

**12. ACCOUNTANTS' REPORT**

*(Prepared for inclusion in the Prospectus)*



AF: 0039

**ACCOUNTANTS' REPORT**

*(Prepared for inclusion in this Prospectus)*

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23 OCT 2003

The Board of Directors  
Yu Neh Huat Bhd  
2272 Taman Samudera  
Jalan Lumut  
32040 Sri Manjung  
Perak Darul Ridzuan

Dear Sirs

**1. INTRODUCTION**

This Report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Yu Neh Huat Bhd ("YNHB") issued in connection with the Offer for Sale of 2,000,000 ordinary shares of RM1 each at an offer price of RM1 per ordinary share and Placement of 50,000,000 ordinary shares of RM1 each at the price of RM1 per ordinary share and the listing of and quotation for the entire issued and fully paid-up share capital and ICULS of YNHB on the Main Board of the Kuala Lumpur Stock Exchange.

**2. GENERAL INFORMATION**

**2.1 The Company - Yu Neh Huat Bhd (YNHB)**

YNHB was incorporated on 18 October 2001 under the Companies Act 1965 as a private limited company domiciled in Malaysia under the name of Giant Express Sdn Bhd. On 6 November 2001, it was converted to a public company, and subsequently changed to its present name on 3 July 2002.

YNHB and its subsidiary companies had, as at 30 April 2003, 81 employees.

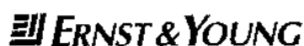
The address of the registered office and principal place of business of YNHB is as follows:

**Registered office**

No. 35 Jalan Hussein  
30250 Ipoh  
Perak Darul Ridzuan

**Principal place of business**

No. 2272 Taman Samudera  
Jalan Lumut  
32040 Sri Manjung  
Perak Darul Ridzuan

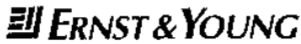
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**2. GENERAL INFORMATION (Contd.)****2.2 Listing exercise**

In conjunction with, and as part of the listing of and quotation of the entire issued and fully paid-up share capital and ICULS of YNHB on the Main Board of the Kuala Lumpur Stock Exchange, YNHB was involved with and undertook or will undertake the following listing exercise:-

- (i) Reduction of the existing issued and paid-up share capital of Techno Asia Holdings Berhad ("TAHB") from RM207,597,589 comprising 207,597,589 ordinary shares of RM1.00 each to RM5,189,940 comprising 207,597,589 ordinary shares of RM0.025 each representing a capital reduction of RM0.975 for every existing ordinary share of RM1.00 each. Thereafter, forty (40) ordinary shares of RM0.025 each will be consolidated into one (1) ordinary share of RM1.00 each ("Consolidated Shares") ("Capital Reduction and Consolidation"). The Capital Reduction and Consolidation shall be at the sole and absolute discretion of TAHB;
- (ii) Acquisition of the entire issued and paid-up share capital of TAHB (after the Capital Reduction and Consolidation) by YNHB, to be satisfied by the issuance of 5,189,940 new shares in YNHB (shares issued by YNHB mentioned hereinafter are known as "YNHB Share"), on the basis of one (1) new YNHB Share of RM1.00 each, for every one (1) Consolidated Share held in TAHB ("Share Swap");
- (iii) Acquisition of the entire issued and paid-up share capital of Kar Sin Berhad ("KSB") and Yu and Sons Sdn Bhd ("YSSB") by YNHB for a total purchase consideration of RM241,098,000 to be satisfied by the issuance of 192,878,000 new YNHB Shares at an issue price of RM1.00 per share and the issuance of RM48,220,000 nominal value of 3% 5-year Irredeemable Convertible Unsecured Loan Stocks ("ICULS") by YNHB\*;
- (iv) Restricted issue of 15,000,000 new YNHB Shares at an issue price of RM1.00 per share to raise RM15 million cash for YNHB to pay TAHB as consideration for the transfer of listing status of TAHB to YNHB\*;
- (v) Offer For Sale of 52,000,000 YNHB Shares by the Vendors of KSB and YSSB, consisting of 50,000,000 YNHB Shares via private placement to public placees and 2,000,000 YNHB Shares to the Malaysian Public;
- (vi) Listing of the entire issued and paid-up share capital and ICULS of YNHB on the Main Board of the KLSE;
- (vii) Transfer of the listing status of TAHB to YNHB in consideration for RM15 million cash, which will be utilised for part settlement of TAHB and its subsidiary companies' debts. Consequently, TAHB will be de-listed from the Main Board of the Kuala Lumpur Stock Exchange ("KLSE") and YNHB will be listed on the Main Board of the KLSE;

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**2. GENERAL INFORMATION (Contd.)****2.2 Listing exercise (Contd.)**

(viii) Disposal by YNHB of the entire issued and paid-up share capital of TAHB (from the Share Swap with YNHB) to a special purpose vehicle nominated by the Special Administrators ("SA") of TAHB for a nominal sum of RM1.00; and

(ix) Establishment and implementation of an employee share option scheme ("ESOS") of up to ten percent (10%) of the issued and paid-up share capital of YNHB.

\* The respective exercise was completed on 2 September 2003.

**2.3 Share capital**

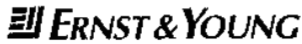
As at the date of this Report, the share capital of YNHB which consists of ordinary shares of RM1 each, is as follows:

	<b>RM</b>
Authorised	<u>500,000,000</u>
Issued and fully paid-up	<u>207,878,250</u>

**2.3.1 Authorised share capital**

Details of changes in the authorised share capital of YNHB since its incorporation are as follows:

<b>Date of creation</b>	<b>No. of ordinary shares of RM1.00 each RM</b>	<b>Cumulative total authorised share capital RM</b>
As at date of incorporation	100,000	100,000
21 August 2003	<u>499,900,000</u>	<u>500,000,000</u>

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**2. GENERAL INFORMATION (Contd.)****2.3 Share capital (Contd.)****2.3.2 Issued and fully paid-up share capital**

Details of changes in the issued and paid-up share capital of YNHB since its incorporation are as follows:

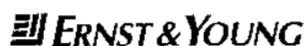
<b>Date of allotment</b>	<b>No. of ordinary shares of RM1.00 each</b>	<b>Consideration RM</b>	<b>Cumulative total paid-up share capital RM</b>
Subscriber's shares	2	Cash	2
5 November 2001	248	Cash	250
2 September 2003	192,878,000	Issued as consideration for acquisition of KSB Group and YSSB	192,878,250
2 September 2003	15,000,000	Cash	207,878,250

**2.3.3 Irredeemable Convertible Unsecured Loan Stocks ("ICULS")**

On 2 September 2003, YNHB issued an amount of RM48,220,000 nominal value of 3% 5-year ICULS as part settlement for the acquisition of KSB Group and YSSB.

**2.4 Principal activity**

The principal activity of YNHB is investment holding. The principal activities of the companies acquired as subsidiary companies are set out in item 2.5.1 to this Report. There were no significant changes in the nature of these activities during the period ended 30 April 2003.

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**2. GENERAL INFORMATION (Contd.)****2.5 The Companies acquired as Subsidiary Companies of YNHB pursuant to the listing exercise**

Information on the companies acquired as subsidiary companies by YNHB (collectively referred to as the "Proforma Group") pursuant to the listing exercise is as follows:

**2.5.1 Kar Sin Berhad (KSB)**

KSB was incorporated on 24 May 1982 under the Companies Act 1965 as a private limited company domiciled in Malaysia under the name of Kar Sin Enterprise Sdn Bhd. It changed its name to Kar Sin Sdn Bhd on 18 February 1997. On 7 March 1997, it was converted to a public company and adopted its present name.

As at the date of this Report, the authorised and issued/fully paid-up share capital of KSB are RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each and RM800,000 comprising 800,000 ordinary shares of RM1.00 each respectively.

The principal activities of KSB are property development and cultivation and sale of oil palm produce. KSB commenced its property development activities since the financial year ended 31 December 1987, and cultivation and sale of oil palm produce in the financial year ended 31 December 1989.

