

IX. ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

The following Accountants' Report on the Group is prepared by an approved company auditor, Messrs. Ernst & Young.

28 September 2000

The Board of Directors
MHC Plantations Bhd.
21 & 23 Jalan Hussein
(Ground Floor)
30250 Ipoh
Perak Darul Ridzuan

Dear Sirs,

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus to be dated 30 September 2000 in connection with:

- (i) the special issue of 17,975,000 000 new ordinary shares of RM1.00 each in MHC Plantations Bhd. ("MHC" or "Company") at an issue price of RM1.40 per share ("Special Issue");
- (ii) the public issue of 4,423,000 new ordinary shares of RM1.00 each in MHC at an issue price of RM1.40 per share ("Public Issue"); and
- (ii) the listing of and quotation for the entire enlarged issued and fully paid-up share capital of MHC comprising 63,238,086 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

The Public Issue and Special Issue are collectively referred to as the "Public and Special Issues".

This report has been prepared based on the accounting policies consistent with those previously adopted in the preparation of the audited financial statements of MHC and comply with approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB").

2. GENERAL INFORMATION

2.1 Incorporation and share capital

MHC was incorporated in the Federation of Malaya under the Companies Ordinance 1940 - 1946 on 31 December 1960 as a private limited company under the name of Mah Hock Cheong Company, Limited. On 15 April 1966, the Company changed its name to Mah Hock Cheong Company Sdn. Berhad and later to MHC Plantations Sdn. Bhd. on 9 July 1998. It was converted to a public company and adopted its present name on 21 August 1998.

As at the date of this report, the authorised share capital of the Company is RM100,000,000 divided into 100,000,000 ordinary shares of RM1.00 each while its issued and paid-up share capital is RM40,840,086 comprising 40,840,086 ordinary shares of RM1.00 each.

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

Date of allotment	Number of ordinary shares issued	Par value RM	Consideration	Total issued and paid up share capital RM
31.12.1960	2	100.00	Subscribers' shares	200
24.02.1961	98	100.00	Cash	10,000
24.11.1961	4,216	100.00	Cash	431,600
30.11.1961	400	100.00	Cash	471,600
24.12.1961	1,350	100.00	Cash	606,600
31.12.1961	290	100.00	Cash	635,600
05.03.1962	4,000	100.00	Cash	1,035,600
28.12.1962	248	100.00	Cash	1,060,400
27.11.1963	254	100.00	Cash	1,085,800
30.10.1964	488	100.00	Cash	1,134,600
06.11.1965	273	100.00	Cash	1,161,900
02.10.1966	348	100.00	Cash	1,196,700
08.11.1967	100	100.00	Cash	1,206,700
28.12.1969	506	100.00	Cash	1,257,300
30.12.1970	329	100.00	Cash	1,290,200
23.01.1976	103,216	100.00	Bonus issue of 8 shares for every 1 share	11,611,800
20.08.1998	Not applicable	1.00	Subdivision of RM100 shares to RM1 shares	11,611,800
18.08.2000	28,228,286	1.00	Bonus issue of 2.431 shares for every 1 share	39,840,086
23.08.2000	1,000,000	1.00	Issued pursuant to the acquisition of Majuperak Plantations Sdn. Bhd. ("MPP")	40,840,086

Subsequent to the Public and Special Issues of 22,398,000 new ordinary shares of RM1.00 each at an issue price of RM1.40 per share, the issued and paid-up share capital of MHC will increase to RM63,238,086.

2.2 Principal activities

The principal activities of MHC consist of oil palm cultivation, investment holding and the operation of a hotel.

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2.3 Restructuring and Listing Scheme

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of MHC on the Main Board of the KLSE, the Company undertook the following restructuring and listing scheme, which had been approved by the Foreign Investment Committee ("FIC") on 11 February 1999 and 20 March 2000, the Ministry of International Trade and Industry ("MITI") on 25 March 1999 and 22 January 2000, the Securities Commission ("SC") on 9 May 2000 and the shareholders of MHC on 6 July 2000:-

(a) Divestment of interest in non-plantation assets

- (i) Anson Oil Industries Berhad ("AOI"), a subsidiary company of MHC, disposed of a piece of land held for property development purposes for a cash consideration of RM2 million.
- (ii) MHC disposed of its wholly-owned property development subsidiary company, Infinite Cashflow Sdn. Bhd., for a cash consideration of RM258,936.

(b) Subscription of new shares in a subsidiary company

MHC subscribed for 1,900,000 ordinary shares of RM1.00 each in Champion Point Sdn. Bhd. ("CP") at par for cash. The shares subscribed for represent 95% of the enlarged issued and paid up share capital of CP.

(c) Bonus issue

MHC undertook a bonus issue of 28,228,286 new ordinary shares of RM1.00 each on the basis of 2.431 new ordinary shares for every one (1) existing ordinary share held by capitalising the capital reserve of the Company.

(d) Acquisition of subsidiary companies

MHC acquired interest in the following companies:-

Company	Number of shares acquired	% of equity interest acquired	Consideration RM	Terms of purchase
MPP	3,220,000	70.00	7,161,090	Cash
	1,380,000	30.00	3,069,039	Issuance of 1 million new ordinary shares of RM1.00 each in MHC at approximately RM3.07 per share
Total	4,600,000	100.00	10,230,129	
AOI	2,103,281	20.99	8,015,656	Cash
Yew Lee Holdings Sdn. Bhd. ("YLH")	3,445,165	50.00	21,564,774	Cash

(e) Public and Special Issues

MHC will undertake a special issue of 17,975,000 and public issue of 4,423,000 new ordinary shares of RM1.00 each at an issue price of RM1.40 per share

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2.4 Subsidiary companies

Details of the subsidiary companies of MHC (all of which are incorporated in Malaysia) as at the date of this report are as follows:-

Company	Principal activities	Effective equity interest %	Date of incorporation	Issued and paid-up share capital RM
AOI	Operating of oil palm estates and a mill	97.81	13.10.1969	10,021,000
MHC Kemayan Plantation Sdn. Bhd. ("MKP")	Operating of oil palm estate and a mill	100.00	12.09.1979	100,000
YLH	Cultivation and sale of oil palm	100.00	11.12.1973	6,890,350
MPP	Cultivation and sale of oil palm	100.00	16.12.1991	4,600,000
CP	Cultivation and sale of oil palm	95.00	29.04.1995	2,000,000
Ayu Sempurna Sdn. Bhd. ("AS")	Investment holding	100.00	16.03.1995	2
Ayu Gemilang Sdn. Bhd. ("AG")	Investment holding	100.00	16.03.1995	2
Telok Anson Hotel Sdn. Berhad ("TAH")	Dormant	75.00	04.09.1981	750,000
<i>Subsidiary companies of YLH</i>				
Sharikat Muzwin Bersaudara Sdn. Bhd. ("Muzwin")	Cultivation and sale of oil palm	99.37	07.08.1972	790,000
Great Glory Sdn. Bhd. ("Great Glory")	Investment holding	100.00	16.11.1992	850,000
<i>Subsidiary company of Great Glory</i>				
Hutan Melintang Plantations Sdn. Bhd. ("HMP")	Cultivation and sale of oil palm	100.00	21.06.1973	408,000
<i>Subsidiary company of MPP</i>				
Majuperak Sawit Sdn. Bhd. ("MPS")	Dormant	100.00	17.05.1989	9,000
<i>Subsidiary company of AS</i>				
Ladang MHC-KPD Sdn. Bhd. ("LM-K")	Cultivation and sale of oil palm	80.00	24.05.1995	100,000

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3. ACCOUNTS AND AUDITORS

We are the auditors of MHC and all of its subsidiary companies except for AOI, YLH, MPP, Muzwin, and MPS which are audited by another firm of auditors.

For all the other companies we have been the auditors for all the years/periods relevant to this report except as stated below:-

Company	Ernst & Young appointed as auditors with effect from financial year ended
AS	31 December 1998
AG	31 December 1998
LM-K	31 May 1999

Prior to that as stated above, the accounts were audited by other firms of auditors.

The auditors' reports of the Company and all of its subsidiary companies ("MHC Group" or "Group") for the relevant financial years/periods were not subject to any qualification except for LM-K where the accounts for the financial year ended 31 May 1998 were qualified on a going concern basis. LM-K became a subsidiary company of MHC in the financial year ended 31 May 1999 and since then, the issue of going concern is no longer relevant.

