	1.00	Cash	4,000,002
8th July 1996	999,998	1.00	Cash	5,000,000

4.4 Nusaco

The authorised share capital of Nusaco at date of incorporation is RM25,000 comprising 25,000 ordinary shares of RM1.00 each. On 25th June 2003, the authorised share capital was increased to RM1,000,000 by the creation of additional 975,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital of Nusaco is RM200,000 comprising 200,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative (RM)
7th September 1989	25,000	1.00	Cash	25,000
25th June 2003	175,000	1.00	Cash	200,000

11. ACCOUNTANTS' REPORT (cont'd)
YENG & CO.
 CHARTERED ACCOUNTANTS
4 SHARE CAPITAL - (Cont'd)**4.5 American Healthcare**

The authorised share capital of American Healthcare is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital of American Healthcare is RM5 comprising 5 ordinary shares of RM1.00 each.

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

Date of allotment	No. of shares	Par value (RM)	Consideration	Cumulative (RM)
2nd September 1991	2	1.00	Cash	2
9th October 1991	3	1.00	Cash	5

4.6 Ulma

The present issued and paid-up share capital of Ulma is EURO25,000 comprising one ordinary share of EURO25,000 each.

The issued and paid-up share capital of Ulma at date of incorporation is as follows:

Date of allotment	No. of shares	Par value (EURO)	Consideration	Cumulative (EURO)
15th January 2003	1	25,000	Cash	25,000 (RM 100,000)

5 DIVIDENDS

Details of dividends paid by Terang Nusa and Profit Point in respect of the 5 years ended 31st January 2004 are as follows :-

Company	Year ended	Issued and paid-up capital RM	Dividend rate %	Net dividend paid RM
Terang Nusa	31st January, 2003	2,000,000	50 (tax exempt)	1,000,000
Profit Point	31st December, 2002	5,000,000	10.8 (tax exempt)	540,000

11. ACCOUNTANTS' REPORT (cont'd)**6 FINANCIAL STATEMENTS AND AUDITORS**

The financial year end of Adventa is 31st January.

As Adventa and Ulma were newly incorporated on 16th June 2003 and 15th January 2003 respectively, no financial statements for all the relevant financial years under review were available other than the financial statements for the period ended 31st January 2004 for Adventa and 31st December 2003 for Ulma.

We are the auditors for Adventa, Terang Nusa, Nusaco and American Healthcare for all the periods concerned. The audited financial statements of these companies for all the relevant financial years under review were reported on by us without any qualification.

The financial statements of Profit Point prior to financial years ended 31st December 2002 were audited by another firm of auditors. We are the auditors for the financial period ended 31st January 2004. The auditors' reports of Profit Point for all these relevant financial years under review were not subject to any qualification.

The financial statements of Ulma were audited by another firm of auditors in Germany. The auditors' report of Ulma for the period ended 31 December 2003 was not subject to any qualification.

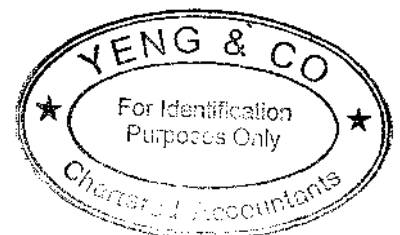
For the relevant years under review, the financial accounting date of the companies within the Adventa Group was coterminous except the following:-

Ulma	- 31st December
Nusaco	- 28th February (Subsequently changed to 31st January)
American Healthcare	- 31st December (Subsequently changed to 31st January)

7 ACCOUNTING POLICIES AND STANDARDS

This report is prepared based on the audited financial statements which have been prepared in accordance with applicable approved accounting standards in Malaysia issued by Malaysian Accounting Standards Board and is presented on a basis consistent with the accounting policies normally adopted by the Group.

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11. ACCOUNTANTS' REPORT (cont'd)**Y** ENG & CO.
CHARTERED ACCOUNTANTS**8. SUMMARISED INCOME STATEMENT****8.1 The Adventa Group - Proforma consolidated income statement**

The Proforma consolidated income statement of Adventa Group has been prepared on the assumption that the current shareholdings in subsidiaries have existed since 1st February 1999. The proforma Adventa Group income statement were based on audited income statement of Adventa, audited income statement for the period from 15th January 2003 to 31st December 2003 for Ulma and the audited income statement of its other subsidiaries for the relevant year / perior under review.

	Proforma income statement				
	Year ended 31st January				
	← 2000	2001	2002	2003	→ 2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue - manufacturing	39,585	43,945	51,513	62,352	84,405
- distribution	-	-	-	1,196	7,711
	39,585	43,945	51,513	63,548	92,116
Cost of sales - other cost	27,087	32,512	40,456	49,018	70,373
- depreciation	1,061	1,091	1,285	1,256	1,404
	(28,148)	(33,603)	(41,741)	(50,274)	(71,777)
Gross Profit	11,437	10,342	9,772	13,274	20,339
Profit before amortisation, depreciation, interest and research and development	8,166	6,925	5,917	7,586	11,295
Amortisation and depreciation	(1,436)	(1,510)	(1,755)	(1,662)	(1,802)
Interest expense	(497)	(764)	(976)	(1,040)	(1,625)
Interest income	70	63	66	27	7
Research and development	(129)	(357)	(430)	(422)	(484)
Profit before taxation and exceptional item	6,174	4,357	2,822	4,489	7,391
Exceptional Item	-	-	-	-	(2,135)
Profit before taxation	6,174	4,357	2,822	4,489	5,256
Taxation	(616)	(534)	(579)	(675)	(159)
Profit after taxation	5,558	3,823	2,243	3,814	5,097
No. of ordinary shares ('000)	260,000	260,000	260,000	260,000	260,000
Par value per share (RM)	0.10	0.10	0.10	0.10	0.10
Gross earnings per share (sen)	2.37	1.68	1.09	1.73	2.02
Net earnings per share (sen)	2.14	1.47	0.86	1.47	1.96
Effective tax rate (%)	10	12	21	15	3
Revenue growth (%)	*	11.01	17.22	23.36	44.95
Gross profit margin	28.89	23.53	18.97	20.89	22.08
Pre-tax and exceptional item profit margin (%)	15.60	9.91	5.48	7.06	8.02
Pre-tax profit margin (%)	15.60	9.91	5.48	7.06	5.71

* Not presented

11. ACCOUNTANTS' REPORT (cont'd)**8. SUMMARISED INCOME STATEMENT - (cont'd)****8.1 The Adventa Group - Proforma consolidated income statement - (cont'd)****8.1.1 Notes to summarised proforma consolidated income statement - (cont'd)**

- i) The proforma consolidated income statement of Adventa Group is presented for illustrative purposes only and is prepared on the basis that the acquisitions of the subsidiary companies had been effected throughout the 5 years / period to 31st January 2004 under review. As some of the subsidiary companies have different financial year end from 31st January, the income statement of the subsidiary companies concerned have been time-apportioned to financial year ended 31st January for inclusion in the proforma consolidated income statement of Adventa Group.
- ii) The summarised proforma consolidated income statement is prepared based on the following:-
 - audited financial statements of Terang Nusa for the five years ended 31st January 2004;
 - audited financial statements of Profit Point for four years ended 31st December 2002 and 13 months ended 31st January 2004;
 - audited financial statements of Nusaco for the four years ended 28th February 2003 and 11 months ended 31st January 2004;
 - audited financial statements of American Healthcare for the three years ended 31st December 2001, 13 months ended 31st January 2003 and year ended 31st January 2004; and
 - audited financial statements of Ulma for the period from 15th January 2003 to 31st December 2003.
- iii) The gross and net earnings per share of Adventa Group are calculated based on the profit before taxation and profit after taxation to the existing issued share capital of 260,000,000 ordinary shares of RM0.10 each, after Acquisitions, but before Placement and Public Issue.
- iv) The effective tax rates are calculated based on taxation to profit before taxation.

The effective tax rates for the period under review were lower than the statutory tax rate due principally to the pioneer status incentive enjoyed and the reinvestment allowances claimed by the Group.

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11. ACCOUNTANTS' REPORT (cont'd)**8. SUMMARISED INCOME STATEMENT - (cont'd)****8.1 The Adventa Group - Proforma consolidated income statement - (cont'd)****8.1.1 Notes to summarised proforma consolidated income statement - (cont'd)**

- v) Revenue growth from 11% to 45% is mainly due to higher sales of surgical gloves, a result of the Group's continuous efforts to increase production capacity and the continuing growth in demand from overseas market.

Although the Group achieved increasing revenue growth, the reported gross profit margin and pre-tax margin declined mainly due to substantial increase of fuel oil and latex prices and a dip in glove prices since year 2001. The gross profit margin and pre-tax and exceptional item profit margin in 2003 and 2004 had improved mainly due to higher demand, higher sales and increase in average selling price of products.