The following are the subsidiary companies of KSB (collectively known as "KSB Group") as at 30 April 2003 and at the date of this Report, all of which are private limited companies, incorporated and domiciled in Malaysia:

Subsidiary company	Principal activities	Effective equity interest (%)	Date of incorporation	Authorised share capital RM	Issued and paid up share capital RM
Lead View Sdn Bhd ("LVSB")	Operation and management of a hotel and property investment	100	4.4.1994	5,000,000	3,500,000
Bay Clubhouse Sdn Bhd ("BCSB")	Dormant	100	19.10.1995	100,000	2

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**2. GENERAL INFORMATION (Contd.)****2.5.1 Kar Sin Berhad (Contd.)**

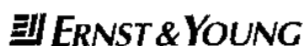
Subsidiary company	Principal activities	Effective equity interest (%)	Date of incorporation	Authorised share capital RM	Issued and paid up share capital RM
Mesra Unggul Sdn Bhd ("MUSB")	Property developer and property investment holding	100	21.11.1996	100,000	100
Saujana Harian Sdn Bhd ("SHSB")	Dormant	100	3.1.1997	100,000	2
Hanidel Sdn Bhd ("HSB")	Property developer	100	3.2.1981	3,500,000	3,373,384

**2.5.2 Yu & Sons Sdn Bhd**

YSSB was incorporated on 27 August 1998 under the Companies Act 1965 as a private limited company domiciled in Malaysia.

As at the date of this Report, the authorised and issued/fully paid-up share capital of YSSB is RM250,000 comprising 250,000 ordinary shares of RM1.00 each.

The principal activities of YSSB were initially rubber and oil palm cultivation. In the financial year ended 31 December 1992, YSSB commenced its general contracting activities. YSSB ceased its rubber cultivation in the financial year ended 31 December 1996.

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**3. FINANCIAL STATEMENTS AND AUDITORS**

The financial statements included in this Report, which are the responsibility of the Directors of the Proforma Group, have been prepared on a basis consistent with the accounting policies normally adopted by the Proforma Group and comply with applicable Approved Accounting Standards issued or adopted by the Malaysian Accounting Standards Board ("MASB").

The financial statements of the Proforma Group for the relevant financial years/period covered in this report were audited by Ernst & Young with the exception of the following:

- (i) We were appointed as auditors of YNHB and MUSB with effect from the period ended 30 November 2001 and financial year ended 31 December 1998 respectively.
- (ii) We were appointed auditors of HSB for the 7 month period ended 31 July 2001. The financial results for the financial years ended 31 December 1998 to 31 December 2000 were audited by another firm of auditors.

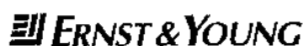
The auditors' reports of YNHB, KSB and its subsidiary companies and YSSB for the relevant financial years/period were not subject to any qualification.

For the relevant years/period under review, the financial accounting year/period end of all companies within the Proforma Group were coterminous.

**4. DIVIDENDS**

Details of dividends declared or paid by the Proforma Group for the five (6) financial years/period ended 30 April 2003 are as follows:

Financial year ended	Issued and paid-up share capital on which dividend is paid RM	Gross dividend rate %	Tax rate %	Net dividend RM
<b>KSB</b>				
31.12.2001	800,000	3,450.0	Tax exempt	27,600,000
<b>LVSB</b>				
31.12.1998	3,500,000	15.0	28	378,000
31.12.1999	3,500,000	9.2	28	231,840
31.12.2000	3,500,000	7.0	28	176,400
31.12.2001	3,500,000	10.0	28	252,000
31.12.2002	3,500,000	9.5	28	239,400
<b>YSSB</b>				
31.12.2001	50,004	26,910.0	28	9,688,375
31.12.2001	50,004	13,100.0	Tax exempt	6,550,524

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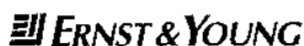
**5. INCOME STATEMENTS****5.1 Proforma Group**

The proforma consolidated income statement of the Proforma Group as set out below is based on the audited financial statements of YNHB, KSB Group and YSSB for the last six financial years/period from 31 December 1998 to 30 April 2003, and have been presented on the basis that KSB Group and YSSB had been subsidiary companies of YNHB for the entire period since the commencement of the financial year ended 31 December 1998.

	Financial years ended 31 December					4 months
	1998	1999	2000	2001	2002	period to 30.4.2003
	RM	RM	RM	RM	RM	RM
Revenue	46,128,351	91,666,027	45,979,025	77,756,835	103,719,951	23,442,183
Cost of sales	(33,117,418)	(53,048,972)	(25,616,821)	(49,255,160)	(61,660,429)	(14,814,108)
Gross profit	13,010,933	38,617,055	20,362,204	28,501,675	42,059,522	8,628,075
Other operating income	378,520	2,499,348	655,103	589,313	594,682	173,481
Operating expenses	(3,622,554)	(3,354,849)	(4,147,904)	(6,030,306)	(5,843,889)	(4,837,003)
Exceptional items	77,471	-	-	-	(1,389,100)	(341,965)
Profit before depreciation, interest and taxation	9,844,370	37,761,554	16,869,403	23,060,682	35,421,215	3,622,588
Depreciation	(1,042,248)	(850,434)	(862,275)	(601,869)	(515,033)	(169,078)
Interest expense	(1,818,897)	(2,629,901)	(3,034,959)	(3,786,865)	(3,639,934)	(1,566,751)
Profit before taxation	6,983,225	34,281,219	12,972,169	18,671,948	31,266,248	1,886,759
Taxation	(2,172,477)	-	(3,721,463)	(5,180,625)	(9,185,566)	(508,948)
Profit for the year/period	4,810,748	34,281,219	9,250,706	13,491,323	22,080,682	1,377,811
Effective tax rate (%)	31	-	29	28	29	27
<u>Basic earnings per share:</u>						
Weighted average number of ordinary shares in issue*	192,878,250	192,878,250	192,878,250	192,878,250	192,878,250	192,878,250
Gross earnings per share (RM)	0.04	0.18	0.07	0.10	0.16	0.01
Net earnings per share (RM)	0.02	0.18	0.05	0.07	0.11	0.01

\* Based on the enlarged issued and paid-up share capital of YNHB after the acquisition of KSB Group and YSSB.



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**5. INCOME STATEMENTS (Contd.)****5.1 Proforma Group (Contd.)**

(i) The following adjustments were incorporated to the Proforma Group consolidated income statements:

- (a) Preliminary and pre-operating expenses had been charged out in the year when they were incurred in accordance with MASB 1 - Presentation of Financial Statements.

The amounts adjusted to other operating expenses in the respective years are as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u>
	RM	RM	RM	RM	RM	<u>30.4.2003</u>
Adjustment	(3,271)	4,536	21,857	-	-	-

- (b) Taxation charges had been adjusted in accordance with MASB 25 - Income Taxes, and following the Company's change in accounting policy for deferred taxes described in item 8.6.

The amounts adjusted to taxation charge in the respective years are as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u>
	RM	RM	RM	RM	RM	<u>30.4.2003</u>
Adjustment	-	-	-	490,626	636,179	-

- (c) Extraordinary items had been reclassified as exceptional items in accordance with MASB 3 - Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies.
- (d) Provision for foreseeable losses amounting to RM700,000 previously provided prior to the earliest period presented and subsequently written back in financial year ended 31 December 2001 had been reversed in the period in which the provision originated.
- (e) Under or over provisions of taxation have been reclassified to the respective years where such under or over provisions originated.

