AnuarulAzizanChew

Anuarul Azizan Chew & Co (AF 0791)
Chartered Accountants

18 Jalan 1/64
Off Jalan Kolam Air/Jalan Ipoh
51200 Kuala Lumpur
Malaysia

Tel 603 40417233
Fax 603 40410395
E mail aacco@tm.net.my
Website www.morisoninternational.com

2 5 SEP 2003

The Board of Directors
VTI Vintage Berhad
F-3-5, Plaza Damas
60, Jalan Sri Hartamas 1
Sri Hartamas
50480 Kuala Lumpur

Dear Sirs,

1. INTRODUCTION

This report has been prepared by Messrs Anuarul Azizan Chew & Co., an approved company auditor, for inclusion in the Prospectus of VTI Vintage Berhad ("VVB") dated 3 0 SEP 2003 in connection with the public issue of 10,000,000 new ordinary shares of RM1.00 each ("Shares") at an issue price of RM1.00 per Share, offer for sale of 10,000,000 Shares at an offer price of RM1.00 per Share and placement of RM100,000 nominal value of 4% Irredeemable Convertible Unsecured Loan Stock 2003/2006 ("ICULS") in conjunction with the listing of and quotation for the entire issued and paid-up share capital of 78,246,002 Shares and RM19,240,000 nominal value of ICULS in VVB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 Background

VVB was incorporated in Malaysia under the Companies Act, 1965 on 12 August 2002 as a public limited company to facilitate the Restructuring Scheme. Pursuant to the Restructuring Scheme, VVB had acquired the entire issue and paid up share capital of Penas Corporation Berhad ("Pencorp"). VVB will subsequently assume the listing status of Pencorp and thereafter, Pencorp will be delisted.

2.2 Principal Activities

The principal activity of VVB is that of an investment holding and provision of management services. The details of its subsidiary companies are set out in section 2.5 of this report.

2.3 Changes in Share Capital of VVB

At the date of incorporation, VVB's authorised share capital was RM100,000 divided into 100,000 Share. On 4 August 2003, the authorised share capital of VVB had been increased to RM500,000,000.

Details of the changes in the issued and paid-up share capital of VVB pursuant to the Restructuring Scheme are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative total issued and paid-up share capital RM
12.08.2002	2	Cash	2
8.08.2003	60,000,000	Settlement for the Acquisition of Vintage Group #	60,000,002
22.08.2003	450,000	Shares Swap of 1,500,000 Consolidated Shares in Pencorp	60,450,002
22.08.2003	7,796,000	Distribution	68,246,002
*	10,000,000	Public Issue	78,246,002

\# *Vintage Tiles Industries Sdn Bhd and Vintage Tiles Holdings Sdn Bhd*
* *To be completed prior to the listing of VVB on the Second Board of KLSE.*

2.4 Restructuring Scheme

Pursuant to the Restructuring Scheme, VVB had acquired the entire issue and paid up share capital of Pencorp on 22 August 2003 and subsequently, the listing status of Pencorp on the Second Board of KLSE will be transferred to VVB. The Restructuring Scheme entails the following:-

2.4.1 Capital Reduction and Consolidation

Capital reduction and consolidation of the existing issued and paid-up share capital of Pencorp of RM59,999,997 comprising 59,999,997 Shares shall be reduced to RM1,500,000 comprising 59,999,997 ordinary shares of 2.5 sen each through the cancellation of approximately 97.5 sen of the par value of each existing Share in Pencorp, giving rise to a credit of RM58,499,997 which will subsequently be utilised to reduce the audited accumulated losses of Pencorp of approximately RM273.88 million to approximately RM215.38 million as at 31 December 2002. Thereafter, the 59,999,997 ordinary shares of 2.5 sen each will be consolidated into 1,500,000 Shares on the basis of one (1) Consolidated Share for forty (40) ordinary shares of 2.5 sen each in Pencorp.

2.4.2 Share Swap

The 1,500,000 Consolidated Shares in Pencorp shall then be exchanged with 450,000 Shares and RM1,050,000 nominal value of ICULS in VVB on the basis of three (3) new Shares to be issued at RM1.00 per Share and RM7 nominal value of ICULS of RM1.00 each to be issued at 100% per nominal value of ICULS in VVB for every ten (10) Consolidated Shares held in Pencorp. The Share Swap was completed on 22 August 2003.

