

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

	As at 31 December 1995 RM	As at 31 January				As at 30 April 2000 RM
	1997 RM	1998 RM	1999 RM	2000 RM		
Property, plant and equipment consist of :						
<u>Category</u>						
Property	24,398	24,398	24,398	24,398	24,398	24,398
Plant and machinery	-	-	-	-	-	-
Equipment, furniture and fittings	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-
Net book value	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>

Property consists of a piece of 99 years leasehold land expiring on 31 December 2077.

6.4.2 Amount owing to holding company

The amount arose from financing the operating costs of LDSB.

6.4.3 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	Share capital RM	Profit and loss account RM	Total RM
Balance as at 1 January 1994	2	-	2
Net profit for the year	-	-	-
Balance as at 31 December 1995	<u>2</u>	<u>-</u>	<u>2</u>
Net profit for the period	-	-	-
Balance as at 31 January 1997	<u>2</u>	<u>-</u>	<u>2</u>
Net profit for the year	-	-	-
Balance as at 31 January 1998	<u>2</u>	<u>-</u>	<u>2</u>
Net profit for the year	-	1	1
Balance as at 31 January 1999	<u>2</u>	<u>1</u>	<u>3</u>
Net profit for the year	-	1	1
Balance as at 31 January 2000	<u>2</u>	<u>2</u>	<u>4</u>
Net profit for the period	-	-	-
Balance as at 30 April 2000	<u>2</u>	<u>2</u>	<u>4</u>

11. ACCOUNTANTS' REPORT (*Cont'd*)*(Prepared for inclusion in the Prospectus)*

6.5. SSB

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
ASSETS						
Property, plant and equipment	9,609	9,609	9,609	9,609	9,609	9,609
Expenditure carried forward	1,101	1,101	1,100	1,100	1,100	1,100
	<u>10,710</u>	<u>10,710</u>	<u>10,709</u>	<u>10,709</u>	<u>10,709</u>	<u>10,709</u>
CURRENT ASSETS						
Trade debtor	800	-	-	-	-	-
Other debtor	-	-	-	-	-	486
	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>486</u>
CURRENT LIABILITIES						
Trade creditors	300	420	420	480	480	1,171
Amount owing to holding company	11,204	9,288	9,140	9,577	9,483	10,016
Provision for taxation	-	996	1,143	645	738	-
	<u>11,504</u>	<u>10,704</u>	<u>10,703</u>	<u>10,702</u>	<u>10,701</u>	<u>11,187</u>
Net current liabilities	<u>(10,704)</u>	<u>(10,704)</u>	<u>(10,703)</u>	<u>(10,702)</u>	<u>(10,701)</u>	<u>(10,701)</u>
	<u>6</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>8</u>
Financed by :						
SHAREHOLDERS' EQUITY						
Share capital	6	6	6	6	6	6
Profit and loss account	-	-	-	1	2	2
Shareholders' equity	<u>6</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>8</u>
Net tangible liabilities per share (RM)	(182.50)	(182.50)	(182.33)	(182.17)	(182.00)	(182.00)

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

6.5.1 Property, plant and equipment

The movement of property, plant and equipment of SSB is as follows :

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM'000	RM
COST						
Brought forward	9,609	9,609	9,609	9,609	9,609	9,609
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Carried forward	9,609	9,609	9,609	9,609	9,609	9,609
ACCUMULATED DEPRECIATION						
Brought forward	-	-	-	-	-	-
Charge for the year/period	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Carried forward	-	-	-	-	-	-
NET BOOK VALUE	9,609	9,609	9,609	9,609	9,609	9,609

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
Property, plant and equipment consist of :						
Category						
Property	9,609	9,609	9,609	9,609	9,609	9,609
Plant and machinery	-	-	-	-	-	-
Equipment, furniture and fittings	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-
Net book value	9,609	9,609	9,609	9,609	9,609	9,609

Property consists of a piece of 99 years leasehold land expiring on 31 December 2077.

6.5.2 Amount owing to holding company

The amount arose from financing the operating costs of SSB.

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

6.5.3 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	<u>Share capital</u> RM	<u>Profit and loss account</u> RM	<u>Total</u> RM
Balance as at 1 January 1994	6	-	6
Net profit for the year	-	-	-
Balance as at 31 December 1995	<u>6</u>	<u>-</u>	<u>6</u>
Net profit for the period	-	-	-
Balance as at 31 January 1997	<u>6</u>	<u>-</u>	<u>6</u>
Net profit for the year	-	-	-
Balance as at 31 January 1998	<u>6</u>	<u>-</u>	<u>6</u>
Net profit for the year	-	1	1
Balance as at 31 January 1999	<u>6</u>	<u>1</u>	<u>7</u>
Net profit for the year	-	1	1
Balance as at 31 January 2000	<u>6</u>	<u>2</u>	<u>8</u>
Net profit for the period	-	-	-
Balance as at 30 April 2000	<u>6</u>	<u>2</u>	<u>8</u>

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.6 SuESB**

	As at	As at 31 January					As at
	31 December						30 April
	<u>1995</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2000</u>	
	RM	RM	RM	RM	RM	RM	
ASSETS							
Property, plant and equipment	10,603	10,603	10,603	10,603	10,603	10,603	
Expenditure carried forward	565	565	565	565	565	565	
	<u>11,168</u>	<u>11,168</u>	<u>11,168</u>	<u>11,168</u>	<u>11,168</u>	<u>11,168</u>	
CURRENT ASSETS							
Trade debtor	2,672	-	-	-	-	-	
Other debtor	-	-	-	-	-	525	
Amount owing by holding company	-	682	842	492	550	-	
	<u>2,672</u>	<u>682</u>	<u>842</u>	<u>492</u>	<u>550</u>	<u>525</u>	
CURRENT LIABILITIES							
Trade creditors	300	420	420	480	480	1,090	
Amount owing to holding company	2,983	-	-	-	-	44	
Provision for taxation	-	873	1,033	622	679	-	
	<u>3,283</u>	<u>1,293</u>	<u>1,453</u>	<u>1,102</u>	<u>1,159</u>	<u>1,134</u>	
Net current liabilities	(611)	(611)	(611)	(610)	(609)	(609)	
	<u>10,557</u>	<u>10,557</u>	<u>10,557</u>	<u>10,558</u>	<u>10,559</u>	<u>10,559</u>	
Financed by :							
SHAREHOLDERS' EQUITY							
Share capital	11,853	11,853	11,853	11,853	11,853	11,853	
Profit and loss account	(1,296)	(1,296)	(1,296)	(1,295)	(1,294)	(1,294)	
Shareholders' equity	<u>10,557</u>	<u>10,557</u>	<u>10,557</u>	<u>10,558</u>	<u>10,559</u>	<u>10,559</u>	
Net tangible assets per share (RM)	0.84	0.84	0.84	0.84	0.84	0.84	