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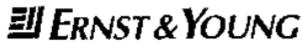
**5. INCOME STATEMENTS (Contd.)****5.1 Proforma Group (Contd.)**

(ii) Revenue for the relevant periods under review comprises the following:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Sale of:						
- development properties	32,901,532	72,390,014	37,160,672	67,913,142	72,924,412	16,402,720
- joint development properties	8,304,860	4,215,654	2,067,390	1,208,496	-	798,886
- completed property units	116,624	6,688,099	1,429,155	3,979,470	838,980	3,825,213
- land held for future development	-	2,597,620	876,536	1,826,935	4,449,876	729,724
Revenue from contract works	1,973,800	3,175,500	1,602,760	-	21,960,498	592,270
Revenue from estate	1,088,092	770,248	521,199	490,512	1,322,587	422,021
Room sales	620,539	645,396	928,461	918,015	1,368,508	204,920
Food and beverage sales	200,154	172,956	232,112	292,275	192,450	67,549
Rental of properties	922,750	1,010,540	1,160,740	1,127,990	662,640	398,880
	<u>46,128,351</u>	<u>91,666,027</u>	<u>45,979,025</u>	<u>77,756,835</u>	<u>103,719,951</u>	<u>23,442,183</u>

Revenue from sales of development properties are further analysed as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Sales of development properties:						
Taman Makmur	2,808,002	-	656,572	1,719,891	270,077	-
Taman Sejati	-	-	6,106,250	5,235,144	2,015,859	-
Taman Sejati II	6,290,314	9,355,323	-	-	-	-
Taman Trong Indah	1,259,550	4,056,597	2,907,846	341,587	-	-
Bandar Baru Seri Manjung	-	-	9,152,855	18,679,019	6,976,664	572,683
Bandar Baru Seri Manjung:						
- Fasa 2C	-	-	-	-	-	11,097,588
- Fasa 2E	-	-	2,726,017	9,100,083	9,947,155	-
- Fasa 2F	1,703,408	7,190,840	-	-	-	-
- Fasa 2H	-	18,842,741	988,267	-	-	-
- Fasa 2I	-	-	3,423,488	15,906,960	1,048,592	-
- Fasa 2J	-	-	1,190,316	8,459,529	28,299,817	-
- Fasa 1D2 & 1D3	-	-	-	-	16,858,603	-
Taman Aman Muhibbah III	-	2,369,890	1,419,294	-	-	-
Subtotal	<u>12,061,274</u>	<u>41,815,391</u>	<u>28,570,905</u>	<u>59,442,213</u>	<u>65,416,767</u>	<u>11,670,271</u>

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**5. INCOME STATEMENTS (Contd.)****5.1 Proforma Group (Contd.)**

(ii) Revenue from sales of development properties (contd.):

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u>
	RM	RM	RM	RM	RM	<u>30.4.2003</u>
						RM
Subtotal from previous page	12,061,274	41,815,391	28,570,905	59,442,213	65,416,767	11,670,271
Desa Manjung Point	2,627,702	5,072,126	1,823,409	2,422,183	745,037	-
Manjung Point	7,750,519	6,039,162	-	-	-	-
Taman Kenari	1,514,661	-	-	431,546	525,406	-
Lumut Water Front Villa	365,124	-	-	-	-	-
Taman Samudera	3,248,650	1,079,274	-	4,498,002	1,882,008	-
Taman Damai	3,577,419	7,032,484	2,318,348	1,475,614	3,097,469	-
Taman Hijau	1,923,348	2,686,250	-	-	-	-
Taman Biru	-	3,047,000	-	-	-	-
Pusat Perniagaan Manjung	-	3,768,218	2,880,800	-	-	-
Taman Cahaya	-	1,244,024	765,059	-	-	-
Taman Orkid	-	1,210,854	1,100,514	-	-	-
Taman Delima	-	-	240,000	-	-	-
Lot 12462	-	-	225,000	-	-	-
Taman Damai Jaya	-	-	-	306,538	1,809,247	1,893,389
Taman Setia Jaya	-	-	-	-	1,344,814	1,489,984
Taman Megah 3	-	-	-	-	-	1,685,426
	<u>33,068,697</u>	<u>72,994,783</u>	<u>37,924,035</u>	<u>68,576,096</u>	<u>74,820,748</u>	<u>16,739,070</u>
Less discount allowed	(167,165)	(604,769)	(763,363)	(662,954)	(1,896,336)	(336,350)
	<u>32,901,532</u>	<u>72,390,014</u>	<u>37,160,672</u>	<u>67,913,142</u>	<u>72,924,412</u>	<u>16,402,720</u>

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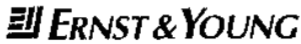
**5. INCOME STATEMENTS (Contd.)****5.1 Proforma Group (Contd.)**

(ii) Revenue from sales of joint development properties are further analysed as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Sales of joint development properties:						
Taman Aman Muhibbah III	5,775,687	1,163,893	939,774	-	-	-
Taman Aman Muhibbah IV	355,707	-	-	-	-	-
Taman Sejati II	818,773	1,064,394	-	-	-	-
Taman Singa Baru	1,000,435	1,427,617	1,127,616	1,033,633	-	-
Taman Bintang	354,258	559,750	-	-	-	-
Bandar Lumut	-	-	-	177,863	-	-
Taman Harmoni	-	-	-	-	-	183,443
Taman Jasmin	-	-	-	-	-	624,443
	<u>8,304,860</u>	<u>4,215,654</u>	<u>2,067,390</u>	<u>1,211,496</u>	-	<u>807,886</u>
Less discount allowed	-	-	-	(3,000)	-	(9,000)
	<u>8,304,860</u>	<u>4,215,654</u>	<u>2,067,390</u>	<u>1,208,496</u>	-	<u>798,886</u>

Revenue from contract works are further analysed as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Lumut Water Front Villa	120,000	-	-	-	-	-
Taman Bintang	1,853,800	1,455,500	1,602,760	-	-	272,806
Taman Damai	-	1,690,000	-	-	-	-
Ayer Tawar	-	30,000	-	-	-	-
Pusat Perniagaan Manjung	-	-	-	-	20,100,228	-
Bandar Baru Seri Manjung - Fasa 1C4	-	-	-	-	1,860,270	319,464
	<u>1,973,800</u>	<u>3,175,500</u>	<u>1,602,760</u>	-	<u>21,960,498</u>	<u>592,270</u>

**12. ACCOUNTANTS' REPORT (Cont'd)**

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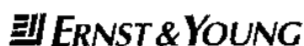
**5. INCOME STATEMENTS (Contd.)****5.1 Proforma Group (Contd.)**

(iii) Other operating income comprises the following:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Rental of properties	129,224	258,500	245,589	324,388	323,093	162,350
Management fees	36,000	36,000	36,000	26,000	-	-
Interest income	142,033	85,317	32,737	25,116	19,395	5,376
Dividend from unit trust	1,480	1,125	1,125	825	923	-
Gain on disposal of property, plant and equipment	-	99,568	278,885	468	190,911	-
Sale of building materials	-	35,330	32,988	6,911	8,410	-
Deposits forfeited	-	1,966,180	-	-	-	-
Sundry income	69,783	17,328	27,779	205,605	51,950	5,755
	<u>378,520</u>	<u>2,499,348</u>	<u>655,103</u>	<u>589,313</u>	<u>594,682</u>	<u>173,481</u>

(iv) Components of expenses which caused the fluctuation of operating expenses are as follows:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Advertisement	54,929	57,149	28,380	51,122	98,902	4,080
Allowance for doubtful recovery	-	-	-	738,153	2,913	997,490
Bank charges	108,792	17,504	70,561	68,871	208,512	73,601
Bonus	115,807	112,515	107,034	132,046	199,622	4,909
Directors' emoluments	1,925,708	1,737,008	2,328,183	3,037,713	3,397,330	2,643,200
Donations	31,070	14,550	16,960	40,780	11,470	30,520
Staff salaries and allowances	751,305	793,124	867,455	1,022,142	1,332,577	634,035
Staff EPF contribution	72,384	94,632	116,710	141,158	168,672	89,856
Legal fees	2,325	-	-	119,174	191,933	57,217
Provision for impairment losses	-	-	-	492,990	-	-
Travelling	49,226	99,972	73,558	60,303	67,318	28,423
	<u>3,111,546</u>	<u>2,926,454</u>	<u>3,608,841</u>	<u>5,904,452</u>	<u>5,679,249</u>	<u>4,563,331</u>

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.1 Proforma Group (Contd.)**

(v) Exceptional items comprise the following:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Gain on compulsory acquisition of land by government	77,471	-	-	-	-	-
Professional fees and incidental expenses incurred in connection with the listing exercise	-	-	-	-	(1,389,100)	(341,965)
	<u>77,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,389,100)</u>	<u>(341,965)</u>

(vi) Effective tax rate is calculated based on taxation to profit before taxation.