- vi) The increase in interest expense is consistent with the increase in external borrowings throughout the financial year 2000 to 2004 as additional bank overdrafts and other credit facilities were obtained for working capital and to finance the new glove production lines.
- vii) There were no exceptional and extraordinary items included in the income statement for the relevant years under review except for the write off of advances to a former shareholder namely China National Foreign Trade Leasing Corporation, a company incorporated in the People's Republic of China and a former director in 2004 by a subsidiary company (Profit Point); both parties are not related nor controlled by the promoter/substantial shareholder of proforma Adventa Group.
- viii) Financial results for the year 2004 were presented after elimination of inter-company transactions as listed below :-

	RM'000
Purchase from Profit Point by Terang Nusa	823
Sales to Ulma by Terang Nusa	3,122
	<u> </u>

The above transactions were made in the normal course of business at terms mutually agreed between the respective companies and were at arm's length.

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11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**8. SUMMARISED INCOME STATEMENT - (cont'd)****8.2 Adventa Berhad**

	Period 16.6.2003 to 31.1.2004 RM'000
Revenue	-
Loss before amortisation, depreciation, interest and research & development	(3)
Amortisation and depreciation	-
Interest expense	-
Interest income	-
Research & development	-
Loss before taxation	(3)
Taxation	-
Loss after taxation	(3)
Number of ordinary shares of RM0.10 each in issue	20
Net loss per share (RM)	(150)

8.2.1 Notes to income statement

- i) Net loss per share is calculated based on loss after taxation to the number of ordinary shares in issue.
- ii) No provision of taxation was made as the Company did not have any chargeable income for the period under review.
- iii) There were no extraordinary items included in the income statement for the period under review.

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11. ACCOUNTANTS' REPORT (cont'd)

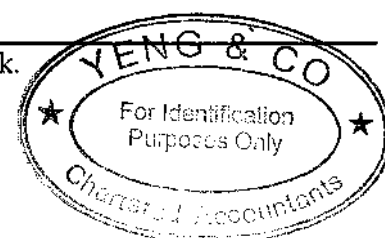
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CHARTERED ACCOUNTANTS

8. SUMMARISED INCOME STATEMENT - (cont'd)**8.3 Terang Nusa Sdn. Bhd.**

	←————— Year ended 31st January —————→				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	33,436	38,693	45,767	57,511	79,211
Cost of sales - other costs	22,418	28,288	35,498	43,452	61,009
- depreciation	882	1,031	1,225	1,198	1,353
	(23,300)	(29,319)	(36,723)	(44,650)	(62,362)
Gross profit	10,136	9,374	9,044	12,861	16,849
Profit before amortisation, depreciation, interest and research & development	7,286	6,431	5,788	8,102	10,756
Amortisation and depreciation	(1,196)	(1,371)	(1,574)	(1,584)	(1,782)
Interest expense	(474)	(747)	(962)	(1,017)	(1,584)
Interest income	-	-	-	-	5
Research & development	(129)	(357)	(430)	(422)	(484)
Profit before taxation	5,487	3,956	2,822	5,079	6,911
Taxation	(615)	(515)	(561)	(675)	109
Profit after taxation	4,872	3,441	2,261	4,404	7,020
Number of ordinary shares of RM 1.00 each in issue ('000)	2,000	2,000	2,000	2,000	2,000
Gross earnings per share (sen)	274	198	141	254	346
Net earnings per share (sen)	244	172	113	220	351
Effective tax rate (%)	11	13	20	13	(2)
Revenue growth (%)	*	16	18	26	38
Gross margin (%)	30	24	20	22	21
Pre-tax profit margin (%)	16	10	6	9	9

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11. ACCOUNTANTS' REPORT (cont'd)



8. SUMMARISED INCOME STATEMENT - (cont'd)

8.3 Terang Nusa Sdn. Bhd. - (cont'd)

8.3.1 Notes to income statement

- i) Gross and net earnings per share are calculated based on profit before taxation and profit after taxation to the number of ordinary shares in issue in the relevant period under review.
- ii) Effective tax rate is calculated based on taxation to profit before taxation.

The effective tax rates for the periods under review were lower than the statutory tax rate due principally to the pioneer status incentive enjoyed by the company and the reinvestment allowances claimed.

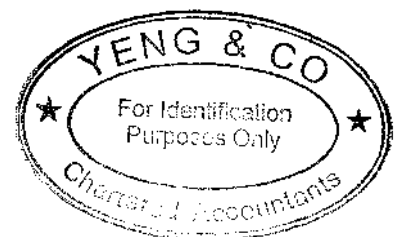
The positive taxation in year 2004 is due to the reversal of deferred taxation to income statement.

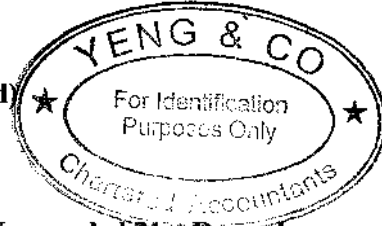
- iii) Revenue growth from 16% to 38% is mainly due to higher sales of surgical gloves, a result of the company's continuous efforts to increase production capacity and the continuing growth in demand from overseas market.

Although the company achieved increasing revenue growth, the reported gross profit margin and pre-tax margin declined mainly due to substantial increase of fuel oil and latex prices and a dip in glove prices since year 2001. The pre-tax profit margin in 2003 and 2004 had improved mainly due to higher demand, higher sales and increase in average selling price of products.

- iv) The increase in interest expense is consistent with the increase in external borrowing throughout the financial year 2000 to 2004 as additional bank overdrafts and other credit facilities were obtained for working capital and to finance the new glove production lines.
- v) There were no extraordinary items included in the income statement for the relevant years under review.

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11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**8 SUMMARISED INCOME STATEMENT - (cont'd)****8.4 Profit Point Manufacturing Sdn. Bhd.**

	← Year ended 31st December →				Period 1.1.2003 to 31.1.2004
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	6,234	5,201	5,808	5,065	6,215
Cost of sales - other costs	4,716	4,154	4,980	4,640	5,712
- depreciation	189	60	60	58	56
	(4,905)	(4,214)	(5,040)	(4,698)	(5,768)
Gross profit	1,329	987	768	367	447
Profit/ (loss) before amortisation, depreciation, interest and research & development	919	508	173	(319)	(216)
Amortisation and depreciation	(238)	(123)	(173)	(130)	(93)
Interest expense	(24)	(17)	(13)	(23)	(21)
Interest income	71	63	69	29	2
Profit / (loss) before taxation and exceptional item	728	431	56	(443)	(328)
Exceptional item	-	-	-	-	(2,135)
Profit / (loss) before taxation	728	431	56	(443)	(2,463)
Taxation	-	(18)	(19)	-	-
Profit / (loss) after taxation	728	413	37	(443)	(2,463)
Number of ordinary shares of RM 1.00 each in issue ('000)	5,000	5,000	5,000	5,000	5,000
Gross earnings / (loss) per share (sen)	15	9	1	(9)	(49)
Net earnings / (loss) per share (sen)	15	8	1	(9)	(49)
Effective tax rate (%)	-	4	34	-	-
Revenue growth (%)	*	(17)	12	(13)	23
Gross margin (%)	21	19	13	7	7
Pre-tax and exceptional item profit / (loss) margin (%)	12	8	1	(9)	(5)
Pre-tax profit / (loss) margin (%)	12	8	1	(9)	(40)

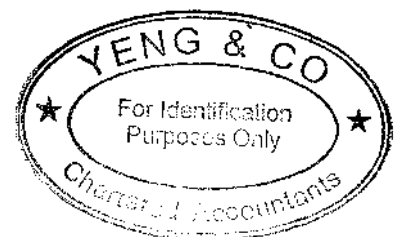
* Not presented

11. ACCOUNTANTS' REPORT (cont'd)

**8 SUMMARISED INCOME STATEMENT - (cont'd)****8.4 Profit Point Manufacturing Sdn. Bhd. - (cont'd)****8.4.1 Notes to income statement**

- i) Gross and net earnings per share are calculated based on profit/(loss) before taxation and profit/(loss) after taxation to the number of ordinary shares in issue in the relevant period under review.
- ii) The effective tax rate is calculated based on taxation to profit before taxation. No provision of taxation for business income was made in 1999 in view of tax waiver for 1999 pursuant to Income Tax (Amendment) Act, 1999.
- iii) The effective tax rate for 2000 and 2001 was lower than the statutory tax rate due principally to the unutilisation of unabsorbed capital allowances. In 2001, the taxation was mainly on interest income. No tax charge for the year 2002 and period 2004 as the company was in a tax loss position.
- iv) Profit Point reported loss before taxation in 2002 and 2004 as the company was not able to remain competitive, as a result of higher production cost and lower production output.
- v) Profit Point achieved 23% growth in revenue and 26% reduction in the company's loss before taxation and exceptional item mainly due to the change in management; where Terang Nusa took over the control of Profit Point with effect from July 2003.
- vi) There were no exceptional and extraordinary items included in the income statement for the relevant years under review except for the write off of advances to a former shareholder namely China National Foreign Trade Leasing Corporation, a company incorporated in the People's Republic of China and a former director in 2004; both parties are not related nor controlled by the promoter/substantial shareholder of proforma Adventa Group.