2.4.3 Distribution

In consideration for the listing status of Pencorp to be transferred to VVB, VVB is to compensate Pencorp (herein referred to as Pencorp's company level) RM28.012 million comprising of RM27.486 million (inclusive of 450,000 Shares and RM1,050,000 nominal value of ICULS reserved for the existing shareholders of Pencorp pursuant to the Share Swap) in the form of its new Shares and ICULS in the proportion of 30% (i.e. 8.246 million Shares to be issued at an issue price of RM1.00 per Share) : 70% (i.e. RM19.240 million nominal value of ICULS to be issued at 100% nominal value of ICULS) and RM526,000 in cash payable by VVB ("Consideration Securities").

The Consideration Securities (after deducting 450,000 Shares and RM1.05 million nominal value of ICULS reserved for the existing shareholders of Pencorp pursuant to the Share Swap) amounting to 7.796 million Shares and RM18.190 million nominal value of ICULS in VVB and RM526,000 in cash, shall be distributed to all secured and unsecured creditors of Pencorp (including the debts recognised at Pencorp's subsidiaries level assumed via corporate guarantees granted by Pencorp) proportionately based on the amount of debts outstanding as at the Cut-Off Date i.e. 31 December 2001. The Distribution was completed on 22 August 2003.

2.4.4 Acquisition Of Vintage Group

The acquisition of the entire equity interest in Vintage Tiles Industries Sdn. Bhd. ("VTI") and Vintage Tiles Holding Sdn. Bhd. ("VTH") (collectively known as "Vintage Group") by VVB from the Vendors Of Vintage Group for considerations of RM59.795 million and RM205,000 respectively, or an aggregate purchase consideration of RM60,000,000. The purchase consideration was satisfied by the issuance of Sixty Million (60,000,000) new Shares in VVB credited as fully paid-up, issued and allotted at an issue price of Ringgit Malaysia One (RM1.00) per new VVB Share. The Acquisition Of Vintage Group was completed on 8 August 2003.

2.4.5 Mandatory General Offer ("MGO") Exemption

Upon completion of the Acquisition Of Vintage Group, the Vendors Of Vintage Group collectively own Sixty Million (60,000,000) Shares in VVB representing approximately 87.9% of the enlarged issued and paid-up share capital of VVB (before Public Issue, Offer For Sale but after Share Swap and Distribution). The MGO Exemption was granted by the SC vide its letter dated 4 December 2002, to the Vendors Of Vintage Group and parties acting in concert with them from having to undertake a MGO pursuant to Part II Section 6 of the Malaysian Code on Take-Overs and Merger 1998 ("Code") for the remaining Shares in VVB not already owned by them after the Acquisition Of Vintage Group.

2.4.6 Disposal of Pencorp

Upon completion of the Acquisition Of Vintage Group, VVB will dispose of its entire issued and paid-up share capital in Pencorp for RM1.00 to unrelated third parties for liquidation purposes.

2.4.7 Public Issue and Offer For Sale

In conjunction with the Restructuring Scheme, VVB is proposing the following:-

2.4.7.1 Public Issue

The Public Issue involves the issuance new issue of 10,000,000 new VVB Shares by VVB at an issue price of RM1.00 per Share in the following manner:-

(i) 4,100,000 of the Public Issue Shares will be issued through placement to potential investors (who are deemed public);

(ii) 3,900,000 of the Public Issue Shares which will be issued through offer/placement to Directors and eligible employees of the VVB Group; and

(iii) 2,000,000 of the Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operations and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

2.4.7.2 Offer for Sale

The Offer For Sale involves the offer for sale by the Vendors Of Vintage Group of 10,000,000 Shares in VVB (which were issued and allotted to them pursuant to the Acquisition Of Vintage Group) at an offer price of RM1.00 per Share to be placed out to potential investors to be identified and nominated by VVB.

2.4.8 Placement of ICULS

RM100,000 nominal value of ICULS is to be placed out by the Scheme Creditors of Pencorp (after Proposed Distribution) in accordance with the proportion of their ICULS holdings to 100 potential investors to be identified and nominated by VVB on the basis of ten (10) board lots of ICULS to each nominated investor. All proceeds from the Placement of ICULS will accrue to the Scheme Creditors accordingly.