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

6.6.1 Property, plant and equipment

The movement of property, plant and equipment of SuESB is as follows :

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
COST						
Brought forward	10,603	10,603	10,603	10,603	10,603	10,603
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Carried forward	10,603	10,603	10,603	10,603	10,603	10,603
ACCUMULATED DEPRECIATION						
Brought forward	-	-	-	-	-	-
Charge for the year/period	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Carried forward	-	-	-	-	-	-
NET BOOK VALUE	10,603	10,603	10,603	10,603	10,603	10,603

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
Property, plant and equipment consist of :						
Category						
Property	10,603	10,603	10,603	10,603	10,603	10,603
Plant and machinery	-	-	-	-	-	-
Equipment, furniture and fittings	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-
Net book value	10,603	10,603	10,603	10,603	10,603	10,603

Property consists of a piece of 99 years leasehold land expiring on 31 December 2077.

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

(Prepared for inclusion in the Prospectus)

6.6.2 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	<u>Share capital</u> RM	<u>Profit and loss account</u> RM	<u>Total</u> RM
Balance as at 1 January 1994	11,853	(1,296)	10,557
Net profit for the year	-	-	-
Balance as at 31 December 1995	<u>11,853</u>	<u>(1,296)</u>	<u>10,557</u>
Net profit for the period	-	-	-
Balance as at 31 January 1997	<u>11,853</u>	<u>(1,296)</u>	<u>10,557</u>
Net profit for the year	-	-	-
Balance as at 31 January 1998	<u>11,853</u>	<u>(1,296)</u>	<u>10,557</u>
Net profit for the year	-	1	1
Balance as at 31 January 1999	<u>11,853</u>	<u>(1,295)</u>	<u>10,558</u>
Net profit for the year	-	1	1
Balance as at 31 January 2000	<u>11,853</u>	<u>(1,294)</u>	<u>10,559</u>
Net profit for the period	-	-	-
Balance as at 30 April 2000	<u><u>11,853</u></u>	<u><u>(1,294)</u></u>	<u><u>10,559</u></u>

11. ACCOUNTANTS' REPORT (*Cont'd*)*(Prepared for inclusion in the Prospectus)*

6.7 Sykt KFS

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
ASSETS						
Property, plant and equipment	18,823	18,823	18,823	18,823	18,823	18,823
Expenditure carried forward	4,291	4,291	4,291	4,291	4,291	4,291
	<u>23,114</u>	<u>23,114</u>	<u>23,114</u>	<u>23,114</u>	<u>23,114</u>	<u>23,114</u>
CURRENT ASSETS						
Trade debtor	703	-	-	-	-	-
Other debtor	300	-	-	-	-	626
Cash balance	2	2	2	2	2	2
	<u>1,005</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>628</u>
CURRENT LIABILITIES						
Trade creditors	300	420	420	480	480	1,366
Amount owing to holding company	23,817	21,745	21,716	22,192	22,038	22,372
Provision for taxation	-	949	978	441	594	-
	<u>24,117</u>	<u>23,114</u>	<u>23,114</u>	<u>23,113</u>	<u>23,112</u>	<u>23,738</u>
Net current liabilities	<u>(23,112)</u>	<u>(23,112)</u>	<u>(23,112)</u>	<u>(23,111)</u>	<u>(23,110)</u>	<u>(23,110)</u>
	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>4</u>
Financed by :						
SHAREHOLDERS' EQUITY						
Share capital	2	2	2	2	2	2
Profit and loss account	-	-	-	1	2	2
Shareholders' equity	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>4</u>
Net tangible liabilities per share (RM)	(2,144.50)	(2,144.50)	(2,144.50)	(2,144.00)	(2,143.50)	(2,143.50)

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

6.7.1 Property, plant and equipment

The movement of property, plant and equipment of Sykt KFS is as follows :

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
COST						
Brought forward	18,823	18,823	18,823	18,823	18,823	18,823
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Carried forward	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>
ACCUMULATED DEPRECIATION						
Brought forward	-	-	-	-	-	-
Charge for the year/period	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Carried forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUE	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>
Property, plant and equipment consist of :						
<u>Category</u>						
Property	18,823	18,823	18,823	18,823	18,823	18,823
Plant and machinery	-	-	-	-	-	-
Equipment, furniture and fittings	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-
Net book value	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>	<u>18,823</u>

Property consists of a piece of 99 years leasehold land expiring on 31 December 2077.

6.7.2 Amount owing to holding company

The amount arose from financing the operating costs of Sykt KFS.

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

6.7.3 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	<u>Share capital</u> RM	<u>Profit and loss account</u> RM	<u>Total</u> RM
Balance as at 1 January 1994	2	-	2
Net profit for the year	-	-	-
Balance as at 31 December 1995	<u>2</u>	<u>-</u>	<u>2</u>
Net profit for the period	-	-	-
Balance as at 31 January 1997	<u>2</u>	<u>-</u>	<u>2</u>
Net profit for the year	-	-	-
Balance as at 31 January 1998	<u>2</u>	<u>-</u>	<u>2</u>
Net profit for the year	-	1	1
Balance as at 31 January 1999	<u>2</u>	<u>1</u>	<u>3</u>
Net profit for the year	-	1	1
Balance as at 31 January 2000	<u>2</u>	<u>2</u>	<u>4</u>
Net profit for the period	-	-	-
Balance as at 30 April 2000	<u>2</u>	<u>2</u>	<u>4</u>

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

(*Prepared for inclusion in the Prospectus*)

6.8 TCSB

	As at 30 April 2000 RM
ASSET	
Expenditure carried forward	4,006
	<u>4,006</u>
CURRENT ASSET	-
CURRENT LIABILITIES	
Sundry creditor	525
Amount owing to holding company	3,479
	<u>4,004</u>
Net current liabilities	<u>(4,004)</u>
	<u>2</u>
Financed by :	
SHAREHOLDERS' EQUITY	
Share capital	2
Profit and loss account	-
Shareholders' equity	<u>2</u>
Net tangible liabilities per share (RM)	(2,002.00)

6.8.1 Amount owing to holding company

The amount arose mainly from financing the preliminary and pre-operating expenditure of TCSB.