4. DIVIDENDS

MHC and its subsidiary companies

Details of the dividends declared or paid by the MHC Group for the financial years/periods under review are as follows:-

Financial year/period ended	Issued and paid up share capital RM	Gross dividend rate %	Tax rate %	Net dividend RM
MHC				
31.12.1995	11,611,800	96.5	30	7,843,771
31.12.1996	11,611,800	12.5	30	1,016,033
31.12.1997	11,611,800	12.0	30	975,391
		22.0	28	1,839,309
31.12.1998	11,611,800	157.6	28	13,176,142
31.12.1999	11,611,800	16.3	28	1,362,761
		20.0	Tax exempt	2,322,360
MKP				
30.06.1995	2	-	-	-
30.06.1996	2	-	-	-
31.12.1996	2	-	-	-
31.12.1997	100,000	-	-	-
31.12.1998	100,000	2,600.0	28	1,872,000
31.12.1999	100,000	40.0	28	28,800

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Financial year/period ended	Issued and paid up share capital RM	Gross dividend rate %	Tax rate %	Net dividend RM
AOI				
31.12.1995	10,021,000	6.0	30	420,882
31.12.1996	10,021,000	5.0	30	350,735
31.12.1997	10,021,000	2.5	30	175,368
31.12.1998	10,021,000	1.0	28	72,151
31.12.1999	10,021,000	5.0	28	360,756
YLH				
31.12.1995	6,890,350	38.0	30	1,832,833
31.12.1996	6,890,350	15.0	30	723,487
31.12.1997	6,890,350	20.0	30	964,649
31.12.1998	6,890,350	90.0	28	4,464,947
31.12.1999	6,890,350	70.0	28	3,472,736
HMP				
31.12.1995	408,000	-	-	-
31.12.1996	408,000	-	-	-
31.12.1997	408,000	50.0	30	142,800
31.12.1998	408,000	580.0	28	1,703,808
31.12.1999	408,000	370.0	28	1,086,912
Muzwin				
31.12.1995	790,000	-	-	-
31.12.1996	790,000	-	-	-
31.12.1997	790,000	90.0	30	497,700
31.12.1998	790,000	270.0	28	1,535,760
31.12.1999	790,000	90.0	28	511,920
CP				
31.12.1995	2	-	-	-
31.12.1996	100,000	100.0	30	70,000
31.12.1997	100,000	100.0	30	70,000
31.12.1998	100,000	400.0	28	288,000
31.12.1999	100,000	25.0	28	18,000
		200.0	Tax exempt	200,000
Great Glory				
31.12.1995	350,000	-	-	-
31.12.1996	350,000	-	-	-
31.12.1997	850,000	-	-	-
31.12.1998	850,000	270.0	28	1,652,400
31.12.1999	850,000	185.0	28	1,132,200

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Financial year/period ended	Issued and paid up share capital RM	Gross dividend rate %	Tax rate %	Net dividend RM
TAH				
31.12.1995	750,000	-	-	-
31.12.1996	750,000	-	-	-
31.12.1997	750,000	2.5	30	13,125
31.12.1998	750,000	-	-	-
31.12.1999	750,000	-	-	-

MPP, AS, AG, MPS and LM-K have not declared or paid any dividend for financial years/periods under review.

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5. SUMMARISED PROFIT AND LOSS ACCOUNTS

5.1 Proforma Group

The summarised proforma consolidated profit and loss accounts of the MHC Group set out below are based on the audited accounts of MHC and its subsidiary companies, after making such adjustments considered necessary, for the five (5) financial years ended 31 December 1999 and the five (5) months period ended 31 May 2000. The summarised proforma consolidated profit and loss accounts are presented on the assumption that the current structure of the MHC Group had been in existence throughout the financial years/period under review.

	Note	Financial year ended 31 December					5 months
		1995	1996	1997	1998	1999	ended 31.5.2000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	(4)	19,271	15,556	36,490	64,351	51,877	16,789
Gross profit		8,856	8,385	14,363	19,599	14,599	4,337
Other income		423	687	402	647	646	197
Operating expenses excluding depreciation and financial expenses		(1,292)	(991)	(1,706)	(2,998)	(2,710)	(1,136)
Profit before depreciation, interest and taxation		7,987	8,081	13,059	17,248	12,535	3,398
Depreciation		(991)	(928)	(1,333)	(1,595)	(1,802)	(741)
Interest expense		-	-	(38)	(22)	(1,280)	(599)
Interest income		424	402	287	118	2,842	1,258
Exceptional items	(5)	39,962	328	-	-	-	1,186
Profit before taxation	(6)	47,382	7,883	11,975	15,749	12,295	4,502
Taxation	(7)	(1,966)	(2,370)	(3,143)	(4,692)	(112)	(801)
Profit after taxation		45,416	5,513	8,832	11,057	12,183	3,701
Minority interests		(35)	(210)	(84)	(87)	(67)	(11)
Profit attributable to shareholders of MHC		45,381	5,303	8,748	10,970	12,116	3,690
Number of ordinary shares assumed in issue ('000)		40,840	40,840	40,840	40,840	40,840	40,840
Gross earnings per share (RM)	(8)	1.16	0.19	0.29	0.39	0.30	0.26*
Net earnings per share (RM)	(8)	1.11	0.13	0.21	0.27	0.30	0.22*

* *Annualised*

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Notes to the summarised proforma consolidated profit and loss accounts

- (1) The summarised proforma consolidated profit and loss accounts are prepared for illustrative purposes only and are based on the audited accounts of the MHC Group.
- (2) The above results are arrived at after making adjustments for significant inter-company transactions.
- (3) The summarised proforma consolidated profit and loss accounts have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the MHC Group.
- (4) The decrease in turnover by approximately 19% in 1996 compared to the previous year was primarily due to the drop in commodity prices for crude palm oil ("CPO") by 19% and palm kernel ("PK") by 12% and lower volume of CPO and PK sold due to the decrease in CPO and PK production by 9% and 18% respectively.

In April 1997, the MHC Group acquired an additional oil palm estate together with an oil mill in Kemayan via its newly acquired subsidiary company, MKP. As a result of this acquisition, which increased the volume of CPO and PK sold by the MHC Group by 50%, and the increase in commodity prices for CPO and PK by 17% and 7% respectively, turnover for 1997 increased drastically.

The turnover increased by approximately 76% for 1998 in tandem with the increase in CPO prices by more than 60% as a result of the appreciation in the United States Dollar. Furthermore, the increase in turnover for the year was due to the increase in the volume of CPO sold by 8%.

In 1999, turnover dropped despite the increase in fresh fruit bunches ("FFB") harvested from the estates of the MHC Group and the volume of CPO and PK sold. This was mainly attributable to the decline in commodity prices of CPO by approximately 38%.

The decrease in turnover, on an annualised basis, for five (5) months ended 31 May 2000, was primarily due to the decrease in the commodity prices and volume of CPO sold by 20% and 4% respectively. In addition, the FFB yield at the beginning of the calendar year is usually lower in comparison to the FFB yield of the third quarter of the year.

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(5) Exceptional items	<-----Financial year ended 31 December----->					5 months
	1995	1996	1997	1998	1999	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31.5.2000
Surplus on disposal of land net of real property gains tax	39,962	328	-	-	-	-
Real property gains tax in respect of gain on disposal of shares in a real property company in 1993	-	(1,720)	-	-	-	-
Real property gains tax on disposal of investments recovered, net of legal fees	-	-	-	-	-	1,186
As per audited accounts	39,962	(1,392)	-	-	-	1,186
Adjustment for real property gains tax in respect of gain on disposal of shares in a real property company in 1993	-	1,720	-	-	-	-
As restated	39,962	328	-	-	-	1,186

The exceptional items in 1995 arose from disposal of land by MHC and AOI for RM46 million and RM6.3 million respectively and exceptional items in 1996 arose from the disposal of land by MHC for RM366,000.

For comparative purposes, the extraordinary items disclosed in the audited accounts for financial years 1995 and 1996 had been reclassified as exceptional items so as to comply with MASB Standard No. 3, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, which became operative for financial statements covering periods beginning on or after 1 July 1999.

- (6) Profit before tax for the financial year 1996 was significantly lower than the previous corresponding period mainly due to the exceptional item in 1995 which resulted from the surplus on the disposal of a piece of land by MHC and AOI of RM38.6 million and RM1.3 million respectively.

The increase in profit before tax for the financial year 1997 was mainly due to the profits from its newly acquired subsidiary company, MKP and higher commodity prices for CPO and PK.

Profit before tax for the financial year 1998 only improved by approximately 32% despite the significant increase in CPO prices mainly due to lower refining margin. This was mainly due to the El-Nino induced drought, which decreased the FFB production throughout the country, including those produced by the estates of the MHC Group. This resulted in the higher volume of FFB purchased from external parties for processing.

The decrease in profit before tax for the financial year 1999 was mainly due to the decrease in commodity prices of CPO by approximately 38%.

The decrease in profit before tax, on an annualised basis, for the five (5) months ended 31 May 2000, was mainly due to lower commodity prices and volume of CPO sold.