2.4.9 Transfer of Listing Status of Pencorp to VVB

The transfer of listing Status of Pencorp to VVB involves the application to the KLSE for admission to the official list and the listing of and quotation for the entire enlarged issued and paid-up share capital and ICULS in VVB comprising 78.246 million Shares and RM19.24 million nominal value of ICULS on the Second Board of the KLSE which shall result in Pencorp being delisted from the Second Board of KLSE.

2.5 Subsidiary companies

The subsidiary companies of VVB (excluding Pencorp which will be disposed of pursuant to the Disposal of Pencorp) at the date of this report and their principal activities are as follows:-

Name of company	Date/Place of incorporation	Authorised Share Capital	Issued and paid-up share capital	Effective interest	Principal activities
		RM	RM	%	
VTI	07.12.1995 Malaysia	25,000,000	15,000,000	100	Manufacturing and trading of roof tiles.
VTH	08.06.1998 Malaysia	100,000	100,000	100	Investment holding.
Subsidiary company of VTH:-					
VRC	23.10.1999 Malaysia	100,000	100,000	100	Supplying and laying of roof tiles on consignment basis.

3. AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial statements of VVB and its subsidiary companies for the relevant financial years/periods under review were audited by Messrs. Omar Arif & Co., a firm of Chartered Accountants except for VTI's financial statements for year ended 31 December 1998, which was audited by Messrs. Ong Boon Bah & Co., a firm of Chartered Accountants.

The audited financial statements of VVB and its subsidiary companies for the relevant financial years/periods under review were not subjected to any audit qualification.

4. SUMMARISED INCOME STATEMENTS

4.1 VVB Group

The summarised proforma consolidated income statements of the VVB Group set out below are based on the audited financial statements of VVB's subsidiary companies for the financial years/period ended 31 December 1998 to 31 May 2003, which are prepared as if the VVB Group has been in existence throughout the periods covered by this report.

	<-------------Year ended 31 December ----------->					5 months ended 31 May
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	6,069	10,841	12,039	16,800	30,137	17,416
(Loss)/Profit before depreciation and interest	(703)	1,047	933	5,036	10,945	6,053
Depreciation	(747)	(730)	(731)	(898)	(1,514)	(900)
Interest expense	(366)	(183)	(177)	(155)	(315)	(219)
Interest income	8	56	118	31	-	-
(Loss)/Profit before taxation	(1,808)	190	143	4,014	9,116	4,934
Taxation	-	-	(43)	(64)	(1,583)	(1,127)
(Loss)/Profit after taxation	(1,808)	190	100	3,950	7,533	3,807
Minority interest *	-	-	(6)	(52)	(9)	-
Pre-acquisition profit	-	-	-	-	(21)	-
(Loss)/Profit after taxation and MI	(1,808)	190	94	3,898	7,503	3,807
No. of ordinary shares ('000) #	78,246	78,246	78,246	78,246	78,246	78,246
Gross (loss)/earnings per share (sen)	(2.31)	0.24	0.18	5.12	11.62	++ 15.13
Net (loss)/earnings per share (sen)	(2.31)	0.24	0.12	4.98	9.59	++ 11.68
Effective tax rate (%)	-	-	30.07	1.59	17.37	22.84

++ *Annualised*

* *As at 31 December 2001, VTH own 70% equity interest in VRC and subsequently on 28 January 2002, VTI acquired the remaining 30% equity interest in VRC from a third party.*

Assuming that the Restructuring Scheme had taken effect throughout the years and the share capital of VVB Group is 78,246,002 Shares.

Note to the results of the VVB Group

(a) The proforma consolidated results includes the results of the VVB Group which have been prepared for illustrative purposes only based on their audited financial statements after making such adjustments as we considered appropriate. The proforma group results of Pencorp have been excluded as the control in these companies are intended to be temporary in which Pencorp will be disposed of. The non-consolidation of the financial statements of Pencorp Group is in compliance with Malaysian Accounting Standard Board ("MASB") standard no. 11.

(b) The proforma consolidated income statements of the VVB Group for the year 1998 did not include results of VTH and VRC as VTH has not commence operations and VRC did not exist until 1999. As VRC was incorporated on 23 October 1999, there are no results to be included in the proforma income statements of the VVB Group for the period ended 31 December 1999.