The effective tax rate for the financial years 1998, 2000, 2001 and 2002 and the financial period 2003 was higher than the statutory tax rate primarily due to certain expenses being non-deductible for tax purposes.

There was no tax charge for 1999 as that financial year constituted the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income is waived, pursuant to the Income Tax (Amendment) Act 1999.

(vii) There were no extraordinary items included in the income statement for the relevant periods under review.

(viii) The gross and net earnings per share of the Proforma Group is calculated based on profit before taxation and profit for the year/period respectively to YNHB's share capital of 250 ordinary shares of RM1.00 each, on the assumption that these shares had been in issue since the commencement of financial year ended 31 December 1998, and before execution of the listing exercise.

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.2 YNHB**

	<b>18.10.2001 to 31.12.2002</b>	<b>4 months period to 30.4.2003</b>
	<b>RM</b>	<b>RM</b>
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Other operating income	-	-
Operating expenses	(21,185)	(3,532)
Exceptional item	(1,389,100)	(341,965)
Loss before depreciation, interest and taxation	(1,410,285)	(345,497)
Depreciation	-	-
Interest expense	-	-
Loss before taxation	(1,410,285)	(345,497)
Taxation	-	-
Loss for the year/period	(1,410,285)	(345,497)
<b><u>Basic earnings per share:</u></b>		
Weighted average number of ordinary shares in issue*	240	250
Gross loss per share (RM)	(5,876.19)	(1,381.99)
Net loss per share (RM)	(5,876.19)	(1,381.99)

\*The weighted average number of ordinary shares in issue as at 31.12.2002 was derived as follows:

	<i>Number of shares</i>		<i>Weighted</i>		<i>Weighted average number of shares as at 31.12.2002</i>
<i>As at 18.10.2001</i>	2	x	440/440	=	2
<i>Issued on 5.11.2001</i>	248	x	422/440	=	238
	<u>250</u>				<u>240</u>

- (i) YNHB was incorporated on 18 October 2001 and its first financial accounting year end was 31 December 2002. Accordingly, the 2002 income statement above represents financial results for the period commencing 18 October 2001 and ended 31 December 2002.
- (ii) No revenue was generated for the relevant period under review.

**12. ACCOUNTANTS' REPORT (Cont'd)**

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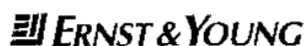
**5. INCOME STATEMENTS (Contd.)****5.2 YNHB (Contd.)**

- (iii) The exceptional items represent professional fees and incidental expenses incurred in connection with the listing exercise.
- (iv) No tax charge was provided for the relevant years/period under review as there was no income.
- (v) There were no extraordinary items included in the income statement for the relevant period under review.
- (vi) The gross and net loss per share is calculated based on loss before taxation and loss for the year/period respectively to YNHB's weighted average number of ordinary shares in issue in the relevant year/period under review.

**5.3 KSB**

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Revenue	42,389,978	86,561,389	40,821,654	75,418,555	79,324,086	21,711,474
Cost of sales	(32,964,343)	(56,240,913)	(26,720,112)	(55,631,171)	(49,149,945)	(15,329,462)
Gross profit	9,425,635	30,320,476	14,101,542	19,787,384	30,174,141	6,382,012
Other operating income	866,833	2,758,177	846,366	903,310	1,516,238	171,626
Operating expenses	(3,328,290)	(4,724,546)	(3,846,601)	(6,155,395)	(5,906,648)	(4,657,839)
Exceptional items	77,471	-	-	-	-	-
Profit before depreciation, interest and taxation	7,041,649	28,354,107	11,101,307	14,535,299	25,783,731	1,895,799
Depreciation	(332,985)	(334,024)	(278,624)	(231,849)	(146,605)	(50,903)
Interest expense	(1,199,184)	(1,863,487)	(2,474,326)	(3,353,051)	(3,302,012)	(1,408,640)
Profit before taxation	5,509,480	26,156,596	8,348,357	10,950,399	22,335,114	436,256
Taxation	(1,658,527)	(90,160)	(2,362,488)	(3,070,557)	(6,112,343)	(190,810)
Profit for the year/period	3,850,953	26,066,436	5,985,869	7,879,842	16,222,771	245,446
Effective tax rate (%)	30	0.3	28	28	27	44



**12. ACCOUNTANTS' REPORT (Cont'd)**

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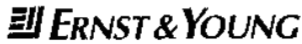
**5. INCOME STATEMENTS (Contd.)****5.3 KSB (Contd.)**

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
<u>Basic earnings per share:</u>						
Weighted average number of ordinary shares in issue	800,000	800,000	800,000	800,000	800,000	800,000
Gross earnings per share (RM)	6.89	32.70	10.44	13.69	27.92	0.55
Net earnings per share (RM)	4.81	32.58	7.48	9.85	20.28	0.31

(i) The above income statements represent the financial results of KSB company level. The financial results of KSB's subsidiary companies are set out in items 5.3.1 to 5.3.5.

(ii) Revenue for the relevant years/period under review comprises the following:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Sale of:						
- development properties	32,901,532	72,390,014	33,737,184	52,381,782	71,992,820	4,732,449
- joint development properties	8,304,860	4,215,654	4,361,127	16,739,856	931,592	12,469,157
- completed property units	116,624	6,688,099	1,429,155	3,979,470	838,980	3,400,045
- land held for future development	-	2,597,620	876,536	1,826,935	4,449,876	729,724
Revenue from estate	1,066,962	670,002	417,652	490,512	1,110,818	380,099
	<u>42,389,978</u>	<u>86,561,389</u>	<u>40,821,654</u>	<u>75,418,555</u>	<u>79,324,086</u>	<u>21,711,474</u>

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.3 KSB (Contd.)**

(ii) Revenue from sales of development properties are further analysed as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Sales of development properties:						
Taman Makmur	2,808,002	-	656,572	1,719,891	270,077	-
Taman Sejati	-	-	6,106,250	5,235,144	2,015,859	-
Taman Sejati II	6,290,314	9,355,323	-	-	-	-
Taman Trong Indah	1,259,550	4,056,597	2,907,846	341,587	-	-
Bandar Baru Seri Manjung	-	-	9,152,855	18,679,019	6,976,664	-
Bandar Baru Seri Manjung:						
- Fasa 2E	-	-	2,726,017	9,100,083	9,947,155	-
- Fasa 2F	1,703,408	7,190,840	-	-	-	-
- Fasa 2H	-	18,842,741	988,267	-	-	-
- Fasa 2J	-	-	1,190,316	8,459,529	28,299,817	-
- Fasa 1D2 & 1D3	-	-	-	-	16,858,603	-
Taman Aman Muhibbah III	-	2,369,890	1,419,294	-	-	-
Desa Manjung Point	2,627,702	5,072,126	1,823,409	2,422,183	745,037	-
Manjung Point	7,750,519	6,039,162	-	-	-	-
Taman Kenari	1,514,661	-	-	431,546	525,406	-
Lumut Water Front Villa	365,124	-	-	-	-	-
Taman Samudera	3,248,650	1,079,274	-	4,498,002	1,882,008	-
Taman Damai	3,577,419	7,032,484	2,318,348	1,475,614	3,097,469	-
Taman Hijau	1,923,348	2,686,250	-	-	-	-
Taman Biru	-	3,047,000	-	-	-	-
Pusat Perniagaan Manjung	-	3,768,218	2,880,800	-	-	-
Taman Cahaya	-	1,244,024	765,059	-	-	-
Taman Orkid	-	1,210,854	1,100,514	-	-	-
Taman Delima	-	-	240,000	-	-	-
Lot 12462	-	-	225,000	-	-	-
Taman Damai Jaya	-	-	-	306,538	1,809,247	1,893,389
Taman Setia Jaya	-	-	-	-	1,344,814	1,489,984
Taman Megah 3	-	-	-	-	-	1,685,426
	33,068,697	72,994,783	34,500,547	52,669,136	73,772,156	5,068,799
Less discount allowed	(167,165)	(604,769)	(763,363)	(287,354)	(1,779,336)	(336,350)
	32,901,532	72,390,014	33,737,184	52,381,782	71,992,820	4,732,449