6.8.2 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	<u>Share capital</u> RM	<u>Profit and loss account</u> RM	<u>Total</u> RM
As at 5 March 1999	2	-	2
Net profit for the period	-	-	-
Balance as at 30 April 2000	<u>2</u>	<u>-</u>	<u>2</u>

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

6.9 DKLISB

	As at 30 April 2000 RM
ASSETS	
Property, plant and equipment	431,661
Expenditure carried forward	2,650
	<u>434,311</u>
CURRENT ASSET	<u>-</u>
CURRENT LIABILITIES	
Accruals	150
Amount owing to holding company	239,160
Amount owing to related party	194,999
	<u>434,309</u>
Net current liabilities	(434,309)
	<u>2</u>
Financed by :	
SHAREHOLDERS' EQUITY	
Share capital	2
Profit and loss account	-
Shareholders' equity	<u>2</u>
Net tangible liabilities per share (RM)	(1,324.00)

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

(Prepared for inclusion in the Prospectus)

6.9.1 Property, plant and equipment

The movement of property, plant and equipment of DKLISB is as follows :

	As at 30 April 2000 RM
<u>COST</u>	
Brought forward	-
Additions	431,661
Disposals	-
Carried forward	<u>431,661</u>
<u>ACCUMULATED DEPRECIATION</u>	
Brought forward	-
Charge for the period	-
Disposals	-
Carried forward	<u>-</u>
NET BOOK VALUE	<u>431,661</u>

Property, plant and equipment consist of :

<u>Category</u>	As at 30 April 2000 RM
Property	48,407
Plant and machinery	213,746
Equipment, furniture and fittings	18,515
Motor vehicles	150,993
Net book value	<u>431,661</u>

6.9.2 Amount owing to holding company

The amount arose from financing the operating costs and capital expenditure of DKLISB.

6.9.3 Amount owing to related party

The amount arose mainly from financing the capital expenditure of DKLISB by a minority shareholder, Desa Cattle (S) Sdn. Bhd.

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

(Prepared for inclusion in the Prospectus)

6.9.4 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	Share capital RM	Profit and loss account RM	Total RM
As at 28 January 2000	2	-	2
Net profit for the period	-	-	-
Balance as at 30 April 2000	<u>2</u>	<u>-</u>	<u>2</u>

6.10 WPSB

	As at 30 April 2000 RM
ASSET	
Expenditure carried forward	2,625
	<u>2,625</u>
CURRENT ASSET	
Deposit	437,500
	<u>437,500</u>
CURRENT LIABILITIES	
Sundry creditor	125
Amount owing to holding company	439,995
	<u>440,120</u>
Net current liabilities	(2,620)
	<u>5</u>
Financed by :	
SHAREHOLDERS' EQUITY	
Share capital	5
Profit and loss account	-
Shareholders' equity	<u>5</u>
Net tangible liabilities per share (RM)	(524.00)

6.10.1 Amount owing to holding company

The amount arose mainly from financing the working capital of WPSB.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.10.2 Shareholders' equity**

The movement of shareholders' equity is summarised as follows :

	Share capital RM	Profit and loss account RM	Total RM
As at 5 April 2000	5	-	5
Net profit for the period	-	-	-
Balance as at 30 April 2000	<u>5</u>	<u>-</u>	<u>5</u>

6.11 KLC Group

	<u>As at 31 January</u>		<u>As at</u>
	<u>1999</u>	<u>2000</u>	<u>30 April 2000</u>
	RM'000	RM'000	RM'000
ASSETS			
Property, plant and equipment	44,331	52,006	55,868
Expenditure carried forward	17	66	67
	<u>44,348</u>	<u>52,072</u>	<u>55,935</u>
CURRENT ASSETS			
Stocks	657	2,467	870
Other debtors and deposits	37	68	113
Fixed deposits	-	15	15
Cash and bank balances	86	73	131
	<u>780</u>	<u>2,623</u>	<u>1,129</u>
CURRENT LIABILITIES			
Trade creditors	100	306	597
Other creditors and accruals	95	28	148
Amount owing to related company	-	12	-
Provision for taxation	-	13	14
	<u>195</u>	<u>359</u>	<u>759</u>
Net current assets	<u>585</u>	<u>2,264</u>	<u>370</u>
	<u>44,933</u>	<u>54,336</u>	<u>56,305</u>
Financed by :			
SHAREHOLDERS' EQUITY			
Share capital	*	*	*
Profit and loss account	(10)	(10)	(11)
Shareholders' equity	<u>(10)</u>	<u>(10)</u>	<u>(11)</u>
MINORITY INTERESTS	489	490	491
LONG-TERM AND DEFERRED LIABILITIES			
Amount owing to holding company	36,844	46,246	48,215
Amount owing to minority shareholders	7,610	7,610	7,610
	<u>44,454</u>	<u>53,856</u>	<u>55,825</u>
	<u>44,933</u>	<u>54,336</u>	<u>56,305</u>
Net tangible liabilities per share (RM)	(4,500.00)	(12,666.67)	(13,000.00)

* = Issued and paid-up share capital of RM6 only

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*6.11.1 Property, plant and equipment

	<u>As at 31 January</u>		<u>As at</u>
	<u>1999</u>	<u>2000</u>	<u>30 April 2000</u>
	RM'000	RM'000	RM'000
<u>COST</u>			
Brought forward	-	44,422	52,722
Additions	44,422	8,655	4,027
Disposals	-	(355)	-
Carried forward	44,422	52,722	56,749
<u>ACCUMULATED DEPRECIATION</u>			
Brought forward	-	91	716
Charge for the year/period	91	673	165
Disposals	-	(48)	-
Carried forward	91	716	881
<u>NET BOOK VALUE</u>			
Property, plant and equipment consist of :	44,331	52,006	55,868

	<u>As at 31 January</u>		<u>As at</u>
	<u>1999</u>	<u>2000</u>	<u>30 April 2000</u>
	RM'000	RM'000	RM'000
<u>Category</u>			
Properties	43,707	49,114	53,115
Plant and machinery	436	394	389
Equipment, furniture and fittings	34	154	169
Motor vehicles	154	2,344	2,195
Net book value	44,331	52,006	55,868

The depreciation charges in financial periods/year under review were capitalised as part of Plantation Development Expenditure (PDE).