(c) The effective tax rate of the VVB Group for the financial year ended 2000 were higher than the statutory rate due to certain expenses being disallowed for taxation purposes. The effective tax rates of the VVB Group for the financial years/period ended 2001, 2002 and 31 May 2003 were lower than the statutory income tax rate due to the utilisation of unutilised capital allowances, reinvestment allowances and unabsorbed business losses. No taxation has been provided for the financial year ended 31 December 1999 in line with the waiver of tax pursuant to the Income Tax (Amendment) Act 1999. The under provision for taxation of VTI and VTH have been adjusted for year 2001 and 2002 respectively to the year of incurrence (year 2000 and 2001) in order for the effective tax rates of VTI to be comparable.

(d) The gross and net (loss)/earnings per share are calculated based on the (loss)/profit before taxation but after minority interest and pre-acquisition profit and (loss)/profit after taxation after minority interest and pre-acquisition profit for the financial years/period respectively divided by the enlarged issued and paid-up share capital of 78,246,002 before the full conversion of ICULS following the Restructuring Scheme.

(e) There were no extraordinary and exceptional items for the financial years/period ended 31 December 1998 to 31 May 2003.

4.2 The summarised income statements of VVB and its subsidiary companies for the financial years/period ended 31 December 1998 to 31 May 2003 are as follows:-

4.2.1 VVB

The summarised income statements of VVB based on the audited financial statements since its incorporation on 8 August 2002 up to the financial period ended 31 May 2003 are set out below:-

	Date of incorporation to 31 December 2002 RM'000	5 months ended 31 May 2003 RM'000
Turnover	-	-
Loss before depreciation and interest	(6)	(3)
Depreciation	-	-
Interest expense	-	-
Interest income	-	-
Loss before taxation	(6)	(3)
Taxation	-	-
Loss after taxation	(6)	(3)
Weighted average number of ordinary share capital ('000)	*	*
Gross loss per share (RM)	(3,000.00)	++ (3,600.00)
Net loss per share (RM)	(3,000.00)	++ (3,600.00)
Effective tax rate (%)	-	-

* *RM 2*
++ *Annualised*

Notes to the results of VVB

(a) The gross and net loss per share are calculated based on the loss before taxation and loss after taxation attributable to shareholders of VVB for the financial periods respectively divided by the weighted average number of ordinary shares in issue for each financial periods under review.

(b) There were no extraordinary and exceptional items in respect of the financial periods under review.

4.2.2 VTI

The summarised income statements of VTI based on the audited financial statements for the financial years/period ended 31 December 1998 to 31 May 2003 are set out below:-

	<---------- Year ended 31 December ---------->					5 months ended 31 May
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	6,069	10,841	11,790	16,294	28,736	17,100
(Loss)/Profit before depreciation and interest	(703)	1,047	920	4,791	10,318	6,019
Depreciation	(747)	(730)	(720)	(897)	(1,482)	(886)
Interest expense	(366)	(183)	(174)	(149)	(308)	(216)
Interest income	8	56	117	31	-	-
(Loss)/Profit before taxation	(1,808)	190	143	3,776	8,528	4,917
Taxation	-	-	(33)	-	(1,412)	(1,120)
(Loss)/Profit after taxation	(1,808)	190	110	3,776	7,116	3,797
Weighted average number of ordinary share capital ('000)	3,692	4,780	4,857	5,383	9,762	15,000
Gross (loss)/earnings per share (sen)	(48.97)	3.97	2.94	70.15	87.36	++ 78.67
Net (loss)/earnings per share (sen)	(48.97)	3.97	2.26	70.15	72.89	++ 60.75
Effective tax rate (%)	-	-	23.08	-	16.56	22.78

++ *Annualised*

Notes to the results of VTI

(a) The effective tax rates for the financial years/period ended 31 December 2000, 2002 and 31 May 2003 were lower than the statutory income tax rate due to the utilisation of unutilised capital allowances, reinvestment allowances and unabsorbed business losses. No taxation has been provided for the financial year ended 31 December 1999 which is in line with the waiver of tax pursuant to the Income Tax (Amendment) Act 1999.

(b) The gross and net (loss)/earnings per share are calculated based on the (loss)/profit before taxation and (loss)/profit after taxation attributable to shareholders of VTI for the financial years/period respectively divided by the weighted average number of ordinary shares in issue for each financial year under review.

(c) The under provision for taxation for year 2001 had been adjusted to the year of incurrence (year 2000) in order for the effective tax rates to be comparable.

(d) There were no extraordinary and exceptional items for the financial years/period ended 31 December 1998 to 31 May 2003.