**12. ACCOUNTANTS' REPORT (Cont'd)****ERNST & YOUNG**

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**5. INCOME STATEMENTS (Contd.)****5.3 KSB (Contd.)**

(ii) Revenue from sales of joint development properties are further analysed as follows:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Sales of joint development properties:						
Taman Aman Muhibbah III	5,775,687	1,163,893	939,774	-	-	-
Taman Aman Muhibbah IV	355,707	-	-	-	-	-
Taman Sejati II	818,773	1,064,394	-	-	-	-
Taman Singa Baru	1,000,435	1,427,617	1,127,616	1,033,633	-	-
Taman Bintang	354,258	559,750	-	-	-	-
Bandar Baru Seri Manjung	-	-	-	-	-	572,682
Bandar Baru Seri Manjung:						
- Fasa 2C	-	-	-	-	-	11,097,588
- Fasa 2I	-	-	2,293,737	15,906,960	1,048,592	-
Bandar Lumut	-	-	-	177,863	-	-
Taman Harmoni	-	-	-	-	-	183,443
Taman Jasmin	-	-	-	-	-	624,444
	8,304,860	4,215,654	4,361,127	17,118,456	1,048,592	12,478,157
Less discount allowed	-	-	-	(378,600)	(117,000)	(9,000)
	8,304,860	4,215,654	4,361,127	16,739,856	931,592	12,469,157

(iii) Other operating income comprises the following:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Rental of properties	128,844	258,500	245,589	324,388	323,093	162,350
Interest income	135,009	79,604	29,408	21,494	15,837	5,376
Dividend income	525,000	322,000	245,000	350,000	332,500	-
Management fees	36,000	36,000	36,000	26,000	-	-
Gain on disposal of property, plant and equipment	-	93,969	278,585	468	837,408	-
Sundry income	41,980	1,924	11,784	180,960	7,400	3,900
Deposit forfeited	-	1,966,180	-	-	-	-
	866,833	2,758,177	846,366	903,310	1,516,238	171,626

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.3 KSB (Contd.)**

(iv) Components of expenses which caused the fluctuation of operating expenses are as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	period to
	RM	RM	RM	RM	RM	<u>30.4.2003</u>
Allowance for doubtful recovery	-	-	-	708,153	-	997,490
Bad debts written off	-	1,700,000	-	-	-	-
Directors' remuneration	1,925,708	1,737,008	2,328,183	3,037,713	3,397,330	2,643,200
Provision for impairment losses	-	-	-	492,990	-	-
Salaries	650,245	699,240	752,449	900,461	1,209,617	586,738
	<u>2,575,953</u>	<u>4,136,248</u>	<u>3,080,632</u>	<u>5,139,317</u>	<u>4,606,947</u>	<u>4,227,428</u>

Components of expenses which caused the fluctuation of interest expenses are as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	period to
	RM	RM	RM	RM	RM	<u>30.4.2003</u>
Bank overdraft interest	1,144,968	1,631,337	1,832,353	2,388,086	2,785,572	1,204,100
Loan interest	30,364	220,587	641,973	964,799	516,232	195,910
	<u>1,175,332</u>	<u>1,851,924</u>	<u>2,474,326</u>	<u>3,352,885</u>	<u>3,301,804</u>	<u>1,400,010</u>

(v) Effective tax rate is calculated based on taxation to profit before taxation.

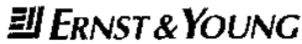
The effective tax rate for the financial year 1998 and the financial period 2003 was higher than the statutory tax rate primarily due to certain expenses being non-deductible for tax purposes.

The effective tax rate for the financial year 2002 was lower than the statutory tax rate primarily due to certain income not subject to tax.

No tax liability was provided on business income for 1999 as that financial year constituted the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income is waived, pursuant to the Income Tax (Amendment) Act 1999. The tax charge for that financial year was wholly in respect of dividend income received from KSB's subsidiary company.

(vi) There were no extraordinary items included in the income statement for the relevant periods under review.

(vii) The gross and net earnings per share is calculated based on profit before taxation and profit for the year/period respectively to KSB's weighted average number of ordinary shares in issue in the relevant year/period under review.

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.3.1 LVSB**

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Revenue	2,363,184	2,411,102	2,741,613	2,917,130	2,829,348	1,042,149
Cost of sales	(979,571)	(906,851)	(1,094,167)	(1,209,912)	(1,161,595)	(425,883)
Gross profit	1,383,613	1,504,251	1,647,446	1,707,218	1,667,753	616,266
Other operating income	63,901	254,054	506,493	764,802	329,818	61,104
Operating expenses	(51,409)	(24,010)	(48,317)	(70,461)	(97,734)	(28,306)
Profit before depreciation, interest and taxation	1,396,105	1,734,295	2,105,622	2,401,559	1,899,837	649,064
Depreciation	(564,593)	(382,191)	(479,475)	(228,623)	(218,478)	(69,010)
Interest expense	(642,282)	(982,472)	(1,045,977)	(1,169,441)	(642,108)	(217,360)
Profit before taxation	189,230	369,632	580,170	1,003,495	1,039,251	362,694
Taxation	(136,337)	-	(221,168)	(303,062)	(304,915)	(129,660)
Profit for the year/period	52,893	369,632	359,002	700,433	734,336	233,034
Effective tax rate (%)	72	-	38	30	29	36
<u>Basic earnings per share:</u>						
Weighted average number of ordinary shares in issue	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Gross earnings per share (RM)	0.05	0.11	0.17	0.29	0.30	0.10
Net earnings per share (RM)	0.02	0.11	0.10	0.20	0.21	0.07

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.3.1 LVSB (Contd.)**

(i) Revenue for the relevant years/period under review comprises the following:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Room sales	1,204,280	1,191,606	1,312,761	1,460,865	1,415,758	564,920
Food and beverage sales	200,154	172,956	232,112	292,275	192,450	67,549
Rental of properties	958,750	1,046,540	1,196,740	1,163,990	1,221,140	409,680
	<u>2,363,184</u>	<u>2,411,102</u>	<u>2,741,613</u>	<u>2,917,130</u>	<u>2,829,348</u>	<u>1,042,149</u>

(ii) Other operating income comprises the following:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Interest income	36,098	224,283	490,498	741,157	307,818	59,249
Sports centre subscription fee	2,375	150	-	-	-	-
Gain on disposal of property, plant and equipment	-	14,367	-	-	-	-
Laundry	14,648	6,289	6,142	6,444	15,641	1,056
Telephone and fax	10,405	8,605	8,961	11,186	6,313	799
Parking charges	-	360	720	-	-	-
Sundry income	375	-	172	6,015	46	-
	<u>63,901</u>	<u>254,054</u>	<u>506,493</u>	<u>764,802</u>	<u>329,818</u>	<u>61,104</u>

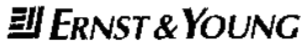
(iii) Components of expenses which caused the fluctuation of operating expenses are as follows:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Allowance for doubtful debts	-	-	-	30,000	2,913	-
Bank charges	37,767	11,488	26,574	13,867	71,479	22,697
Loss on disposal of property, plant and equipment	-	-	1,940	-	-	-
Workers' levy	538	-	3,109	3,617	3,255	1,357
	<u>38,305</u>	<u>11,488</u>	<u>31,623</u>	<u>47,484</u>	<u>77,647</u>	<u>24,054</u>

(iv) Interest expenses wholly comprise bank overdraft interest.