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- (7) The effective rates of taxation for the financial years 1995 was lower than the statutory tax rate mainly due to certain income which was not subject to tax and the utilisation of unabsorbed tax losses by certain subsidiary companies of the MHC Group. The tax charge for the financial year 1999 was due to tax on dividend income and under provision of taxation in respect of prior years. There was no further tax liability anticipated as 1999 forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived. The effective tax rate for the five (5) months ended 31 May 2000 was lower than the statutory tax rate mainly due to certain income which is not subject to tax and over provision of taxation in respect of prior years adjusted in that period.
- (8) The gross earnings per share have been calculated based on the profit before taxation while the net earnings per share has been calculated based on the profit after taxation over the total number of ordinary shares of 40,840,086, assuming that the restructuring exercise detailed in paragraph 2.3 excluding the public issue of 22,398,000 ordinary shares, has been in effect throughout the financial years/period under review. For illustrative purposes, the gross/net earnings per share calculated on the results for the five (5) months ended 31 May 2000 have been reflected on an annualised basis which does not necessarily give a correct indication of the forecast annual results due to seasonal factors.
- (9) There is no disclosure of segmental information as required by International Accounting Standard No. 14, Reporting Financial Information by segment, as the MHC Group operates principally within one (1) industry and within the country.

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5.2 MHC and its subsidiary companies

The summarised audited profit and loss accounts of MHC and its subsidiary companies, after making such adjustments considered necessary, for the five (5) financial years ended 31 December 1999 and five (5) months ended 31 May 2000 are set out below.

5.2.1 MHC

	<-----Financial year ended 31 December----->					5 months
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	ended 31.5.2000 RM'000
Turnover	6,841	3,968	4,465	10,302	6,059	1,011
Profit before depreciation, interest and taxation	4,619	3,091	3,188	8,722	4,625	329
Depreciation	(133)	(204)	(218)	(229)	(241)	(97)
Interest expenses	-	-	-	(180)	(110)	(43)
Interest income	31	6	-	88	2,829	1,262
Profit before exceptional items	4,517	2,893	2,970	8,401	7,103	1,451
Exceptional items	38,687	328	-	-	-	579
Profit before taxation	43,204	3,221	2,970	8,401	7,103	2,030
Taxation	(1,374)	(847)	(864)	(2,447)	(834)	(424)
Profit after taxation	41,830	2,374	2,106	5,954	6,269	1,606
Number of ordinary shares in issue ('000)	11,612	11,612	11,612	11,612	11,612	11,612
Net earnings per share (RM)	3.60	0.20	0.18	0.51	0.54	0.33*

* Annualised

Notes:-

(a) The audited profit and loss accounts of MHC have been prepared based on accounting policies consistent with those previously adopted in the preparation of MHC's audited financial statements.

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(b) *Exceptional items*

	←-----Financial year ended 31 December ----->					5 months
	1995	1996	1997	1998	1999	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31.5.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Surplus on disposal of landed properties	38,687	328	-	-	-	-
Real property gains tax in respect of gain on disposal of shares in a real property company in 1993	-	(849)	-	-	-	-
Real property gains tax on disposal of investments recovered, net of legal fees	-	-	-	-	-	579
As per audited accounts	38,687	(521)	-	-	-	579
Adjustment for real property gains tax in respect of gain on disposal of shares in a real property company in 1993	-	849	-	-	-	-
As restated	38,687	328	-	-	-	579

For comparative purposes, the extraordinary items disclosed in the audited accounts for financial years 1995 and 1996 had been reclassified as exceptional items so as to comply with MASB Standard No. 3, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, which became operative for financial statements covering periods beginning on or after 1 July 1999.

- (c) *The effective tax rates for the financial years 1995 and 1996 and the five (5) months ended 31 May 2000 were lower than the statutory tax rate mainly due to certain income which was not subject to tax. The tax charge for the financial year 1999 was due to tax on dividend income. There was no further tax liability anticipated as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived.*
- (d) *The net earnings per share have been calculated based on the profit after taxation and the total number of shares in issue for the financial years/period under review. MHC had subdivided its ordinary shares of RM100.00 each into ordinary shares of RM1.00 each on 20 August 1998, but for comparative purposes, the earnings per share for the financial years prior to the conversion have been calculated based on ordinary shares of RM1.00 each. For illustrative purposes, the net earnings per share calculated on the results for the five (5) months ended 31 May 2000 has been reflected on an annualised basis.*

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5.2.2 MKP

	Financial year ended 30 June		6 months ended	Financial year ended 31 December			5 months ended
	1995	1996	31.12.1996	1997	1998	1999	31.5.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	-	-	-	17,809	37,668	29,312	10,800
Profit before depreciation, interest and taxation	-	-	-	2,609	4,178	3,504	1,841
Depreciation	-	-	-	(423)	(674)	(704)	(300)
Interest expense	-	-	-	(643)	(1,160)	(1,934)	(854)
Interest income	-	-	-	31	30	17	-
Profit before taxation	-	-	-	1,574	2,374	883	687
Taxation	-	-	-	(223)	(837)	-	1
Profit after taxation	-	-	-	1,351	1,537	883	688
Number of ordinary shares in issue ('000)	2**	2**	2**	100	100	100	100
Net earnings per share (RM)	-	-	-	13.51	15.37	8.83	16.51*

* Annualised

** 2 ordinary shares

Notes:-

- (a) The audited profit and loss accounts of MKP have been prepared based on accounting policies consistent with those previously adopted in the preparation of MKP's audited financial statements.
- (b) For the financial years 1995 and 1996 and six (6) months ended 31 December 1996, the results of MKP showed very insignificant losses.
- (c) The effective rate of taxation for the financial year 1997 was lower than the statutory tax rate mainly due to potential deferred taxation not provided for in the accounts as it was anticipated that the tax effects of such deferrals will continue in the foreseeable future. The effective tax rate for the financial year 1998 was higher than the statutory tax rate mainly due to under provision of taxation in respect of prior year adjusted in that year. There was no tax charge for 1999 as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived. The effective tax rate for the five (5) months ended 31 May 2000 was lower than the statutory tax rate mainly due to over provision of taxation in respect of prior year adjusted in that year.
- (d) There were no extraordinary items during the years/periods under review.
- (e) The net earnings per share have been calculated based on the profit after taxation and the number of ordinary shares in issue for the financial years/periods under review. For illustrative purposes, the net earnings per share calculated on the results for the five (5) months ended 31 May 2000 have been reflected on an annualised basis.

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5.2.3 AOI

	<-----Financial year ended 31 December----->					5 months ended
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	31.5.2000 RM'000
Turnover	16,864	12,759	17,509	25,497	21,684	5,835
Profit before depreciation, interest and taxation	1,754	1,771	3,694	3,565	3,606	737
Depreciation	(403)	(326)	(345)	(345)	(387)	(156)
Interest expenses	-	-	-	-	-	-
Interest income	226	209	498	702	388	160
Profit before exceptional item	1,577	1,654	3,847	3,922	3,607	741
Exceptional item	1,304	-	-	-	-	-
Profit before taxation	2,881	1,654	3,847	3,922	3,607	741
Taxation	(522)	(548)	(1,009)	(1,050)	(63)	(200)
Profit after taxation	2,359	1,106	2,838	2,872	3,544	541
Number of ordinary shares in issue ('000)	10,021	10,021	10,021	10,021	10,021	10,021
Net earnings per share (RM)	0.24	0.11	0.28	0.29	0.35	0.13*

* Annualised

Notes:-

- (a) The audited profit and loss accounts of AOI have been prepared based on accounting policies consistent with those previously adopted in the preparation of AOI's audited financial statements.
- (b) The exceptional item in 1995 was in respect of profit from disposal of land. For comparative purposes, the extraordinary item disclosed in the audited accounts for financial year 1995 had been reclassified as exceptional item so as to comply with MASB Standard No. 3, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, which became operative for financial statements covering periods beginning on or after 1 July 1999.
- (c) The effective tax rate for the financial years 1995 was lower than the statutory tax rate due to certain income which was not subject to tax. The effective tax rate for the financial year 1996 was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes. The tax charge for the financial year 1999 was due to tax on dividend income. There was no further tax liability anticipated as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived.
- (d) The net earnings per share have been calculated based on the profit after taxation and the number of ordinary shares in issue for the financial years/period under review. For illustrative purposes, the net earnings per share calculated on the results for the five (5) months ended 31 May 2000 have been reflected on an annualised basis.

