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

(Prepared for inclusion in the Prospectus)

LIANG & CO.

(Firm No. : AF 0312)
Public Accountants

ONG & WONG

(Firm No. : AF 0241)
Public Accountants

(Prepared for inclusion in the Prospectus)

Date: 11 October 2000

The Board of Directors
KIM LOONG RESOURCES BERHAD
Unit No. 203, 2nd Floor
Block C, Damansara Intan
No. 1, Jalan SS 20/27
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

1. **INTRODUCTION**

This report has been jointly prepared by us, approved corporation auditors, for inclusion in the Prospectus of KIM LOONG RESOURCES BERHAD (hereinafter referred to as "KLR" or "the Company") to be dated 18 October 2000 in connection with the Public Issue of 4,496,000 new ordinary shares of RM1.00 each at an issue price of RM1.80 per share and the Restricted Issue of 28,142,000 new ordinary shares of RM1 each at an issue price of RM1.80 per share to Bumiputera companies approved and allocated by the Ministry of International Trade and Industry and the listing and quotation of its entire enlarged issued and paid-up share capital of the Company on the Main Board of the Kuala Lumpur Stock Exchange.

2. **GENERAL INFORMATION**

2.1 **Background**

The Company was incorporated on 15 April 1975 as a private limited company under the name Okidville Sdn. Bhd. On 15 July 1999, the Company changed its name to Kim Loong Resources Sdn. Bhd. and subsequently on 2 August 1999 to Kim Loong Resources Berhad and assumed its present name.

The principal activities of the Company are investment holding and cultivation of oil palm and cocoa. Prior to 1998, the principal activity of the Company was solely property holding.

The Company is a wholly owned subsidiary of Sharikat Kim Loong Sendirian Berhad (SKL), a company incorporated in Malaysia.

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2.2 Restructuring Scheme

In connection with the proposed listing and quotation of the shares of the Company on the Main Board of the Kuala Lumpur Stock Exchange, the Company has undertaken the following restructuring scheme, which had been approved by the Foreign Investment Committee, the Ministry of International Trade and Industry and the Securities Commission on 9 October 1999, 20 October 1999 and 23 February 2000 respectively :

- (a) A revaluation of landed properties of KLR as assessed by Messrs Jones Lang Wootton, a firm of independent professional valuers and the incorporation of revaluation surplus of RM17,329,818 into the accounts of KLR;
- (b) A revaluation of investments in KLR's subsidiaries, namely DKLPSB, LDSB, SSB, SuESB and Sykt KFS, and the incorporation of revaluation surplus of RM15,143,860 into the accounts of KLR;
- (c) A bonus issue of 32,371,000 new ordinary shares of RM1.00 each in KLR to the existing shareholders on the basis of 32,371 shares for every 10 existing ordinary shares held. The bonus issue is effected by capitalising RM32,371,000 from the revaluation surplus account arising from (a) and (b) above ;
- (d) A rights issue of 13,619,000 new ordinary shares of RM1.00 each at par on the basis of 13,619 shares for every 10 existing ordinary shares held in KLR before the Bonus Issue;
- (e) An acquisition by KLR of the entire issued and paid-up share capital of Kim Loong Corporation Sdn. Bhd. ("KLC") comprising 100,000 ordinary shares of RM1.00 each for a total purchase consideration of RM33,247,656 to be satisfied partly by the issuance of 11,910,000 new ordinary shares of RM1 each in KLR at an issue price of RM1.20 per share and the balance of RM18,955,656 in cash;
- (f) An acquisition by KLR of 1,750,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Kim Loong Palm Oil Sdn Bhd ("KLPO") for a total purchase consideration of RM34,822,135 to be satisfied partly by the issuance of 12,945,000 new ordinary shares of RM1 each in KLR at an issue price of RM1.20 per share and the balance of RM19,288,135 in cash;
- (g) An acquisition by KLR of 100,000 ordinary shares of RM1 each representing the entire issued and paid-up share capital of Okidville Manufacturing Sdn Bhd ("OMSB") (formerly known as Unibase Manufacturing Sdn Bhd) for a total purchase consideration of RM8,683,140 to be satisfied partly by the issuance of 3,257,000 new ordinary shares of RM1.00 each in KLR at an issue price of RM1.20 per share and the balance of RM4,774,740 in cash;
- (h) A restricted issue of 28,142,000 new ordinary shares of RM1.00 each to Bumiputera companies at an issue price of RM1.80 per share;
- (i) A public issue by KLR of 4,496,000 new ordinary shares of RM1.00 each at an issue price of RM1.80 per share; and
- (j) The listing and quotation of the Company's entire enlarged issued and paid-up share capital of RM106,750,000 comprising 106,750,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.