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)**

**5.3.1 LVSB (Contd.)**

- (v) Effective tax rate is calculated based on taxation to profit before taxation.

The effective tax rate for 1998 was higher than the statutory tax rate due to losses from the hotel business; tax charge for that financial year was wholly attributable to taxable profits from the rental business.

There was no tax charge for 1999 as that financial year constituted the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income is waived, pursuant to the Income Tax (Amendment) Act 1999.

The effective tax rates for the financial years 1998, 2000 to 2002 and financial period 2003 were higher than the statutory tax rate primarily due to certain expenses being non-deductible for tax purposes.

- (vi) There were no extraordinary items included in the income statement for the relevant years/period under review.
- (vii) The gross and net earnings per share is calculated based on profit before taxation and profit for the year/period respectively to LVSB's weighted average number of ordinary shares in issue in the relevant year/period under review.

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.3.2 BCSB**

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-
Operating expenses	(1,595)	(1,626)	(1,659)	(2,056)	(2,051)	(696)
Loss before depreciation, interest and taxation	(1,595)	(1,626)	(1,659)	(2,056)	(2,051)	(696)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loss before taxation	(1,595)	(1,626)	(1,659)	(2,056)	(2,051)	(696)
Taxation	-	-	-	-	-	-
Loss for the year/period	(1,595)	(1,626)	(1,659)	(2,056)	(2,051)	(696)
<b>Basic earnings per share:</b>						
Weighted average number of ordinary shares in issue	2	2	2	2	2	2
Gross loss per share (RM)	(798)	(813)	(830)	(1,028)	(1,026)	(348)
Net loss per share (RM)	(798)	(813)	(830)	(1,028)	(1,026)	(348)

- (i) No revenue was generated for the relevant years/period under review as BCSB had not yet commenced operation. There were no activities except for expenses incurred which were treated as preliminary and pre-operating expenses, and these have been adjusted in this Report in compliance with MASB 1 - Presentation of Financial Statements.
- (ii) No tax charge was provided for the relevant years/period under review as there was no income.
- (iii) There were no extraordinary items included in the income statement for the relevant years/period under review.
- (iv) The gross and net loss per share is calculated based on loss before taxation and loss for the year/period respectively to BCSB's weighted average number of ordinary shares in issue in the relevant year/period under review.



**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.3.3 MUSB**

	Financial period/years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Revenue	-	-	-	-	400	1,200
Cost of sales	-	-	-	-	-	-
Gross profit	-	-	-	-	400	1,200
Other operating income	-	-	-	-	-	-
Operating expenses	(350)	(1,015)	(2,992)	(14,321)	(2,302)	(11,472)
Exceptional item	-	1,700,000	-	-	-	-
(Loss)/Profit before depreciation, interest and taxation	(350)	1,698,985	(2,992)	(14,321)	(1,902)	(10,272)
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
(Loss)/Profit before taxation	(350)	1,698,985	(2,992)	(14,321)	(1,902)	(10,272)
Taxation	-	-	-	-	-	-
(Loss)/Profit for the year/period	(350)	1,698,985	(2,992)	(14,321)	(1,902)	(10,272)
<u>Basic earnings per share:</u>						
Weighted average number of ordinary shares in issue	100	100	100	100	100	100
Gross (loss)/earnings per share (RM)	(4)	16,990	(30)	(143)	(19)	(103)
Net (loss)/earnings per share (RM)	(4)	16,990	(30)	(143)	(19)	(103)

- (i) No revenue was generated for the financial years 1998 to 2001. Revenue for the financial year/period 2002 and 2003 represented rental income from landed properties. There were no other activities except for expenses incurred which were treated as preliminary and pre-operating expenses, and these have been adjusted in this Report in compliance with MASB 1 - Presentation of Financial Statements.
- (ii) The exceptional gain in 1999 arises entirely from waiver of advances from the holding company, KSB.

**12. ACCOUNTANTS' REPORT (Cont'd)**

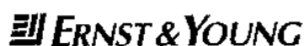
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**5. INCOME STATEMENTS (Contd.)****5.3.3 MUSB (Contd.)**

- (iii) No tax charge was provided for the financial years 1998, 2000, 2001 and 2002 and the financial period 2003 in view of loss incurred during the financial years/period. There was no taxation liability for 1999 because the exceptional gain was not taxable. In addition, MUSB's financial year ended 31 December 1999 constituted the basis period for the year of assessment 2000 (current year basis) wherein tax on income other than dividend income is waived, pursuant to the Income Tax (Amendment) Act 1999.
- (iv) There were no extraordinary items included in the income statement for the relevant years/period under review.
- (v) The gross and net loss/earnings per share is calculated based on loss/profit before taxation and loss/profit for the year/period respectively to MUSB's weighted average number of ordinary shares in issue in the relevant year/period under review.

**5.3.4 SHSB**

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Revenue	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-
Operating expenses	(1,326)	(1,346)	(1,738)	(1,984)	(2,163)	(1,951)
Loss before depreciation, interest and taxation	(1,326)	(1,346)	(1,738)	(1,984)	(2,163)	(1,951)
Depreciation	-	-	-	(5,455)	(5,455)	(1,818)
Interest expense	-	-	-	-	-	-
Loss before taxation	(1,326)	(1,346)	(1,738)	(7,439)	(7,618)	(3,769)
Taxation	-	-	-	-	-	-
Loss for the year/period	(1,326)	(1,346)	(1,738)	(7,439)	(7,618)	(3,769)
<b>Basic earnings per share:</b>						
Weighted average number of ordinary shares in issue	2	2	2	2	2	2
Gross loss per share (RM)	(663)	(673)	(869)	(3,720)	(3,809)	(1,885)
Net loss per share (RM)	(663)	(673)	(869)	(3,720)	(3,809)	(1,885)

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.3.4 SHSB (Contd.)**

- (i) No revenue was generated for the relevant years/period under review as SHSB had not yet commenced operation. There were no activities except for expenses incurred which were treated as preliminary and pre-operating expenses, and these have been adjusted in this Report in compliance with MASB 1 - Presentation of Financial Statements.
- (ii) No tax charge was provided for the relevant years/period under review as there was no income.
- (iii) There were no extraordinary items included in the income statement for the relevant years/period under review.
- (iv) The gross and net loss per share is calculated based on loss before taxation and loss for the year/period respectively to SHSB's weighted average number of ordinary shares in issue in the relevant year/period under review.

**5. INCOME STATEMENTS (Contd.)****5.3.5 HSB**

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Revenue	-	-	-	-	-	2,515,348
Cost of sales	-	-	-	-	-	(1,749,159)
Gross profit	-	-	-	-	-	766,189
Other operating income	-	-	-	-	-	-
Operating expenses	(1,657)	(20,492)	(389)	(762)	(4,131)	(624)
Exceptional item	-	-	-	(1,546,798)	-	-
Loss before depreciation, interest and taxation	(1,657)	(20,492)	(389)	(1,547,560)	(4,131)	765,565
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Loss before taxation	(1,657)	(20,492)	(389)	(1,547,560)	(4,131)	765,565
Taxation	-	-	-	-	-	(214,358)
Loss for the year/period	(1,657)	(20,492)	(389)	(1,547,560)	(4,131)	551,207
Effective tax rate (%)	-	-	-	-	-	28

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.3.5 HSB (Contd.)**

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
<u>Basic earnings per share:</u>						
Weighted average number of ordinary shares in issue	3,373,384	3,373,384	3,373,384	3,373,384	3,373,384	3,373,384
Gross loss per share (RM)	(0.0005)	(0.0061)	(0.0001)	(0.4588)	(0.0012)	0.2269
Net loss per share (RM)	(0.0005)	(0.0061)	(0.0001)	(0.4588)	(0.0012)	0.1634

- (i) No revenue generated for the financial years 1998 to 2002. Revenue for the financial period 2003 represented HSB's share of profit from a joint development property with KSB. There were no other activities except for expenses incurred which were treated as preliminary and pre-operating expenses, and these have been adjusted in this Report in compliance with MASB 1 - Presentation of Financial Statements.
- (ii) The exceptional loss in 2001 arises entirely from waiver of advances owing by HSB's former holding company, where the advance was given prior to KSB acquiring HSB. The waiver was part of the consideration of KSB's acquisition of HSB in 2001, where the entire amount owed by the former holding company was novated to KSB. Upon acquiring control of HSB, the Directors of KSB agreed to waive the outstanding advances. In addition, KSB also agreed to repay liabilities of RM908,590 on behalf of HSB.
- (iii) No tax charge was provided for the financial years 1998 to 2002 as there was no income.
- (iv) There were no extraordinary items included in the income statement for the relevant years/period under review.
- (v) The gross and net loss per share is calculated based on loss before taxation and loss for the year/period respectively to HSB's weighted average number of ordinary shares in issue in the relevant year/period under review.