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

5.2.4 MPP

	<-----Financial year ended 31 December----->					5 month
	1995	1996	1997	1998	1999	ended 31.5.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	-	-	-	407	635	265
(Loss)/Profit before depreciation, interest and taxation	(20)	(52)	(46)	(9)	24	(9)
Depreciation	(34)	(34)	(35)	(35)	(78)	(38)
Interest expense	-	-	-	-	-	-
Interest income	21	2	1	3	1	-
Loss before taxation	(33)	(84)	(80)	(41)	(53)	(47)
Taxation	-	-	-	-	-	-
Loss after taxation	(33)	(84)	(80)	(41)	(53)	(47)
Number of ordinary shares in issue ('000)	2,645	3,332	4,600	4,600	4,600	4,600
Net loss per share (RM)	(0.01)	(0.03)	(0.02)	(0.01)	(0.01)	(0.02)*

* Annualised

Notes:-

- (a) *The audited profit and loss accounts of MPP have been prepared based on accounting policies consistent with those previously adopted in the preparation of MPP's audited financial statements.*
- (b) *There was no turnover for the financial years 1995 to 1997 as the planted areas have not reached maturity. The losses for these years represented administration expenses.*
- (c) *There were no extraordinary items during the years/period under review.*
- (d) *The net loss per share has been calculated based on the loss after taxation and the number of ordinary shares in issue for the financial years/period under review. For illustrative purposes, the net loss per share calculated on the results for the five (5) months ended 31 May 2000 has been reflected on an annualised basis.*

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

5.2.5 YLH

	←-----Financial year ended 31 December----->					5 months
	1995	1996	1997	1998	1999	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31.5.2000
						RM'000
Turnover	1,767	1,489	2,227	2,786	2,084	637
Profit before depreciation, interest and taxation	991	847	2,160	6,269	3,419	151
Depreciation	(79)	(57)	(58)	(58)	(58)	(19)
Interest expense	-	-	-	-	-	-
Interest income	142	148	227	343	203	81
Profit before exceptional item	1,054	938	2,329	6,554	3,564	213
Exceptional item	-	-	-	-	-	608
Profit before taxation	1,054	938	2,329	6,554	3,564	821
Taxation	(353)	(294)	(664)	(1,847)	(642)	(62)
Profit after taxation	701	644	1,665	4,707	2,922	759
Number of ordinary shares in issue ('000)	6,890	6,890	6,890	6,890	6,890	6,890
Net earnings per share (RM)	0.10	0.09	0.24	0.68	0.42	0.26*

* Annualised

Notes:-

(a) The audited profit and loss accounts of YLH have been prepared based on accounting policies consistent with those previously adopted in the preparation of YLH's audited financial statements.

(b) Exceptional items

	←-----Financial year ended 31 December----->					5 months
	1995	1996	1997	1998	1999	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31.5.2000
						RM'000
Real property gains tax in respect of gain on disposal of shares in a real property company in 1993	-	(870)	-	-	-	-
Real property gains tax on disposal of investments recovered, net of legal fees	-	-	-	-	-	608
As per audited accounts	-	(870)	-	-	-	608
Adjustment for real property gains tax in respect of gain on disposal of shares in a real property company in 1993	-	870	-	-	-	-
As restated	-	-	-	-	-	608

For comparative purposes, the extraordinary item disclosed in the audited accounts for financial year 1996 had been reclassified as exceptional item so as to comply with MASB Standard No 3, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, which became operative for financial statements covering periods beginning on or after 1 July 1999.

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

- (c) *The effective tax rate for the financial years 1995 was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes. The tax charge for the financial year 1999 was due to tax on dividend income. There was no further tax liability anticipated as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived. The effective tax rates for the five (5) months ended 31 May 2000 was lower than the statutory tax rate mainly due to certain income which was not subject to tax.*
- (d) *The net earnings per share have been calculated based on the profit after taxation and the number of ordinary shares in issue for the financial years/period under review. For illustrative purposes, the net earnings per share calculated on the results for the five (5) months ended 31 May 2000 have been reflected on an annualised basis.*

5.2.6 HMP

	<-----Financial year ended 31 December----->					5 months
	1995	1996	1997	1998	1999	ended 31.5.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	1,750	1,624	2,156	3,196	2,023	571
Profit before depreciation, interest and taxation	1,132	1,058	1,496	2,449	1,286	243
Depreciation	(230)	(226)	(168)	(168)	(194)	(81)
Interest expense	-	-	-	-	-	-
Interest income	-	-	6	86	36	13
Profit before taxation	902	832	1,334	2,367	1,128	175
Taxation	(210)	(287)	(378)	(682)	-	(70)
Profit after taxation	692	545	956	1,685	1,128	105
Number of ordinary shares in issue ('000)	408	408	408	408	408	408
Net earnings per share (RM)	1.70	1.34	2.34	4.13	2.76	0.62*

* Annualised

Notes:-

- (a) *The audited profit and loss accounts of HMP have been prepared based on accounting policies consistent with those previously adopted in the preparation of HMP's audited financial statements.*
- (b) *The effective tax rate for 1995 was lower than the statutory tax rate mainly due to the utilisation of unabsorbed tax losses. The effective tax rates for 1996 and the five (5) months ended 31 May 2000 were higher than the statutory rate mainly due to certain expenses being disallowed for tax purposes. There was no taxation charge for 1999 as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived.*
- (c) *There were no extraordinary items during the years/period under review.*

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

(d) *The net earnings per share have been calculated based on the profit after taxation and the number of ordinary shares in issue for the financial years/period under review. For illustrative purposes, the net earnings per share calculated on the results for the five (5) months ended 31 May 2000 have been reflected on an annualised basis.*

5.2.7 MUZWIN

	<-----Financial year ended 31 December----->					5 months ended
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	31.5.2000 RM'000
Turnover	1,971	1,674	1,979	2,738	1,853	538
Profit before depreciation, interest and taxation	1,197	1,023	1,295	1,940	1,105	93
Depreciation	(112)	(81)	(86)	(86)	(98)	(41)
Interest expense	-	-	-	-	-	-
Interest income	1	32	85	166	104	36
Profit before taxation	1,086	974	1,294	2,020	1,111	88
Taxation	-	(285)	(378)	(584)	-	(40)
Profit after taxation	1,086	689	916	1,436	1,111	48
Number of ordinary shares in issue ('000)	790	790	790	790	790	790
Net earnings per share (RM)	1.37	0.87	1.16	1.82	1.41	0.15*

* Annualised

Notes:-

- (a) *The audited profit and loss accounts of Muzwin have been prepared based on accounting policies consistent with those previously adopted in the preparation of Muzwin's audited financial statements.*
- (b) *There was no tax charge for 1995 mainly due to the utilisation of unabsorbed tax losses. There was no tax charge for 1999 as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived. The effective tax rate for the five (5) months ended 31 May 2000 was higher than the statutory tax rate mainly due to under provision of taxation in respect of prior year adjusted in that period.*
- (c) *There were no extraordinary items during the years/period under review.*
- (d) *The net earnings per share have been calculated based on the profit after taxation and the number of ordinary shares in issue for the financial years/period under review. For illustrative purposes, the net earnings per share calculated on the results for the five (5) months ended 31 May 2000 have been reflected on an annualised basis.*

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

5.2.8 CP

	9 months	--Financial year ended 31 December-->				5 months
	ended 31.12.1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	ended 31.5.2000 RM'000
Turnover	259	393	404	534	404	104
Profit before depreciation, interest and taxation	114	277	278	343	202	15
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Interest income	-	1	-	1	1	1
Profit before taxation	114	278	278	344	203	16
Taxation	(35)	(83)	(78)	(96)	-	(4)
Profit after taxation	79	195	200	248	203	12
Number of ordinary shares in issue ('000)	2**	100	100	100	100	100
Net earnings per share (RM)	39,500.00	1.95	2.00	2.48	2.03	0.29 *

* Annualised

** 2 ordinary shares

Notes:-

- (a) The audited profit and loss accounts of CP have been prepared based on accounting policies consistent with those previously adopted in the preparation of CP's audited financial statements.
- (b) CP was incorporated on 29 April 1995 and prepared its first set of audited accounts for the period from 29 April 1995 to 31 December 1995.
- (c) There was no tax charge for 1999 as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived.
- (d) There were no extraordinary items during the years/periods under review.
- (e) The net earnings per share have been calculated based on the profit after taxation and the number of ordinary shares in issue for the financial years/periods under review. For illustrative purposes, the net earnings per share calculated on the results for the five (5) months ended 31 May 2000 have been reflected on an annualised basis.

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

5.2.9 LM-K

	Financial year ended		7 months	5 months
	31.5.1998	31.5.1999	ended 31.12.1999	ended 31.5.2000
	RM'000	RM'000	RM'000	RM'000
Turnover	-	-	-	-
Loss before depreciation, interest and taxation	(170)	(90)	(9)	(1)
Depreciation	-	(26)	(22)	(9)
Interest expense	-	-	-	-
Interest income	-	-	-	-
Loss before exceptional items	(170)	(116)	(31)	(10)
Exceptional items	-	322	-	-
Profit/(Loss) before taxation	(170)	206	(31)	(10)
Taxation	-	-	-	-
Profit/(Loss) after taxation	(170)	206	(31)	(10)
Number of ordinary shares in issue ('000)	2**	100	100	100
Net earnings/(loss) per share (RM)	(85,000.00)	2.06	(0.31)	(0.24)*

* Annualised

** 2 ordinary shares

Notes:-

- (a) The audited profit and loss accounts of LM-K have been prepared based on accounting policies consistent with those previously adopted in the preparation of LM-K's audited financial statements.
- (b) LM-K was incorporated on 24 May 1995 and prepared its first set of audited accounts for the period from 24 May 1995 to 31 May 1995.
- (c) No profit and loss accounts were prepared for the financial years 1995 to 1997 as LM-K only commenced oil palm cultivation in the seven (7) months period ended 31 December 1999. The losses before exceptional items for the financial years/period 1998 to 1999 and five (5) months period ended 31 May 2000 represented various expenses charged during those years such as amortisation of deferred expenditure, audit fee, depreciation and other administration expenses.

