

8. INFORMATION ON THE HPB GROUP (Cont'd)

NOR AFFANDI B MOHAMAD MUSTAFA, aged 32, is the Project Coordinator. He is pursuing a Certificate in Mechanical Engineering. He started his career with Chun Yu Construction Sdn Bhd, a construction company as a site clerk in April 1994. He resigned and was offered the position of the Assistant Maintenance Supervisor of Kok Mun Enterprise, a plumber maintenance company in November 1994 taking charge of the Intel Technology and Philip Audio project in Penang as a site supervisor prior to joining HPB Group in April 1996.

AKBAR BIN ABDUL RAHMAN, aged 53, is a Public Relations and Safety Assistant Manager. He has over 25 years of work experience from Majlis Perbandaran Pulau Pinang (MPPP) attached to the Technical Department from November 1968 to September 1994. With him having attended an occupational Safety and Health Course at National Institute of Occupational Safety and Health (NIOSH), he is also a qualified Secretary of the Safety Committee since November 1997. He joined Masuka in September 1994 as a Safety Officer.

Family Relationship

Save as disclosed below, none of the Directors and senior management are related to one another:

- Ooi Lay Kin is the sister of Ooi Lay See.

Employees

As at 8 February 2000, the HPB Group has 76 employees (excluding working directors) under permanent employment. The employees of the HPB Group do not belong to any union and the employees' relationship with the management of the Group is amicable.

8.9 Business Overview and Prospects

The future prospects of the HPB Group as a property developer and contractor remain bright given our government has taken numerous steps to spur the property and construction industry to ensure the economic growth of our nation for the next few years. Given the HPB's track record and strength, its current projects undertaken and its quality land bank, it is in a favourable position to tap opportunities offered by the property and construction industries.

8.9.1 Viability

Product Diversity and Quality

The HPB Group's past and present wide property portfolio ranges from low and medium cost flats, terrace houses, apartments and condominiums to shop lots, office, commercial and industrial properties which cater primarily to the low to middle-high income market segments in Pulau Pinang and Kedah. The Group's current development projects are also situated in prime locations such as Tanjung Bungah / Tanjung Tokong which is very suitable for the construction of high end condominium, and in growth areas like Sungai Petani where various economic activities are generally industrial based and growing. Furthermore, capital appreciation of properties at these areas are relatively high compared to other places.

Types of Properties To be Developed by the HPB Group (1999-2001)	Expected Total units	Estimated Sales Value RM
<i>Residential</i>		
Low cost single storey terrace units at Mukim Sungai Petani, Daerah Kuala Muda	527	18,445,000
Medium cost single storey terrace units at Mukim Sungai Petani, Daerah Kuala Muda	504	29,232,000

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Types of Properties To be Developed by the HPB Group (1999-2001)	Expected Total units	Estimated Sales Value RM
Bungalow lots at Mukim Sungai Petani, Daerah Kuala Muda	553	43,665,000
Low cost housing at Lot No.10, PT10 (H.S(D) 26), Mukim 8, Seberang Perai Selatan	170	4,200,000
Medium cost housing at Lot No.10, PT10 (H.S.(D) 26), Mukim 8, Seberang Perai Selatan	216	14,328,000
Commercial		
Shoplots at Lot No.10 PT10 (H.S(D) 26) Mukim 8, Seberang Perai Selatan	13	1,800,000
Total	1,983	111,670,000

The above shows that the types and pricing of the Group's products are diverse in nature, taking into consideration the demand and growth potential of the project locations.

The construction arm of the Group ie. Masuka has pioneered the use of "Mascon" aluminium framework in Northern Malaysia and has also employed advance techniques such as the caisson foundations, lightweight aerated blocks, precast hollow core slabs, bore piles and spun piles. Besides achieving quality finishes and fine workmanship, these methods help to improve productivity and efficiency.