6.11.2 Stocks

Stocks consisted of nursery stocks, building materials, supplies and spare parts.

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

(Prepared for inclusion in the Prospectus)

6.11.3 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	<u>Share capital</u> RM'000	<u>Profit and loss account</u> RM'000	<u>Total</u> RM'000
Balance as at 10 March 1998	*	*	*
Net loss for the period	-	(10)	(10)
Balance as at 31 January 1999	<u>*</u>	<u>(10)</u>	<u>(10)</u>
Net profit for the year	-	-	-
Balance as at 31 January 2000	<u>*</u>	<u>(10)</u>	<u>(10)</u>
Net loss for the period	-	(1)	(1)
Balance as at 30 April 2000	<u><u>*</u></u>	<u><u>(11)</u></u>	<u><u>(11)</u></u>

* = Issued and paid-up capital of RM6 only

6.11.4 Amount owing to holding company

The amount arose from financing the land and development costs of the estates and working capital of KLC group.

6.11.5 Amount owing to minority shareholders

The amount arose from the acquisition of leasehold estate land from a minority shareholder of DOSB namely Desa Cattle (S) Sdn. Bhd.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.12 KLPO Group**

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995					2000
	RM	RM	RM	RM	RM	RM
ASSETS						
Property, plant and equipment	15,761	28,954	35,787	34,759	34,024	33,509
Investments	2,157	2,987	1,259	1,259	5,617	6,241
Development expenditure	-	-	-	-	152	157
Expenditure carried forward	-	-	-	-	4	4
	<u>17,918</u>	<u>31,941</u>	<u>37,046</u>	<u>36,018</u>	<u>39,797</u>	<u>39,911</u>
CURRENT ASSETS						
Stocks	3,073	1,869	1,536	6,469	4,833	3,232
Trade debtors	1,149	2,240	5,325	2,993	2,361	4,211
Other debtors and deposits	121	636	899	649	560	477
Amount owing by related companies	66	-	89	177	170	98
Fixed deposits	7,340	5,811	329	6,910	5,810	7,410
Cash and bank balances	2,179	719	165	2,403	1,367	1,151
	<u>13,928</u>	<u>11,275</u>	<u>8,343</u>	<u>19,601</u>	<u>15,101</u>	<u>16,579</u>
CURRENT LIABILITIES						
Trade creditors	2,559	2,384	3,314	4,986	3,811	4,196
Other creditors and accruals	3,656	2,352	1,413	2,090	1,804	965
Amount owing to related companies	81	132	209	775	170	1
Bank borrowings (secured)	20	311	1,408	784	210	-
Dividend payable	-	-	-	189	-	-
Proposed dividend	-	-	315	-	-	-
Provision for taxation	1,838	89	222	61	2,572	3,265
	<u>8,154</u>	<u>5,268</u>	<u>6,881</u>	<u>8,885</u>	<u>8,567</u>	<u>8,427</u>
Net current assets	<u>5,774</u>	<u>6,007</u>	<u>1,462</u>	<u>10,716</u>	<u>6,534</u>	<u>8,152</u>
	<u>23,692</u>	<u>37,948</u>	<u>38,508</u>	<u>46,734</u>	<u>46,331</u>	<u>48,063</u>
Financed by :						
SHAREHOLDERS' EQUITY						
Share capital	1,750	1,750	1,750	1,750	1,750	1,750
Profit and loss account	15,335	16,697	19,733	27,337	33,027	34,921
Reserve on consolidation	36	36	522	522	522	522
Shareholders' equity	<u>17,121</u>	<u>18,483</u>	<u>22,005</u>	<u>29,609</u>	<u>35,299</u>	<u>37,193</u>
MINORITY INTERESTS	2,571	2,973	2,462	4,624	6,503	6,919
LONG-TERM AND DEFERRED LIABILITIES						
Advances from related party	4,000	6,400	3,200	2,700	-	-
Term loans	-	10,092	10,082	9,042	3,851	3,273
Deferred taxation	-	-	759	759	678	678
	<u>4,000</u>	<u>16,492</u>	<u>14,041</u>	<u>12,501</u>	<u>4,529</u>	<u>3,951</u>
	<u>23,692</u>	<u>37,948</u>	<u>38,508</u>	<u>46,734</u>	<u>46,331</u>	<u>48,063</u>
Net tangible assets per share (RM)	9.78	10.56	12.57	16.92	20.17	21.25

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.12.1 Property, plant and equipment**

The movement of property, plant and equipment is as follows :

	As at	As at 31 January				As at
	31 December					30 April
	1995	1997	1998	1999	2000	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST						
Brought forward	18,375	29,522	40,500	47,158	48,497	50,243
Additions	11,232	15,944	6,749	1,597	1,930	134
Disposals/Write off	(85)	(4,966)	(91)	(258)	(184)	-
Carried forward	29,522	40,500	47,158	48,497	50,243	50,377
ACCUMULATED DEPRECIATION						
Brought forward	13,014	13,761	11,546	11,371	13,738	16,219
Charge for the year/period	798	2,035	2,678	2,528	2,585	649
Disposals/Write off	(51)	(4,250)	(2,853)	(161)	(104)	-
Carried forward	13,761	11,546	11,371	13,738	16,219	16,868
NET BOOK VALUE	15,761	28,954	35,787	34,759	34,024	33,509

	As at	As at 31 January				As at
	31 December					30 April
	1995	1997	1998	1999	2000	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment consist of :						
Category						
Properties	13,251	5,568	8,161	7,938	7,854	7,775
Plant and machinery	2,083	17,681	22,946	22,181	21,577	21,118
Equipment, furniture and fittings	47	5,323	3,900	3,777	3,584	3,521
Motor vehicles	380	382	780	863	1,009	1,095
Net book value	15,761	28,954	35,787	34,759	34,024	33,509

In financial year/period 1995 and 1997, the additions were higher mainly due to the construction of a mill and acquisition of plant and machinery by a subsidiary of KLPO namely KLPOM.