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

(d) Exceptional items	Financial year ended		7 months	5 months
	31.5.1998	31.5.1999	ended	ended
	RM'000	RM'000	31.12.1999	31.5.2000
			RM'000	RM'000
Advances waived by				
- former holding company	-	280	-	-
- a former shareholder	-	42	-	-
- holding company	-	243	-	-
Advances previously waived by holding company now restated due to revised arrangement among shareholders of the company	-	-	(243)	-
As per audited accounts	-	565	(243)	-
Adjustment for the restatement of amount waived by holding company	-	(243)	243	-
As restated	-	322	-	-

(e) No taxation has been provided for the financial year 1999 as the exceptional items were not subject to any tax.

(f) The net earnings/(loss) per share have been calculated based on the profit/(loss) after taxation and the number of ordinary shares in issue for the financial years/periods under review. For illustrative purposes, the net earnings per share calculated on the results for the five (5) months ended 31 May 2000 have been reflected on an annualised basis.

5.2.10 GREAT GLORY

	Financial year ended 31 December					5 months
	1995	1996	1997	1998	1999	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31.5.2000
						RM'000
Turnover	-	-	198	2,366	1,510	-
Profit/(Loss) before depreciation, interest and taxation	(34)	(13)	173	2,353	1,506	-
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Profit/(Loss) before taxation	(34)	(13)	173	2,353	1,506	-
Taxation	-	-	(55)	(662)	(423)	-
Profit/(Loss) after taxation	(34)	(13)	118	1,691	1,083	-
Number of ordinary shares in issue ('000)	350	350	850	850	850	850
Net earnings/(loss) per share (RM)	(0.10)	(0.04)	0.14	1.99	1.27	-

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

Notes:-

- (a) *The audited profit and loss accounts of Great Glory have been prepared based on accounting policies consistent with those previously adopted in the preparation of Great Glory's audited financial statements.*
- (b) *The effective tax rate for the financial year 1997 was higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes. The tax charge for the financial year 1999 was due to tax on dividend income. There was no further tax liability anticipated as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived.*
- (c) *There were no extraordinary items during the years/period under review.*
- (d) *The net earnings/(loss) per share have been calculated based on the profit/(loss) after taxation and the number of ordinary shares in issue for the financial years/period under review.*

5.2.11 AG

	Financial year ended 31.12.1999 RM'000	5 months ended 31.5.2000 RM'000
Turnover	-	-
Loss before depreciation, interest and taxation	(10)	-
Depreciation	-	-
Interest expense	-	-
Interest income	-	-
Loss before taxation	(10)	-
Taxation	-	-
Loss after taxation	(10)	-
Number of ordinary shares in issue	2	2
Net loss per share (RM)	(5,000.00)	-

Notes:-

- (a) *The audited profit and loss accounts of AG have been prepared based on accounting policies consistent with those previously adopted in the preparation of AG's audited financial statements.*
- (b) *AG was incorporated on 16 March 1995 and prepared its first set of audited accounts for the period from 16 March 1995 to 31 December 1995.*
- (c) *No profit and loss accounts were prepared for the financial years 1995 to 1998 as AG only commenced operations during the financial year 1999.*
- (d) *There were no extraordinary items for the year/period under review.*
- (e) *The net loss per share has been calculated based on the loss after taxation and the number of ordinary shares in issue for the financial year/period under review.*

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

5.2.12 AS

	Financial year ended 31.12.1999 RM'000	5 months ended 31.5.2000 RM'000
Turnover	-	-
Loss before depreciation, interest and taxation	(11)	-
Depreciation	-	-
Interest expense	-	-
Interest income	15	-
Profit before taxation	4	-
Taxation	-	-
Profit after taxation	4	-
Number of ordinary shares in issue	2	2
Net earnings per share (RM)	2,000.00	-

Notes:-

- (a) *The audited profit and loss accounts of AS have been prepared based on accounting policies consistent with those previously adopted in the preparation of AS's audited financial statements.*
- (b) *AS was incorporated on 16 March 1995 and prepared its first set of audited accounts for the period from 16 March 1995 to 31 December 1995.*
- (c) *No profit and loss accounts were prepared for the financial years 1995 to 1998 as AS only commenced operations in the financial year 1999.*
- (d) *There was no tax charge for the financial year 1999 as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived.*
- (e) *There were no extraordinary items for the year/period under review.*
- (f) *The net earnings per share have been calculated based on the profit after taxation and the number of ordinary shares in issue for the financial year/period under review.*

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

5.2.13 MPS

	5 months ended 31.5.2000 RM'000
Turnover	-
Loss before depreciation, interest and taxation	(20)
Depreciation	-
Interest expense	-
Interest income	-
Loss before taxation	(20)
Taxation	-
Loss after taxation	(20)
Number of ordinary shares in issue	9,000
Net loss per share (RM)	(2.22)*

* *Annualised*

Notes:-

- (a) *The audited profit and loss accounts of MPS have been prepared based on accounting policies consistent with those previously adopted in the preparation of MPS's audited financial statements.*
- (b) *No profit and loss accounts were prepared for the financial years 1995 to 1999 as MPS has not commenced operations. The loss for the five (5) months ended 31 May 2000 represents deferred expenditure written off in the period.*
- (c) *There were no extraordinary items for the period under review.*
- (d) *The net loss per share has been calculated based on the loss after taxation and the number of ordinary shares in issue for the period under review.*

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

5.2.14 TAH

	←-----Financial year ended 31 December----->					5 months
	1995	1996	1997	1998	1999	ended 31.5.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	-	1,656	-	-	-	-
Profit/(Loss) before depreciation, interest and taxation	5	982	(7)	(3)	(2)	-
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Interest income	2	3	43	16	9	3
Profit before taxation	7	985	36	13	7	3
Taxation	(2)	(296)	(12)	(2)	-	(1)
Profit after taxation	5	689	24	11	7	2
Number of ordinary shares in issue ('000)	750	750	750	750	750	750
Net earnings per share (RM)	0.01	0.92	0.03	0.01	0.01	0.01*

* *Annualised*

Notes:-

- (a) *The audited profit and loss accounts of TAH have been prepared based on accounting policies consistent with those previously adopted in the preparation of TAH's audited financial statements.*
- (b) *The turnover for 1996 represents proceeds from disposal of land held for future development and TAH remained dormant ever since.*
- (c) *The effective tax rates for the financial year 1997 was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes. The effective tax rate for the financial year 1998 was lower than the statutory tax rate mainly due to over provision of taxation in respect of prior year adjusted in that year. There was no tax charge for 1999 as the financial year forms the basis period for the year of assessment 2000 (preceding year basis) wherein tax on income other than dividend income was waived.*
- (d) *There were no extraordinary items during the years/period under review.*
- (e) *The net earnings per share have been calculated based on the profit after taxation and the number of shares in issue for each financial years/period under review. For illustrative purposes, the net earnings per share calculated on the results for the five (5) months ended 31 May 2000 have been reflected on an annualised basis.*

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

6. SUMMARISED BALANCE SHEETS

We set out below the summarised balance sheets of MHC and its subsidiary companies based on their respective audited accounts as at the end of the financial years/periods under review.

6.1 MHC

	←----- As at 31 December ----->					As at
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	31.05.2000 RM'000
FIXED ASSETS	9,432	9,824	9,861	9,797	9,581	9,473
INVESTMENTS IN SUBSIDIARY COMPANIES	7,491	7,491	7,491	7,491	7,491	7,491
OTHER INVESTMENTS	149	197	192	192	192	192
CURRENT ASSETS	42,832	43,122	43,144	44,406	54,320	51,553
CURRENT LIABILITIES	(4,452)	(4,673)	(5,485)	(14,386)	(21,630)	(17,312)
NET CURRENT ASSETS	38,380	38,449	37,659	30,020	32,690	34,241
DEFERRED EXPENDITURE	-	-	136	618	775	929
	<u>55,452</u>	<u>55,961</u>	<u>55,339</u>	<u>48,118</u>	<u>50,729</u>	<u>52,326</u>
Financed by:						
SHARE CAPITAL	11,612	11,612	11,612	11,612	11,612	11,612
RESERVES	43,695	42,995	42,995	32,995	32,995	32,995
RETAINED PROFITS	56	1,265	556	3,335	5,919	7,524
	<u>55,363</u>	<u>55,872</u>	<u>55,163</u>	<u>47,942</u>	<u>50,526</u>	<u>52,131</u>
DEFERRED TAXATION	89	89	176	176	203	195
	<u>55,452</u>	<u>55,961</u>	<u>55,339</u>	<u>48,118</u>	<u>50,729</u>	<u>52,326</u>
Net tangible asset ("NTA") per share (RM)	4.77	4.81	4.74	4.08	4.28	4.41