Market Share and Demand

The HPB Group evolved from the controlling shareholder, Dato' Khor Teng Tong's successful ventures into the property development industry approximately 18 years ago. This was when Mandin Garden Sdn Bhd launched its Taman Sukaria project in Mak Mandin Industrial Estate, Penang in 1981. Ms Ooi Lay See joined him in 1984. The Taman Sukaria project lasted until 1989. The total number of units developed was 390, comprising low and medium cost flats, double and three storey shop houses and double storey terrace houses. The total sales value was approximately RM23.3 million.

Another project running concurrently was the Taman Nibong Tebal project in Nibong Tebal, Penang. It was undertaken by Taman Nibong Tebal Sdn Bhd and its duration was from 1983 to 1987. The project comprises single and double storey terrace houses, single storey semi-detached houses and double storey shop houses. The total number of units developed was 195 with a total sales value of approximately RM12 million.

As can be seen by the dates, these two (2) projects were on-going during the mid 1980's recession which hit Malaysia. Nevertheless, these projects were duly completed, generating a tidy profit. These profits were then re-invested into other projects, namely the HPB Group; ie both Mandin Garden Sdn Bhd and Taman Nibong Tebal Sdn Bhd are substantial shareholders of HPB.

Thus HLand, the forerunner of HPB Group was formed. And it launched its first project at the tail end of the 1980's recession in 1988. This was Block A, the first phase of the 40 acres Greenlane Heights project. Now, 11 years later, Greenlane Heights project is completed.

One other example of the track record of the shareholders is the development projects by Hunza Usaha Sdn Bhd (a substantial shareholder of HPB). In the period between 1990 and 1994, it successfully developed and sold three (3) projects namely Villa Indah, Villa Mutiara and Indah Bay, comprising 169 units of apartments in three (3) different locations on Penang island. The total sales value was approximately RM28.1 million.

8. INFORMATION ON THE HPB GROUP (Cont'd)

The profits were re-invested in the Marina Bay project (via HUV) which was launched in 1994.

The HPB Group has been in the property development and construction business for more than ten (10) years. As at 8 February 2000, it has successfully completed more than 2,776 units of various types of properties with sales turnover worth RM355 million in Penang. The Group has gained a reputation for its property projects by providing quality flats, apartments, condominiums, commercial units and factories at affordable prices to its customers. In order to capture a bigger market share in the property market of the Northern Region, the Group is backed by a team of experienced marketing and sales personnel to promote its various property projects to potential purchasers. As such, the Group is well poised to meet the challenges of a competitive and demanding market.

Quality and Production Control

One of the major success factors of the completed projects of the Group is the quality of its projects. Quality and production control of the Group involves all project activities from the conceptual stage to project turnover. The major areas of quality in the projects of the Group are as follows :-

- The project design basis;
- Design and engineering;
- Equipment and materials;
- Field construction; and
- Final inspection and acceptance.

Thus, in order to maintain the quality of all of its projects, the planning, design and construction of properties of HPB Group are mainly carried out by in-house divisions. The Group's technical team headed by the Project Manager, consists of 6 members, who works very closely with its sub-contractors and external consultants to ensure that the quality and production control are maintained through constant meetings, reporting and monitoring. Each of the above divisions are headed by qualified and experienced professionals backed by Board members who have vast experience in the property and construction sectors.

Construction of property is supervised by a team of qualified engineers and experienced technicians. Most construction works from civil engineering to building works are carried out by Masuka. This would ensure that the quality and production control can be carried out more effectively and economically.

Competitive Advantage

The HPB Group has established itself as a reputable property developer for more than 10 years especially in the growth areas of Penang. The main competitive edge of the Group is a fair and reasonable pricing strategy for its properties and relatively large landbank in good location. Good demand especially for the low and medium cost ranges of flats and apartments will keep turnover of units very robust.

A company with a linkage, either through equity participation or a joint-venture, to state economic development corporation will normally have the opportunity to obtain strategic landbank(s). HPB Group has that association with PERDA in the form of joint venture company, PHSB.