The restructuring scheme was approved by the Securities Commission on 23 February 2000. The above bonus issue and rights issue were completed on 19 July 2000 whilst the acquisitions of KLC, KLPO and OMSB were completed on 20 July 2000. All new ordinary shares issued pursuant to the restructuring scheme rank pari passu in all respects with the existing ordinary shares of the Company.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***2.3 Share Capital**

The authorized share capital of the Company is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each.

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

<u>Date of issue</u>	<u>No. of ordinary shares of RM1.00 each</u>	<u>Consideration</u>	<u>Total issued and paid-up share capital</u> RM
15.04.1975	2	Subscribers' shares	2
01.03.1990	9,998	Cash	10,000
19.07.2000	32,371,000	Bonus Issue on the basis of 32,371 shares for every 10 existing shares held	32,381,000
19.07.2000	13,619,000	Rights Issue on the basis of 13,619 shares for every 10 existing shares held before the Bonus Issue	46,000,000
20.07.2000	28,112,000	Acquisitions of KLC, KLPO and OMSB	74,112,000

2.4 Subsidiary Companies

Details of the subsidiary companies of KLR , all of which are incorporated in Malaysia, as at the date of this report are as follows :

<u>Name</u>	<u>Date of incorporation</u>	<u>Issue and paid-up share capital</u> RM	<u>Effective equity interest</u> %	<u>Principal activities</u>
DKLPSB	10 January 1997	100,000	70.00	Oil palm cultivation
LDSB	22 November 1978	2	100.00	Owning and letting of leasehold land
SSB	18 May 1979	6	100.00	Owning and letting of leasehold land
SuESB	7 June 1979	11,853	100.00	Owning and letting of leasehold land
Sykt KFS	30 June 1979	2	100.00	Owning and letting of leasehold land
KLC	10 March 1998	100,000	100.00	Investment holding
OHSB *	10 March 1998	100,000	100.00	Cultivation of oil palm and investment holding

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

<u>Name</u>	<u>Date of incorporation</u>	<u>Issue and paid-up share capital</u> RM	<u>Effective equity interest</u> %	<u>Principal activities</u>
DOSB *	8 June 1998	1,000,000	51.00	Cultivation of oil palm
DKLPO *	8 June 1998	1,000	70.00	Intended for processing and marketing of oil palm products
KLPO	7 February 1977	1,750,000	100.00	Investment holding
KLPOM **	23 June 1993	6,000,000	100.00	Processing and marketing of oil palm products
SESB **	20 May 1982	200,000	100.00	Processing and trading of palm kernel products
KLESB**	29 June 1999	100	51.00	Manufacturing of compost fertiliser
OMSB	4 January 1993	100,000	100.00	Investment holding
TCSB	5 March 1999	2	100.00	Dormant
DKLISB	28 January 2000	100,000	70.00	Intended for manufacturing of concrete culverts
WPSB	5 April 2000	5	80.00	Dormant

Currently, KLR does not have any associated companies.