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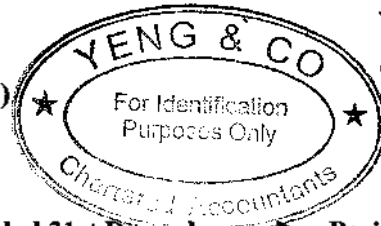


11. ACCOUNTANTS' REPORT (cont'd)**8 SUMMARISED INCOME STATEMENT - (cont'd)****8.5 Nusaco Sdn. Bhd.**
YENG & CO.
 CHARTERED ACCOUNTANTS

	← Year ended 28th February →				Period 1.3.2003 to 31.1.2004
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	RM'000
Revenue	-	-	-	-	-
Loss before amortisation, depreciation, interest and research & development	(3)	(2)	(2)	(2)	(10)
Amortisation and depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Interest income	-	-	-	-	-
Research & development	-	-	-	-	-
Loss before taxation	(3)	(2)	(2)	(2)	(10)
Taxation	-	-	-	-	-
Loss after taxation	(3)	(2)	(2)	(2)	(10)
Number of ordinary shares of RM 1.00 each in issue ('000)	25	25	25	25	200
Net loss per share (sen)	(12)	(8)	(8)	(8)	(5)

8.5.1 Notes to income statement

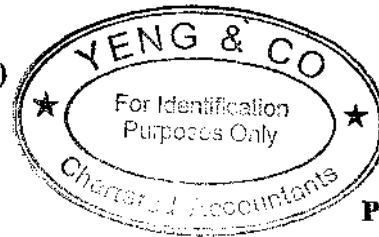
- i) Nusaco Sdn. Bhd. has ceased its business activity as general contractor in 1998 and has changed its principal activities to generation and supply of energy and electricity using biomass technology in 2004.
- ii) Net loss per share is calculated based on loss after taxation to the number of ordinary shares in issue in the relevant period under review.
- iii) No provision of taxation was made as the company did not have any chargeable income for all the periods under review.
- iv) There were no extraordinary items included in the income statement for the relevant years under review.

11. ACCOUNTANTS' REPORT (cont'd)
YENG & CO.
 CHARTERED ACCOUNTANTS
8 SUMMARISED INCOME STATEMENT - (cont'd)**8.6 American Healthcare (Malaysia) Sdn. Bhd.**

	← Year ended 31st December →			Period	Year
	1999	2000	2001	1.1.2002 to 31.1.2003	ended 31.1.2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-
Loss before amortisation, depreciation, interest and research & development	(4)	(2)	(3)	(1)	(5)
Amortisation and depreciation	(11)	(11)	(11)	(21)	(22)
Interest expense	-	-	-	-	-
Interest income	-	-	-	-	-
Research & development	-	-	-	-	-
Loss before taxation	(15)	(13)	(14)	(22)	(27)
Taxation	-	-	-	-	-
Loss after taxation	(15)	(13)	(14)	(22)	(27)
Number of ordinary shares of RM 1.00 each in issue	5	5	5	5	5
Net loss per share (RM)	(3,000)	(2,600)	(2,800)	(4,400)	(5,400)

8.6.1 Notes to income statement

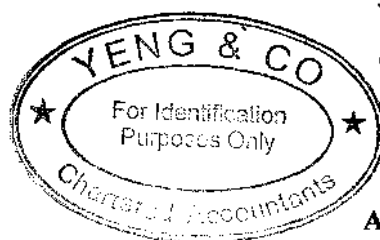
- i) The principal activity of American Healthcare (Malaysia) Sdn. Bhd. was trading of latex examination gloves. In 1999, the company changed its principal activity to property investment and subsequently in 2004, the company again changed its principal activity to manufacturing and distribution of sterile surgical gloves.
- ii) Net loss per share is calculated based on loss after taxation to the number of ordinary shares in issue in the relevant period under review.
- iii) No provision of taxation was made as the company did not have any chargeable income for all the periods under review.
- iv) There were no extraordinary items included in the income statement for the relevant years under review.
- v) Amortisation and depreciation is higher in 2003 as the related property was revalued by the directors in 2003.

11. ACCOUNTANTS' REPORT (cont'd)**Y** ENG & CO.
CHARTERED ACCOUNTANTS**8 SUMMARISED INCOME STATEMENT - (cont'd)****8.7 Ulma International GmbH**

	Period
	15.1.2003
	to
	31.12.2003
	RM'000
Revenue	12,030
Cost of sales - other costs	8,909
- depreciation	-
	(8,909)
Gross profit	<u>3,121</u>
Profit before amortisation, depreciation, interest and research & development	742
Amortisation and depreciation	(20)
Interest expense	(36)
Interest income	-
Research & development	-
Profit before taxation	<u>686</u>
Taxation	(268)
Profit after taxation	<u><u>418</u></u>
Number of ordinary shares of EURO25,000 / RM100,000 each in issue	1
Gross earnings per share (RM'000)	686
Net earnings per share (RM'000)	418
Effective tax rate (%)	39
Gross margin (%)	26
Pre-tax profit margin (%)	6

8.7.1 Notes to income statement

- i) The above audited income statement was translated into Ringgit Malaysia (RM) at the exchange rate of 1 Euro to RM4.76 being the rate as at 31st December 2003.
- ii) Earnings per share is calculated based on profit after taxation to the number of ordinary shares in issue.
- iii) There were no extraordinary items included in the income statement for the period under review.

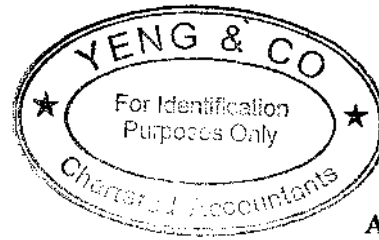
11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**9 SUMMARISED BALANCE SHEETS****9.1 Adventa - Proforma Consolidated Balance Sheet**

	As at 31.1.2004 RM'000
Property, plant and equipment	43,459
Intangible Assets	44
Current assets	46,375
Less : Current liabilities	(34,811)
Net current assets	11,564
	<hr/>
	55,067
	<hr/> <hr/>
Financed by :-	
Share capital	26,000
Reserve on consolidation	8,013
Accumulated losses	(3)
Shareholders' fund	34,010
Long term liabilities	17,785
Deferred taxation	3,272
	<hr/>
	55,067
	<hr/> <hr/>
Number of ordinary shares in issue at year end ('000)	260,000
Net tangible assets (RM'000)	33,966
Net tangible assets per ordinary share (RM)	0.13
Current ratio (times)	1.33
Total borrowings (RM'000)	34,686
Gearing ratio (times)	1.02

The proforma consolidated balance sheet has been presented on the basis that the Acquisitions had been in effect as at 31st January 2004.

The proforma consolidated balance sheet of Adventa is prepared based on audited financial statements for the period 15th January 2003 to 31st December 2003 for Ulma and the audited financial statements of other subsidiary companies as at 31st January 2004.

No proforma consolidated balance sheets are prepared for the financial years 2000 to 2003 due to impracticality as Adventa was incorporated on 16th June 2003 and the subsidiaries having different financial years end.

11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**9 SUMMARISED BALANCE SHEETS****9.2 Adventa - Company**As at
31.1.2004

RM

CURRENT ASSET

Cash in hand

2

CURRENT LIABILITY

Accrual

(3,000)

(2,998)**FINANCE BY :-**

Share Capital

2

Accumulated Losses

(3,000)

(2,998)

Net Tangible Liability per share of RM0.10 each (RM)

(150)

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11. ACCOUNTANTS' REPORT (cont'd)

YENG & CO.
CHARTERED ACCOUNTANTS

9 SUMMARISED BALANCE SHEETS - (Cont'd)**9.3 Terang Nusa**

	← As at 31st January →				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Property, plant and equipment	22,361	24,233	29,168	33,877	31,601
Investment In Subsidiary	-	-	-	-	1,648
Current assets	13,158	21,215	24,416	30,445	52,281
Less : Current liabilities	(16,051)	(20,950)	(24,317)	(27,030)	(32,138)
Net current (liabilities)/assets	(2,893)	265	99	3,415	20,143
	19,468	24,498	29,267	37,292	53,392
Financed by :-					
Share capital	2,000	2,000	2,000	2,000	2,000
Revaluation reserve	1,329	1,329	1,329	1,329	1,329
Retained profits	12,962	16,403	18,664	22,068	29,087
Shareholders' fund	16,291	19,732	21,993	25,397	32,416
Term loan (secured)	1,477	2,565	4,554	8,515	17,705
Deferred taxation	1,700	2,201	2,720	3,380	3,271
	19,468	24,498	29,267	37,292	53,392
Number of ordinary shares in issue at year end ('000)	2,000	2,000	2,000	2,000	2,000
Net tangible assets (RM'000)	16,291	19,732	21,993	25,397	32,416
Net tangible assets per ordinary share (RM)	8.15	9.87	11.00	12.70	16.21
Current ratio (times)	0.82	1.01	1.00	1.13	1.63
Total borrowings (RM'000)	8,382	14,278	18,706	24,120	34,581
Gearing ratio (times)	0.51	0.72	0.85	0.95	1.07



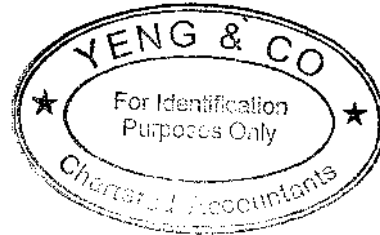
11. ACCOUNTANTS' REPORT (cont'd)

