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**7. APPROVALS AND CONDITIONS**

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**7.1 Approvals and Conditions**

Apart from the Court sanction on the Restructuring Scheme granted on 3 June 2003, the Restructuring Scheme and Listing was approved by the following authorities as follows:-

<b>Authorities</b>	<b><u>Date</u></b>
<b>SC</b>	2 December 2002, 4 December 2002 18 April 2003 and 12 September 2003
<b>MITI</b>	9 October 2002
<b>FIC</b>	8 October 2002 and 27 January 2003

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## 7. APPROVALS AND CONDITIONS (Cont'd)

The details of the conditions imposed by all the relevant authorities and status of compliance are set out below:

Authority	Details of Conditions Imposed				Status of Compliance																									
SC	1)	VVB is required to fulfil the requirement of minimum 25% public shareholdings spread and to furnish the SC with the details of the Offer For Sale prior to its listing on the Second Board of the KLSE;			To be met via Public Issue and Offer For Sale.																									
	2)	<p>A moratorium be imposed on 50% of the Consideration Shares ("Moratorium Shares") to be issued to the Vendors Of Vintage Group in relation to the Acquisition Of Vintage Group in accordance to the SC Guidelines whereby the Vendors Of Vintage Group will not be allowed to sell, transfer or assign the Moratorium Shares, within one (1) year from the date of Listing. Thereafter, the Vendors Of Vintage Group are permitted to sell, transfer or assign up to a maximum of one third (1/3) per annum (on a straight line basis) of the Moratorium Shares. However, the Vendors Of Vintage Group are allowed to avail themselves to the new SC Guidelines in line with the implementation of the third (3<sup>rd</sup>) phase of the disclosure based regulation regime.</p> <p>Subsequently, on 11 March 2003, the SC has announced that with regards to acquisitions of assets resulting in reverse take-overs of listed companies, a moratorium will be imposed on 50% of the consideration securities to be injected, whereby the vendors will not be allowed to sell, transfer or assigned the securities for one (1) year from the date the securities are listed on the KLSE. Hence, the new treatment of moratorium will apply to the Vendors Of Vintage Group herein.</p>			Will be met upon Listing of VVB																									
		<table border="1"> <thead> <tr> <th>Name</th> <th>Shareholdings upon Listing (No. of Shares) '000</th> <th>% of enlarged issued and paid-up capital</th> <th>No. of Shares under Moratorium (No. of Shares) '000</th> <th>% of enlarged issued and paid-up capital</th> </tr> </thead> <tbody> <tr> <td>Dato' Lim Sin Khong Ong Thuan Ming</td> <td>19,229<sup>^</sup></td> <td>24.6</td> <td>9,000</td> <td>11.5</td> </tr> <tr> <td>Datuk Sari bin Suhut Cheah Suan Lee</td> <td>7,471<sup>#</sup></td> <td>9.6</td> <td>5,000 <sup>@</sup></td> <td>6.4</td> </tr> <tr> <td></td> <td>10,000</td> <td>12.8</td> <td>6,000</td> <td>7.6</td> </tr> <tr> <td><b>Total</b></td> <td><b>52,200</b></td> <td><b>66.7</b></td> <td><b>30,000</b></td> <td><b>38.3</b></td> </tr> </tbody> </table>				Name	Shareholdings upon Listing (No. of Shares) '000	% of enlarged issued and paid-up capital	No. of Shares under Moratorium (No. of Shares) '000	% of enlarged issued and paid-up capital	Dato' Lim Sin Khong Ong Thuan Ming	19,229 <sup>^</sup>	24.6	9,000	11.5	Datuk Sari bin Suhut Cheah Suan Lee	7,471 <sup>#</sup>	9.6	5,000 <sup>@</sup>	6.4		10,000	12.8	6,000	7.6	<b>Total</b>	<b>52,200</b>	<b>66.7</b>	<b>30,000</b>	<b>38.3</b>
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		<p><sup>#</sup> 6,971,300 Shares held by Datuk Sari bin Suhut will be transferred to Nova Seni Sdn Bhd, an investment holding company prior to Listing.</p> <p><sup>@</sup> These Shares will be held under Nova Seni Sdn Bhd.</p> <p><sup>^</sup> Assuming full subscription of Shares by Directors of VVB made available to them via the Public Issue.</p>																												

**7. APPROVALS AND CONDITIONS (Cont'd)**

Authority	Details of Conditions Imposed	Status of Compliance
3)	<p>The appointment by the Pencorp of an independent audit firm within two (2) months from the date of the SC's approval letter to conduct an investigative audit on Pencorp's previous business losses. Pencorp is also required to take the necessary/appropriate measures to recover the said losses. Based on the findings of the investigative audit, Pencorp is required to make a report to the relevant authorities in the event of any breach of the laws, regulations, rules, guidelines and/or Pencorp's memorandum and articles of association by any member of Pencorp's board of directors and/or any other party that has caused the said losses to be incurred by Pencorp.</p> <p>The investigative audit is to be completed within six (6) months from the date of appointment of the independent audit firm and appropriate announcement is required to be made to the KLSE in respect of the findings of the investigative audit. Two (2) copies of the said investigative audit report must be made available to the SC after the completion of the investigative audit.</p>	<p>On 30 January 2003, Pencorp had submitted an application to the SC to seek an extension of time of two (2) months from 3 February 2003 to 2 April 2003 for the appointment of the independent audit firm and the SC vide its letter dated 12 March 2003 had approved the said extension of time. Subsequently on 26 March 2003, AmMerchant Bank, on behalf of Pencorp, announced to the KLSE that Pencorp had on the even date appointed Messrs. Pricewaterhouse Coopers Advisory Services Sdn Bhd to conduct the said investigative audit.</p> <p>The investigative audit was submitted to the SC on 12 September 2003 and the findings were announced on the KLSE on 22 September 2003.</p>
4)	Pencorp /VVB/AmMerchant Bank is required to obtain the SC's approval for any variations made to the terms and conditions for the issuance of the ICULS.	Will be complied.