8. INFORMATION ON THE HPB GROUP (Cont'd)

The use of "Mascon" aluminium formwork by Masuka also has many advantages which outweigh its cost. This method provides superior speed and is able to complete one typical floor (approximately 10,000 sq. ft.) in 4 days compared to timber form work which takes about two weeks, thus reducing the project duration. It also offers exceptional quality as the wall surfaces are flat and smooth.

8.9.2 Vulnerability

As the property and construction sectors are highly correlated with the economic climate, it is inherent that they are vulnerable to any economic downturn as with the present situation.

However, the Directors of HPB Group are of the opinion that the degree of vulnerability of the Group is relatively low, or minimised due to the following reasons:-

- (i) Most of the current property development of HPB Group in Penang are located at good locations whereby the good infrastructure and location away from the traffic-congested areas has been constantly meeting the consumers demands. The strategic property location coupled with proximity to facilities such as schools, markets, malls and hospitals can offer more attractive price appreciation and rental yield to the purchasers.
- (ii) Its luxury condominiums at Marina Bay is within the Tanjung Bungah and Tanjung Tokong areas. This prime location of the project makes the condominium in this area highly marketable due to its inherent strength of location. The condominiums in these areas have the potential to be good investment with high returns. Hence, the condominium projects which are located within this area are expected to have a high sales performance.

Furthermore, the condominium project at Marina Bay is built on 2 acres of land. The total land area for this project is more than 10 acres. With the relatively low density of this development compared to condominium developments in the immediate vicinity, it is a good selling point to the potential investors.

- (iii) The short travelling time of 15-20 minutes from Sungai Petani to Seberang Jaya along the North-South Expressway has attracted more buyers from Penang and Northern Perak to the district of the Kuala Muda. Most of the double storey terraced and semi-detached houses are built to cater for the demand of those would-be investors and house owners from Penang island and Northern Perak.

The high demand for the residential properties in the District of Kuala Muda is mainly contributed by job opportunities due to economic activities such as services, construction and manufacturing in the districts of Kota Setar, Kuala Muda and Kulim.

With the launching of the bungalow lots at this project, it will be able to cater for the needs of the urban dwellers who require relaxation, serenity and country-home lifestyle.

- (iv) The holding cost of some of the landbanks of the Group is low as the Group managed to acquire the land from various vendors at a much lower price. For example, to acquire the land for the proposed mixed development project at Sungai Petani, the Group negotiated with all 34 owners of the land to get their agreements to transfer the titles to the Group. Hence, by solving the

8. INFORMATION ON THE HPB GROUP (Cont'd)

complication of transfer of titles from the vendors, the Group successfully acquired it at a lower cost. As for the Greenlane Heights project, the Group also managed to acquire the land at a much cheaper price by carrying out a proper relocation exercise and negotiation with the squatters at the area.

- (v) With the various government's measures to jumpstart the property and construction sectors such as the revision of the ceiling price of the low cost houses, the reclassification of property sector to be "productive" instead of "non-productive" and that its status be regarded as "priority" instead of "non-priority", and purchase of residential properties costing below RM250,000 exempt from the 20% limit on lending to the broad property sector and the lowering of interest rates (*Source : The Sun, 21 October 1998*), the Directors of HPB Group are confident that the property sector is on the way to recovery.

8.9.3 Ownership and Management

The management and personnel of the Group are mainly qualified and skilled. The HPB Group is led by Ms Ooi Lay See, Dato' Khor Teng Tong and Mr Khor Peng Seah together with its senior management collectively, whose experiences spans more than 150 years of invaluable hands-on experience in the property development and construction industry.

8.9.4 Contribution to Economic Growth

The HPB Group being a reputable property developer and contractor for more than ten (10) years, has in its own way contributed to the overall economic growth of Penang and in particular, the property market and construction sector.

Over the years, the Group has completed over 2,700 units of residential and commercial properties in its role as a private sector developer. One of the major contribution of the Group towards building a better environment on the Island of Penang is the provision of housing for squatters who resided on the private land. The Group negotiated with each and every individual owner for the acquisition of the land which the squatters reside and subsequently provided proper living quarters for these squatters. The actions of the Group in providing decent living to the squatters is a commitment of the Group to improve the standard of living for the population of Penang.