4.2.3 VTH

The summarised income statements of VTH based on the audited financial statements since its incorporation on 8 June 1998 up to the financial years/period ended 31 May 2003 are set out below:-

	Date of incorporation to 30 June 1999 RM'000	18 months ended 31 December 2000 RM'000	Year ended 31 December 2001 RM'000	Year ended 31 December 2002 RM'000	5 months ended 31 May 2003 RM'000
Turnover	-	-	-	-	-
(Loss)/Profit before depreciation and interest	-	(31)	3	(5)	(2)
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Interest income	-	-	-	-	-
(Loss)/Profit before taxation	-	(31)	3	(5)	(2)
Taxation	-	-	(1)	-	-
(Loss)/Profit after taxation	-	(31)	2	(5)	(2)
Weighted average number of ordinary share capital ('000)	*	64	100	100	100
Gross (loss)/earnings per share (sen)	-	(48.44)	3.00	(5.00)	++ (4.80)
Net (loss)/earnings per share (sen)	-	(48.44)	2.00	(5.00)	++ (4.80)
Effective tax rate (%)	-	-	0.33	-	-

* *RM 2*
++ *Annualised*

Notes to the results of VTH

(a) The gross and net (loss)/earnings per share are calculated based on the (loss)/profit before taxation and (loss)/profit after taxation attributable to shareholders of VTH for the financial periods/years respectively divided by the weighted average number of ordinary shares in issue for each financial period/year under review.

(b) There were no extraordinary and exceptional items for the financial periods/years ended 30 June 1999 to 31 May 2003.

(c) The under provision for taxation for year 2002 had been adjusted to the year of incurrence (year 2001) in order for the effective tax rates to be comparable.

4.4 VRC

The summarised income statements of VRC based on the audited financial statements since its incorporation on 23 October 1999 up to the financial period/years ended 31 May 2003 are set out below:-

	Date of incorporation to 31 December 2000 RM'000	Year ended 31 December 2001 RM'000	Year ended 31 December 2002 RM'000	5 months ended 31 May 2003 RM'000
Turnover	549	1,135	4,621	1,069
Profit before depreciation and interest	44	243	638	40
Depreciation	(11)	(2)	(32)	(14)
Interest expense	(3)	(6)	(7)	(3)
Interest income	1	-	-	-
Profit before taxation	31	235	599	23
Taxation	(10)	(65)	(171)	(7)
Profit after taxation	21	170	428	16
Weighted average number of ordinary share capital ('000)	77	100	100	100
Gross earnings per share (sen)	40.26	235.00	599.00	++ 55.20
Net earnings per share (sen)	27.27	170.00	428.00	++ 38.40
Effective tax rate (%)	32.26	27.66	28.55	30.43

++ *Annualised*

Notes to the results of VRC

(a) The effective tax rates for the financial periods ended 31 December 2000 and 31 May 2003 were higher than the statutory tax rate due to certain expenses disallowed for taxation deduction.

(b) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation attributable to shareholders of VRC for the financial periods/years respectively divided by the weighted average number of ordinary shares in issue for each financial period/year under review.

(c) There were no extraordinary and exceptional items for the financial periods/years ended 31 December 2000 to 31 May 2003.

5. SUMMARISED BALANCE SHEETS

As the VVB Group was in placed with effect from 8 August 2003, it is therefore impractical to present consolidated balance sheets of VVB Group throughout the period under review. Accordingly, we set out below the summarised audited balance sheets of VVB and its subsidiary companies for the relevant financial years/period as follows:-

5.1 VVB

	As at 31 December 2002 RM'000	As at 31 May 2003 RM'000
ASSETS EMPLOYED		
Current assets	*	*
Current liabilities	(6)	(9)
Net current liabilities	(6)	(9)
Expenditure carried forward	-	-
	(6)	(9)
FINANCED BY		
Share capital	*	*
Accumulated losses	(6)	(9)
	(6)	(9)
Net liabilities (NL) per share (RM)	(3,000.00)	(4,500.00)