Note :

* subsidiary of KLC

** subsidiary of KLPO

3 ACCOUNTS AND AUDITORS**3.1 Accounts and auditors**

For all the financial years/periods under review, Liang & Co. have acted as auditors of KLR and its subsidiaries, except for KLPO, KLPOM and SESB.

The accounts of KLPO, KLPOM and SESB for the financial years/period under review were audited by another firm of accountants until financial year 31 January 1998. Thereafter, the accounts were audited by Liang & Co.

All the accounts audited by Liang & Co. and another firm of accountants for the financial years/periods under review were reported on without any qualification.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***3.2. Accounting policies and standards**

This report is prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited accounts of KLR and its subsidiaries.

This report is prepared based on applicable approved accounting standards adopted by MASB.

4. SUMMARISED PROFIT AND LOSS ACCOUNTS**4.1 The Proforma Group**

The summarised proforma consolidated profit and loss accounts of the KLR Proforma Group for the last five financial years/period ended 31 January 2000 and three months period ended 30 April 2000, have been prepared for illustrative purposes only after making such adjustments that we considered necessary and assuming that the KLR Proforma Group had been in existence throughout the years/periods under review.

	Year ended 31 December 1995 RM'000	13 months ended 31 January 1997 RM'000	Year ended 31 January			3 months ended 30 April 2000 RM'000
			1998 RM'000	1999 RM'000	2000 RM'000	
Turnover	81,311	76,486	114,797	226,853	157,128	31,298
Profit before preliminary and pre-operating expenses, depreciation, interest and exceptional items	5,663	6,312	10,657	23,031	22,840	4,282
Preliminary and pre- operating expenses	-	-	(4)	-	(6)	-
Depreciation	(806)	(2,035)	(253)	(3,061)	(3,235)	(814)
Interest expense	(45)	(830)	(1,308)	(1,296)	(523)	(100)
Exceptional items	206	(426)	(1,720)	-	-	-
Profit before taxation	5,018	3,021	7,372	18,674	19,076	3,368
Taxation	(1,477)	(43)	(979)	(8)	(4,316)	(847)
Profit after taxation	3,541	2,978	6,393	18,666	14,760	2,521
Minority interests	-	-	-	2	3	4
Profit after taxation and minority interests	3,541	2,978	6,393	18,668	14,763	2,525
Extraordinary items	-	-	-	-	-	-
Profit after extraordinary items	3,541	2,978	6,393	18,668	14,763	2,525
Profit before taxation and after minority interests	5,018	3,021	7,372	18,676	19,076	3,371

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

No. of ordinary shares of RM1 each ('000)	74,112	74,112	74,112	74,112	74,112	74,112
Earnings per share (sen)						
- Gross	6.77	3.76*	9.95	25.20	25.74	18.19*
- Net	<u>4.78</u>	<u>3.71*</u>	<u>8.63</u>	<u>25.19</u>	<u>19.92</u>	<u>13.63*</u>

* Annualised

Notes :

- There were no extraordinary items in all the financial years/periods under review.
- The turnover in financial period 1997 decreased mainly due to the decrease in average selling prices of CPO.
- The respective turnover in financial years 1998 and 1999 increased because of the increase in average selling prices of FFB, CPO and PKO. The increase is also due to the increase in production capacity of the mill from 45MT of FFB/hour (old mill) to 60 MT of FFB/hour (new mill) in July 1996 and subsequently to 100MT of FFB/hour in July 1997.
- The turnover of FFB in financial year 1999 increased significantly because the turnover in financial year 1998 only consisted of 3 months turnover as the estate operation was transferred from its ultimate holding company, SKL to KLR during the last quarter of the financial year 1998. In addition, the selling prices of FFB also increased during the financial year 1999.
- The turnover in financial year 2000 decreased mainly due to the decrease in prices of oil palm products.
- The exceptional items in financial period/year 1995 and 1997 were reclassified from extraordinary items to comply with International Accounting Standard No. 8 (revised) and for consistency purposes. The exceptional items of the proforma group after reclassification are as follows :