Such acts by the Group are not limited to the provision of decent dwellings to the squatters but also extended to the poorer segment of the population. Affordable living is a prime issue for the Group and the Group can pride itself as an engine of providing such affordable housing to the general population with the development and construction of low cost housing. Todate, the Group has completed at least 400 units of low cost housing and another 697 units are in the pipeline. This is in line with the Government's policy of providing affordable housing to the poor and complements the Group's constant pursuit to be a good corporate citizen.

The construction arm of the Group has over the past ten (10) years been involved in the construction of almost all projects undertaken by the property development division of the HPB Group. Masuka has completed the construction of at least 400 units of low cost flats for a contract value of approximately RM14 million.

Currently, as at 8 February 2000 the Group has a staff force of 76 persons (excluding working Directors). There are no foreign workers in the Group.

8. INFORMATION ON THE HPB GROUP (Cont'd)

8.9.5 Future Plans of the Group

The HPB Group intends to establish itself as one of the major players in the property market through its property development and construction divisions. Its past track record indicates that the Group is capable of future growth, both within and outside of the Group. The current projects and future planned projects provides the Group with the potential and scope for its continuing participation in the property sector. However, the Group does not intend to restrict itself to the on-going projects but to seek further opportunities in more diverse locality and scope. Some of the future plans are as follows:

(i) Property Division***Expansion of Land Bank***

HPB sees the current economic environment as an opportunity to increase its land banks at reasonable costs. Such land banks will not only be concentrated in the Northern Region as HPB plans to expand nationally to other states in the Federal Territory and Selangor.

HPB has identified a few landbanks in Kuala Lumpur and Penang Island and are in the process of negotiation. They are all converted land, ready for development. The type of proposed development will be alongside what HPB has been doing so far i.e. mixed development of highrise and low rise (apartments, condominiums, low and medium cost housing, bungalows) and incorporating an integrated living concept. The projects will always complement the change in economic situations and of course the market demands.

Commercial Development

The Group currently owns a piece of land of approximately 38 acres near the North-South Expressway Juru Interchange and Prai Industrial Estate. As this piece of land is accessible by major roads and is located at the last interchange of the North-South Highway to Penang, HPB Group has conceived it as the most ideal location to meet the needs of warehouse facilities for this region.

In view of the robust growth of the industrial estates at the region for the past few years, the warehouse development will be a good business opportunity for the Group. Thus, the Group intends to develop 55% or approximately 23 acres of the land into a property investment project which will consist of the following facilities :-

- a) Container storage area;
- b) Heavy vehicle parking area;
- c) Bonded warehouse;
- d) Hi-tech warehouse;
- e) Frozen warehouse;
- f) Wholesale warehouse; and
- g) General warehouse.

The Group envisages that the abovesaid property investments are to complement the long term income generating ability of the Group.

8. INFORMATION ON THE HPB GROUP (Cont'd)

Development and Construction Of Office Tower Block

The Group through its joint venture with Kwangtung and Tengchow Association will be developing a piece of land strategically located at the entry point of the well known tourist belt of Tanjung Bungah and Batu Ferringgi, right opposite its Marina Bay development. To cater for the ever expanding corporate establishment in Penang, the Group is proposing to develop an exclusive and modern concept based high-rise office tower block. The head office of HPB Group will be based here.

Total land area is approximately 3 acres. The total built up area for the proposed 5 storey shopping complex cum 20 storey office and service apartment tower block will be approximately 650,000 sq ft (excluding car park). The theme proposed for this project is a "3 in 1 concept" depicting an urban lifestyle. The convenience of working, staying and socializing all under one roof.

For the shopping complex, the Group intends to bring in medium sized anchor tenants specialising on sections such as food, furniture, books, restaurant, children amusement centre to name a few. The office lots will be catered towards bigger corporations and professional firms.