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

6.2 MKP

	As at 30 June		←----- As at 31 December ----->				As at
	1995 RM'000	1996 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	31.05.2000 RM'000
FIXED ASSETS	-	-	-	38,800	39,758	41,065	41,587
CURRENT ASSETS	#	#	#	4,141	2,384	2,017	2,911
CURRENT LIABILITIES	(3)	(3)	-	(41,490)	(26,309)	(26,962)	(28,031)
NET CURRENT ASSETS/(LIABILITIES)	(3)	(3)	#	(37,349)	(23,925)	(24,945)	(25,120)
	(3)	(3)	#	1,451	15,833	16,120	16,467
Financed by:							
SHARE CAPITAL	#	#	#	100	100	100	100
RETAINED PROFITS/ (ACCUMULATED LOSSES)	(3)	(3)	-	1,351	1,016	1,869	2,558
	(3)	(3)	#	1,451	1,116	1,969	2,658
BANK BORROWINGS	-	-	-	-	14,717	14,151	13,809
	(3)	(3)	#	1,451	15,833	16,120	16,467
NTA/Net Liabilities ("NL") per share (RM)	(1,500.00)	(1,500.00)	1.00	14.51	11.16	19.69	26.58

Represents RM2

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

6.3 AOI

	<----- As at 31 December ----->					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FIXED ASSETS	11,552	11,619	11,825	12,005	11,878	11,782
INVESTMENT IN SUBSIDIARY COMPANY	3,000	3,000	3,000	-	-	-
OTHER INVESTMENTS	195	222	222	3,222	3,222	3,222
CURRENT ASSETS	9,425	9,832	12,988	16,384	18,462	18,766
CURRENT LIABILITIES	(1,793)	(1,502)	(2,171)	(2,894)	(1,662)	(1,329)
NET CURRENT ASSETS	7,632	8,330	10,817	13,490	16,800	17,437
	<u>22,379</u>	<u>23,171</u>	<u>25,864</u>	<u>28,717</u>	<u>31,900</u>	<u>32,441</u>
Financed by:						
SHARE CAPITAL	10,021	10,021	10,021	10,021	10,021	10,021
RESERVES	4,582	4,582	4,582	4,582	4,582	4,582
RETAINED PROFITS	7,720	8,475	11,137	13,937	17,120	17,661
	<u>22,323</u>	<u>23,078</u>	<u>25,740</u>	<u>28,540</u>	<u>31,723</u>	<u>32,264</u>
DEFERRED TAXATION	56	93	124	177	177	177
	<u>22,379</u>	<u>23,171</u>	<u>25,864</u>	<u>28,717</u>	<u>31,900</u>	<u>32,441</u>
NTA per share (RM)	2.23	2.30	2.57	2.85	3.17	3.22

Note:-

- (a) *The investment in subsidiary company as at 31 December 1995, 1996 and 1997 represents investment in Anson Oil Properties Sdn. Bhd. which has been converted to cumulative irredeemable preference shares in 1998.*

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

6.4 MPP

	←----- As at 31 December ----->					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FIXED ASSETS	2,684	3,853	4,188	4,448	4,561	4,604
INVESTMENT IN SUBSIDIARY COMPANY	12	12	12	12	12	12
CURRENT ASSETS	200	32	821	74	70	128
CURRENT LIABILITIES	(291)	(689)	(625)	(179)	(340)	(482)
NET CURRENT ASSETS/(LIABILITIES)	(91)	(657)	196	(105)	(270)	(354)
DEFERRED EXPENDITURE	7	7	7	7	7	-
	<u>2,612</u>	<u>3,215</u>	<u>4,403</u>	<u>4,362</u>	<u>4,310</u>	<u>4,262</u>
Financed by: SHARE CAPITAL	2,645	3,332	4,600	4,600	4,600	4,600
ACCUMULATED LOSSES	(33)	(117)	(197)	(238)	(290)	(338)
	<u>2,612</u>	<u>3,215</u>	<u>4,403</u>	<u>4,362</u>	<u>4,310</u>	<u>4,262</u>
NTA per share (RM)	0.99	0.96	0.96	0.95	0.94	0.93

6.5 YLH

	←----- As at 31 December ----->					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FIXED ASSETS	1,547	1,547	1,541	1,541	1,479	1,491
INVESTMENTS IN SUBSIDIARY COMPANIES	587	587	1,232	1,232	1,232	1,232
INVESTMENT IN RELATED COMPANY	921	921	921	923	923	923
CURRENT ASSETS	8,397	8,236	8,462	10,828	10,642	10,115
CURRENT LIABILITIES	(499)	(1,281)	(1,440)	(3,562)	(3,484)	(2,591)
NET CURRENT ASSETS	7,898	6,955	7,022	7,266	7,158	7,524
	<u>10,953</u>	<u>10,010</u>	<u>10,716</u>	<u>10,962</u>	<u>10,792</u>	<u>11,170</u>
Financed by: SHARE CAPITAL	6,890	6,890	6,890	6,890	6,890	6,890
RESERVES	99	99	99	99	99	99
RETAINED PROFITS	3,959	3,008	3,710	3,951	3,400	4,159
	<u>10,948</u>	<u>9,997</u>	<u>10,699</u>	<u>10,940</u>	<u>10,389</u>	<u>11,148</u>
DEFERRED TAXATION	5	13	17	22	403	22
	<u>10,953</u>	<u>10,010</u>	<u>10,716</u>	<u>10,962</u>	<u>10,792</u>	<u>11,170</u>
NTA per share (RM)	1.59	1.45	1.55	1.59	1.51	1.62

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)
6.6 HMP

	← As at 31 December →					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FIXED ASSETS	6,287	6,163	6,093	5,926	5,767	5,686
CURRENT ASSETS	156	315	1,495	2,632	2,682	2,791
CURRENT LIABILITIES	(995)	(259)	(595)	(1,584)	(1,434)	(1,357)
NET CURRENT (LIABILITIES)/ASSETS	(839)	56	900	1,048	1,248	1,434
	5,448	6,219	6,993	6,974	7,015	7,120
Financed by:						
SHARE CAPITAL	408	408	408	408	408	408
RESERVES	5,547	5,547	5,547	5,547	5,547	5,547
(ACCUMULATED LOSSES)/ RETAINED PROFITS/	(716)	(172)	642	623	664	769
	5,239	5,783	6,597	6,578	6,619	6,724
DEFERRED TAXATION	209	436	396	396	396	396
	5,448	6,219	6,993	6,974	7,015	7,120
NTA per share (RM)	12.84	14.17	16.17	16.12	16.22	16.48

6.7 MUZWIN

	← As at 31 December →					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FIXED ASSETS	2,733	2,953	2,991	2,917	2,886	2,853
CURRENT ASSETS	513	1,212	2,094	3,434	2,801	2,864
CURRENT LIABILITIES	(189)	(370)	(860)	(2,187)	(924)	(889)
NET CURRENT ASSETS	324	842	1,234	1,247	1,877	1,975
	3,057	3,795	4,225	4,164	4,763	4,828
Financed by:						
SHARE CAPITAL	790	790	790	790	790	790
RESERVES	2,065	2,065	2,065	2,065	2,065	2,065
RETAINED PROFITS	202	892	1,310	1,211	1,810	1,858
	3,057	3,747	4,165	4,066	4,665	4,713
DEFERRED TAXATION	-	48	60	98	98	115
	3,057	3,795	4,225	4,164	4,763	4,828
NTA per share (RM)	3.87	4.74	5.27	5.15	5.91	5.97

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

6.8 CP

	←----- As at 31 December ----->					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FIXED ASSETS	2,109	2,109	2,326	2,336	2,364	2,364
CURRENT ASSETS	119	135	10	133	172	184
CURRENT LIABILITIES	(2,149)	(1,940)	(144)	(208)	(272)	(273)
NET CURRENT LIABILITIES	(2,030)	(1,805)	(134)	(75)	(100)	(89)
	79	304	2,192	2,261	2,264	2,275
Financed by:						
SHARE CAPITAL	#	100	100	100	100	100
RETAINED PROFITS	79	204	335	295	280	291
	79	304	435	395	380	391
AMOUNT OWING TO HOLDING COMPANY	-	-	1,757	1,866	1,884	1,884
	79	304	2,192	2,261	2,264	2,275
NTA per share (RM)	39,500.00	3.04	4.35	3.95	3.80	3.91

Represents RM2

Note:-

(a) The amount to holding company represents the amount owing to the former holding company, Rare Properties Sdn. Bhd..