* *RM 2*

5.2 VTI

	<---- As at 31 December				---->	As at 31 May
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED						
Property, plant and equipment	4,402	3,911	3,801	15,249	25,923	31,410
Associated company	-	-	-	-	10	10
Expenditure carried forward	205	179	153	-	-	-
Current assets	2,828	4,995	5,557	8,326	14,868	15,559
Current liabilities	(4,682)	(4,778)	(5,347)	(6,864)	(7,827)	(7,403)
Net current (liabilities)/assets	(1,854)	217	210	1,462	7,041	8,156
	2,753	4,307	4,164	16,711	32,974	39,576
FINANCED BY						
Share capital	4,780	4,780	4,900	7,000	15,000	15,000
Revaluation reserve	-	-	-	5,775	5,775	5,775
(Accumulated losses)/Retained profit	(2,267)	(2,077)	(1,967)	1,809	8,925	12,722
	2,513	2,703	2,933	14,584	29,700	33,497
Long term liabilities						
- Hire purchase payable	-	24	29	152	132	259
- Bank borrowings	240	1,580	1,202	1,975	3,142	5,820
	2,753	4,307	4,164	16,711	32,974	39,576
Net tangible assets (NTA) per share (RM)	0.53	0.57	0.60	2.08	1.98	2.23

5.3 VTH

	As at 30 June 1999 RM'000	<------- As at 31 December -------> 2000 RM'000	2001 RM'000	2002 RM'000	As at 31 May 2003 RM'000
ASSETS EMPLOYED					
Investment in a subsidiary company	-	70	70	70	70
Current assets	1	5	9	7	7
Current liabilities	(4)	(6)	(7)	(11)	(13)
Net current (liabilities)/assets	(3)	(1)	2	(4)	(6)
Expenditure carried forward	3	-	-	-	-
	*	69	72	66	64
FINANCED BY					
Share capital	*	100	100	100	100
Accumulated losses	-	(31)	(28)	(34)	(36)
	*	69	72	66	64
NTA per share (RM)	1.00	0.69	0.72	0.66	0.64

* *RM 2*

5.4 VRC

	<------- As at 31 December -------->			As at 31 May
	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED				
Property, plant and equipment	44	1	148	133
Current assets	234	541	912	1,145
Current liabilities	(138)	(251)	(239)	(450)
Net current assets	96	290	673	695
	140	291	821	828
FINANCED BY				
Share capital	100	100	100	100
Retained profits	21	191	619	635
	121	291	719	735
Long term liabilities				
- Hire purchase payable	18	-	102	93
- Deferred taxation	1	-	-	
	140	291	821	828
NTA per share (RM)	1.21	2.91	7.19	7.35

6. PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

The following proforma consolidated statement of assets and liabilities of the Company and the VVB Group is prepared for illustrative purposes only based on the audited financial statement of the Company and the VVB Group as at 31 May 2003 and are based on the assumption that the VVB Group had been in existence throughout the period under review. The proforma consolidated statement of assets and liabilities are to be read in conjunction with the accompanying notes thereon.

			<------- VVB Group ------->	
	Note	Company RM'000	Upon Listing Before Full Conversion of ICULS RM'000	After Full Conversion of ICULS RM'000
PROPERTY, PLANT AND EQUIPMENT	6.2	-	31,543	31,543
GOODWILL		-	25,785	25,785
CURRENT ASSETS				
Inventories	6.3	-	2,979	2,979
Trade receivables	6.4	-	11,459	11,459
Other receivables		-	1,693	1,693
Retention sum receivable		-	58	58
Cash and bank balances		*	8,246	8,246
		*	24,435	24,435
CURRENT LIABILITIES				
Trade payables		-	1,597	1,597
Other payables		3	1,402	1,402
Amount owing to a director	6.5	6	22	22
Hire purchase payables	6.6	-	144	144
Bill payables	6.7	-	686	686
Term loan	6.7	-	649	649
Provision for taxation		-	2,427	2,427
Bank overdraft	6.7	-	1,199	1,199
		9	8,126	8,126
NET CURRENT (LIABILITIES) / ASSETS		(9)	16,309	16,309
		(9)	73,637	73,637
SHARE CAPITAL		*	78,246	97,486
ACCUMULATED LOSSES		(9)	(30,021)	(30,021)
		(9)	48,225	67,465
ICULS		-	19,240	-
Hire purchase payables	6.6	-	352	352
Term loan	6.7	-	5,820	5,820
		(9)	73,637	73,637
Number of ordinary shares in issue ('000)		*	78,246	97,486
Net (liabilities) / tangible assets per share (RM)		(4,500)	0.29	0.43

* *RM 2*

6. NOTES TO PROFORMA STATEMENT OF ASSETS AND LIABILITIES

6.1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The proforma statement of assets and liabilities of the Company and the VVB Group have been prepared under the historical cost convention and in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of Consolidation

The proforma consolidated statement of assets and liabilities incorporate the financial statements of its subsidiary companies for the period ended 31 May 2003. The financial statements of the subsidiary companies are consolidated using the acquisition method of accounting in which the results of subsidiary companies or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

The proforma consolidated balance sheets have been prepared without including Pencorp Group of Companies as these companies will eventually be disposed off after the completion of the Restructuring Scheme. The non-consolidation of the financial statements of Pencorp Group is in compliance with MASB standard no. 11.