Overall, the Group will maintain 40% of the entire project as long term investments whilst the remaining 60% is to be sold. This project will commence in financial year 2004 or 2005, depending on the economic situation and the market demands for such a project.

Services Industry

With the increasing population, the demand for a wide range of consumer services will also increase. As such HPB Group is proposing to construct an international college and a hospital at the mixed development project at Sungai Petani. The construction of the abovesaid facilities within the property project is a form of contribution to the society by providing better education services of international standards and medical services to the residents in the Kedah State. It also helps to reduce the need to go overseas for such services and reduces outflow of money. Furthermore, it will bring in foreign exchange from overseas students and is in tandem with the government's objective to make Malaysia the regional centre for higher learning.

Building More affordable Homes and Low and Medium Cost Houses

As at 8 February 2000, the Group has completed about 2,776 units of housing accommodation. Out of this, 400 units are low cost apartments. For the next two (2) years, the Group is committed to build another 697 units of low cost housing. Together with low cost housing, more medium cost housing will also be built. This would include apartments and terrace houses. This will be in line with the Government's policy to encourage private developers to build more affordable houses especially low cost housing to cater for the low income group. This is the Group's commitment to be a responsible corporate citizen.

8. INFORMATION ON THE HPB GROUP (Cont'd)

(a) Vicinity of Botanical Gardens (Joint-Venture with Cheah Kongsi)

The proposed future development is situated on a 52.82 acres land area in Penang Island, of which 10 acres are allocated as open space. This future development is an integrated residential development. It is strategically positioned and well serviced by excellent infrastructure.

This future development comprising some 1,332 units of residential development emphasizes on a "Garden City" concept. It offers a perfect home at the hillside surrounded by lush greenery, landscaped gardens, waterfalls, man-made fountains and cool fresh air. As in all HPB's project, they carefully plan their development so that it will complement and harmonize with its environment.

Building Type	Size	Approx no. of units
Luxury condominiums	1,600 - 2000 sq ft	252
Condominiums	950 - 1000 sq ft	350
Apartments	700 sq ft	250
Townhouse	2,500 - 3000 sq ft	50
Bungalow	4,500 sq ft	25
Low Medium Cost	600 sq ft	385
Service shoplots		20
Total		<u>1332</u>

The expected commencement of this project will start in the early part of financial year 2002. The completion of the entire development would take between 5 to 7 years.

(b) Tanjung Tualang - Batu Gajah

Total acreage of the site is approximately 433 acres. The land will be subdivided into 340 pieces of approximately 1-acre orchard homestead land. This concept of healthy living, away from the hustle and bustle of urban life would appeal to the city folks. Plenty of land for fruit trees planting or cultivation and for those with family and growing kids or retired folks; an ideal get-away. Access road and infrastructure facilities to individual lots will be provided for in this project.

In the future there will be a Ipoh Lumut Express Highway connecting Ipoh, Batu Gajah and Lumut which is within a 10km radius from the proposed project. From Ipoh, it will take approximately 25 - 30 minutes from the highway to the site.

(ii) Construction Division

The Group's foundation was established on the success of Masuka which was established about 10 years ago. It has established itself as a reputable construction company having carried out and completed construction contracts in excess of RM180 million. It is registered with Construction Industry Development Board as a Grade G7 and registered with Pusat Khidmat Kontraktor as a Class A Contractor. This will enable the company to tender projects of unlimited sum and is in line with its future plan.

8. INFORMATION ON THE HPB GROUP (Cont'd)

Over the last five (5) years, the construction division of the Group has been concentrating on contracts awarded by the Group's property division. Currently Masuka has contracts in hand worth RM54 million and future project worth RM67 million which are expected to carry on until year 2001. These projects will take the form of apartments, low and medium cost housing, bungalows and infrastructure works. The primary location of its future projects will be Penang and Sungai Petani in Kedah.

Having accomplished a sound footage in the construction industry, Masuka is ready to take the further step of tendering for more external contracts including being a turnkey contractor.