In financial period 1997, the disposals were higher mainly because certain obsolete and non-movable assets were written off by KLPO which ceased its milling operations in the period.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.12.2 Investments**

Investments relate mainly to investments in quoted shares.

In financial year 1998, the investments were lower mainly due to the provision for diminution in investments as a result of the significant decrease in the market value of the group's investments in shares quoted on the KLSE at the beginning of financial year 1998.

6.12.3 Development expenditure

Development expenditure relates to development expenditure on compost fertilizers incurred by KLESB. The expenditure is to be written off to the profit and loss account when the commercial sale commences.

6.12.4 Stocks

Stocks consisted of crude palm oil, palm kernel oil, palm kernel expeller, palm kernel, sundry and machinery stocks.

6.12.5 Trade debtors

The trade debtors was higher in financial year 1998 mainly due to the higher sales at year end to clear its stocks because the mill shut down for a week to celebrate the joint Hari Raya Puasa and Chinese New Year festivals.

6.12.6 Bank borrowings and term loans

In financial period 1997, the group obtained credit facilities totalling RM16 million for the construction of a new mill, acquisition of fixed assets for the new mill and working capital.

The borrowings were secured over all the assets of KLPO and KLPOM and guarantees from shareholders.

Bank borrowings and term loans were reclassified as follows for comparison and consistency with the requirements of MASB purposes :

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995	1997	1998	1999	2000	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Disclosed as current liabilities						
Per audited accounts	20	424	2,238	3,712	2,565	-
Reclassified to long term liabilities	-	(113)	(830)	(2,928)	(2,355)	-
Restated	20	311	1,408	784	210	-
Disclosed as long term liabilities						
Per audited accounts	-	9,979	9,252	6,114	1,496	3,273
Reclassified from current liabilities	-	113	830	2,928	2,355	-
Restated	-	10,092	10,082	9,042	3,851	3,273

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.12.7 Provision for taxation**

The tax provision in financial period 1997 was lower mainly due to the capital gain arising from disposal of quoted investments and fixed assets which was not taxable.

The tax provision in financial year 1998 was lower due to the utilisation of capital allowances.

The tax provision in financial year 1999 was lower because the Income Tax (Amendment) Act, 1999 waived the tax on income (except dividend income).

6.12.8 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	Share capital RM'000	Profit and loss account RM'000	Reserve on consolidation RM'000	Total RM'000
Balance as at 1 January 1994	1,750	13,369	36	15,155
Net profit for the year	-	3,366	-	3,366
Dividend	-	(1,400)	-	(1,400)
Balance as at 31 December 1995	1,750	15,335	36	17,121
Net profit for the period	-	2,578	-	2,578
Dividend	-	(1,216)	-	(1,216)
Balance as at 31 January 1997	1,750	16,697	36	18,483
Net profit for the year	-	3,657	-	3,657
Dividend	-	(621)	-	(621)
Acquisition of additional shares in subsidiary company	-	-	486	486
Balance as at 31 January 1998	1,750	19,733	522	22,005
Net profit for the year	-	9,809	-	9,809
Dividend	-	(2,205)	-	(2,205)
Balance as at 31 January 1999	1,750	27,337	522	29,609
Net profit for the year	-	8,512	-	8,512
Dividend	-	(2,822)	-	(2,822)
Balance as at 31 January 2000	1,750	33,027	522	35,299
Net profit for the period	-	1,894	-	1,894
Balance as at 30 April 2000	1,750	34,921	522	37,193

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

(Prepared for inclusion in the Prospectus)

6.12.9 Advances from related party

The amount arose from advances by shareholders of KLPOM to finance the operations of the new mill.

6.12.10 Deferred taxation

Deferred taxation arose mainly from the timing differences on excess of capital allowances over depreciation.

6.13 **OMSB**

	As at	As at 31 January				As at
	31 December	1997	1998	1999	2000	30 April
	1995	1997	1998	1999	2000	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Investment in associated company	600	600	1,446	1,446	1,446	1,446
CURRENT ASSETS						
Other debtors and deposits	1,000	1,600	3,202	2,702	-	-
Fixed deposits	-	-	50	50	350	350
Cash and bank balances	16	10	5	4	14	16
	<u>1,016</u>	<u>1,610</u>	<u>3,257</u>	<u>2,756</u>	<u>364</u>	<u>366</u>
CURRENT LIABILITIES						
Trade creditors	1	1	1	1	1	1
Other creditors and accruals	-	-	-	-	338	338
Amount owing to directors	1,490	2,090	4,590	4,068	1,331	1,331
Provision for taxation	4	1	-	-	1	2
	<u>1,495</u>	<u>2,092</u>	<u>4,591</u>	<u>4,069</u>	<u>1,671</u>	<u>1,672</u>
Net current liabilities	(479)	(482)	(1,334)	(1,313)	(1,307)	(1,306)
	<u>121</u>	<u>118</u>	<u>112</u>	<u>133</u>	<u>139</u>	<u>140</u>
Financed by :						
SHAREHOLDERS' EQUITY						
Share capital	100	100	100	100	100	100
Profit and loss account	21	18	12	33	39	40
Shareholders' equity	<u>121</u>	<u>118</u>	<u>112</u>	<u>133</u>	<u>139</u>	<u>140</u>
Net tangible assets per share (RM)	1.21	1.18	1.12	1.33	1.39	1.40

6.13.1 Investment in associated company

In financial year 1998, OMSB increased its investment in associated company, KLPOM from 10% to 20%.