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.4 YSSB**

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Revenue	33,633,930	47,266,646	22,710,158	37,544,618	49,477,396	11,314,569
Cost of sales	(31,334,522)	(40,334,566)	(18,104,971)	(27,060,180)	(34,237,132)	(8,949,182)
Gross profit	2,299,408	6,932,080	4,605,187	10,484,438	15,240,264	2,365,387
Other operating income	1,860	42,054	34,413	8,736	31,883	-
Operating expenses	(273,927)	(317,814)	(282,208)	(360,710)	(417,886)	(144,583)
Profit before depreciation, interest and taxation	2,027,341	6,656,320	4,357,392	10,132,464	14,854,261	2,220,804
Depreciation	(144,670)	(133,019)	(104,176)	(135,942)	(144,495)	(47,347)
Interest expense	(6,505)	(2,512)	(1,825)	(1,908)	(74)	-
Profit before taxation	1,876,166	6,520,789	4,251,391	9,994,614	14,709,692	2,173,457
Taxation	(541,896)	-	(1,194,079)	(2,837,950)	(4,279,155)	(605,952)
Profit for the year/period	1,334,270	6,520,789	3,057,312	7,156,664	10,430,537	1,567,505
Effective tax rate (%)	29	-	28	28	29	28
<b>Basic earnings per share:</b>						
Weighted average number of ordinary shares in issue*	50,004	50,004	50,004	62,059	250,000	250,000
Gross earnings per share (RM)	37.52	130.41	85.02	161.05	58.84	8.69
Net earnings per share (RM)	26.68	130.41	61.14	115.32	41.72	6.27

\*The weighted average number of ordinary shares in issue as at 31.12.2001 was derived as follows:

	Number of shares		Weighted		Weighted average number of shares as at 31.12.2001
As at 1.1.2001	50,004	x	365/365	=	50,004
Issued on 10.12.2001	199,996	x	22/365	=	12,055
	<u>250,000</u>				<u>62,059</u>

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.4 YSSB (Contd.)**

(i) Revenue for the relevant years/period under review comprises the following:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Revenue from contract works	33,558,800	47,166,400	21,476,860	32,202,824	48,929,888	10,764,529
Revenue from joint development properties	-	-	1,129,751	5,249,297	335,739	82,950
Revenue from sale of completed property units	-	-	-	-	-	425,168
Revenue from estate	75,130	100,246	103,547	92,497	211,769	41,922
	<b>33,633,930</b>	<b>47,266,646</b>	<b>22,710,158</b>	<b>37,544,618</b>	<b>49,477,396</b>	<b>11,314,569</b>

Revenue from contract works are further analysed as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Lumut Water Front Villa*	9,320,000	-	368,000	-	-	-
Taman Kenari*	819,200	-	-	264,738	182,262	-
Desa Manjung Point*	-	4,035,000	691,600	639,003	366,397	-
Manjung Point*	10,714,800	2,890,800	-	-	-	-
Taman Makmur*	1,078,000	-	336,600	1,023,700	-	-
Taman Aman Muhibbah III*	2,442,000	2,118,800	-	360,450	-	-
Taman Aman Muhibbah IV*	-	-	-	101,300	-	430,567
Taman Sejati*	-	-	4,906,440	1,168,960	-	-
Taman Sejati	-	-	-	180,000	-	-
Taman Sejati II*	5,307,000	5,999,000	-	-	-	-
Bandar Baru Seri Manjung*	-	-	4,201,800	8,918,238	4,036,363	719,955
Bandar Baru Seri Manjung:						
- Fasa 2C*	-	-	-	-	-	3,846,394
- Fasa 2E*	-	-	1,508,400	5,575,521	2,607,278	-
- Fasa 2F*	-	3,774,600	-	-	-	-
- Fasa 2H*	-	8,774,800	-	-	-	-
- Fasa 2I*	-	-	1,454,400	7,552,200	-	-
- Fasa 2J*	-	-	944,400	3,316,160	10,043,040	-
- Fasa 1D2 & 1D3*	-	-	-	-	6,000,000	-
- Fasa 1C4	-	-	-	-	1,860,270	319,464
Taman Singa Baru*	-	2,050,400	1,057,400	90,300	-	-
Subtotal	29,681,000	29,643,400	15,469,040	29,190,570	25,095,610	5,316,380

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.4 YSSB (Contd.)**

## (i) Revenue from contract works: (Contd.)

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Subtotal from previous page	29,681,000	29,643,400	15,469,040	29,190,570	25,095,610	5,316,380
Taman Trong Indah*	-	4,134,200	-	-	-	-
Taman Samudera*	2,024,000	-	-	1,464,750	488,250	-
Taman Bintang*	1,853,800	1,455,500	1,614,000	79,000	981,811	272,806
Taman Damai*	-	5,467,300	3,498,840	936,064	721,096	-
Taman Biru*	-	1,062,000	-	-	-	-
Taman Hijau*	-	2,328,000	-	-	-	-
Taman Setia Jaya*	-	-	-	-	665,663	652,537
Taman Orkid*	-	1,170,800	-	-	-	-
Taman Delima*	-	-	573,000	-	-	-
Pusat Perniagaan Manjung	-	-	-	-	20,100,228	-
Taman Damai Jaya*	-	-	-	523,440	484,543	744,818
Taman Berjaya Sama *	-	-	120,000	-	-	-
Taman Samudera Baru						
Fasa II*	-	-	201,980	9,000	-	-
Taman Megah 3*	-	-	-	-	392,687	561,552
Taman Jasmin*	-	-	-	-	-	507,785
Taman Harmoni*	-	-	-	-	-	805,295
Taman Emas II*	-	-	-	-	-	1,510,564
Ayer Tawar	-	735,200	-	-	-	-
Taman Cahaya	-	1,170,000	-	-	-	-
Jalan Dato' Yu Neh Huat*	-	-	-	-	-	392,792
	<u>33,558,800</u>	<u>47,166,400</u>	<u>21,476,860</u>	<u>32,202,824</u>	<u>48,929,888</u>	<u>10,764,529</u>

\* Works contracted by KSB

Revenue from joint development properties (jointly developed with KSB) are further analysed as follows:

	Financial years ended 31 December					4 months
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>period to</u> <u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Bandar Baru Seri Manjung	-	-	1,129,751	5,249,297	335,739	-
Bandar Baru Seri Manjung:						
- Fasa 2I	-	-	-	-	-	82,950
	<u>-</u>	<u>-</u>	<u>1,129,751</u>	<u>5,249,297</u>	<u>335,739</u>	<u>82,950</u>

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**5. INCOME STATEMENTS (Contd.)****5.4 YSSB (Contd.)**

(ii) Other operating income comprises the following:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Dividend from unit trust	1,480	1,125	1,125	825	923	-
Rental income	380	-	-	-	-	-
Sales of building materials	-	35,330	32,988	6,911	8,410	-
Gain on disposal of property, plant and equipment	-	5,599	300	-	-	-
Sundry income	-	-	-	1,000	22,550	-
	<u>1,860</u>	<u>42,054</u>	<u>34,413</u>	<u>8,736</u>	<u>31,883</u>	<u>-</u>

(iii) Components of expenses which caused the fluctuation of operating expenses are as follows:

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Annual dinner expenses	26,880	12,800	190	17,600	9,010	-
Bonus	5,560	17,335	10,426	11,099	52,032	100
Consultation	-	-	-	-	30,000	20,000
Registration fee	19,023	3,250	-	300	3,436	-
Salary and allowances	101,060	93,884	115,006	121,681	122,960	47,340
Service charges	-	-	-	22,993	4,468	1,160
Staff messing	5,086	5,695	11,575	22,863	15,252	9,318
Travelling expenses	12,942	56,789	31,082	22,794	20,879	14,743
Upkeep of motor vehicles	10,930	15,097	12,986	30,855	34,537	12,062
	<u>181,481</u>	<u>204,850</u>	<u>181,265</u>	<u>250,185</u>	<u>292,574</u>	<u>104,723</u>

(iv) Effective tax rate is calculated based on taxation to profit before taxation.