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9. MORATORIUM ON SALE OF SHARES

It is a condition of the SC that the major shareholders and promoters of HPB is not allowed to sell, transfer or assign their shares in HPB amounting to 45% of the enlarged issued and paid up capital of HPB for a period of one year from the date of admission of HPB to the Main Board of the KLSE. Thereafter, they are permitted to sell, transfer or assign their shares in HPB subject to maximum of a third per annum (on a straight line basis) of its shareholdings in HPB.

On completion of the Public Issue, Hunza Usaha Sdn Bhd, Mandin Garden Sdn Bhd, Jaya Sri Rambai Sdn Bhd, Taman Nibong Tebal Sdn Bhd, Ooi Lay See, Khor Peng Seah and Khor Teng Tong Holdings Sdn Bhd, will collectively hold 31,126,055 ordinary shares of RM1.00 each in HPB, representing 51.88% equity interest therein. The share certificates have been endorsed with the following remarks: "The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the SC ("the moratorium period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the moratorium period. No share certificate or certificates will be issued to replace this certificate during the moratorium period unless the same shall be endorsed with this restriction".

The moratorium on sale by the shareholders, which is fully accepted by the aforesaid shareholders is as follows:-

Substantial Shareholders	Shareholding After The Public Issue		Shares Placed Under Moratorium	
	No. of Ordinary Shares Held	% of Issued And Paid-Up Capital	No. of Ordinary Shares Held	% Of Issued and Paid-Up Capital
Hunza Usaha Sdn Bhd	7,725,000	12.88	7,725,000	12.88
Mandin Garden Sdn Bhd	4,462,377	7.44	4,462,377	7.44
Jaya Sri Rambai Sdn Bhd	4,568,764	7.61	4,568,764	7.61
Taman Nibong Tebal Sdn Bhd	5,325,596	8.88	5,325,596	8.88
Ooi Lay See	1,405,625	2.34	900,000	1.50
Khor Peng Seah	2,724,873	4.54	1,600,000	2.67
Khor Teng Tong Holdings Sdn Bhd	4,913,820	8.19	2,418,263	4.03
	31,126,055	51.88	27,000,000	45.00

10 FINANCIAL INFORMATION

10.1 Profit And Dividend Record

The following table, which has been extracted from the Accountant's Report in Section 11 of this Prospectus, is a summary of the proforma consolidated turnover and profit records of the HPB Group for the past 5 years ended 30 June 1999 and four (4) months period ended 31 October 1999. The proforma consolidated financial results are prepared for illustrative purposes and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

	<----- Year Ended 30 June ----->					4 months
	1995	1996	1997	1998	1999	Ended 31.10.99
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	55,954	67,070	59,234	62,216	45,957	12,737
Consolidated profit before taxation and exceptional item	13,943	19,534	19,403	17,330	18,676	4,266
Exceptional item	-	711	-	11,450	892	-
Consolidated profit before taxation after exceptional item	13,943	20,245	19,403	28,780	19,568	4,266
Taxation	(4,221)	(6,020)	(5,625)	(5,082)	(250)	(1,253)
Consolidated profit after taxation	9,722	14,225	13,778	23,698	19,318	3,013
Minority shareholders share of profit	(977)	(2,184)	(2,720)	(2,033)	(2,586)	(504)
Consolidated profit after taxation and minority interest	8,745	12,041	11,058	21,665	16,732	2,509
No. of ordinary shares in issue ('000)	47,417	47,417	47,417	47,417	47,417	47,417
Gross EPS (RM)	0.26	0.36	0.33	0.55	0.36	0.22*
Net EPS (RM)	0.18	0.25	0.23	0.46	0.35	0.16*

* Annualised

Note :-

(a) The financial year ends of the following subsidiary companies of certain years are not co-terminious with the financial year end of the Group of 30 June as shown below :-

Name of Subsidiaries	Financial Year Ends Which Are Not Co-terminious
Masuka	31 December 1994 to 1998
Qurozor	31 December 1994 to 1998
HPrade	31 December 1994 to 1995
HDP	31 December 1994 to 1995

Accordingly, adjustments have been made on a time apportionment basis to arrive at the above results.