YENG & CO.
CHARTERED ACCOUNTANTS

9 SUMMARISED BALANCE SHEETS - (Cont'd)**9.4 Profit Point**

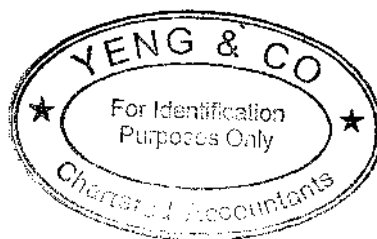
	←	As at 31st December			→	As at
	1999	2000	2001	2002	2002	31.1.04
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,614	1,601	1,644	1,515	1,919	1,919
Current assets	3,853	3,965	3,778	3,494	1,964	1,964
Less: Current liabilities	(837)	(523)	(341)	(371)	(1,628)	(1,628)
Net current assets	3,016	3,442	3,437	3,123	336	336
	4,630	5,043	5,081	4,638	4,638	2,255
Financed by:-						
Share capital	5,000	5,000	5,000	5,000	5,000	5,000
(Accumulated losses) / Retained profits	(370)	43	81	(362)	(362)	(2,825)
Shareholders' fund	4,630	5,043	5,081	4,638	4,638	2,175
Hire Purchase Creditor	-	-	-	-	-	80
	4,630	5,043	5,081	4,638	4,638	2,255
Number of ordinary shares in issue at year end ('000)	5,000	5,000	5,000	5,000	5,000	5,000
Net tangible assets (RM'000)	4,630	5,043	5,081	4,638	4,638	2,175
Net tangible assets per ordinary share (RM)	0.93	1.01	1.02	0.93	0.93	0.44
Current ratio (times)	4.60	7.58	11.08	9.42	9.42	1.21
Total borrowings (RM'000)	-	299	208	236	236	106
Gearing ratio (times)	N/A	0.06	0.04	0.05	0.05	0.05



11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**9 SUMMARISED BALANCE SHEETS - (Cont'd)****9.5 Nusaco**

	← 2000 RM'000	As at 28th February			→ 2003 RM'000	As at 31.1.2004 RM'000
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000		2004 RM'000
Property, Plant & Equipment	-	-	-	-		2,100
Current assets	16	2	4	6		168
Less: Current liabilities	(16)	(3)	(7)	(11)		(2,108)
Net current assets / (liabilities)	-	(1)	(3)	(5)		(1,940)
	-	(1)	(3)	(5)		160
Financed by:-						
Share capital	25	25	25	25		200
Accumulated losses	(25)	(26)	(28)	(30)		(40)
Shareholders' (deficit) / fund	-	(1)	(3)	(5)		160
Number of ordinary shares in issue at year end ('000)	25	25	25	25		200
Net tangible assets (liabilities) (RM'000)	-	(1)	(3)	(5)		160
Net tangible assets / (liabilities) per ordinary share (sen)	N/A	(4)	(12)	(20)		80
Current ratio (times)	1.00	0.67	0.57	0.55		0.08

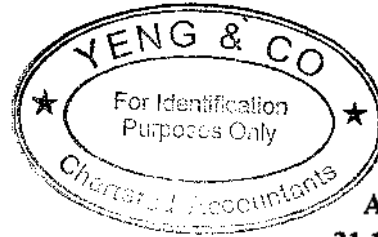
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11. ACCOUNTANTS' REPORT (cont'd)**9 SUMMARISED BALANCE SHEETS - (Cont'd)****9.6 American Healthcare**
YENG & CO.
 CHARTERED ACCOUNTANTS

	← As at 31st December			As at →	
	1999 RM'000	2000 RM'000	2001 RM'000	31st January 2003 RM'000	2004 RM'000
Property, plant and equipment	689	678	668	1,291	7,804
Current assets	7	-	-	-	1
Less : Current liabilities	(720)	(715)	(718)	(719)	(7,261)
Net current liabilities	(713)	(715)	(718)	(719)	(7,260)
	(24)	(37)	(50)	572	544
Financed by :-					
Share capital	*	*	*	*	*
Revaluation reserve	-	-	-	644	644
Accumulated losses	(24)	(37)	(50)	(72)	(100)
Shareholders' (deficit) / fund	(24)	(37)	(50)	572	544

* Represents 5 ordinary shares of RM1.00 each.

Number of ordinary shares in issue	5	5	5	5	5
Net tangible (liabilities)/ assets (RM'000)	(24)	(37)	(50)	572	544
Net tangible (liabilities)/ assets per ordinary share (RM)	(4,800)	(7,400)	(10,000)	114,400	108,800
Current ratio (times)	0.01	-	-	-	-

11. ACCOUNTANTS' REPORT (cont'd)
YENG & CO.
 CHARTERED ACCOUNTANTS
9 SUMMARISED BALANCE SHEETS - (cont'd)**9.7 Ulma**
 As at
31.12.2003
RM'000

Property, plant and equipment	33
Intangible Assets	45
Current assets	3,366
Less : Current liabilities	(2,907)
Net current assets	459
	537
Financed by :-	
Share capital (EURO 25,000 @4.00)	100
Exchange fluctuation reserve	19
Retained profits	418
	537
Number of ordinary shares in issue at end of period	1
Par Value	EURO 25,000
Net tangible assets (RM'000)	537
Net tangible assets per ordinary share (RM'000)	537
Current ratio (times)	1.16
Total borrowings (RM'000)	-
Gearing ratio (times)	-

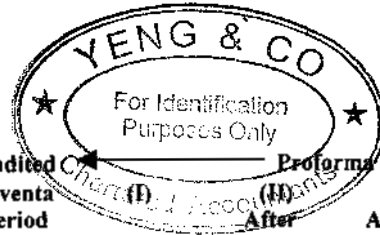
10. SUMMARISED CASH FLOW**10.1 Adventa Group**

The cash flow of the Proforma Adventa Group is prepared based on the audited cash flow statement of Ulma for the period ended 31st December 2003 and audited cash flow statement of Adventa and the other subsidiary companies for the year / period ended 31st January 2004 and is presented for illustrative purposes to show the effects of Acquisitions, Public Issue and Placement and utilisation of the proceeds from the Public Issue and Placement on the assumption that the respective transactions had been completed on 31st January 2004.

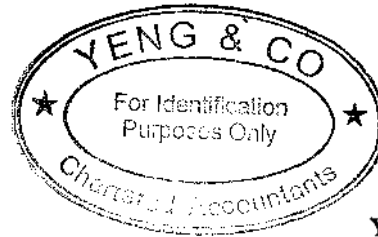
11. ACCOUNTANTS' REPORT (cont'd)

10. SUMMARISED CASH FLOW - (Cont'd)

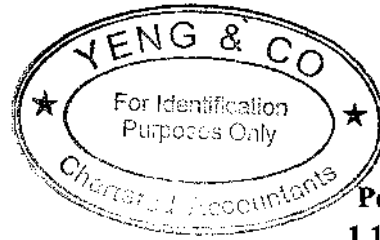
10.1 Adventa Group


YENG & CO.
 CHARTERED ACCOUNTANTS

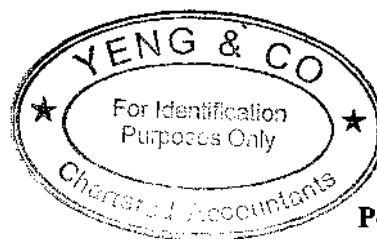
	Audited Adventa Period 16.6.2003 to 31.1.2004		Profirma Group	
	RM	RM'000	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(3,000)	5,093	5,093	5,093
Adjustment for:				
Amortisation	-	74	74	74
Amortisation of Goodwill	-	20	20	20
Bad Debts Written Off	-	198	198	198
Depreciation	-	1,841	1,841	1,841
Gain on Disposal Of Plant and Equipment	-	(42)	(42)	(42)
Interests Expense	-	1,641	1,641	1,641
Interests Income	-	(5)	(5)	(5)
Operating (loss)/profit before working capital changes	(3,000)	8,820	8,820	8,820
Inventories	-	(3,423)	(3,423)	(3,423)
Debtors	-	(6,457)	(6,457)	(6,457)
Creditors	3,000	5,352	5,352	5,352
Cash generated from operations	-	4,292	4,292	4,292
Interests paid	-	(650)	(650)	(650)
Tax paid	-	(124)	(124)	(124)
Tax refund	-	162	162	162
	-	(612)	(612)	(612)
Net cash generated from operating activities	-	3,680	3,680	3,680
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of plant and equipment	-	199	199	199
Purchase of property, plant and equipment	-	(8,494)	(8,494)	(23,194)
Expenditure incurred on building-in-progress	-	(1,682)	(1,682)	(1,682)
Acquisition of subsidiaries net of cash acquired	-	(1,543)	(1,543)	(1,543)
Purchase of goodwill	-	(50)	(50)	(50)
Research and development - laboratory equipment	-	-	-	(500)
Net cash used in investing activities	-	(11,570)	(11,570)	(26,770)
	-	(7,890)	(7,890)	(23,090)
CASH FLOWS FROM FINANCING ACTIVITIES				
Fixed deposits pledged	-	(116)	(116)	(116)
Proceeds from shares issue	2	-	36,750	57,000
Listing expenses	-	-	-	(2,000)
Proceeds from hire purchase	-	215	215	215
Repayment of hire purchase and lease creditors	-	(292)	(292)	(292)
Repayment of term loans	-	(608)	(608)	(10,608)
Interest paid - Term loans	-	(924)	(924)	(924)
- Hire purchase and lease	-	(67)	(67)	(67)
Interest received	-	5	5	5
Term loans drawdown	-	9,844	9,844	9,844
Net cash generated from financing activities	2	8,057	44,807	53,057
Effect of exchange rate changes	-	19	19	19
NET INCREASE IN CASH/CASH EQUIVALENTS	2	186	36,936	29,986
CASH/CASH EQUIVALENTS AT BEGINNING OF YEAR	-	(13,129)	(13,129)	(13,129)
CASH/CASH EQUIVALENTS AT END OF YEAR	2	(12,943)	23,807	16,857
CASH/CASH EQUIVALENTS				
Cash and Bank Balances	2	3,098	39,848	19,898
Bank Overdrafts and Credit Facilities	-	(16,047)	(16,047)	(3,047)
Fixed Deposits	-	221	221	221
	2	(12,728)	24,022	17,072
Less : Fixed Deposits Pledged	-	(215)	(215)	(215)
	2	(12,943)	23,807	16,857