**7. APPROVALS AND CONDITIONS (Cont'd)**

Authority	Details of Conditions Imposed	Status of Compliance
5)	<p>Prior to the issuance of ICULS, Pencorp/VVB/AmMerchant Bank is required to furnish the following :-</p> <p>(a) Facility Maintenance File ("Form FMF/JPB") to SC and Bank Negara Malaysia ("BNM")</p> <p>(b) A certified true copy of the executed ICULS Trust Deed</p>	<p>Complied, a copy of the form was furnished to the SC and BNM on 14 August 2003</p> <p>Complied, a copy was furnished to the SC on 15 August 2003</p>
6)	<p>The utilisation of the proceeds from the Public Issue is also, inter-alia, subject to the following conditions of the SC:-</p> <p>Approval from the SC should be sought for any changes to the utilisation of proceeds other than for the core business of VVB;</p> <p>Approval of the shareholders of VVB must be obtained for any subsequent changes to the utilisation of the said proceeds, that deviate by 25% or more from the original proposed utilisation of proceeds. Should the deviation be less than 25%, appropriate disclosure must be made to the shareholders of VVB.</p> <p>Any extension of time from the date fixed by VVB for the utilisation of proceeds from the Public Issue is required to be approved by a resolution of the Board of VVB and disclosed fully to the KLSE; and</p> <p>Appropriate disclosures on the status of utilisation of proceeds is required to be made in VVB quarterly reports and annual reports until all the proceeds have been fully utilised.</p>	<p>Will be complied, if applicable.</p> <p>Will be complied, if applicable.</p> <p>Will be complied, if applicable.</p> <p>Will be complied.</p>
7)	<p>SC has vide its letter dated 18 April 2003 approved the details of the Offer For Sale subject to, amongst others, the following conditions</p> <p>The Shares to be offered pursuant to the Offer For Sale are required to be offered/placed to public investors in accordance with the SC Guidelines; and</p> <p>Pencorp/VVB furnishing to the SC a final list of the placees of the Proposed Offer For Sale.</p>	<p>Will be complied.</p> <p>Will be complied.</p>
FIC	<p>VVB to comply with having 30% Bumiputera equity interest within two (2) years from its date of Listing.</p>	<p>Will be complied.</p>
MITI	<p>VTT's equity interest being held by at least 70% Malaysians inclusive of at least 10% reserved for the Bumiputera</p>	<p>Will be complied.</p>

## 7. APPROVALS AND CONDITIONS (Cont'd)

### 7.2 Moratorium on Shares

The SC, in approving the Restructuring Scheme, has imposed a moratorium on 50% of the Consideration Shares issued pursuant to the Acquisition Of Vintage Group to the Vendors Of Vintage Group. Accordingly, the Vendors Of Vintage Group will not be allowed to sell, transfer or assign their said Shares in VVB amounting the 30,000,000 Shares representing 38.3% of the enlarged issued and paid-up share capital of VVB within one (1) year from the date of admission of VVB on the Official List of the Second Board of the KLSE. Thereafter, they are permitted to sell, transfer or assign their Shares in VVB.

	Apportionment of Consideration Shares pursuant to Acquisition Of Vintage Group	% of enlarged issued and paid-up share capital before Offer For Sale*	No. of Shares under moratorium	% of the enlarged issued and paid-up share capital before Offer For Sale *
Dato' Lim Sin Khong	21,628,700	27.7	9,000,000	11.5
Ong Thuan Ming	18,000,000	23.0	10,000,000	12.8
Datuk Sari bin Suhut	8,371,300 #	10.7	5,000,000 @	6.4
Cheah Suan Lee	12,000,000	15.3	6,000,000	7.6
<b>Total</b>	<b>60,000,000</b>	<b>76.7</b>	<b>30,000,000</b>	<b>38.3</b>

\* based on enlarged issued and paid-up share capital of 78,246,002 Shares

# 6,971,300 Shares held by Datuk Sari bin Suhut will be transferred to Nova Seni Sdn Bhd, an investment holding company prior to Listing.

@ These Shares will be held under Nova Seni Sdn Bhd.

The restriction, which is fully accepted by Dato' Lim Sin Khong, Ong Thuan Ming, Datuk Sari bin Suhut and Cheah Suan Lee, is endorsed specifically on the share certificates representing their shareholdings that are under moratorium to ensure that VVB's registrars do not register any transfer not in compliance with the restriction imposed by the SC.

Datuk Sari bin Suhut will transfer 6,971,300 Shares in VVB into Nova Seni Sdn Bhd prior to Listing. Consequently, Nova Seni Sdn Bhd and its shareholders will give an undertaking to the SC that up to 5,000,000 of the aforementioned Shares in VVB transferred from Datuk Sari bin Suhut earmarked to be held under moratorium will not be allowed to be sold, transferred or assigned within one (1) year from the date of admission of VVB on the Official List of the Second Board of the KLSE. In addition, the restriction will be endorsed in the share certificate representing Nova Seni Sdn Bhd's shareholdings that are under moratorium to ensure that VVB's registrars do not register any transfer not in compliance with the restriction imposed by the SC.