6.13.2 Other debtors and deposits

Other debtors mainly relates to advances to its associated company, KLPOM.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	Share capital RM'000	Profit and loss account RM'000	Total RM'000
6.13.3 Balance as at 1 January 1994	100	17	117
Net profit for the year	-	4	4
Balance as at 31 December 1995	100	21	121
Net loss for the period	-	(3)	(3)
Balance as at 31 January 1997	100	18	118
Net loss for the year	-	(6)	(6)
Balance as at 31 January 1998	100	12	112
Net profit for the year	-	21	21
Balance as at 31 January 1999	100	33	133
Net profit for the year	-	6	6
Balance as at 31 January 2000	100	39	139
Net profit for the period	-	1	1
Balance as at 30 April 2000	<u>100</u>	<u>40</u>	<u>140</u>

6.13.4 Amount owing to directors

Amount owing to directors arose from the financing of OMSB's operations and advances to associated company, KLPOM. The amount is unsecured and interest-free with no fixed terms of repayment.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***7. CONSOLIDATED CASH FLOW**

We set out below the consolidated cash flows of KLR Group, KLC Group, KLPO Group and OMSB based on the latest audited accounts of these groups/company as at 30 April 2000.

7.1. KLR Group

	3 months ended 30 April 2000 RM'000
Cash flows from operating activities	
Cash receipts from customers	1,543
Cash paid to suppliers and employees	(1,781)
Cash used in operations	(238)
Preliminary and pre-operation expenses paid	(8)
Income taxes paid	(9)
Net cash used in operating activities	(255)
Cash flows from investing activities	
Purchase of property, plant and equipment (Note)	(1,700)
Interest received	*
Net cash used in investing activities	(1,700)
Cash flows from financing activities	
Proceeds from issuance of shares to minority interest	*
Sundry financing	113
Inter-company financing	474
Net cash from financing activities	587
Net decrease in cash and cash equivalents	(1,368)
Cash and cash equivalents at beginning of period	2,276
Cash and cash equivalents at end of period	<u>908</u>
<u>Note : Purchase of property, plant and equipment</u>	
Property, plant and equipment acquired	1,308
Less : depreciation capitalised	(45)
	<u>1,263</u>
Add : deposit paid	437
Cash paid	<u>1,700</u>

* Less than RM500

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***7.2. KLC Group**

**3 months
ended
30 April 2000
RM'000**

Cash flows from operating activities

Cash paid to suppliers and employees

(5)

Net cash used in operating activities

(5)

Cash flows from investing activities

Payments for preliminary and pre-operating expenses

(1)

Purchase of fixed assets (Note)

(1,883)

Net cash used in investing activities

(1,884)

Cash flows from financing activities

Related companies' borrowings

1,946

Net cash from financing activities

1,946

Net increase in cash and cash equivalents

57

Cash and cash equivalents at beginning of period

73

Cash and cash equivalents at end of period

130

Note: Purchase of fixed assets

Fixed assets acquired

4,027

Less : Depreciation capitalised

(165)

Creditors

(1,979)

Cash paid

1,883

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***7.3 KLPO Group**

**3 months
ended
30 April 2000
RM'000**

Cash flows from operating activities

Cash receipts from customers	27,888
Cash paid to suppliers and employees	(25,067)
Cash generated from operations	2,821
Interest paid	(100)
Income tax paid	(88)
Net cash from operating activities	2,633

Cash flows from investing activities

Interest income	44
Development expenditure	(6)
Purchase of quoted investment	(1,035)
Purchase of property, plant and equipment	(134)
Proceeds from disposal of quoted investments	683
Dividend received	23
Net cash used in investing activities	(425)

Cash flows from financing activities

Repayment of advances to related party	(97)
Sundry financing	62
Repayment of term loans	(578)
Net cash used in financing activities	(613)

Net increase in cash and cash equivalents	1,595
Cash and cash equivalents at beginning of period	6,966
Cash and cash equivalents at end of period	<u>8,561</u>

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

7.4 OMSB

**3 months
ended
30 April 2000
RM'000**

Cash flows from operating activities

Cash receipts from customer	-
Cash paid to suppliers and employees	(*)
Cash absorbed in operations	(*)
Income tax paid	(*)
Net cash used in operating activities	(*)

Cash flows from investing activities

Fixed deposit interest received	2
Net cash from investing activities	2

Cash flows from financing activities

-

Net increase in cash and cash equivalents

2

Cash and cash equivalents at beginning of period

14

Cash and cash equivalents at end of period

16

* Less than RM500

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***8. STATEMENT OF ASSETS AND LIABILITIES**

The following are the detailed statement of assets and liabilities of the Proforma Group which have been prepared for illustrative purposes only and based on the audited accounts of KLR and its subsidiaries as at 30 April 2000. The statement of assets and liabilities of the Proforma Group have been prepared on the assumption that the restructuring scheme as mentioned under paragraph 2.2 of this report had been effected on 30 April 2000 and should be read in conjunction with the notes thereon.

	<u>Note</u>	<u>KLR Group RM'000</u>	<u>Proforma Group RM'000</u>
ASSETS			
Property, plant and equipment	8.3	28,022	152,029
Quoted investments	8.4	-	6,241
Development expenditure	8.5	-	157
Expenditure carried forward	8.6	37	108
		<u>28,059</u>	<u>158,535</u>
CURRENT ASSETS			
Stocks	8.7	565	4,667
Trade debtors		292	4,504
Other debtors and deposits		1,176	1,765
Amount owing by holding company		1,466	-
Fixed deposits		-	7,775
Cash and bank balances		908	5,758
		<u>4,407</u>	<u>24,469</u>
CURRENT LIABILITIES			
Trade creditors		1,085	5,879
Other debtors and accruals		474	1,925
Amount owing to related company	8.8	817	-
Amount owing to related party	8.9	195	195
Provision for taxation		1,609	4,890
		<u>4,180</u>	<u>12,889</u>
NET CURRENT ASSETS			
		<u>227</u>	<u>11,580</u>
		<u>28,286</u>	<u>170,115</u>
Financed by :			
Share capital	8.10	10	106,750
Share premium	8.11	-	29,733
Revaluation reserve	8.12	-	107
Reserve on consolidation	8.13	-	7,589
Profit and loss account		12,338	12,338
Total shareholders' equity		<u>12,348</u>	<u>156,517</u>
MINORITY INTERESTS			
		25	2,111
LONG TERM AND DEFERRED LIABILITIES			
Amount owing to holding company	8.14	13,619	-
Amount owing to minority shareholders	8.15	1,139	6,381
Term loans (secured)	8.16	-	3,273
Deferred taxation	8.17	1,155	1,833
		<u>15,913</u>	<u>11,487</u>
		<u>28,286</u>	<u>170,115</u>
Net tangible assets per share (RM)		1,231.10	1.47

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

(Prepared for inclusion in the Prospectus)

8 NOTES TO STATEMENT OF ASSETS AND LIABILITIES

8.1 Basis of preparation of statement of assets and liabilities

The statement of assets and liabilities has been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards.