11. ACCOUNTANTS' REPORT (cont'd)
YENG & CO.
 CHARTERED ACCOUNTANTS
10. SUMMARISED CASH FLOW - (Cont'd)**10.2 Terang Nusa**

	Year Ended 31.1.2004 RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	6,911
Adjustment for:	
Amortisation	52
Bad Debs Written Off	198
Depreciation	1,748
Gain on Disposal Of Plant and Equipment	(16)
Interests Expense	1,584
Interests Income	(5)
Operating profit before working capital changes	10,472
Inventories	(2,567)
Debtors	(16,038)
Creditors	3,836
Cash used in operations	(4,297)
Interests paid	(595)
Tax paid	(114)
Tax refund	163
	(546)
Net cash used in operating activities	(4,843)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of plant and equipment	16
Purchase of property, plant and equipment	(838)
Acquisition of subsidiaries net of cash and cash equivalents acquired	(1,648)
Net cash used in investing activities	(2,470)
	(7,313)
CASH FLOWS FROM FINANCING ACTIVITIES	
Fixed deposits pledged	(125)
Proceeds from hire purchase	100
Repayment of hire purchase and lease creditors	(283)
Repayment of term loans	(608)
Interest paid	(924)
- Term loans	(65)
- Hire purchase and lease	5
Interest received	9,844
Term loans drawdown	5
Net cash generated from financing activities	7,944
NET INCREASE IN CASH/CASH EQUIVALENTS	631
CASH/CASH EQUIVALENTS AT BEGINNING OF YEAR	(14,567)
CASH/CASH EQUIVALENTS AT END OF YEAR	(13,936)
CASH/CASH EQUIVALENTS	
Cash and Bank Balances	2,112
Bank Overdrafts and Credit Facilities	(16,048)
Fixed Deposits	215
	(13,721)
Less : Fixed Deposits Pledged	(215)
	(13,936)

11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**10. SUMMARISED CASH FLOW - (Cont'd)****10.3 Profit Point**
Period
1.1.2003
To
31.1.2004
RM'000
CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation	(2,463)
Adjustment for:	
Depreciation	93
Gain on Disposal Of Plant and Equipment	(26)
Interests Expense	21
	<hr/>
Operating loss before working capital changes	(2,375)
Inventories	164
Debtors	50
Creditors	1,467
	<hr/>
Cash used in operations	(694)
	<hr/>
Interests paid	(19)
Tax paid	(9)
	<hr/>
	(28)
	<hr/>
Net cash used in operating activities	(722)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of plant and equipment	183
Purchase of property, plant and equipment	(655)
	<hr/>
Net cash used in investing activities	(472)
	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES	
Fixed deposits pledged	9
Proceeds from hire purchase creditor	115
Repayment of hire purchase creditor	(11)
	<hr/>
Net cash generated from financing activities	113
	<hr/>
NET DECREASE IN CASH/CASH EQUIVALENTS	(1,081)
CASH/CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,432
	<hr/>
CASH/CASH EQUIVALENTS AT END OF PERIOD	351
	<hr/> <hr/>

11. ACCOUNTANTS' REPORT (cont'd)**10. SUMMARISED CASH FLOW - (Cont'd)****10.4 Nusaco**
YENG & CO.
 CHARTERED ACCOUNTANTS

Period
1.3.2003
 to
31.1.2004
RM'000
CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation and working capital changes (10)

Debtors (164)

Creditors 2,097

Net cash generated from operating activities 1,923

CASH FLOWS FROM INVESTING ACTIVITIES

Expenditure incurred on building-in-progress (826)

Purchase of plant and equipment (1,274)

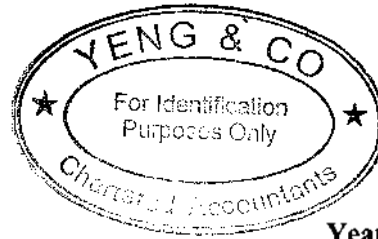
Net cash used in investing activities (2,100)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from shares issue 175

NET DECREASE IN CASH/CASH EQUIVALENTS (2)
CASH/CASH EQUIVALENTS AT BEGINNING OF PERIOD 5
CASH/CASH EQUIVALENTS AT END OF PERIOD 3

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11. ACCOUNTANTS' REPORT (cont'd)
YENG & CO.
 CHARTERED ACCOUNTANTS
10. SUMMARISED CASH FLOW - (Cont'd)**10.5 American Healthcare**
Year ended
31.1.2004
RM'000
CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation	(27)
Adjustment for:	
Amortisation	22
Operating loss before working capital changes	(6)
Debtors	(1)
Creditors	6,543
Net cash generated from operating activities	6,536

CASH FLOWS FROM INVESTING ACTIVITIES

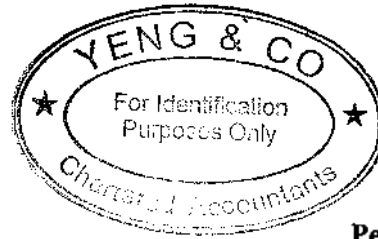
Purchase of plant and equipment	(5,680)
Building-in-progress	(856)
Net cash used in investing activities	(6,536)

NET DECREASE IN CASH/CASH EQUIVALENTS -

CASH/CASH EQUIVALENTS AT BEGINNING OF YEAR -

CASH/CASH EQUIVALENTS AT END OF YEAR -

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11. ACCOUNTANTS' REPORT (cont'd)
YENG & CO.
 CHARTERED ACCOUNTANTS
10. SUMMARISED CASH FLOW - (Cont'd)**10.6 Ulma**

	Period
	15.1.2003
	to
	<u>31.12.2003</u>
	RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	686
Adjustment for:	
Amortisation	20
Interest expense	36
	<hr/>
Operating profit before working capital changes	742
Inventories	(1,020)
Debtors	(1,538)
Creditors	2,641
	<hr/>
Cash generated from operations	825
	<hr/>
Interests paid	(36)
Tax paid	(1)
	<hr/>
	(37)
	<hr/>
Net cash generated from operating activities	788
CASH FLOWS FROM INVESTING ACTIVITIES	
	<hr/>
Purchase of plant and equipment	(48)
Purchase of goodwill	(50)
	<hr/>
Net cash used in investing activities	(98)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from share issue	100
Effect of exchange rate changes	19
	<hr/>
NET INCREASE IN CASH/CASH EQUIVALENTS	809
CASH/CASH EQUIVALENTS AS AT INCORPORATION	-
	<hr/>
CASH/CASH EQUIVALENTS AT END OF PERIOD	809
	<hr/> <hr/>

11. ACCOUNTANTS' REPORT (cont'd)

YENG & CO.
CHARTERED ACCOUNTANTS

11 STATEMENT OF ASSETS AND LIABILITIES

Note	As at 31.1.2004 RM	Proforma Group				
		(I) Acquisitions RM'000	(II) After (I) and Placement RM'000	(III) After (II) and Public Issue RM'000	(IV) After (III) and assuming full exercise of ESOS options RM'000	
ASSETS EMPLOYED						
PROPERTY, PLANT AND EQUIPMENT	11.4	-	43,459	43,459	58,659	58,659
INTANGIBLE ASSETS	11.5	-	44	44	44	44
CURRENT ASSETS						
Inventories	11.6	-	12,878	12,878	12,878	12,878
Trade Debtors	11.7	-	26,799	26,799	26,799	26,799
Sundry Debtors, Deposits and Prepayments	11.8	-	3,164	3,164	3,164	3,164
Tax Recoverable		-	215	215	215	215
Fixed Deposits	11.9	-	221	221	221	221
Cash and Bank Balances	11.10	*	3,098	39,848	19,898	40,148
		-	46,375	83,125	63,175	83,425
CURRENT LIABILITIES						
Trade Creditors	11.11	-	13,962	13,962	13,962	13,962
Sundry Creditors and Accruals	11.12	3	3,180	3,180	3,180	3,180
Hire Purchase and Lease Creditors	11.13	-	342	342	342	342
Amounts Owing to Directors	11.14	-	501	501	501	501
Bank Borrowings	11.15	-	16,559	16,559	3,559	3,559
Taxation		-	267	267	267	267
		(3)	(34,811)	(34,811)	(21,811)	(21,811)
NET CURRENT (LIABILITIES)/ASSETS		(3)	11,564	48,314	41,364	61,614
		(3)	55,067	91,817	100,067	120,317
FINANCED BY						
SHARE CAPITAL	11.16	*	26,000	38,250	45,000	51,750
SHARE PREMIUM	11.17	-	-	24,500	36,000	49,500
ACCUMULATED LOSSES		(3)	(3)	(3)	(3)	(3)
RESERVE ON CONSOLIDATION	11.18	-	8,013	8,013	8,013	8,013
SHAREHOLDERS' EQUITY/(DEFICIT)		(3)	34,010	70,760	89,010	109,260
LONG TERM LIABILITIES	11.19	-	17,785	17,785	7,785	7,785
DEFERRED TAXATION	11.20	-	3,272	3,272	3,272	3,272
		(3)	55,067	91,817	100,067	120,317
Number of shares of RM0.10 each ('000)		*	260,000	382,500	450,000	517,500
Net tangible assets/(liabilities) per share of RM0.10 each (RM)		(150)	0.131	0.185	0.198	0.211