The remarks to be endorsed on the share certificates of the Shares placed under moratorium are as follows :-

"The share comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission (the "**Moratorium Period**"). The shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

## 8. RELATED-PARTY TRANSACTIONS / CONFLICT OF INTEREST

### 8.1 Existing and Proposed Related-Party Transactions and Conflict of Interest

#### 8.1.1 Interest of the Directors and Substantial Shareholders in the promotions of any assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased to the VVB Group within two (2) years preceding the date of the Prospectus

Save as disclosed below, none of the Directors or Substantial Shareholders of VVB has any interest, direct or indirect, in the following acquisitions by the Company, and none of the Directors has any interest, directly or indirectly in the promotion of or in any assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to the Company or any of its subsidiary companies within the two (2) years preceding the date of this Prospectus.

Acquisition Of VTI	
Persons interested	Nature of relationship
Dato' Lim Sin Khong, Ong Thuan Ming and Datuk Sari bin Suhut	Directors and shareholders of VTI
Cheah Suan Lee	Shareholder of VTI

Acquisition Of VTH	
Persons interested	Nature of relationship
Dato' Lim Sin Khong and Ong Thuan Ming	Directors and shareholders of VTH
Cheah Suan Lee	Shareholder of VTH

The particulars of the Acquisition Of VTH and the Acquisition Of VTI are set out in Section 5 of the Prospectus.

#### 8.1.2 Transactions between the VVB Group and the Promoters / Directors / Substantial Shareholders and Management Team / Key Technical Personnel

Save as disclosed below, there are no transactions between VVB Group with the Promoters/Directors/Substantial Shareholders and management team / key personnel :-

Related party	Nature of transaction	Relationship	Value RM
Dato' Lim Sin Khong	Rental of the head office of VVB located at 45, 45-1, 45-2, Jalan 109E Desa Business Park Taman Desa 58100 Kuala Lumpur, Malaysia	Landlord / Tenant	RM69,600 per annum

The above transaction is based on an "arm's length basis".

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**8. RELATED-PARTY TRANSACTIONS / CONFLICT OF INTEREST (Cont'd)**

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**8.2 Transaction Which Are Unusual in their Nature or Conditions**

There are no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets, to which the VVB Group was a party in respect of the past one (1) financial year and the subsequent financial period thereof, if any, immediately preceding the date of this Prospectus.

**8.3 Outstanding Loans Made by the VVB Group to/for the Benefit of Related Parties**

There is no outstanding loan made by the VVB Group to or for the benefit of the related parties for the past one (1) financial year and the subsequent financial period thereof, if any, immediately preceding the date of this Prospectus.

**8.4 Interest in Similar Business**

None of the Promoters/Directors/Substantial Shareholders and key management personnel of the Group has interests, direct and indirect in other businesses and corporations carrying similar trade as the Group.

**8.5 Declaration by the Advisers**

AmMerchant Bank hereby confirms that, as at the date of Prospectus, there are no existing or potential conflicts of interest in its capacity as the Adviser for the Public Issue, Offer For Sale and Placement Of ICULS.

Messrs Teh & Lee has given its confirmation that there are no existing or potential conflict of interest in its capacity as the Solicitor for the Public Issue, Offer For Sale and Placement Of ICULS.

Messrs Anuarul Azizan Chew & Co. has given its confirmation that there are no existing or potential conflict of interest in its capacity as the Reporting Accountants for the Public Issue, Offer For Sale and Placement Of ICULS.

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**9. OTHER INFORMATION****9.1 Information on Land and Buildings**

The landed properties owned by the VVB Group are set out below:-

Registered owner	Title/Location	Description	Existing use	Approximate land area	Approximate built-up area	Tenure from / to	Approximate age of building	Net book value as at 31 December 2002 (RM'000)
VTI	HS (D) 43658 PT633 / Lot 12021, Kawasan Perindustrian Nilai FASA 1, 71800 Nilai Negeri Sembilan * (1)	Industrial land with a single storey detached factory building and ancillary buildings	Industrial	348,741 sq ft	73,627 sq ft	Leasehold 60 years expiring on 27 September 2045	6 months	5,296
VTI	HS (D) LP6762 – 6771 No. PT 2539 – 2548 / Langkap Light Industrial Park, Jalan Chui Chak, 36700 Langkap, (2) Perak, Malaysia	Industrial land with single storey detached factory, single storey office block and ancillary buildings	Industrial	236,739 sq ft	97,721 sq ft	Leasehold 60 years expiring on 29 November 2053	7 years	7,858

**Notes :-**

All the above properties are charged to Public Bank Berhad.

\* On 8 March 2002, VTI ("Purchaser") entered into a Sale and Purchase Agreement with Amcor Fibre Packaging (Malaysia) Sdn Bhd ("Vendor") for the purchase of a piece of land held under HS (D) 43658, No. PT 638, Mukim of Sentul, District of Seremban, State of Negeri Sembilan, measuring approximately 3.24 hectares in area comprising of a piece of vacant industrial land together with a building erected thereon for a total cash consideration of RM2,850,000.

(1) VTI is in the process of obtaining the certificate of fitness ("CF") as the construction of the factory building was only completed in March 2003. The CF is expected to be received from the Majlis Perbandaran Nilai within the next three (3) months after obtaining the relevant approvals from the Jabatan Pengairan dan Saluran, Jabatan Alam Sekitar and the Majlis Perbandaran Nilai.

(2) The CF has been issued in respect of this building.