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

6.9 LM-K

	<----- As at 31 May ----->				As at	As at
	1996	1997	1998	1999	31.12.1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FIXED ASSETS	4,508	5,370	8,328	5,540	6,515	6,932
CURRENT ASSETS	4	-	1	-	16	9
CURRENT LIABILITIES	(4,682)	(5,540)	(8,499)	(261)	(2,526)	(2,946)
NET CURRENT LIABILITIES	(4,678)	(5,540)	(8,498)	(261)	(2,510)	(2,937)
DEFERRED EXPENDITURE	170	170	-	-	-	-
	#	#	(170)	5,279	4,005	3,995
Financed by:						
SHARE CAPITAL	#	#	#	100	100	100
SHARE PREMIUM	-	-	-	3,900	3,900	3,900
RETAINED PROFITS/ (ACCUMULATED LOSSES)	-	-	(170)	279	5	(5)
	#	#	(170)	4,279	4,005	3,995
SHARE APPLICATION MONEY	-	-	-	1,000	-	-
	#	#	(170)	5,279	4,005	3,995
NTA/(NL) per share (RM)	(85,000.00)	(85,000.00)	(85,000.00)	42.79	40.05	39.95

Represents RM2

6.10 GREAT GLORY

	<----- As at 31 December ----->				As at	As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
INVESTMENT IN SUBSIDIARY COMPANY	2,304	2,304	2,304	2,304	2,304	2,304
CURRENT ASSETS	876	4	4	777	1,275	1,174
CURRENT LIABILITIES	(2,887)	(2,028)	(1,410)	(2,144)	(2,691)	(2,591)
NET CURRENT LIABILITIES	(2,011)	(2,024)	(1,406)	(1,367)	(1,416)	(1,417)
	293	280	898	937	888	887
Financed by:						
SHARE CAPITAL	350	350	850	850	850	850
RETAINED PROFITS/ (ACCUMULATED LOSSES)	(57)	(70)	48	87	38	37
	293	280	898	937	888	887
NTA per share (RM)	0.84	0.80	1.06	1.10	1.04	1.04

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)
6.11 AG

	<----- As at 31 December ----->					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
INVESTMENT IN ASSOCIATED COMPANY	-	-	-	-	1,879	1,879
CURRENT ASSETS	-	-	-	1	1	-
CURRENT LIABILITIES	(3)	(5)	(8)	(9)	(1,890)	(1,890)
NET CURRENT LIABILITIES	(3)	(5)	(8)	(8)	(1,889)	(1,890)
DEFERRED EXPENDITURE	3	5	8	8	-	-
	#	#	#	#	(10)	(11)
Financed by:						
SHARE CAPITAL	#	#	#	#	#	#
ACCUMULATED LOSSES	-	-	-	-	(10)	(11)
	#	#	#	#	(10)	(11)
(NL) per share (RM)	(1,500.00)	(2,500.00)	(4,000.00)	(4,500.00)	(5,000.00)	(5,500.00)

Represents RM2

6.12 AS

	<----- As at 31 December ----->					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
INVESTMENT IN SUBSIDIARY COMPANY	-	-	-	-	4,150	4,150
CURRENT ASSETS	1	1	1	-	3,311	3,862
CURRENT LIABILITIES	(4)	(6)	(8)	(9)	(7,457)	(8,008)
NET CURRENT LIABILITIES	(3)	(5)	(7)	(9)	(4,146)	(4,146)
DEFERRED EXPENDITURE	3	5	7	9	-	-
	#	#	#	#	4	4
Financed by:						
SHARE CAPITAL	#	#	#	#	#	#
RETAINED PROFITS	-	-	-	-	4	4
	#	#	#	#	4	4
NTA/(NL) per share (RM)	(1,500.00)	(2,500.00)	(3,500.00)	(4,500.00)	2,000.00	2,000.00

Represents RM2

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

6.13 MPS

	←----- As at 31 December ----->					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT ASSETS	-	-	-	-	-	-
CURRENT LIABILITIES	(4)	(6)	(7)	(9)	(11)	(11)
NET CURRENT LIABILITIES	(4)	(6)	(7)	(9)	(11)	(11)
DEFERRED EXPENDITURE	13	15	16	18	20	-
	9	9	9	9	9	(11)
Financed by:						
SHARE CAPITAL	9	9	9	9	9	9
ACCUMULATED LOSSES	-	-	-	-	-	(20)
	9	9	9	9	9	(11)
(NL) per share (RM)	(0.44)	(0.67)	(0.78)	(1.00)	(1.22)	(1.22)

6.14 TAH

	←----- As at 31 December ----->					As at
	1995	1996	1997	1998	1999	31.05.2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LAND HELD FOR FUTURE DEVELOPMENT	669	-	-	-	-	-
CURRENT ASSETS	81	1,733	1,465	1,467	1,469	1,472
CURRENT LIABILITIES	(3)	(296)	(17)	(8)	(4)	(4)
NET CURRENT ASSETS	78	1,437	1,448	1,459	1,465	1,468
	747	1,437	1,448	1,459	1,465	1,468
Financed by:						
SHARE CAPITAL	750	750	750	750	750	750
RETAINED PROFITS	(3)	687	698	709	715	718
	747	1,437	1,448	1,459	1,465	1,468
NTA per share (RM)	1.00	1.92	1.93	1.95	1.95	1.96

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

7. STATEMENT OF ASSETS AND LIABILITIES

The following statement of assets and liabilities have been prepared for illustrative purposes only and based on the audited balance sheets of MHC and its subsidiary companies as at 31 May 2000 on the basis that the MHC Group has been in existence as at that date. The statement of assets and liabilities should be read in conjunction with the accompanying notes.

	Note	Proforma Group RM'000
FIXED ASSETS	7.2	95,462
OTHER INVESTMENTS	7.3	3,417
GOODWILL ON CONSOLIDATION		17,036
CURRENT ASSETS		
Stocks	7.4	1,955
Trade debtors		381
Other debtors		2,835
Fixed deposits with licensed bank	7.5	1,632
Cash and bank balances		29,372
		36,175
CURRENT LIABILITIES		
Trade creditors		506
Other creditors		9,341
Bank borrowings	7.6	1,942
Proposed dividend		2,322
Taxation		113
		14,224
NET CURRENT ASSETS		21,951
		137,866
Financed by:		
SHARE CAPITAL	7.7	63,238
RESERVES	7.8	57,516
SHAREHOLDERS' FUNDS		120,754
MINORITY INTERESTS		2,398
DEFERRED LIABILITIES	7.9	14,714
		137,866
NTA per share (RM)		1.64

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

7.1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The accounts are prepared under the historical cost convention and comply with approved accounting standards issued by the MASB. In the financial year 1998, the MHC Group applied certain transitional provisions in International Accounting Standard 16 (Revised), Property, Plant and Equipment, by virtue of which a reporting enterprise is allowed to retain revalued amounts on the basis of their previous revaluations (subject to continuity in depreciation policy and the requirement to write down an asset to its recoverable amount) if it does not further revalue its fixed assets.

(b) Consolidated statement of assets and liabilities

The consolidated statement of assets and liabilities have been prepared based on the audited accounts of MHC and all its subsidiary companies as at 31 May 2000, on the assumption that the Public and Special Issues and public issue as detailed in item 2.3(e) has been completed and the MHC Group has been in existence as at that date.

All the subsidiary companies of the MHC Group are consolidated based on the acquisition method of accounting. The results of subsidiary companies acquired or disposed of are included in the consolidated profit and loss accounts from the date of acquisition or up to the date of disposal.

Goodwill or reserve arising on consolidation represents the difference between the consideration paid for shares in subsidiary companies and the fair value of the attributable net assets acquired.

All material inter-company balances and transactions are eliminated on consolidation.

(c) Depreciation and amortisation

No depreciation is provided on certain freehold estate land, freehold land and a long term leasehold land whose remaining lease period was 884 years as at 31 December 1999.

Plantation development expenditure is amortised over the remaining lease period of the estate land of 36 to 88 years as at 31 December 1999. Amortisation of plantation development expenditure commences upon maturity of the new plantings.

Other fixed assets are depreciated on the straight line basis over their estimated useful lives at the following principal annual rates:

Leasehold land	- Amortised over the lease period of 44.4 to 88 years
Buildings	- 2% to 10%
Motor vehicles	- 10% to 20%
Electrical installation, furniture, fittings, equipment, motor launches, jetties, roads, drainage and signboard	- 10%
Plant and machinery	- 5%

IX. ACCOUNTANTS' REPORT *(Cont'd)*
(Prepared for inclusion in this Prospectus)

Depreciation on linen, cutlery and utensils is calculated at 20% on a straight line basis on the initial outlay of expenditure which is capitalised.

Subsequent additions and replacements are charged to the profit and loss account as and when they are incurred.

(d) New planting and replanting expenditure

Expenditure incurred on new planting and the upkeep of trees to maturity is capitalised under plantation development expenditure, while replanting expenditure is charged to the profit and loss account in the year in which the expenditure is incurred.

(e) Stocks and stores

Stocks and stores are valued at the lower of cost and net realisable value. Cost of stocks is determined on the weighted average cost method and includes raw material and a proportion of production overheads. Cost of stores is determined on the first-in first-out method.

(f) Investments

Investments are stated at cost. Provision for diminution in value will be made if in the opinion of the Directors, a permanent diminution in value has arisen.

(g) Revenue recognition

Dividend income from subsidiary companies is recognised when declared or proposed.

(h) Debtors

Known bad debts are written off and specific provision is made for any debts considered to be doubtful of collection.