* Insignificant to present



11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES****11.2 Basis of preparation**

The statement of assets and liabilities of the Proforma Adventa Group is prepared based on the audited financial statements of Ulma as at 31st December 2003 and audited financial statements of Adventa and the other subsidiary companies as at 31st January 2004 and is presented for illustrative purposes to show the effects of Acquisitions, Public Issue and Placement and utilisation of the proceeds from the Public Issue and Placement on the assumption that the respective transactions had been completed on 31st January 2004.

11.3 Significant Accounting Policies**a) Basis of Accounting**

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies below and comply with applicable approved accounting standards in Malaysia.

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiary companies, after the elimination of all inter-company transactions.

Subsidiary companies are those enterprises in which the Group has a long term equity interest and where it has power to exercise control over the financial and operation policies of the enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The Group adopted acquisition method of consolidation, as appropriate.

When the acquisition method is adopted, the difference between the purchase consideration and the fair value of the net assets of each subsidiary company at the date of acquisition is treated as goodwill or reserve on consolidation. Goodwill on consolidation is stated at cost less impairment losses, if any.

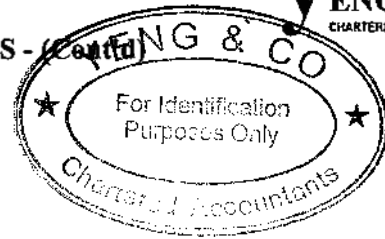
All inter-company transactions and balances are eliminated and the consolidated financial statements reflect external transactions only. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

The difference between the proceeds from the disposal of a subsidiary and the carrying amount of its assets less liabilities, together with any goodwill or reserve on consolidation, as of the date of disposal is recognised in the consolidated income statements as the gain or loss on the disposal of the subsidiary.

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11. ACCOUNTANTS' REPORT (cont'd)

VENG & CO.
 CHARTERED ACCOUNTANTS
11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)**11.3 Significant Accounting Policies - (Cont'd)****c) Property, Plant and Equipment**

The gross carrying amounts of property, plant and equipment are initially measured at cost. Land and buildings which have been subsequently revalued are stated at valuation less accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Land and buildings are revalued at a regular interval of at least once in every five years and at shorter intervals where market conditions indicate that the fair value of the revalued property is expected to differ materially from their carrying amounts.

Long leasehold land are amortised over the remaining lease period of 60 to 63 years.

Other property, plant and equipment are depreciated on a straight line basis so as to write off the cost of the property, plant and equipment over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	2%
Plant & Equipment	5% - 10%
Office Equipment, Furniture and Fittings and Renovation	10%
Laboratory Equipment	10%
Motor Vehicles	10% - 20%

Fully depreciated property, plant and equipment are retained in the financial statements at nominal values until they are no longer in use.

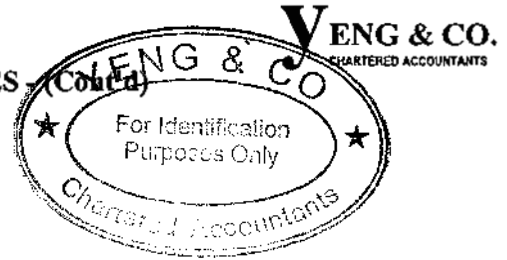
Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net recoverable amount. The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their estimated recoverable amounts. An impairment loss is recognised whenever carrying values of property, plant and equipment exceed their estimated recoverable amounts. The impairment loss is charged to the income statement, unless it reverses a previous revaluation, in which case it is charged to equity. Any subsequent increase in the recoverable amount of property, plant and equipment is written back to the income statement less the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

d) Investment

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

e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses incurred in bringing the inventories to their present location and condition. Work-in-progress and finished goods include the cost of raw materials, direct labour and proportion of production overheads.

11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES (Cont'd)****11.3 Significant Accounting Policies - (Cont'd)****f) Subsidiaries**

Subsidiaries are companies that are controlled by the Company. Control is the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities.

g) Accounting for Hire Purchase

Assets acquired under hire purchase agreements are capitalised at their purchase cost and depreciated on the same basis as plant and equipment. The total amounts payable under hire purchase agreements are included as hire purchase creditors. The interest element of the rental obligation is charged to the income statement over the period of the hire purchase using the straight line method.

h) Revenue Recognition

Revenue from sale of goods is recognised based on invoiced value to customers less returns and discounts.

i) Foreign Currency Translation**(a) Foreign Currency Transactions**

Transactions in foreign currencies are translated into Ringgit Malaysia at the exchange rates prevailing at the date of transactions. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the exchange rates ruling at that date. Gains or losses on foreign exchange are taken up in the Income Statement. The closing rates of exchange used are as follows:-

<u>Foreign Currency</u>	<u>2004</u>
	RM
1 US Dollar	3.80
1 Euro	4.76

(b) Translation of foreign currency financial statements

Assets, liabilities and income statement for the year of a foreign subsidiary are translated into Ringgit Malaysia using the year end rate of exchange. Exchange differences arising thereon are taken to exchange fluctuation reserve.

Goodwill and fair value adjustments arising from the acquisition of foreign subsidiary are translated at the exchange rate ruling at the date of transaction. The principal closing rate used in translation of foreign currency amounts is as follows :-

	<u>2004</u>
	RM
1 Euro	4.76

11. ACCOUNTANTS' REPORT (cont'd)

VENG & CO.
 CHARTERED ACCOUNTANTS
11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)**11.3 Significant Accounting Policies - (Cont'd)****j) Deferred Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capita allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit or part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

k) Leases

Assets under finance lease contracts which transfer the risk and benefits of assets to the Group are accounted for as finance lease. At the inception of a finance lease, the cost of the leased asset is capitalised at the value equivalent to the principal sum of total lease rentals payable. The interest element is charged to the income statement so as to give a constant rate of charge on the remaining lease period. Assets acquired under finance leases are depreciated on a straight line basis over their useful lives. Leases which do not meet the criteria are classified as operating leases and the related rentals are charged to the income statement as incurred.

l) Research and Development

Research and development costs are expensed off in the period in which they are incurred.

Cost on development activities whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of material, manpower cost and an appropriate proportion of overheads. Other development cost is expensed in the income statement as incurred. Capitalised development cost is stated at cost less accumulated amortisation.

Capitalised development cost is amortised on a straight line basis over a period of five (5) years.

11. ACCOUNTANTS' REPORT (cont'd)



11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)

11.3 Significant Accounting Policies - (Cont'd)

m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, net of bank overdrafts.

n) Bad and doubtful debts

Bad debts are written off when ascertained and allowance is made for any debts considered to be doubtful for collection.

o) Intangible assets

Goodwill represents consideration paid by a foreign subsidiary for the purchase of trademark from a third party. Goodwill is amortised and recognised as an expense on a straight line basis over 15 years so as to reflect the pattern in which the related economic benefits recognised.

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11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)****11.4 Property, Plant & Equipment**

	Note	As at 31.1.2004 RM'000	Proforma Group			
			(I) Acquisitions RM'000	(II) After (I) and Placement RM'000	(III) After (II) and Public Issue RM'000	(IV) After (III) and assuming full exercise of ESOS options RM'000
Cost / Valuation						
Long Leasehold Land and Factory Building	-	-	16,344	16,344	16,344	16,344
Plant and Machinery	-	-	39,610	39,610	54,310	54,310
Furniture, Fittings, Office Equipment and Renovation	-	-	1,672	1,672	1,672	1,672
Laboratory Equipment	11.4.2	-	181	181	681	681
Motor Vehicles	-	-	1,159	1,159	1,159	1,159
		-	58,966	58,966	74,166	74,166
Accumulated Depreciation						
Long Leasehold Land and Factory Building	-	-	(1,503)	(1,503)	(1,503)	(1,503)
Plant and Machinery	-	-	(12,308)	(12,308)	(12,308)	(12,308)
Furniture, Fittings, Office Equipment and Renovation	-	-	(1,043)	(1,043)	(1,043)	(1,043)
Laboratory Equipment	-	-	(77)	(77)	(77)	(77)
Motor Vehicles	-	-	(576)	(576)	(576)	(576)
		-	(15,507)	(15,507)	(15,507)	(15,507)
Net Book Value						
Long Leasehold Land and Factory Building	-	-	14,841	14,841	14,841	14,841
Plant and Machinery	-	-	27,302	27,302	42,002	42,002
Furniture, Fittings, Office Equipment and Renovation	-	-	629	629	629	629
Laboratory Equipment	-	-	104	104	604	604
Motor Vehicles	-	-	583	583	583	583
	11.4.1	-	43,459	43,459	58,659	58,659

Motor vehicles and plant and equipment with net book values of RM242,660 and RM1,069,392 respectively are purchased under hire purchase and lease agreements.