**10. FINANCIAL INFORMATION****10.1 Proforma Consolidated Profit And Dividend Record**

A summary of the proforma consolidated audited results of the VVB Group for the five (5) financial years ended 31 December 1998 to 2002 and the five (5) months ended 31 May 2003 has been prepared for illustrative purposes only based on the audited accounts of the VVB Group and the assumption that the current structure of the VVB Group has been in existence throughout the financial years/period under review:-

	←----- Financial Year Ended 31 December ----->					5 months ended 31.5.2003
	1998	1999	2000	2001	2002	
	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
Earnings / (Loss) before interest, depreciation, taxation and amortisation	(703)	1,047	933	5,036	10,945	6,053
Interest Income	8	56	118	31	-	-
Interest expense	(366)	(183)	(177)	(155)	(315)	(219)
Depreciation and Amortisation	(747)	(730)	(731)	(898)	(1,514)	(900)
Exceptional items	-	-	-	-	-	-
(Loss before taxation) / PBT	(1,808)	190	143	4,014	9,116	4,934
Taxation	-	-	(43)	(64)	(1,583)	(1,127)
(Loss after taxation) / PAT	(1,808)	190	100	3,950	7,533	3,807
Extraordinary items	-	-	-	-	-	-
MI	-	-	(6)	(52)	(9)	-
Pre-acquisition profits	-	-	-	-	(21)	-
(Loss after taxation and MI) / PAT and MI	(1,808)	190	94	3,898	7,503	3,807
No. of Shares assumed to be in issue during the year ('000)	78,246	78,246	78,246	78,246	78,246	78,246
Gross (loss per Share) / EPS (sen)	(2.31)	0.24	0.18	5.06	11.62	++15.13
Net (loss per Share) / EPS (sen)	(2.31)	0.24	0.12	4.98	9.59	++11.68
Dividend rate (%)	-	-	-	-	-	-
Effective tax rate (%)	-	-	30.07	1.59	17.37	22.84

**Notes:-**

- (a) For the financial year ended 31 December 1998, turnover was 10.3% lower than the previous year mainly due to the regional economic crisis and slowdown in the property and construction sector which started in late 1997. Similarly, profitability also decreased due to the regional economic crisis which had resulted in the oversupply of concrete roof tiles and lower selling prices of concrete roof tiles in the market. In response to these market changes, the VVB Group reduced its selling price for its tiles and hence, recorded a lower gross profit margin of 19.0% and a loss after taxation of RM1.8 million.
- (b) For the financial year ended 31 December 1999, the turnover increased by RM4.8 million or 78.6% from that of the previous year as the Malaysian economy recovered from the regional economic crisis. In response to the increase in demand, VVB Group increased its concrete roof tile production capacity by extending production hours by twofold. Profit margin increased significantly due to the higher market price for concrete roof tiles and lower cost of production. In line with the increase in gross profit margin, VVB Group's financial performance recorded a turnaround from the loss in the previous year to PAT of RM190,000 in 1999.
- (c) For the financial year ended 31 December 2000, turnover improved further by 11.1% as a result of the regional economic recovery. Despite the increase in turnover, PAT reduced to approximately RM94,000. This was mainly due to the lower gross profit margin achieved as a result of the high cost incurred during the year.

**10. FINANCIAL INFORMATION (Cont'd)**

- (d) For the financial year ended 31 December 2001, turnover continued to increase by 39.5% to approximately RM16.8 million in 2001. This was mainly attributable to the recovery in the construction sector which had translated into higher demand for roofing tiles. In addition, VTI had also launched its new factory in Langkap, Perak in order to increase its production capacity to meet the increased market demand.
- (e) For the financial year ended 31 December 2002, turnover of VTI increased to approximately RM28.7 million while the turnover of VRC increased to RM4.6 million from only RM1.1 million in the previous year. As a result, the VVB Group's turnover increased by approximately RM13.3 million or 79.4%. The increased in turnover was resulted from the full commissioning of VTI's new tile factory in Langkap, Perak in late 2001 as well as the larger volume of contracts secured by VRC for the laying of concrete roof tiles. PAT is mainly contributed by VTI. In line with the increase in turnover, the PAT of VVB Group improved by 92.5% to RM7.5 million in 2002.
- (f) Assuming that the Restructuring Scheme had taken effect throughout the years and the share capital of VVB Group is 78,246,000 Shares.
- (g) The proforma gross (loss) / earning per Share and net (loss) / earning per Share is computed based on the number of Shares assumed to be issued of 78,246,002 Shares.
- (h) There were no extraordinary items and exceptional items in respect of the financial years under review.
- (i) As at 31 December 2001, VTH owns 70% equity interest in VRC and subsequent on 28 January 2002, VTI acquired the remaining 30% equity interest in VRC from a third party.

**10.2 Segmental Analysis****10.2.1 Analysis of turnover by VVB and its subsidiaries**

	Financial year/period ended 31 December					5 months ended
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	31.5.2003 RM'000
VTH	-	-	-	-	-	-
VTI	6,069	10,841	11,790	16,294	28,736	17,100
VRC	-	-	549	1,135	4,621	1,069
Consolidation adjustments	-	-	(300)	(629)	(3,220)	(753)
<b>Total Group</b>	<b>6,069</b>	<b>10,841</b>	<b>12,039</b>	<b>16,800</b>	<b>30,137</b>	<b>17,416</b>

**10. FINANCIAL INFORMATION (Cont'd)****10.2.2 Analysis of (loss after taxation) / PAT by VVB and its subsidiaries**

	Financial year/period ended 31 December					5 months ended
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	31.5.2003 RM'000
VTH	-	-	(31)	2	(5)	(2)
VTI	(1,808)	190	110	3,776	7,116	3,797
VRC	-	-	21	170	428	16
Consolidation adjustments	-	-	-	2	(6)	(4)
<b>Total Group</b>	<b>(1,808)</b>	<b>190</b>	<b>100</b>	<b>3,950</b>	<b>7,533</b>	<b>3,807</b>

**10.3 Directors' Declaration on Financial Performance**

As at 25 September 2003, being the latest practicable date prior to the printing of this Prospectus, the financial conditions and operations of VVB and its subsidiaries are not affected by any of the following :-

- i) Known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the VVB Group;
- ii) Material commitment for capital expenditure;
- iii) Unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the VVB Group;
- iv) Known events, circumstance, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position; and
- v) Known trends, demand, commitment, events or uncertainties that have resulted in a substantial increase in revenue which is attributable to prices, volume of goods/services being sold and the introduction of new products/services or any other factors.