	Year ended	13 months	Year ended 31 January			3 months
	31 December	ended	31 January			ended 30 April
	1995	1997	1998	1999	2000	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gain/(loss) on disposal of quoted investments	206	245	(62)	-	-	-
Fixed assets written off	-	(671)	-	-	-	-
Provision for diminution in value of investments	-	-	(1,658)	-	-	-
	<u>206</u>	<u>(426)</u>	<u>(1,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>

In financial period 1997, fixed assets with net book value of RM670,809 were written off by KLPO because KLPO ceased its milling operations during the financial period 1997. Movable assets were all transferred to the new mill in Kota Tinggi, Johor which is operated by KLPOM whilst obsolete and non-movable assets were written off.

In financial year 1998, provision for diminution in value of investments of RM1,658,525 was provided mainly because of the significant decrease in the market value of KLPO's investments in shares quoted on the KLSE at the beginning of the financial year 1998.

- The decrease in depreciation charge in financial year 1998 was due to the revision in depreciation rates by KLPO group. The revision increased the year's profit by RM2,801,170.

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

- 8) The above proforma consolidated financial results for the financial year 31 January 2000 has been prepared based on the audited accounts.
- 9) The gross and net earnings per share for the respective financial years/period under review have been calculated based on the respective proforma profit before taxation and after minority interests, and proforma profit after taxation and minority interests divided by the enlarged issued and paid-up share capital of 74,112,000 ordinary shares of RM1.00 each following the restructuring scheme mentioned under paragraph 2.2 of this report but before the restricted issue and public issue.
- 10) The lower annualised earnings per share for the three months period ended 30 April 2000 as anticipated by the directors was mainly due to seasonally lower production level and the disproportionately high operating expenditure such as salary and wages, weeding and depreciation costs. The production is normally expected to peak only in the third quarter of the year.

4.2 KLR Group, KLC Group, KLPO Group and OMSB

We set out below the summarised audited results of each of the groups/company before acquisition for the relevant financial years/period as follows :

4.2.1 KLR Group

	Company		Group			
	Year ended 31 December	13 months ended 31 January	Year ended 31 January			3 months ended 30 April
	1995 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2000 RM'000
Turnover	8	9	2,009	11,074	12,029	1,560
Profit before preliminary and pre-operating expenses, depreciation and interest	1	2	1,463	7,217	6,517	466
Preliminary and pre-operating expenses	-	-	(4)	-	-	-
Depreciation	-	-	(376)	(533)	(650)	(166)
Interest	-	-	-	-	-	-
Profit before taxation	1	2	1,083	6,684	5,867	300
Taxation	(1)	(2)	(7)	-	(1,503)	(91)
Profit after taxation	-	-	1,076	6,684	4,364	209
Minority interests	-	-	-	2	3	1
Profit after taxation and minority interests	-	-	1,076	6,686	4,367	210
Profit before taxation and after minority interests	1	2	1,083	6,686	5,870	301
No. of ordinary shares in issue ('000)	10	10	10	10	10	10
Earnings per share (RM)						
- Gross	0.10	0.18 *	108.30	668.60	587.00	120.40 *
- Net	-	-	107.60	668.60	436.70	84.00 *
Gross dividend rate (%)	-	-	-	-	-	-

* Annualised

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

Notes :