The long leasehold land and buildings were revalued by the directors based on the open market value as determined by an independent firm of professional valuers in 1999 and 2003.

The leasehold land and building with a net book value of RM11,889,615 are pledged as securities for bank facilities granted.

The tax effect on the revaluation surplus has not been provided for as there is no foreseeable intention to dispose of these properties.

The title deeds of certain properties will be issued to the Group upon full payment of the balance of purchase price.



11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)****11.4.1 Property, Plant and Equipment**

	RM'000
<u>Net Book Value</u>	
At 31st January 2004	-
Property, plant and equipment arising from the Acquisitions	43,459
As per Proforma I and II	43,459
Additional property, plant and equipment acquired	14,700
Additional laboratory equipment acquired	500
As per Proforma III and IV	<u>58,659</u>

11.4.2 Laboratory Equipment

Based on Proforma III as of 31st January 2004, the cost of laboratory equipment consist of the following :

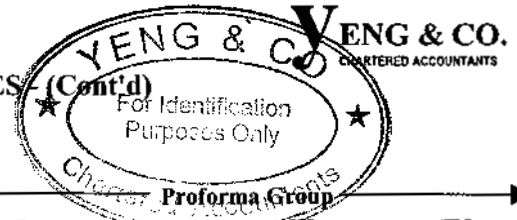
	RM'000
After (I) and Placement	181
Additions	500
After (II) and Public Issue	<u>681</u>

11.5 Intangible Assets

	← Proforma Group →			
	(I)	(II) After (I) and Placement	(III) After (II) and Public Issue	(IV) After (III) and assuming full exercise of ESOS options
As at 31.1.2004	<u>Acquisitions</u>	<u>Placement</u>	<u>Issue</u>	<u>ESOS options</u>
RM'000	RM'000	RM'000	RM'000	RM'000
Purchased Goodwill at cost	47	47	47	47
Less : Accumulated Amortisation	(3)	(3)	(3)	(3)
	<u>44</u>	<u>44</u>	<u>44</u>	<u>44</u>

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11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES****11.6 Inventories**

	(I)	(II)	(III)	(IV)
		After (I) and	After (II) and	After (III) and
		Placement	Public	assuming
		RM'000	Issue	full exercise of
			RM'000	ESOS options
				RM'000
As at	Acquisitions			
31.1.2004	RM'000	RM'000	RM'000	RM'000
RM'000	RM'000	RM'000	RM'000	RM'000
<u>At Cost</u>				
- Finished Goods	-	2,831	2,831	2,831
- Raw materials	-	1,250	1,250	1,250
- Work-In-Progress	-	5,966	5,966	5,966
- Packaging Materials	-	2,829	2,829	2,829
	-	12,876	12,876	12,876
<u>At Net Realisable Value</u>				
- Finished Goods	-	2	2	2
	-	12,878	12,878	12,878

11.7 Trade Debtors

Trade debtors comprise amount receivable for the sale of goods.

	(I)	(II)	(III)	(IV)
		After (I) and	After (II) and	After (III) and
		Placement	Public	assuming
		RM'000	Issue	full exercise of
			RM'000	ESOS options
				RM'000
As at	Acquisitions			
31.1.2004	RM'000	RM'000	RM'000	RM'000
RM'000	RM'000	RM'000	RM'000	RM'000
Trade Debtors	-	26,799	26,799	26,799

The normal credit terms given to customers range from 30 to 120 days. The ageing analysis of trade debtors as at 31st January 2004 was as follows :-

	RM'000	RM'000	RM'000	RM'000	RM'000
Within 30 days	-	10,253	10,253	10,253	10,253
31 to 60 days	-	7,657	7,657	7,657	7,657
61 to 90 days	-	4,103	4,103	4,103	4,103
91 to 120 days	-	1,006	1,006	1,006	1,006
more than 120 days	-	3,780	3,780	3,780	3,780
	-	26,799	26,799	26,799	26,799

The directors, after considering all pertinent information available, are of the opinion that the overdue debts totalling RM3,780,000 as at 31st January 2004 are recoverable in full and no provision for bad and doubtful debts is required; out of which RM1,268,000 was received subsequent to 31 January 2004.

11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)****11.8 Sundry Debtors, Deposits and Prepayments**

Included in sundry debtors is an amount of RM1,106,584 owing to a sub-contractor for setting up a new production line. The Directors, after considering all relevant and available information, are of the opinion that this amount is fully recoverable.

Prepayment of RM292,000 was mainly expenses related to listing exercise. This amount will be written off to share premium as mentioned in Section 12.

11.9 Fixed Deposits

Fixed deposits are placed with a licensed bank. Fixed deposits with carrying value of RM214,800 are pledged as securities for bank credit facilities granted to the Group.

11.10 Cash and Bank Balances

	← Proforma Group →				
	(I)	(II)	(III)	(IV)	
As at 31.1.2004	Acquisitions	After (I) and Placement	After (II) and Public Issue	After (III) and assuming full exercise of ESOS options	
RM'000	RM'000	RM'000	RM'000	RM'000	
Balance B/F	-	*	3,098	39,848	19,898
Cash acquired arising from Acquisitions	-	3,098	-	-	-
Proceeds from share issued	*	-	36,750	20,250	20,250
	*	3,098	39,848	60,098	40,148
Purchase of property, plant and equipment	-	-	-	(14,700)	-
Repayment of bank overdrafts and borrowings	-	-	-	(13,000)	-
Repayment of term loans	-	-	-	(10,000)	-
Purchase of laboratory equipment	-	-	-	(500)	-
Payment of listing expenses	-	-	-	(2,000)	-
Balance C/F	*	3,098	39,848	19,898	40,148

* Insignificant to present

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11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)****11.11 Trade Creditors**

Trade creditors comprise amount payable for the purchase of materials. The normal credit terms received from creditors range from 30 to 120 days. The age analysis of trade creditors as at 31st January 2004 was as follows :-

	← Proforma Group →			
	(I)	(II) After (I) and Placement	(III) After (II) and Public Issue	(IV) After (III) and assuming full exercise of ESOS options
As at 31.1.2004 RM'000	<u>Acquisitions</u> RM'000	<u>Placement</u> RM'000	<u>Issue</u> RM'000	<u>ESOS options</u> RM'000
Within 30 days	-	6,604	6,604	6,604
31 to 60 days	-	3,657	3,657	3,657
61 to 90 days	-	1,606	1,606	1,606
91 to 120 days	-	1,308	1,308	1,308
more than 120 days	-	787	787	787
	-	13,962	13,962	13,962

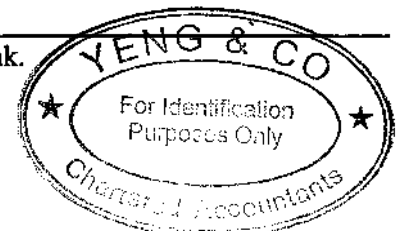
11.12 Sundry Creditors & Accruals

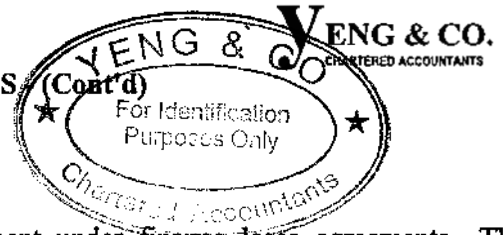
Included is an amount of RM1,433,694 which is the balance of the purchase price owing to the Kelantan State Economic Development Corporation for property acquired. It is unsecured and bears interest at rates ranging from 0% to 10% per annum and is repayable by 84 monthly instalments.

11.13 Hire Purchase and Lease Creditors

	← Proforma Group →			
	(I)	(II) After (I) and Placement	(III) After (II) and Public Issue	(IV) After (III) and assuming full exercise of ESOS options
Note	As at 31.1.2004 RM'000	<u>Acquisitions</u> RM'000	<u>Placement</u> RM'000	<u>Issue</u> RM'000
Hire Purchase Creditors	-	180	180	180
Lease Creditors	-	626	626	626
	-	806	806	806

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11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES****11.13 Hire Purchase and Lease Creditors - (Cont'd)**

The Group acquired the used of certain plant and equipment under finance-lease agreements. The aggregate commitment for future hire purchase and lease payments are as follows :-

	Note	Proforma Group			
		(I)	(II) After (I) and Placement	(III) After (II) and Public Issue	(IV) After (III) and assuming full exercise of ESOS options
As at	31.1.2004	Acquisitions	Placement	Issue	ESOS options
	RM'000	RM'000	RM'000	RM'000	RM'000
Hire purchase and lease liabilities payable:					
- Within 1 year	-	370	370	370	370
- Between 1 to 5 years	-	515	515	515	515
	-	885	885	885	885
Less: Future finance charges	-	(79)	(79)	(79)	(79)
	-	806	806	806	806
Present value of hire purchase and lease liabilities ;					
- within 1 year (current)	-	342	342	342	342
- between 1 year to 5 years (non current)	11.19	464	464	464	464
	-	806	806	806	806

11.14 Amount Owing To Directors

These amounts are unsecured, interest free and have no fixed terms of repayment.