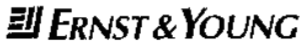
The effective tax rates for 1998 and 2002 were higher than the statutory tax rate primarily due to certain expenses being non-deductible for tax purposes.

No tax liability was provided on business income for 1999 as that financial year constituted the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income is waived, pursuant to the Income Tax (Amendment) Act 1999.

(v) There were no extraordinary items included in the income statement for the relevant years/period under review.

(vi) The gross and net earnings per share is calculated based on profit before taxation and profit for the year/period respectively to YSSB's weighted average number of ordinary shares in issue in the relevant year/period under review.



**12. ACCOUNTANTS' REPORT (Cont'd)**

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**6. SUMMARISED BALANCE SHEETS****6.1 Proforma Group**

As the subsidiary companies are consolidated using the acquisition method of accounting, the proforma consolidated balance sheets as at 30 April 2003 resulted in a reserve on consolidation of RM978,416 as stated in item 8 of this Report. The reserve on consolidation would be different for each of the past six financial years/period ended 31 December 1998 to 30 April 2003. As such, the consolidated balance sheets of the Proforma Group for the past six financial years/period were not included in the Report as the information would not be relevant. Accordingly, consolidated balance sheets of the Proforma Group have been presented by way of proforma statement of assets and liabilities as at 30 April 2003 based on the latest audited financial statements as at 30 April 2003 of YNHB and its subsidiary companies as shown in item 8 of this Report.

**6.2 YNHB**

	18.10.2001 to <u>31.12.2002</u> RM	4 months period to <u>30.4.2003</u> RM
Current assets	1,000,250	1,000,250
Current liabilities	<u>(2,410,285)</u>	<u>(2,755,782)</u>
Net current liabilities	<u>(1,410,035)</u>	<u>(1,755,532)</u>
Financed by:		
Share capital	250	250
Accumulated losses	<u>(1,410,285)</u>	<u>(1,755,782)</u>
	<u>(1,410,035)</u>	<u>(1,755,532)</u>
Net tangible liabilities	<u>(1,410,035)</u>	<u>(1,755,532)</u>
Net tangible liabilities per share (RM)	<u>(5,640.14)</u>	<u>(7,022.13)</u>

YNHB was incorporated on 18 October 2001 and its first financial accounting period end was 31 December 2002. Accordingly, the 2002 balance sheet above represents YNHB's financial position since the period commenced 18 October 2001 and ended 31 December 2002.

**12. ACCOUNTANTS' REPORT (Cont'd)****ERNST & YOUNG**

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**6. SUMMARISED BALANCE SHEETS (Contd.)****6.3 KSB**

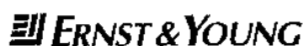
	Financial years ended 31 December					4 months
	1998	1999	2000	2001	2002	period to
	RM	RM	RM	RM	RM	30.4.2003
						RM
Property, plant and equipment	26,495,247	32,074,686	33,962,608	25,778,089	30,551,433	31,775,463
Investment in subsidiaries	3,500,004	3,700,004	3,700,004	5,280,772	5,280,772	5,280,772
Land held for future development	20,758,381	26,638,625	25,336,625	31,856,837	61,582,879	63,070,723
Deferred tax assets	-	-	-	433,290	318,587	601,412
	50,753,632	62,413,315	62,999,237	63,348,988	97,733,671	100,728,370
Current assets	58,225,353	86,467,226	86,802,670	108,015,663	60,402,183	80,712,762
Current liabilities	(48,831,596)	(63,557,555)	(59,471,656)	(99,600,201)	(58,538,600)	(82,349,235)
Net current assets/(liabilities)	9,393,757	22,909,671	27,331,014	8,415,462	1,863,583	(1,636,473)
	60,147,389	85,322,986	90,330,251	71,764,450	99,597,254	99,091,897
Financed by:						
Share capital	800,000	800,000	800,000	800,000	800,000	800,000
Retained profits	57,001,422	83,067,858	89,053,727	69,333,569	85,434,980	85,680,426
Shareholders' equity	57,801,422	83,867,858	89,853,727	70,133,569	86,234,980	86,480,426
Long term borrowings	2,345,967	1,455,128	476,524	1,630,881	13,362,274	12,611,471
	60,147,389	85,322,986	90,330,251	71,764,450	99,597,254	99,091,897
Net tangible assets	57,801,422	83,867,858	89,853,727	70,133,569	86,234,980	86,480,426
Net tangible assets per share (RM)	72.25	104.83	112.32	87.67	107.79	108.10

**12. ACCOUNTANTS' REPORT (Cont'd)****ERNST & YOUNG**

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**6. SUMMARISED BALANCE SHEETS (Contd.)****6.3.1 LVSB**

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Property, plant and equipment	12,443,325	12,060,224	11,625,634	11,471,119	11,368,846	11,314,386
Deferred tax assets	121,360	121,360	121,360	121,360	133,037	93,647
Current assets	668,124	2,291,093	6,847,409	7,649,797	1,213,944	7,862,860
Current liabilities	(9,450,638)	(10,552,714)	(14,491,838)	(14,745,191)	(7,723,806)	(14,045,838)
Net current liabilities	(8,782,514)	(8,261,621)	(7,644,429)	(7,095,394)	(6,509,862)	(6,182,978)
	3,782,171	3,919,963	4,102,565	4,497,085	4,992,021	5,225,055
Financed by:						
Share capital	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Retained profits	282,171	419,963	602,565	997,085	1,492,021	1,725,055
Shareholders' equity	3,782,171	3,919,963	4,102,565	4,497,085	4,992,021	5,225,055
Net tangible assets	3,782,171	3,919,963	4,102,565	4,497,085	4,992,021	5,225,055
Net tangible assets per share (RM)	1.08	1.12	1.17	1.28	1.43	1.49

**12. ACCOUNTANTS' REPORT (Cont'd)**

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**6. SUMMARISED BALANCE SHEETS (Contd.)****6.3.2 BCSB**

	Financial years ended 31 December					4 months period to
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>30.4.2003</u>
	RM	RM	RM	RM	RM	RM
Current assets	2	2	2	2	2	2
Current liabilities	(13,971)	(15,597)	(17,256)	(19,312)	(21,363)	(22,059)
Net current liabilities	(13,969)	(15,595)	(17,254)	(19,310)	(21,361)	(22,057)
Financed by:						
Share capital	2	2	2	2	2	2
Accumulated losses	(13,971)	(15,597)	(17,256)	(19,312)	(21,363)	(22,059)
	(13,969)	(15,595)	(17,254)	(19,310)	(21,361)	(22,057)
Net tangible liabilities	(13,969)	(15,595)	(17,254)	(19,310)	(21,361)	(22,057)
Net tangible liabilities per share (RM)	(6,984.50)	(7,797.50)	(8,627.00)	(9,655.00)	(10,680.50)	(11,028.50)