8.2 Significant Accounting Policies

(a) Basis of Accounting

The accounts of the Proforma Group have been prepared under the historical cost convention modified with revaluation of land and building and investment in subsidiary companies and applicable approved accounting standards.

(b) Subsidiary Companies and Basis of Consolidation

A company is considered as a subsidiary when the Company owns directly or indirectly more than one half of the voting power of the subsidiary or the Company has power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

The proforma consolidated accounts incorporate the accounts of the Company and its subsidiary companies for the three months period ended 30 April 2000. All inter-company balances and transactions are eliminated on consolidation.

Goodwill or reserve on consolidation represents the difference between the acquisition cost of shares in the subsidiary companies and the fair value of the attributable net assets acquired at the date of acquisition.

(c) Property, Plant and Equipment and Depreciation

Long leasehold estate land and estate buildings under construction are stated at cost plus incidental cost of acquisition. No amortisation or depreciation is provided on long leasehold estate land and estate buildings under construction.

A long lease is a lease with an unexpired period of 50 years or more.

Plantation development expenditure represents pre-cropping costs (including interest) incurred from the commencement of development to the date of maturity of the rootstock. Plantation development expenditure is capitalised at cost and amortised from the date of maturity of the rootstock.

Other fixed assets including fixed assets are stated at cost less accumulated depreciation and amortisation.

Depreciation and amortisation are calculated on the straight line method so as to write off the cost of the assets over their estimated useful lives at the following annual rates :

Buildings	2% - 6%
Plantation Development Expenditure	5% - 6.7%
Plant and machinery	6% - 10%
Equipment, furniture and fittings	6% - 10%
Motor vehicles	10% - 20%

(d) Investments

Investments in subsidiary companies, which are eliminated on consolidation, are stated at cost, and written down when the directors consider that there is permanent diminution in value of investments.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

Quoted investments are stated at cost. Provision is made for any diminution in value which in the opinion of the directors is considered to be permanent. Market values of the investments are stated using last transacted prices quoted in the respective Stock Exchanges at the balance sheet date.

e) Development Expenditure

Development expenditure on compost fertilizers are carried forward at cost and to be written off to the income statement when the commercial sale of compost fertilizers commences.

f) Expenditure Carried Forward

Preliminary and pre-operating expenses are carried forward at cost and are to be written off to the income statement when the Company achieves profitable operations.

g) Stocks

Stocks are valued at the lower of weighted average cost and net realisable value. Cost includes all those expenses which relate to bringing the stocks to their present location and condition. In arriving at net realisable value due allowance is made for all damaged, obsolete and slow moving items.

Stocks of finished goods are valued at the lower of cost and net realisable value. Cost being the average production cost, consists of materials, labour and attributable manufacturing overheads in bringing the stocks to their present location and condition.

Stocks of spare parts and sundry items not held for resale are valued at cost.

h) Deferred Taxation

Deferred taxation is provided using the liability method for all material timing differences except where no liability is expected to arise in the foreseeable future. However, where timing differences result in net deferred tax benefits, the tax effects will generally be recognised upon actual realisation.

8.3 Property, plant and equipment

	<u>Properties</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Equipment, furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
<u>KLR Group</u>					
<u>Cost</u>					
As at 1 February 2000	27,907	1,860	307	2,648	32,722
Additions	851	301	94	61	1,307
Disposal	-	-	-	-	-
As at 30 April 2000	28,758	2,161	401	2,709	34,029

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

	<u>Properties</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Equipment, furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
<u>Accumulated Depreciation</u>					
As at 1 February 2000	3,730	515	97	1,455	5,797
Charge for the period	84	25	4	97	210
Disposals	-	-	-	-	-
As at 30 April 2000	<u>3,814</u>	<u>540</u>	<u>101</u>	<u>1,552</u>	<u>6,007</u>
<u>Net Book Value</u>					
As at 30 April 2000	<u>24,944</u>	<u>1,621</u>	<u>300</u>	<u>1,157</u>	<u>28,022</u>

	<u>Properties</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Equipment, furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
Proforma Group					
<u>Cost/Valuation</u>					
As at 1 February 2000					
- Cost	85,966	37,152	4,970	7,599	135,687
- Valuation	-	-	-	-	-
	85,966	37,152	4,970	7,599	135,687
Additions					
- Cost	4,852	308	118	190	5,468
- Valuation	34,631	-	-	-	34,631
	39,483	308	118	190	40,099
As at 30 April 2000					
- Cost	90,818	37,460	5,088	7,789	141,155
- Valuation	34,631	-	-	-	34,631
	<u>125,449</u>	<u>37,460</u>	<u>5,088</u>	<u>7,789</u>	<u>175,786</u>
<u>Accumulated Depreciation</u>					
As at 1 February 2000	4,822	13,836	1,022	3,053	22,733
Charge for the period	163	496	76	289	1,024
Disposals	-	-	-	-	-
As at 30 April 2000	<u>4,985</u>	<u>14,332</u>	<u>1,098</u>	<u>3,342</u>	<u>23,757</u>
<u>Net Book Value</u>					
As at 30 April 2000	<u>120,464</u>	<u>23,128</u>	<u>3,990</u>	<u>4,447</u>	<u>152,029</u>

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)*

Properties consist of :

	KLR Group		Proforma Group	
	Cost RM'000	Net Book Value RM'000	Cost/Valuation RM'000	Net Book Value RM'000
Valuation				
Freehold land	-	-	8,000	8,000
Leasehold land	-	-	80,744	80,744
Cost				
Leasehold land	9,456	9,456	-	-
Buildings, roads, culvert and fencing	3,777	3,082	11,741	9,875
Plantation Development Expenditure	15,525	12,406	24,964	21,845
	<u>28,758</u>	<u>24,944</u>	<u>125,449</u>	<u>120,464</u>

Certain freehold land and buildings are pledged to a financial institution as collateral for banking facilities.