- 1) There were no extraordinary items in all the financial years/periods under review.
- 2) Prior to financial year 1998, KLR did not have any subsidiary companies.
- 3) The turnover in financial year 1998 only consists of 3 months turnover because the estate operation was transferred from SKL to KLR during the last quarter of the year.
- 4) The effective tax rate was lower than the statutory tax rate in financial year 1998 mainly due to the utilisation of capital allowances for which the timing differences are not expected to reverse in the foreseeable future.
- 5) There was no tax provision in respect of profit for the financial year 1999 because the Income Tax (Amendment) Act, 1999 waived the tax on such income.
- 6) The effective tax rate was lower than the statutory tax rate in financial year 2000 mainly due to the utilisation of capital allowances for which the timing differences are not expected to reverse in the foreseeable future.
- 7) The effective tax rate was lower than the statutory tax rate in financial year 2000 mainly due to the utilisation of capital allowances for which the timing differences are not expected to reverse in the third quarter of the year.
- 8) The lower annualised earnings per share for the three months period ended 30 April 2000 as anticipated by the directors was mainly due to seasonally lower production level and the disproportionately high operating expenditure such as salary and wages, weeding and depreciation costs. The production is normally expected to peak only in the third quarter of the year.

4.2.2 KLC group

	10 March 1998 To 31 January 1999 RM'000	Year ended 31 January 2000 RM'000	3 months ended 30 April 2000 RM'000
Turnover	-	-	-
(Loss)/profit before preliminary expenses, depreciation and interest	(11)	19	1
Preliminary expenses	-	(6)	-
Depreciation	-	-	-
Interest expenses	-	-	-
(Loss)/profit before taxation	(11)	13	1
Taxation	-	(13)	(1)
Loss after taxation	(11)	-	-
Minority interests	1	(1)	(1)
Loss after taxation and minority interests	(10)	(1)	(1)
(Loss)/profit before taxation and after minority interests	(10)	9	(1)
No. of ordinary shares in issue	6	6	6
(Loss)/earning per share (RM)			
- Gross	(1,854.67)*	1,500.00	(666.67)*
- Net	(1,854.67)*	(166.67)	(666.67)*
Gross dividend rate (%)	-	-	-

* Annualised

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

Notes :

- 1) There were no extraordinary items in all the financial period/years under review.
- 2) There was no turnover for all the financial periods/year under review because KLC group only commenced its new planting of oil palm in 1998.
- 3) There was no tax charge in financial period ended 31 January 1999 because KLC did not receive any income from its subsidiary companies.
- 4) The effective tax rate was higher than the statutory tax rate in financial year 2000 mainly due to the disallowance of expenses for tax purposes.

4.2.3 KLPO group

	Year ended 31 December 1995 RM'000	13 months ended 31 January 1997 RM'000	Year ended 31 January			3 months ended 30 April 2000 RM'000
			1998 RM'000	1999 RM'000	2000 RM'000	
Turnover	81,282	76,452	112,789	215,775	145,085	29,738
Profit before depreciation, interest and exceptional items	5,652	6,306	9,200	15,825	16,295	3,814
Depreciation	(806)	(2,035)	123	(2,528)	(2,585)	(649)
Interest expense	(45)	(830)	(1,308)	(1,296)	(523)	(100)
Exceptional items	206	(426)	(1,720)	-	-	-
Profit before taxation	5,007	3,015	6,295	12,001	13,187	3,065
Taxation	(1,470)	(35)	(972)	(7)	(2,797)	(754)
Profit after taxation	3,537	2,980	5,323	11,994	10,390	2,311
Minority interests	(171)	(402)	(975)	(2,185)	(1,878)	(417)
Pre-acquisition profit	-	-	(690)	-	-	-
Profit after taxation and minority interests	3,366	2,578	3,658	9,809	8,512	1,894
Profit before taxation and after minority interests	4,753	2,457	4,334	9,817	10,915	2,496
No. of ordinary shares in issue ('000)	1,750	1,750	1,750	1,750	1,750	1,750
Earnings per share (RM)						
- Gross	2.72	1.30*	2.48	5.61	6.24	5.71*
- Net	1.92	1.36*	2.09	5.61	4.86	4.33*
Gross dividend rate (%)	80.00	80.00	50.00	175.00	224.00	-

* Annualised

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

(Prepared for inclusion in the Prospectus)

Notes :