All inter-company balances and transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

(c) Goodwill

The difference between the cost of acquisition and the underlying net asset value of the subsidiary companies at the date of acquisition are included in the Group's financial statements as goodwill on consolidation. Goodwill arising on consolidation is amortised over the estimated useful life of 20 years.

(d) Property, Plant and Equipment and Depreciation

The leasehold land and building is amortised over the leasehold period. All other property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight line method to write off the cost over its estimated useful life. The principal annual rates used for this purposes are as follows:-

Furniture and fittings	10%
Leasehold land and building	over the leasehold period
Motor vehicles	20%
Computer	50%
Office equipment	10%
Plant, machinery and equipment	10% - 33 1/3%
Renovation	15%

(e) Expenditure Carried Forward

Expenditure carried forward represents preliminary and pre-operating expenses.

Previously, these expenses were amortised on a straight line basis over a period of ten (10) years and were stated at net of amortisation. Following the adoption of MASB standard no. 1, Presentation of Financial Statements, all preliminary and pre-operating expenses of the company have been written-off to the income statement in the current financial year.

(f) Subsidiary Company

A subsidiary company is a company in which the Group control the composition of its board of directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value.

(h) Provisions

Provisions are recognised when the Group has present obligations as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

(i) Property, Plant and Equipment under Hire Purchase

Property, plant and equipment financed under hire purchase arrangements which transfer substantially all the risk and rewards of ownership are capitalised as property, plant and equipment. The depreciation policies of these assets are similar to those as set out in Note 6.1(d) to proforma consolidated statement of assets and liabilities.

Outstanding obligations under the hire purchase arrangements after deducting financial expenses are included as liabilities in the financial statements. The financial expenses are charged to the income statement over the period of the respective arrangements.

(j) Deferred Taxation

Deferred taxation is provided for on the liability method in respect of all material timing differences where there is reasonable evidence that they will reverse in the foreseeable future.

(k) Foreign Currency Transactions

Foreign currency transactions are converted in Ringgit Malaysia at the approximate rate ruling at the date of transactions.

Assets and liabilities in foreign currencies in which are outstanding as at balance sheet date are converted into Ringgit Malaysia at the approximate rate of exchange ruling at that date. All exchange differences are taken to the income statements.

(l) Revenue Recognition

Revenue of the subsidiary from sale of goods is recognised when the goods are delivered.

All other income is recognised on an accrual basis, unless the collectibility is in doubt.

(m) Cash and Cash Equivalents

Cash comprises cash in hand, at bank and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, against which the bank overdraft, if any, is deducted.

6.2 PROPERTY, PLANT AND EQUIPMENT

Group

COST	At 01.01.2003 RM	Additions RM	Disposal RM	At 31.05.2003 RM
Leasehold land and building	13,313,788	4,180,944	-	17,494,732
Furniture and fittings	113,850	522	-	114,372
Computer	3,000	-	-	3,000
Motor vehicles	1,081,752	256,110	-	1,337,862
Office equipment	426,798	26,185	(7,275)	445,708
Plant, machinery and equipment	15,462,185	2,041,251	(161,603)	17,341,833
Renovation	729,042	-	-	729,042
	31,130,415	6,505,012	(168,878)	37,466,549

ACCUMULATED DEPRECIATION	At 01.01.2003 RM	Charge for the year RM	Disposal RM	At 31.05.2003 RM	Net book value at 31.05.2003 RM
Leasehold land and building	159,516	64,304	-	223,820	17,270,912
Furniture and fittings	32,704	4,748	-	37,452	76,920
Computer	2,999	-	-	2,999	1
Motor vehicles	509,827	84,246	-	594,073	743,789
Office equipment	83,572	17,970	(4,486)	97,056	348,652
Plant, machinery and equipment	3,870,116	683,787	(32,332)	4,521,571	12,820,262
Renovation	401,196	45,565	-	446,761	282,281
	5,059,930	900,620	(36,818)	5,923,732	31,542,817