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**10. FINANCIAL INFORMATION (Cont'd)****10.4 Working Capital, Borrowings, Contingent Liabilities, Material Commitments and Litigations****(i) Working Capital**

The Directors are of the opinion that after taking into account the cashflow forecast, banking facilities available and gross proceeds from the Public Issue, the Group will have sufficient working capital for a period of twelve (12) months from the date of this Prospectus.

**(ii) Borrowings**

As at 25 September 2003 (being the last practicable date prior to the printing of this Prospectus), the total borrowings of the VVB Group amounting to approximately RM29.726 million which comprise term loans, overdraft, leases, hire-purchases, trade facilities and ICULS, are as shown below :-

	<b>RM'000</b>
Short term	4,682
Long term	25,044
<b>Total</b>	<b>29,726</b>

**(iii) Contingent Liabilities and Capital Commitments**

As at 25 September 2003 (being the last practicable date prior to the printing of this Prospectus), the Group does not have any contingent liabilities or capital commitments, which upon becoming enforceable, may have material impact on the profit or net asset value of the Group.

**(iv) Material Litigations or Arbitrations**

As at 25 September 2003 (being the last practicable date prior to the printing of this Prospectus), the Group does not have any material litigation or arbitration, which upon becoming enforceable, may have material impact on the profit or net asset value of the Group.

The borrowings, contingent liabilities, material litigations or arbitrations pertaining to Pencorp Group will not be assumed by VVB as Pencorp will be disposed of prior to the Listing.

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**10. FINANCIAL INFORMATION (Cont'd)****10.5 Consolidated Profit Forecast And Assumptions For The Financial Year Ending 31 December 2003**

The Directors forecast that, the proforma consolidated PBT and PAT for the financial year ending 31 December 2003 will be as follows:-

<b>Financial Year Ending</b>	<b>Forecast 31.12.2003 RM'000</b>
Turnover	57,606
Consolidated PBT	13,386
Less : Taxation	(3,748)
Consolidated PAT	9,638
Less : Pre-acquisition profits	(5,809)
Consolidated PAT after pre-acquisition profits	3,829
Enlarged issued and paid-up share capital ('000 Shares)	78,246

	<b>Forecast (Before Deducting Pre-Acquisition Profits) 31.12.2003</b>	<b>Forecast (After Deducting Pre-Acquisition Profits) 31.12.2003</b>
<b>Before full conversion of ICULS</b>		
Basic gross EPS (sen) *	17.11	9.68
Basic net EPS (sen) *	12.32	4.89
Basic gross PE based on the Issue/Offer Price of RM1.00 per Share (times)	5.84	N/A
Basic net PE based on the Issue/Offer Price of RM1.00 per Share (times)	8.12	N/A

\* Based on enlarged share capital of 78,246,002 Shares

N/A Not applicable

	<b>Forecast (Before Deducting Pre-Acquisition Profits) 31.12.2003</b>	<b>Forecast (After Deducting Pre-Acquisition Profits) 31.12.2003</b>
<b>After full conversion of ICULS</b>		
Diluted gross EPS (sen) #	13.73	7.77
Diluted net EPS (sen) #	9.89	3.93
Diluted gross PE based on the Issue/Offer Price of RM1.00 per Share (times)	7.28	N/A
Diluted net PE based on the Issue/Offer Price of RM1.00 per Share (times)	10.11	N/A

# Based on enlarged share capital of 97,246,002 Shares after full conversion of ICULS at a conversion price of RM1.00

N/A Not applicable

**10. FINANCIAL INFORMATION (Cont'd)****10.6 Reporting Accountants' Letter On The Consolidated Profit Forecast Of The VVB Group For The Financial Year Ending 31 December 2003**

**AnuarulAzizanChew**
**Anuarul Azizan Chew & Co (AF 0791)**  
 Chartered Accountants

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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,

**VTI VINTAGE BERHAD ("VVB")****CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2003**

We have reviewed the consolidated profit forecast of VVB and its subsidiary companies ("VVB Group" or "the Group") for the year ending 31 December 2003 as set out in the accompanying appendix in accordance with the standard applicable to the review of forecasts. The forecast has been prepared for the purpose of inclusion in the Prospectus dated **30 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").

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the year ended 31 December 2002. The Directors of the Group are solely responsible for the preparation and presentation of the forecast and the assumptions on which the forecast is based.

Forecasts, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which the management expects to take as of the date the information is prepared (best-forecast assumptions). While information may be available to support the assumptions on which forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

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**10. FINANCIAL INFORMATION (Cont'd)**

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Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying appendix, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the year ended 31 December 2002.

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

**10. FINANCIAL INFORMATION (Cont'd)****APPENDIX 1/3****VVB GROUP****CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2003**

Barring unforeseen circumstances and on the bases and assumptions set out below, the Board of Directors of the respective companies in the VVB Group forecast that the consolidated profit forecast of the VVB Group for the financial year ending 31 December 2003 after incorporating the effects of the Restructuring Scheme are as follows:-

	<b>Profit Forecast RM'000</b>
Turnover	<u>57,606</u>
Consolidated profit before taxation	13,386
Less: Taxation	<u>(3,748)</u>
Consolidated profit after taxation	9,638
Less: Pre-acquisition profit	<u>(5,809)</u>
Consolidated profit after taxation and pre-acquisition profit <sup>1</sup>	<u>3,829</u>