The long leasehold land are pledged with a licensed bank to secure loan facilities granted to the holding company.

Plantation Development Expenditure is stated after charging :

	KLR Group RM'000	Proforma Group RM'000
Depreciation	45	210
Management fees paid to a company in which certain directors are members	-	14
	<u>-</u>	<u>14</u>

8.4 Quoted investments

	Proforma Group	
	Cost RM'000	Market Value RM'000
Shares quoted in Malaysia	7,636	6,969
Shares quoted outside Malaysia	96	71
	<u>7,732</u>	<u>7,040</u>
Less : Provision for diminution in value of investments	(1,491)	-
	<u>6,241</u>	<u>7,040</u>

KLR Group has no quoted investments as at 30 April 2000.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***8.5 Development expenditure**

	KLR Group RM'000	Proforma Group RM'000
As at 1 February 2000	-	152
Incurred during the period	-	5
As at 30 April 2000	<u>-</u>	<u>157</u>

8.6 Expenditure carried forward

	KLR Group RM'000	Proforma Group RM'000
Preliminary expenses		
As at 1 February 2000	7	17
Incurred during the period	8	8
Written off	-	-
As at 30 April 2000	<u>15</u>	<u>25</u>
Pre-operating expenditure		
As at 1 February 2000	21	80
Incurred during the year	1	3
As at 30 April 2000	<u>22</u>	<u>83</u>
Total	<u>37</u>	<u>108</u>

8.7 Stocks

	KLR Group RM'000	Proforma Group RM'000
Nursery and seedlings	237	720
Finished goods	-	2,253
Building materials and sundry parts	328	1,694
	<u>565</u>	<u>4,667</u>

8.8 Amount owing to a related company

Amount owing to a related company is unsecured, interest-free and with no fixed terms of repayment.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***8.9 Amount owing to related party**

Amount owing to related party is unsecured, interest-free and with no fixed terms of repayment.

8.10 Share capital**RM'000**Authorised -500,000,000 ordinary shares of RM1 each

As at 30 April 2000	25
Increased during the period	499,975
	<u>500,000</u>

Issued and fully paid - 106,750,000 ordinary shares of RM1 each

As at 30 April 2000	10
Bonus Issue	32,371
Rights Issue	13,619
Shares issued as the consideration for acquisition of Kim Loong Palm Oil Sdn Bhd, Kim Loong Corporation Sdn Bhd and Okidville Manufacturing Sdn Bhd	28,112
Restricted Issue	28,142
Public Issue	4,496
	<u>106,750</u>

8.11 Share premium**RM'000**

Issue of 28,112,000 shares of RM1 each at an issued price of RM1.20 per share to acquire Kim Loong Palm Oil Sdn Bhd, Kim Loong Corporation Sdn Bhd and Okidville Manufacturing Sdn Bhd	5,622
Issue of 28,142,000 shares of RM1 each at an issued price of RM1.80 per share in respect of Restricted Issue	22,514
Issue of 4,496,000 shares of RM1 each at an issued price of RM1.80 per share in respect of Public Issue	<u>3,597</u>
	31,733
Less : Listing expenses	<u>(2,000)</u>
	<u>29,733</u>

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***8.12 Revaluation reserve**

	RM'000
Revaluation reserve arising from revaluation of properties in KLR and investment in subsidiary companies	32,478
Bonus Issue	(32,371)
	<u>107</u>

8.13 Reserve on consolidation

	RM'000
Reserve/(goodwill) on consolidation arising from acquisition of :	
a) Kim Loong Palm Oil Sdn. Bhd.	7,583
b) Okidville Manufacturing Sdn. Bhd.	7
c) Kim Loong Corporation Sdn. Bhd.	(1)
	<u>7,589</u>

8.14 Amount owing to holding company

The amount owing to holding company, Sharikat Kim Loong Sendirian Berhad is to be repaid by way of a rights issue to the holding company as mentioned in paragraph 2.2.(d) of this report.

8.15 Amount owing to minority shareholders

Amount owing to minority shareholders is unsecured, interest-free and not repayable within twelve months.

8.16 Term loans

	<u>Interest rate</u>	KLR Group RM'000	Proforma Group RM'000
Long term loans	1.5 to 1.75% + BLR	-	<u>3,273</u>
Current		-	2,364
Non - current		-	909
		<u>-</u>	<u>3,273</u>

The banking facilities are secured by :-

1. Fixed charges over a subsidiary's freehold land with all the buildings erected thereon;
2. Fixed and floating charges over all of the subsidiary's assets; and
3. Corporate guarantee

Term loan together with interest is repayable by 35 equal monthly instalments of RM220,290 each commencing August 1998 and a final instalment to settle the balance.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***8.17 Deferred taxation**

	KLR Group RM'000	Proforma Group RM'000
As at 1 February 2000	1,155	1,833
Transfer to Profit and Loss Account	-	-
As at 30 April 2000	<u>1,155</u>	<u>1,833</u>
Tax effect on timing differences which are not expected to reverse in the foreseeable future in respect of :		
Excess of capital allowances over depreciation	905	4,541
Others	-	666
	<u>905</u>	<u>5,207</u>

9. NET TANGIBLE ASSETS COVER

Based on the proforma statement of assets and liabilities of the Proforma Group as at 30 April 2000, the proforma consolidated net tangible assets per ordinary share will be as follows :

Net tangible assets as per Proforma Group's statement of assets and liabilities (RM'000)	<u>156,409</u>
Number of ordinary shares of RM1 each in issue ('000)	<u>106,750</u>
Net tangible assets per ordinary share of RM1 each of the Proforma Group (RM)	<u>1.47</u>

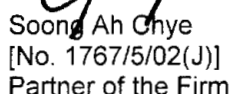
10. ACCOUNTS

No audited accounts have been made up in respect of any period subsequent to 30 April 2000 for the Company or any of its subsidiaries.

Yours faithfully,



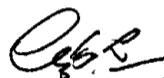
Liang & Co.
No. AF 0312
Public Accountants



Soong Ah Ghye
[No. 1767/5/02(J)]
Partner of the Firm



Ong & Wong
No. AF 0241
Public Accountants



Ong Kong Lai
[No. 494/6/02 (J/PH)]
Partner of the Firm