(i) Deferred taxation

Deferred taxation is provided for on all material timing differences using the liability method except where it can be demonstrated with reasonable probability that the tax deferrals will continue in the foreseeable future.

Deferred tax benefits are not recognised in the accounts.

(j) Retirement benefits

No provision is made for retirement benefits. The cost of retirement benefits is charged to the profit and loss account in the year in which it is incurred.

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

7.2 FIXED ASSETS

Proforma Group	As at 1.01.2000 RM'000	Additions RM'000	Disposals RM'000	As at 31.05.2000 RM'000
Cost/Valuation				
Freehold land and buildings	13,959	-	-	13,959
Long term leasehold land and buildings	55,024	122	-	55,146
Short term leasehold land and buildings	19,324	-	-	19,324
Plantation development expenditure	10,689	958	-	11,647
Plant, machinery, vehicles, roads, drainage, installation, furniture, fittings and equipment	13,800	364	(78)	14,086
Capital work-in-progress	277	5	-	282
	<u>113,073</u>	<u>1,449</u>	<u>(78)</u>	<u>114,444</u>

	As at 1.01.2000 RM'000	Current depreciation RM'000	Disposals RM'000	As at 31.05.2000 RM'000
Accumulated depreciation				
Freehold land and buildings	773	15	-	788
Long term leasehold land and buildings	3,340	300	-	3,640
Short term leasehold land and buildings	5,402	167	-	5,569
Plantation development expenditure	925	33	-	958
Plant, machinery, vehicles, roads, drainage, installation, furniture, fittings and equipment	7,848	226	(47)	8,027
Capital work-in-progress	-	-	-	-
	<u>18,288</u>	<u>741</u>	<u>(47)</u>	<u>18,982</u>

Proforma Group	As at 31.05.2000 RM'000
Net book value	
Freehold land and buildings	13,171
Long term leasehold land and buildings	51,506
Short term leasehold land and buildings	13,755
Plantation development expenditure	10,689
Plant, machinery, vehicles, roads, drainage, installation, furniture, fittings and equipment	6,059
Capital work-in-progress	282
	<u>95,462</u>

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

As at
31.05.2000
RM'000

Proforma Group

The analysis of cost and valuation is as follows:-

At 1976 Valuation

Freehold land and buildings	6,045
Long term leasehold land and buildings	80

At 1982 Valuation

Freehold land and buildings	600
Short term leasehold land and buildings	7,968

At 1988 Valuation

Long term leasehold land and buildings	83
Short term leasehold land and buildings	7,615
Plantation development expenditure	1,115
	<u>23,506</u>

At cost

Freehold land and buildings	7,314
Long term leasehold land and buildings	54,983
Short term leasehold land and buildings	3,741
Plantation development expenditure	10,532
Plant, machinery, vehicles, roads, drainage, furniture, fittings and equipment	14,086
Capital work-in-progress	282
	<u>90,938</u>
	<u>114,444</u>

Fixed assets shown at directors' valuation are based on fair market value expressed by independent licensed appraisers. As allowed by the transitional provisions of International Accounting Standard 16 (Revised), Property, Plant and Equipment, issued by the MASB, these assets have continued to be stated on the basis of the valuations in the respective years.

The estate land with net book value of RM12,055,192 are charged to banks for banking facilities granted to MHC and certain of its subsidiary companies.

The carrying amount of the revalued assets that would have been included in these accounts had the assets been carried at cost less depreciation is not available and therefore has not been disclosed as required by International Accounting Standard 16 (Revised), Property, Plant and Equipment.

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

7.3 OTHER INVESTMENTS

	Proforma Group RM'000
At cost	
Shares quoted in Malaysia	227
Unquoted 7.5% cumulative irredeemable preference shares	3,000
Unquoted shares	689
Provision for diminution in value	(499)
	190
	<u>3,417</u>
Market value of quoted shares	<u>315</u>

7.4 STOCKS AND STORES

	Proforma Group RM'000
CPO and PK	1,584
FFB	40
Stores	331
	<u>1,955</u>

7.5 FIXED DEPOSITS WITH LICENSED BANKS

Proforma Group

Fixed deposits amounting to RM187,500 have been pledged to banks for bankers guarantee facilities granted to certain subsidiary companies.

7.6 BANK BORROWINGS

	Proforma Group RM'000
Bank overdraft	310
Term loan (Note 7.9)	1,132
Revolving credit	500
	<u>1,942</u>

The bank overdraft facility is secured by a charge over certain freehold estate land and is jointly and severally guaranteed by certain directors and third parties and bears interest at 2% per annum above the lending bank's base lending rate.

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

7.7 SHARE CAPITAL

	Proforma Group RM'000
Authorised: 100,000,000 ordinary shares of RM1.00 each	100,000
Issued and fully paid: 63,238,086 ordinary shares of RM1.00 each	63,238

The share capital for the proforma Group incorporates:-

- (a) the bonus issue of 28,228,286 ordinary shares of RM1.00 each at par;
- (b) the issue of 1,000,000 ordinary shares of RM1.00 each at RM3.07 per share in connection with the acquisition of MPP; and
- (c) the Public and Special Issues.

The share premium of RM11,029,200 arising from (b) and (c) above is added to the reserves of MHC after netting off estimated listing expenses of approximately RM2 million.

7.8 RESERVES

	Proforma Group RM'000
Distributable	
Capital reserve	6,183
Retained profits	29,856
	<u>36,039</u>
Non-distributable	
Capital reserve	5,737
Revaluation reserve	1,842
Reserve on consolidation	4,870
Share premium	9,028
	<u>21,477</u>
	<u>57,516</u>

7.9 DEFERRED LIABILITIES

	Proforma Group RM'000
Term loan as at 31 May	14,717
Portion repayable within 12 months included under current liabilities (Note 7.6)	(1,132)
	<u>13,585</u>
Deferred taxation	1,129
	<u>14,714</u>

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

The term loan is secured by legal charges over certain subsidiary companies' estate land and is jointly and severally guaranteed by certain directors. The term loan bears the interest of 1.5% per annum above the lending bank's base lending rate and is repayable by 53 equal quarterly instalments commencing April 2000.

The timing differences on which deferred taxation has been provided for is in respect of the excess of capital allowances over book depreciation.

7.10 CAPITAL COMMITMENT

Capital expenditure of the proforma MHC Group contracted but not provided for as at 31 May 2000 amounted to RM150,640.

7.11 SUBSEQUENT EVENTS

Subsequent to the date of the last audited accounts made up to 31 May 2000, the following events took place:-

- (a) On 25 July 2000, MHC and AOI entered into the following sale and purchase agreements:-
 - (i) to dispose of a piece of land held for property development by AOI for a cash consideration of RM2 million.
 - (ii) to dispose of a wholly-owned subsidiary company of MHC, Infinite Cashflow Sdn. Bhd., for a cash consideration of RM258,936.
 - (iii) to acquire additional 2,103,281 ordinary shares of RM1.00 each, representing 20.99% of the issued and paid up share capital of AOI, by MHC at a total cash consideration of RM8,015,656.
 - (iv) to acquire additional 3,445,165 ordinary shares of RM1.00 each, representing 50% of the issued and paid up share capital of YLH, by MHC at a total cash consideration of RM21,564,774.
 - (v) to acquire 4,600,000 ordinary shares of RM1.00 each, representing 100% of the issued and paid up share capital of MPP, by MHC at a total consideration of RM10,230,129 which was satisfied by the issuance of 1 million ordinary shares of RM1.00 each in MHC at an issue price of approximately RM3.07 per share and cash of RM7,161,090.
- (b) On 18 August 2000, MHC undertook a bonus issue of 28,228,286 new ordinary shares of RM1.00 each on the basis of 2.431 new ordinary shares for every one (1) existing share held by capitalising the capital reserve of the Company.
- (c) On 23 August 2000, MHC subscribed for 1,900,000 ordinary shares of RM1.00 each for cash, representing 95% of the issued and paid up share capital of CP, at a subscription price of RM1.00 per share.

IX. ACCOUNTANTS' REPORT (Cont'd)
(Prepared for inclusion in this Prospectus)

8. PROFORMA NTA COVER

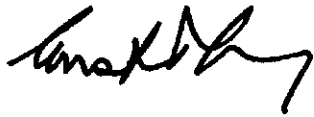
Based on the statement of assets and liabilities of the proforma MHC Group as at 31 May 2000, the NTA cover per share is calculated as follows:-

	RM'000
NTA per statement of assets and liabilities of the proforma	
MHC Group as at 31 May 2000 (RM'000)	103,718
Number of ordinary shares of RM1.00 each assumed in issue	63,238,086
NTA cover per share of RM1.00 each (RM)	1.64

9. AUDITED ACCOUNTS

No audited accounts of MHC and its subsidiary companies have been made up in respect of any period subsequent to 31 May 2000.

Yours faithfully



ERNST & YOUNG (AF: 0039)
Public Accountants



LEONG KENG YUEN - 1851/9/01 (J)
Partner