	<i>Before Deducting Pre-Acquisition Profit 31.12.2003</i>	<i>After Deducting Pre-Acquisition Profit 31.12.2003</i>
<b>Before Full Conversion of ICULS</b>		
Number of ordinary shares in issued ('000)	78,246	78,246
Basic gross EPS (sen) <sup>2</sup>	17.11	9.68
Basic net EPS (sen) <sup>3</sup>	12.32	4.89
Basic gross price-earnings multiple based on the issue/offer price of RM1.00 per Share (times)	5.84	N/A
Basic net price-earnings multiple based on the issue/offer price of RM1.00 per Share (times)	8.12	N/A
<b>After Full Conversion of ICULS</b>		
Number of ordinary shares in issued ('000)	97,486	97,486
Diluted gross EPS (sen) <sup>4</sup>	13.73	7.77
Diluted net EPS (sen) <sup>5</sup>	9.89	3.93
Diluted gross price-earnings multiple based on the issue/offer price of RM1.00 per Share (times)	7.28	N/A
Diluted net price-earnings multiple based on the issue/offer price of RM1.00 per Share (times)	10.11	N/A

**Notes:-**

- For the financial year ending 31 December 2003, the results of Vintage Tiles Industries Sdn Bhd ("VTI") and Vintage Holdings Sdn Bhd ("VTH") (collectively known as "Vintage Group") will be consolidated in the result of the VVB Group from 9 August 2003 onwards as the Acquisition Of Vintage Group was completed on 8 August 2003.
- Calculated based on consolidated profits before taxation before/after deducting pre-acquisition profits divided by the enlarged share capital of 78,246,002 ordinary shares of RM1.00 each.
- Calculated based on consolidated profits after taxation before/after deducting pre-acquisition profits divided by the enlarged share capital of 78,246,002 ordinary shares of RM1.00 each.
- Calculated based on consolidated profits before taxation before/after deducting pre-acquisition profits divided by the enlarged share capital of 97,486,002 ordinary shares of RM1.00 each.
- Calculated based on consolidated profits after taxation before/after deducting pre-acquisition profits divided by the enlarged share capital of 97,486,002 ordinary shares of RM1.00 each.



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**10. FINANCIAL INFORMATION (Cont'd)**

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**APPENDIX 2/3****Principal Bases and Assumptions**

The principal bases and assumptions upon which the consolidated profit forecast have been prepared, which are deemed to be reasonable, are set out below. Nevertheless, because of the subjective judgements and inherent uncertainties, certain assumptions, including interest and exchange rates, may differ significantly should the Malaysian and regional economic, political or market conditions change significantly from the date of this profit forecast.

- 1) There will be no significant changes in the principal activities, management structure, accounting and business policies adopted by the VVB Group.
- 2) There will be no significant changes to the prevailing economic, political and market conditions in Malaysia and elsewhere that will have direct or indirect effects on the VVB Group.
- 3) The recovery of the Malaysian economy will continue and this will have positive impact on the activities and performance of the VVB Group. No material setback in the growth of the Malaysian economy which will adversely affect the operations of the VVB Group.
- 4) There will be no material changes to present legislation or Government regulations, rates and bases of duties, levies and taxes which will adversely affect the VVB Group activities or the markets in which it operates.
- 5) There will be no major industrial disputes or any abnormal circumstances which will adversely affect the VVB Group's operations, at the forecasted sales level or disrupt its planned operations, supplies or its customers.
- 6) Inflation rates, interest rates and exchange rates, including the pegged exchange rate of RM3.80 to USD1.00 will not change or fluctuate significantly from their present levels.
- 7) Existing financial facilities will remain available with no significant changes in their interest rates.
- 8) There will be no disposal of property, plant and equipment and investments.
- 9) The sales and related costs forecasted were based on forecast of the directors after taking into consideration the present market conditions of selling prices and related costs of the VVB Group.
- 10) The sales and profit margin of the VVB Group will be in line with forecasted levels of activities and will not vary significantly from the forecast.

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**10. FINANCIAL INFORMATION (Cont'd)**

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APPENDIX 3/3

**Principal Bases and Assumptions (cont'd)**

- 11) The forecasted sales volume and value will not be adversely affected by unforeseen or abnormal factors or extraordinary items.
- 12) Production will not be adversely affected by any abnormal circumstances or events.
- 13) There will be no major breakdown or disruption in the manufacturing facilities nor will there be any disruption of the sourcing of materials by the VVB Group.
- 14) There will be no material fluctuation in manufacturing costs (including labour, cost of materials and other production overheads).
- 15) There will be no unexpected problems that may affect the VVB Group's various manufacturing schedules.
- 16) There will be no material changes in capital and revenue cost items including wages, material and other costs that will adversely affect the performance of the VVB Group.
- 17) Where applicable, the forecast is prepared on the assumption of the terms and conditions of the existing contracts and agreements.
- 18) There will be no material liabilities arising from unresolved litigation, if any, that will adversely affect the performance of the VVB Group.
- 19) The tax liabilities will be at the prevailing tax rate and all unabsorbed losses and capital allowances will be agreed and approved by the Inland Revenue Board.

## 10. FINANCIAL INFORMATION (Cont'd)

### 10.7 Directors' Comments On The Profit Forecast

The Board confirm that the profit forecast of the VVB Group and the underlying bases and assumptions stated therein have been reviewed by the Directors after due and careful enquiry, and that the Directors, having taken into account the future prospects of the industry, future plans of the VVB Group and its level of gearing, liquidity and working capital requirements, are of the opinion that the profit forecast of the VVB Group are achievable and the assumptions made are reasonable.

Nevertheless, in light of the current economic environment in Malaysia and globally, certain assumptions, including interest and exchange rates, may differ significantly from actual, should the economic situation differ significantly from the date of this profit forecast and this may have a material impact on VVB Group's profit forecast.

### 10.8 Basis of Accounting Policies

The profit forecast had been prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of the VVB Group.