6.2 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Net book value of property, plant and equipment under hire purchase agreements are as follows:-

	Group RM
Motor vehicles	539,155
Plant and machinery	34,875
	574,030

(ii) Net book value of property, plant and equipment pledged as security for bank borrowings are as follows:-

	Group RM
Leasehold land and buildings [Note 6.7(a)]	8,635,515
Leasehold land [Note 6.7(a)]	2,952,244
	11,587,759

6.3 INVENTORIES

	Group RM
Finished goods	2,030,900
Raw materials	948,015
	2,978,915

6.4 TRADE RECEIVABLES

	Group RM
Trade receivables	11,459,128
Provision for doubtful debts	-
	11,459,128

6.5 AMOUNT OWING TO DIRECTOR

The amount owing is unsecured with no fixed term of repayment and is interest free.

6.6 HIRE PURCHASE PAYABLES

	Group RM
Outstanding liability	604,459
Unexpired interest	(107,884)
	496,575
Payable as follows:	
Within next 12 months	144,344
After next 12 months	352,231
	496,575

6.7 BANKING FACILITIES

	Group RM
Bills payable	686,000
Term loan	
- Payable within next twelve months	648,856
- Payable after next twelve months	5,820,333
Bank overdraft	1,198,588
	8,353,777

The Company banking facilities bear interest at commercial rates. It is secured by the following:-

(a) First party fixed legal charges over the VTI's leasehold land and building [Note 6.2(ii)]; and

(b) Joint and several guarantees of the directors of VTI.

6.8 SHARE CAPITAL

	Group RM
Ordinary shares of RM1 each:-	
Authorised	500,000,000
Issued and fully paid	
As at date of incorporation	2
To be issued pursuant to the Share Swap	450,000
To be issued pursuant to the Distribution	7,796,000
To be issued pursuant to the Acquisition Of Vintage Group	60,000,000
	68,246,002
To be issued pursuant to the Public Issue	10,000,000
Upon completion of Restructuring Scheme	78,246,002
Upon full conversion of ICULS	19,240,000
Enlarged share capital	97,486,002

* *RM 2*

7. NET TANGIBLE ASSETS COVER

Based on the statement of assets and liabilities of the Company and the Group as at 31 May 2003 as set out in Section 6 of this report, the proforma NTA per ordinary share of VVB is calculated as follows:-

	Group RM'000
Net assets as at 31 May 2003	67,465
Goodwill on consolidation	(25,785)
NTA as at 31 May 2003	41,680
Number of ordinary shares of RM1.00 each in issue ('000)	97,486
Proforma NTA per ordinary share of RM1.00 each (RM)	0.43

8. AUDITED FINANCIAL STATEMENTS

No audited financial statements of the Company and its subsidiary companies have been prepared in respect of any period subsequent to 31 May 2003.

Yours faithfully,

ANUARUL AZIZAN CHEW & CO
Firm Number: AF 0791
Chartered Accountants

TEE GUAN PIAN
Approved Number: 1886/05/04 (J/PH)
Partner of Firm

VINTAGE **VTI VINTAGE BERHAD** (Co. No: 589167-W)

2 5 SEP 2003

The Shareholders
VTI Vintage Berhad
F-3-5, Plaza Damansara
60 Jalan Sri Hartamas
Sri Hartamas
50480 Kuala Lumpur
Malaysia

Dear Sir/Madam

On behalf of the Directors of VTI Vintage Berhad, I wish to report that after making due enquiries to the Company and its subsidiaries (the "Group") during the period from 31 May 2003, being the date to which the last audited financial statements of the Group have been made up to the date hereof, being a date not earlier than fourteen (14) days before the issue of this Prospectus :-

a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;

b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

d) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group;

e) since the last audited financial statements of the Group, save as illustrated in the proforma balance sheets in Section 10 of this Prospectus, there has been no changes to the published reserves or any unusual factors affecting the profits of the Group; and

f) in the opinion of the Directors, they are not aware of since the last audited financial statements of the Group where, any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings.

Yours faithfully
For and on behalf of the Board
VTI Vintage Berhad

ONG THUAN MING
Director

45, Jalan 109E, Desa Business Park, Taman Desa, 58100 Kuala Lumpur, Malaysia.
Tel: 03-7981 2266 Fax: 03-7984 3922