- 1) There were no extraordinary items in all the financial years/periods under review.
- 2) In financial year 1995 and financial period 1997, KLPO group's turnover were restated from RM80,874,779 and RM76,017,395 to RM81,282,453 and RM76,452,659 respectively because the respective kernel crushing fees of RM407,674 and RM435,264 were wrongly eliminated upon consolidation.
- 3) The turnover in financial period 1997 decreased mainly due to the decrease in average selling prices of CPO.
- 4) The respective turnover in financial years 1998 and 1999 increased because of the increase in average selling prices of CPO and PKO. The increase is also due to the increase in production capacity from 45MT of FFB/hour (old mill) to 60 MT of FFB/hour (new mill) in July 1996 and subsequently to 100MT of FFB/hour in July 1997.
- 5) The exceptional items in financial period/year 1995 and 1997 were reclassified from extraordinary items to comply with International Accounting Standard No. 8 (revised) and for consistency purposes. The exceptional items of KLPO group is mentioned in paragraph 4.1(6) of this report.
- 6) In financial year 1998, KLPO group revised its depreciation rates which gave rise to depreciation charge of RM2,678,442 and over-provision of depreciation in prior years of RM2,801,170.
- 7) The effective tax rate in financial period 1997 was lower than the statutory tax rate mainly due to the capital gain arising from the disposal of quoted investments and fixed assets which was not taxable.
- 8) The effective tax rate was lower than the statutory tax rate in financial year 1998 due to the utilisation of capital allowances for which the timing differences are not expected to reverse in the foreseeable future.
- 9) The effective tax rate in financial year 1999 was lower than the statutory tax rate because the tax charge for the year relates only to dividend income and the Income Tax (Amendment) Act, 1999 waived the tax on income (except dividend income).
- 10) The effective tax rate was lower than the statutory tax rate in financial year 2000 mainly due to the availability of tax incentive claim for reinvestment allowances and utilisation of capital allowances for which the timing differences are not expected to reverse in the foreseeable future.
- 11) In financial year 1998, the pre-acquisition profit of RM690,525 relates to further acquisition of shares in KLPOM by KLPO which effectively increased its shareholding in KLPOM from 60% to 80%.
- 12) The lower annualised earnings per share for the three months period ended 30 April 2000 as anticipated by the directors was mainly due to seasonally lower production level and the disproportionately high operating expenditure such as salary and wages and depreciation costs. The production is normally expected to peak only in the third quarter of the year.

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	Year ended	13 months	Year ended 31 January			3 months
	31 December	ended	31 January			ended 30 April
	1995	1997	1998	1999	2000	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	11	-	-	34	13	3
Profit/(loss) before taxation and interest	8	(3)	(6)	29	10	2
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Profit/(loss) before taxation	8	(3)	(6)	29	10	2
Taxation	(3)	-	-	(8)	(4)	(1)
Profit/(loss) after taxation	5	(3)	(6)	21	6	1
No. of ordinary shares in issue ('000)	100	100	100	100	100	100
Earnings/(loss) per share (RM)						
- Gross	0.08	(0.03)*	(0.06)	0.29	0.10	0.08 *
- Net	0.05	(0.03)*	(0.06)	0.21	0.06	0.04 *
Gross dividend rate (%)	-	-	-	-	-	-

* Annualised

Notes :

- 1) There were no extraordinary items in all the financial years/periods under review.
- 2) The turnover in financial year 1995 was restated by reclassifying interest income from fixed deposit to turnover for comparison purpose.
- 3) The turnover in the financial years 1995 and 2000 were wholly interest income from fixed deposits.
- 4) The turnover in financial year 1999 consisted of dividend income from KLPO and interest income from fixed deposit.
- 5) The turnover for the three months period ended 30 April 2000 was reclassified from other operating income for comparison purpose.
- 6) The losses suffered in financial period/year 1997 and 1998 were mainly due to low interest income from fixed deposit during the period/year.
- 7) The effective tax rates in financial years 1995, 1999 and 2000 were higher than the statutory tax rates due to the restriction of permitted expenses under Section 60F of the Income Tax Act, 1967.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***4.3 The Company and its subsidiary companies**