(b) There were no extraordinary items in all the financial years under review.

(c) The substantial increase in turnover and consolidated profit before taxation for financial year ended 30 June 1996 was due to HParade's substantial progress on its Marina Bay Block A and C projects. Furthermore, Block C was sold at a higher price per square feet which has contributed to the higher profit margins. The higher selling price was attributed to the success of its projects.

(d) In 1996, HDistripark made an exceptional gain of approximately RM711,000 from the compulsory acquisition by the government on a portion of its land. The exceptional items incurred in 1998 and 1999 of approximately RM11,450,000 and RM892,000 represent gain on disposal of investments in unquoted shares of an associated company and subsidiary companies by HHoldings and HUV respectively. These exceptional items were not subject to income tax.

10. FINANCIAL INFORMATION (Cont'd)

- (e) *The decrease in turnover and consolidated profit before taxation for financial year ended 30 June 1997 was due to most of the sales of Marina Bay Block A and C were done in 1996. Turnover was mainly due to HParade's sales from its remaining unsold unit of the said projects.*
- (f) *In 1997, the underprovision of taxation in prior years of RM2.8 million representing back duty taxes in respect of the Years of Assessment 1990 to 1993 has been excluded from the profit after tax figure.*
- (g) *The increase in turnover for financial year ended 1998 was due to higher sales but there is a decrease of consolidated profit before taxation compared with the previous financial year due to HParade writing back over provision of development expenditure on Block A and C of Marina Bay project amounting to RM1.6 million in financial year 1997.*
- (h) *The lower effective tax rate as compared to the statutory income tax rate in 1998 was due mainly to the exceptional gain on disposal of investments in unquoted shares of an associated company is not subject to income tax. Taxation for 1999 represents the time apportionment of taxation on profits of Masuka and Qurozor for the financial year ended 31 December 1998 as their financial year ends are not co-terminious with the Group. No provision for tax payable on profit from operations of all other companies are made as the Government has waived the tax on chargeable income earned by a company in the financial year 1999.*
- (i) *The decrease of turnover for financial year ended 1999 was mainly due to HLand's completion of its final block of Greenlane Heights project in 1999. Nevertheless, consolidated profit before taxation increased due to higher profit margin derived from successful sales of apartments to overseas buyers as well as writing back of certain provisions which have were provided for earlier projects, now completed.*
- (j) *Although the Group only achieved RM2.5 million of consolidated profit after taxation and minority interest for the four (4) months period ended 31 October 1999, the Group is expected to attain better results by December 1999 as a result of better sales from the Second House Ownership Campaign which was launched in November 1999.*
- (k) *The gross and net earnings per ordinary share for the respective financial years under review have been calculated based on the proforma profit before taxation but after minority interest and profit after taxation and minority interest respectively divided by the enlarged issued and paid-up share capital of 47,417,000 ordinary shares of RM1.00 each following the flotation scheme mentioned but before the Public Issue of 12,583,000 new ordinary shares.*
- (l) *There were no dividends paid or declared by HPB during the financial years under review.*

10.2 Working Capital, Borrowings, Contingent Liabilities And Capital Commitments

The Directors of HPB are of the opinion that, barring any unforeseen circumstances and after taking into consideration the cashflow projections and the banking facilities available and the net proceeds of the Public Issue, the HPB Group will have adequate working capital for its present foreseeable requirements.