11.15 Bank Borrowings

	Note	Proforma Group			
		(I)	(II) After (I) and Placement	(III) After (II) and Public Issue	(IV) After (III) and assuming full exercise of ESOS options
As at	31.1.2004	Acquisitions	Placement	Issue	ESOS options
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured :					
Bank Overdrafts	-	4,016	4,016	1,016	1,016
Export and credit Facilities	-	12,032	12,032	2,032	2,032
	-	16,048	16,048	3,048	3,048
Term Loans (current)	11.19	511	511	511	511
	-	16,559	16,559	3,559	3,559

11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)****11.15 Bank Borrowings - (Cont'd)**

The bank overdrafts, bank credit facilities and term loans are secured by:

- i) First legal charges over the Group's land and landed property.
- ii) First legal charge over a third party's landed property.
- iii) Debenture and fixed charges over plant and equipment financed.
- iv) Marginal deposit of 30% in fixed deposit on trade bills created;
- v) Quarterly fixed deposit placement of RM30,000 until fixed deposit reaches RM1,000,000; and
- vi) Irrecoverable jointly and severally guarantees by the Group's directors and third parties.

The bank overdrafts bear interest rates ranging from 1.00% to 2.75% per annum above the bankers' base lending rates.

11.16 Share Capital

	← Proforma Group →			
	(I)	(II) After (I) and Placement	(III) After (II) and Public Issue	(IV) After (III) and assuming full exercise of ESOS options
As at 31.1.2004 RM'000	Acquisitions RM'000	RM'000	RM'000	RM'000
Authorised :				
Ordinary shares of RM0.10 each	100	100,000	100,000	100,000
Issued and fully paid :				
Ordinary shares of RM0.10 each	*	26,000	38,250	45,000

* Insignificant to present

11.17 Share Premium

	← Proforma Group →			
	(I)	(II) After (I) and Placement	(III) After (II) and Public Issue	(IV) After (III) and assuming full exercise of ESOS options
As at 31.1.2004 RM'000	Acquisitions RM'000	RM'000	RM'000	RM'000
Balance B/F	-	-	24,500	36,000
Addition	-	-	24,500	13,500
	-	-	24,500	38,000
Less : Estimated listing expenses	-	-	-	(2,000)
Balance C/F	-	-	24,500	36,000

11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)****11.18 Reserve On Consolidation**

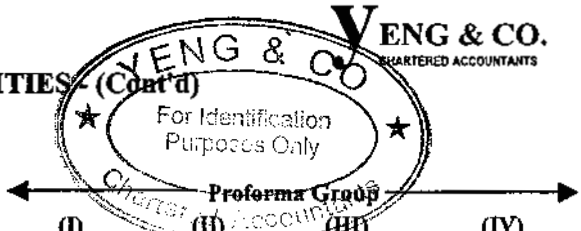
This represents reserve on consolidation arising from the acquisitions of Terang Nusa, Profit Point, Nusaco, American Healthcare and Ulma on the basis that the acquisitions of the subsidiary companies had been effect on 31st January 2004.

11.19 Long Term Liabilities

	Note	← Proforma Group →			
		(I) As at 31.1.2004 RM'000	(II) Acquisitions RM'000	(III) After (II) and Placement RM'000	(IV) After (III) and Public Issue and assuming full exercise of ESOS options RM'000
Term loans		-	17,832	17,832	7,832
Less : Current portion term loans	11.15	-	(511)	(511)	(511)
		-	17,321	17,321	7,321
Add : Non-current portion of hire purchase and lease liabilities	11.13	-	464	464	464
		-	17,785	17,785	7,785
Repayable as follows :-					
<u>Two to five years</u>					
- Hire Purchase and Lease Liabilities		-	464	464	464
- Term Loans		-	1,109	1,109	1,109
<u>More than five years</u>					
- Term Loan		-	16,212	16,212	6,212
		-	17,785	17,785	7,785

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11. ACCOUNTANTS' REPORT (cont'd)**11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES (Cont'd)****11.20 Deferred Taxation**


	(I)	(II)	(III)	(IV)
	After (I) and	After (II) and	After (III) and	After (III) and
	Placement	Public	assuming	assuming
	RM'000	Issue	full exercise of	full exercise of
	RM'000	RM'000	ESOS options	ESOS options
	RM'000	RM'000	RM'000	RM'000
Balance at 1 February	-	3,380	3,380	3,380
Transfer to income statement	-	(108)	(108)	(108)
Balance at 31 January	-	3,272	3,272	3,272
Deferred tax comprises the tax effects of :-				
Excess of capital allowances over depreciation	-	3,974	3,974	3,974
Unutilised tax losses	-	(30)	(30)	(30)
Reinvestment allowances	-	(672)	(672)	(672)
	-	3,272	3,272	3,272

11.21 Financial Instruments**11.21.1 Financial Risk Management Objectives and Policies**

The operations of Adventa are subject to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The Proforma Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Proforma Group's businesses whilst managing its interest rate, liquidity and credit risk.

11.21.2 Foreign Currency Exchange Risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by the Group in currencies other than its functional currency.

11.21.3 Interest Rate Risk

The Group's income and operating cash flows are substantially dependent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debt.

The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been placed in fixed deposits which yield better returns than cash at bank.

11. ACCOUNTANTS' REPORT (cont'd)



11.1 NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Cont'd)

11.21 Financial Instruments - (Cont'd)

11.21.4 Market Risk

The Group has in place policies to manage its exposure to fluctuations in the prices of key raw materials and commodities used in the operations.

11.21.5 Credit Risk

The Group's exposure to credit risk is mainly from trade debtors. Credit risks are minimised and monitored via strictly limiting the group's associations to business partners with high creditworthiness. Trade debtors are monitored on an ongoing basis via management reporting procedures.

The Group does not have any significant exposure to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instruments.

11.21.6 Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

11.21.7 Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

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11. ACCOUNTANTS' REPORT (cont'd)**Y**ENG & CO.
CHARTERED ACCOUNTANTS**12 PROCEEDS FROM PUBLIC ISSUE AND LISTING**

The proceeds arising from the Placement and Public Issue will be utilised in the following manner :-

Utilisation	RM'000
Repayment of bank borrowings	10,000
Capital expenditure	14,700
Research and development - laboratory equipment	500
Estimated listing expenses	2,000
Working capital	29,800
Total	57,000

The estimated listing expenses of RM2,000,000 will be offset against share premium.

13 NET TANGIBLE ASSETS

The Net Tangible Assets ("NTA") cover of Adventa Group after completion of the following scheme is as follows :-

<u>Issued and paid-up capital</u>	<u>Number of shares of RM0.10 each</u>	<u>RM</u>
At 31st January 2004	20	2
After Acquisitions	260,000,000	26,000,000
After Placement	382,500,000	38,250,000
After Public Issue	<u>450,000,000</u>	<u>45,000,000</u>

Net Tangible Assets (Liabilities)

At 31st January 2004	(2,998)
After Acquisitions	33,966,031
After Placement	70,716,031
After Public Issue	<u>88,966,031</u>

NTA Cover Per Share

At 31st January 2004 (RM)	(149.90)
After Acquisitions (Sen)	13.06
After Placement (Sen)	18.49
After Public Issue (Sen)	<u>19.77</u>



11. ACCOUNTANTS' REPORT (cont'd)

YENG & CO.
CHARTERED ACCOUNTANTS

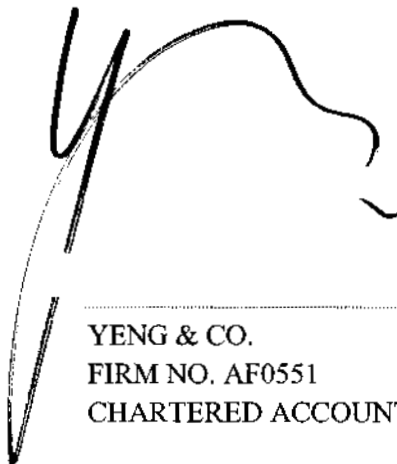
14 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Based on the audited financial statements of Adventa for the financial period ended 31 January 2004 and other than the Listing Scheme as referred to in Section I, no events have arisen subsequent to the balance sheet date, which require disclosure in this report.

15 AUDITED FINANCIAL STATEMENTS

No audited financial statements of Adventa and its subsidiaries have been drawn up for any period subsequent to 31 January 2004.

Yours faithfully,



YENG & CO.
FIRM NO. AF0551
CHARTERED ACCOUNTANTS



KUI JEE YENG
CA(M), FCA(ICAEW), FTII
APPROVAL NO.1169/8/2004(J)