We set out below the summarised audited results of each of the companies within KLR Group for the relevant financial years/period as follows :

4.3.1 The Company (KLR)

	Year ended	13 months	Year ended 31 January			3 months
	31 December	ended				ended 30 April
	1995	31 January	1998	1999	2000	2000
	RM'000	1997	RM'000	RM'000	RM'000	RM'000
		RM'000				
Turnover	8	9	1,985	11,067	12,022	1,560
Profit before preliminary and pre-operating expenses, depreciation and interest	1	2	1,460	7,254	6,556	466
Preliminary and preoperating expenses	-	-	(4)	-	-	-
Depreciation	-	-	(376)	(534)	(650)	(166)
Interest	-	-	-	-	-	-
Profit before taxation	1	2	1,080	6,720	5,906	300
Taxation	(1)	(2)	(4)	-	(1,499)	(90)
Profit after taxation	-	-	1,076	6,720	4,407	210
No. of ordinary shares in issue ('000)	10	10	10	10	10	10
Earnings per share (RM)						
- Gross	0.10	0.18 *	108.00	672.00	590.60	120.00*
- Net	-	-	107.60	672.00	440.70	84.00*
Gross dividend rate (%)	-	-	-	-	-	-

* Annualised

Notes :

- 1) There were no extraordinary items in all the financial years/periods under review.
- 2) The turnover between financial years/period 1995 to 1998 were determined by aggregating all the expenses and tax charge/credit of KLR which resulted in nil profit after taxation.
- 3) The increase in turnover in financial year 1998 is due to the commencement of the KLR's operation in oil palm and cocoa cultivation.
- 4) The effective tax rate was lower than the statutory tax rate in financial year 1998 mainly due to the utilisation of capital allowances for which the timing differences are not expected to reverse in the foreseeable future.
- 5) There was no tax provision in respect of profit for the financial year ended 31 January 1999 because the Income Tax (Amendment) Act, 1999 waived the tax on such income.

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

- 6) The effective tax rate was lower than the statutory tax rate in financial year 2000 mainly due to the utilisation of capital allowances for which the timing differences are not expected to reverse in the foreseeable future.
- 7) The lower annualised earnings per share for the three months period ended 30 April 2000 as anticipated by the directors was mainly due to seasonally lower production level and the disproportionately high operating expenditure such as salary and wages, weeding and depreciation costs. The production is normally expected to peak only in the third quarter of the year.

4.3.2 DKLPSB

	10 January 1997 To 31 January 1998	Year ended 31 January		3 months ended 30 April 2000
	RM	1999 RM	2000 RM	RM
Turnover	-	-	-	-
Loss before depreciation and interest	-	(5,056)	(10,223)	(1,313)
Depreciation	-	-	-	-
Interest expenses	-	-	-	-
Loss before taxation	-	(5,056)	(10,223)	(1,313)
Taxation	-	-	-	-
Loss after taxation	-	(5,056)	(10,223)	(1,313)
Weighted average no. of ordinary shares in issue	8	86	15,701	100,000
Loss per share (RM)				
- Gross	-	(58.79)	(0.65)	(0.05)*
- Net	-	(58.79)	(0.65)	(0.05)*
Gross dividend rate (%)	-	-	-	-

* Annualised

Notes :

- 1) There were no extraordinary items in all the financial periods/years under review.
- 2) There was no turnover for all the financial periods/years under review because DKLPSB only commenced planting of oil palm in 1998.
- 3) There were no tax charges in financial years 1999 and 2000 due to losses suffered during these years.
- 4) The losses in financial years 1999 and 2000 arose due to operating expenses of DKLPSB.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***4.3.3 LDSB**