### 10.9 Dividend Forecast

Based on the consolidated profit forecast for the financial year ending 31 December 2003, and on the assumption that the present basis for calculating taxation and the rates of taxation will remain unchanged, the Directors of VVB Group anticipate that they will be in a position to propose, based on the enlarged issued share capital of 78,246,000 Shares, a gross dividend of 3.0% for the financial year ending 31 December 2003.

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the VVB Group.

The intended appropriation of the consolidated profit forecast for the financial year ending 31 December 2003 are as follows:-

#### DIVIDEND FORECAST

	<b>Forecast 31.12.2003</b>
Gross dividend per Share	3.00 sen
Net dividend per Share	2.16 sen
Gross dividend yield based on the Issue/Offer Price of RM1.00 per Share	3.00 %
Net dividend yield based on the Issue/Offer Price of RM1.00 per Share	2.16%
Net dividend cover (times) #	5.70

# *Based on net EPS before deducting pre-acquisition profits*

Investors should note that future dividends might be waived if:-

- (a) The Group records a loss instead of the forecast profits; or
- (b) The payment of the dividends would adversely affect the Group's cashflows and operations.

**10. FINANCIAL INFORMATION (Cont'd)****10.10 Sensitivity Analysis****10.10.1 Variations in Turnover**

Forecast for the financial year ending 31 December 2003	As forecasted RM'000	Assuming selling prices increase by 5% RM'000	% change	Assuming selling prices decrease by 5% RM'000	% change
Turnover	57,606	60,486	5.0	54,726	-5.0
PBT	13,387	16,267	21.5	10,507	-21.5

**10.10.2 Variations in Cost of Production**

Forecast for the financial year ending 31 December 2003	As forecasted RM'000	Assuming cost increase by 5% RM'000	% change	Assuming cost decrease by 5% RM'000	% change
Cost of production	30,274	31,788	5.0	28,760	-5.0
PBT	13,387	11,873	-11.3	14,901	11.3

The Directors have assessed the sensitiveness of the forecast to fluctuation in major variables thereof. The Directors' view is that the main vulnerability, in so far as the achievement of the forecast is concerned, are fluctuations in the selling price and cost of raw materials.

The Directors are of the opinion that the forecasted selling price and raw material are realistic. The Directors are satisfied with the adequacy and reliability of management accounting and forecast procedures and are confident of the achievability of the forecast.

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**10. FINANCIAL INFORMATION (Cont'd)****10.11 Proforma Consolidated Balance Sheets of VVB Group As At 31 May 2003**  
(Prepared for inclusion in this Prospectus)**VTI VINTAGE BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MAY 2003**

The proforma consolidated balance sheets as set out below have been prepared for illustrative purposes only to show the effect on the combined balance sheets of the respective companies in the VVB Group as at 31 May 2003 and also based on the assumptions that the following events had been effected on that date.

	Proforma I	Proforma II	Proforma III	Proforma IV	Proforma V	Proforma VI
	Audited as at 31.05.2003	After I and Share Swap	After II and Distribution	After III and Acquisition Of Vintage Group	After IV and Public Issue, Offer For Sale and Placement of ICULS	After V and full conversion of ICULS
	RM	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS EMPLOYED</b>						
PROPERTY, PLANT AND EQUIPMENT	-	-	-	31,543	31,543	31,543
GOODWILL	-	-	-	25,785	25,785	25,785
<b>CURRENT ASSETS</b>						
Inventories	-	-	-	2,979	2,979	2,979
Trade Receivables	-	-	-	11,459	11,459	11,459
Other Receivables	-	-	-	1,693	1,693	1,693
Rentention sum receivable	-	-	-	58	58	58
Cash and bank balances	2	-	-	246	8,246	8,246
	<u>2</u>	<u>-</u>	<u>-</u>	<u>16,435</u>	<u>24,435</u>	<u>24,435</u>
<b>LESS: CURRENT LIABILITIES</b>						
Trade payables	-	-	-	1,597	1,597	1,597
Other payables	3,237	3	529	1,402	1,402	1,402
Amount owing to a director	5,483	6	6	22	22	22
Hire purchase payables	-	-	-	144	144	144
Bill payables	-	-	-	686	686	686
Term loan	-	-	-	649	649	649
Provision for taxation	-	-	-	2,427	2,427	2,427
Bank overdraft	-	-	-	1,199	1,199	1,199
	<u>8,720</u>	<u>9</u>	<u>535</u>	<u>8,126</u>	<u>8,126</u>	<u>8,126</u>
<b>NET CURRENT ASSETS</b>	<u>(8,718)</u>	<u>(9)</u>	<u>(535)</u>	<u>8,309</u>	<u>16,309</u>	<u>16,309</u>
	<u>(8,718)</u>	<u>(9)</u>	<u>(535)</u>	<u>65,637</u>	<u>73,637</u>	<u>73,637</u>



**10. FINANCIAL INFORMATION (Cont'd)**

	Proforma I	Proforma II	Proforma III	Proforma IV	Proforma V	Proforma VI
Audited as at 31.05.2003	After I and Share Swap	After II and Distribution	After III and Acquisition Of Vintage Group	After IV and Public Issue, Offer For Sale and Placement of ICULS	After V and full conversion of ICULS	
RM	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>FINANCED BY</b>						
SHARE CAPITAL	2	450	8,246	68,246	78,246	97,486
RESERVE ON CONSOLIDATION	-	-	-	-	-	-
ACCUMULATED LOSSES	(8,720)	(1,509)	(28,021)	(28,021)	(30,021)	(30,021)
ICULS	(8,718)	(1,059)	(19,775)	40,225	48,225	67,465
Hire purchase payables	-	1,050	19,240	19,240	19,240	-
Term loan	-	-	-	352	352	352
	-	-	-	5,820	5,820	5,820
	<u>(8,718)</u>	<u>(9)</u>	<u>(535)</u>	<u>65,637</u>	<u>73,637</u>	<u>73,637</u>
<b>NET TANGIBLE ASSETS ("NTA")</b>						
<b>COMPUTATION</b>						
Net Assets	(8,718)	(1,059)	(19,775)	40,225	48,225	67,465
Less: goodwill	-	-	-	(25,785)	(25,785)	(25,785)
NTA	<u>(8,718)</u>	<u>(1,059)</u>	<u>(19,775)</u>	<u>14,440</u>	<u>22,440</u>	<u>41,680</u>
NTA per share (RM)	(4,359.00)	(2.35)	(2.40)	0.21	0.29	0.43
Total borrowings (all interest-bearing debts)	-	1,050	19,240	28,090	28,090	8,850
Gearing ratio (times)	-	-	-	0.70	0.58	0.13
(Total borrowings/Shareholders funds)						