As at 8 February 2000, the HPB Group has:

- (a) total bank borrowings amounted to approximately RM27.5 million;
- (b) hire purchase and lease commitments of approximately RM548,000;
- (c) no outstanding loan capital created and unissued nor any mortgages or charges; and
- (d) capital commitments amounting to RM29,642,000 which are in relation to uncalled share capital of investment in HParade of RM3,852,000 by HTreasure and HUV and land lease payment of RM25,790,000 by Qurozor to a third party

10. FINANCIAL INFORMATION (Cont'd)

10.3 Consolidated Profit Forecast Together With The Notes Relating Thereto
(Prepared for inclusion in this Prospectus)
CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS

Barring any unforeseen circumstances and on the bases and assumptions set out below, the Board of Directors of HPB forecast that the consolidated profit of the HPB Group for the year ending 30 June 2000 will be as follows:

	RM'000
Consolidated profit after minority interest and before taxation	18,634
Less : Taxation	(5,782)
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Consolidated profit after taxation and minority interest before deduction of pre-acquisition profit	12,852
Less : Pre-acquisition profit*	(7,325)
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Consolidated profit after taxation and minority interest after deduction of pre-acquisition profit	5,527
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Weighted average number of ordinary shares assumed in issue **	23,432,230
Gross earnings per share (sen)	34.20 ***
Net earning per share (sen)	23.59
Gross price-earnings multiple based on the issue price of RM1.60 per ordinary share	4.68 times
Net price-earnings multiple based on the issue price of RM1.60 per ordinary share	6.78 times
* Based on a time apportionment basis	
** Based on the weighted average number of enlarged ordinary shares in issue of 60,000,000 taking into account the Public Issue Shares	
*** Based on the consolidated profit before taxation after minority interest and pre-acquisition profit of RM8,014,000	

Principal Bases and Assumptions

The principal bases and assumptions upon which the above proforma consolidated profit forecast have been made are set out below:

1. There will be no significant changes in the prevailing economic and political conditions in Malaysia and elsewhere that may directly or indirectly affect the activities or performance of the Group and the business of the Group.
2. There will be no significant changes in the present legislation and government regulations, rates and bases of duties, levies and taxes which will affect the activities of the Group or the market in which the Group operates.

10. FINANCIAL INFORMATION (Cont'd)

3. There will be no significant changes in the present management structure, operating and accounting policies adopted by the Group.
4. There will be no material changes in the principal activities and structure of the Group.
5. All proposed property development projects will be launched as targeted and in accordance with existing proposed development plans. The sale of developed property lots will be carried out as planned and in accordance with the proposed marketing and promotional plans. The construction in progress will reach stages of completion and progress billings will be called as scheduled. All relevant approvals in connection with the property development projects will be obtained from the relevant authorities as scheduled.
6. There will be no major industrial disputes or any abnormal factors which will adversely affect the Group's activities or the commencement and completion of the development projects undertaken by the Group as scheduled.
7. There will be no material changes in the present demand and market condition for the various development projects undertaken by the Group. The sales of the Group's development project will materialise as forecasted by management with the necessary financing being made available to the prospective buyers.
8. The infrastructure cost for the various development phases are apportioned based on the estimated area of each development phase. Development expenditure incurred directly for each phase will be taken up for that particular phase. The prevailing costs of construction will continue and any increase in these costs will be compensated through an increase in selling prices.
9. The Group will continue to maintain the current profit margins on its products and services. Attributable profits for each project are computed based on the percentage of completion method.
10. There will be no significant fluctuations in foreign currency exchange and inflation rates from their present levels.
11. There will be no material acquisitions or disposals of fixed assets or investments other than those that have been forecasted for.
12. Existing financial facilities will remain available and that the level of interest rates will not change materially from those presently prevailing. Additional financing facilities will be obtained at the present prevailing interest rates.
13. The proposed public issue of 12,583,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per share will be completed on 31 March, 2000. The proceeds of the public issue will be used to pay for listing expenses, to repay bank borrowings and for working capital.
14. Income taxes on profits for the year ending 30 June 2000 is computed based on the statutory income tax rate of 28%.
15. The acquisitions of Hunza Holdings Sdn. Bhd., Hunza Usaha Ventures Sdn. Bhd., Masuka Bina Sdn. Bhd. and Qurozor Resources Sdn. Bhd. were completed on 26 January, 2000.