**10. FINANCIAL INFORMATION (Cont'd)****NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF VVB****Basis of Preparation and Consolidation**

1. The proforma consolidated balance sheets have been prepared using the acquisition method of accounting.
2. The proforma consolidated balance sheets are prepared for illustrative purposes only and based on the combined balance sheets of the respective companies in the VVB Group as at 31 May 2003 and also on the assumptions that the following transactions have been effected on that date.
3. The proforma consolidated balance sheets have been prepared on bases and accounting principles consistent with those previously adopted by Vintage Tiles Industries Sdn Bhd ("VTI") and Vintage Tiles Holdings Sdn Bhd ("VTH") (collectively known as "Vintage Group") in the preparation of audited financial statements.
4. Pursuant to the Restructuring Scheme, VVB had acquired the entire issue and paid up share capital of Penas Corporation Berhad ("Pencorp"). However, the proforma consolidated balance sheets have been prepared without including Pencorp as the company will eventually be disposed of after the completion of the restructuring exercise. The non-consolidation of the financial statements of Pencorp is in compliance with Malaysian Accounting Standards Board ("MASB") Standard No. 11.
5. VVB was incorporated on 12 August 2002 as public limited company.

**Proforma I**

Incorporation of new holding company namely VTI Vintage Berhad to facilitate the Restructuring Scheme. VVB will subsequently assume the listing status of Pencorp and thereafter, Pencorp will be delisted.

**Proforma II**

Proforma II incorporates the effect of Proforma I and the Share Swap of 1,500,000 Consolidated Shares in Pencorp. The Consolidated Shares in Pencorp were swapped with new securities in VVB on the basis of three (3) new Shares and RM7.00 nominal value of ICULS in VVB for every ten (10) Consolidated Shares held in Pencorp. As a result, Pencorp has become a wholly owned subsidiary of VVB.

**10. FINANCIAL INFORMATION (Cont'd)**

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**Proforma III**

Proforma III incorporates the effect of Proforma II and the Distribution of RM28.012 million comprising approximately RM27.486 million worth of new Shares and ICULS in VVB in the proportion of 30% : 70% and RM526,000 in cash to Pencorp as consideration for the transfer of listing status to VVB ("The Consideration Securities"). The Consideration Securities (after deducting 450,000 Shares and RM1.05 million nominal value of ICULS reserved for all Pencorp's shareholders) will be distributed to all secured and unsecured creditors at Pencorp level (including the debts to be recognised at subsidiaries level via corporate guarantees granted by Pencorp) proportionately. The cut off date for the debt settlement is fixed at 31 December 2001.

**Proforma IV**

Proforma IV incorporates the effect of Proforma III and the Acquisition Of Vintage Group comprising the entire equity interest in VTI and VTH for RM59.795 million and RM205,000 respectively, resulting in the total purchase consideration of Vintage Group to be RM60 million ("Purchase Consideration"). The Purchase Consideration was satisfied by the issuance of 60,000,000 Shares in VVB credited as fully paid-up, at an issue price of RM1.00 per new VVB Share.

**Proforma V**

Proforma V incorporates the effect of Proforma IV and public issue of 10,000,000 new Shares at an issue price of RM1.00 per new Share, offer for sale of 10,000,000 Shares of RM1.00 each at an offer price of RM1.00 and placement of RM100,000 nominal value of ICULS.

The proceeds from the public issue of RM10 million will be utilised for capital expenditure and working capital purposes. The offer for sale involves the offer for sale by the Vendors Of Vintage Group of 10,000,000 Shares in VVB at an offer price of RM1.00 per Share to potential investors to be nominated by VVB.

**Proforma VI**

Proforma VI incorporates the effect of Proforma V and the conversion of all ICULS to paid-up share capital at a conversion price of RM1.00 nominal value of ICULS for one (1) new Share in VVB.



**10. FINANCIAL INFORMATION (Cont'd)**

**10.12 Reporting Accountants' Letter On The Proforma Consolidated Balance Sheets  
As At 31 May 2003**  
(Prepared for inclusion in the Prospectus)



**Anuarul Azizan Chew & Co** (AF 0791)  
Chartered Accountants

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51200 Kuala Lumpur  
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Website www.morisoninternational.com

**25 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,

**VTI VINTAGE BERHAD ("VVB")**

**PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MAY 2003**

We have reviewed the presentation of the proforma consolidated balance sheets of VVB and its subsidiary companies ("VVB Group" or "the Group") as at 31 May 2003, together with the notes thereon, for which the directors of the respective companies are collectively and individually responsible. The proforma consolidated balance sheets have been prepared for inclusion in the Prospectus dated **30 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").

In our opinion, the proforma consolidated balance sheets and the accompanying notes which have been prepared for illustrative purposes only, have been properly compiled on the basis set out in the notes to the proforma consolidated balance sheets, and are presented in a form suitable for inclusion in the Prospectus.

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