	Year ended	13 months	Year ended 31 January			3 months
	31 December	ended	31 January			ended 30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
Turnover	6,340	7,277	8,730	5,984	7,343	1,827
Profit before depreciation and interest	669	1,619	641	(30)	774	191
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Profit/(loss) before taxation	669	1,619	641	(30)	774	191
Taxation	(669)	(1,619)	(641)	31	(773)	(191)
Profit after taxation	-	-	-	1	1	-
No. of ordinary shares in issue	2	2	2	2	2	2
Earnings/(loss) per share (RM)						
- Gross	334.50	747.23*	320.50	(15.00)	387.00	382.00 *
- Net	-	-	-	0.50	0.50	-
Gross dividend rate (%)	-	-	-	-	-	-

* Annualised

Notes :

- 1) There were no extraordinary items in all the financial years/periods under review.
- 2) The turnover for all the financial years/periods under review were derived from land rental from its holding companies.
- 3) The turnover between financial years/period 1995 to 1998 were determined by aggregating all the expenses and tax charge/credit of LDSB which resulted in nil profit after taxation.
- 4) The turnover in financial years 1999 and 2000 were determined by aggregating all the expenses and tax charge/credit of LDSB plus RM1 which resulted in RM1 profit after taxation.
- 5) The turnover for the three months period ended 30 April 2000 was reclassified from other operating income for comparison purpose.
- 6) The effective tax rates for financial years/period 1995 to 2000 were higher than the statutory tax rates due to the income recognition as mentioned in (3) and (4) above.

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

4.3.4 SSB

	Year ended	13 months	Year ended 31 January			3 months
	31 December	ended 31 January	31 January			ended 30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
Turnover	4,443	5,453	4,885	3,868	5,235	1,301
Profit/(loss) before depreciation and interest	666	1,704	711	(32)	805	199
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Profit/(loss) before taxation	666	1,704	711	(32)	805	199
Taxation	(666)	(1,704)	(711)	33	(804)	(199)
Profit after taxation	-	-	-	1	1	-
No. of ordinary shares in issue	6	6	6	6	6	6
Earnings/(loss) per share (RM)						
- Gross	111.00	262.15 *	118.50	(5.33)	134.17	132.67 *
- Net	-	-	-	0.17	0.17	-
Gross dividend rate (%)	-	-	-	-	-	-

* Annualised

Notes :

- 1) There were no extraordinary items in all the financial years/periods under review.
- 2) The turnover for all the financial years/periods under review were derived from land rental from its holding companies.
- 3) The turnover between financial years/period 1995 to 1998 were determined by aggregating all the expenses and tax charge/credit of SSB which resulted in nil profit after taxation.
- 4) The turnover in financial years 1999 and 2000 were determined by aggregating all the expenses and tax charge/credit of SSB plus RM1 which resulted in RM1 profit after taxation.
- 5) The turnover for the three months period ended 30 April 2000 was reclassified from other operating income for comparison purpose.
- 6) The effective tax rates for financial years/period 1995 to 2000 were higher than the statutory tax rates due to the income recognition as mentioned in (3) and (4) above.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***4.3.5 SuESB**

	Year ended	13 months	Year ended 31 January			3 months
	31 December	ended	31 January			ended 30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
Turnover	4,354	5,254	4,579	3,592	4,793	1,363
Profit/(loss) before taxation and interest	877	1,795	721	(33)	779	238
Depreciation	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Profit/(loss) before taxation	877	1,795	721	(33)	779	238
Taxation	(877)	(1,795)	(721)	34	(778)	(238)
Profit after taxation	-	-	-	1	1	-
No. of ordinary shares in issue	11,853	11,853	11,853	11,853	11,853	11,853
Earnings per share (RM)						
- Gross	0.07	0.14*	0.06	-	0.07	0.08 *
- Net	-	-	-	-	-	-
Gross dividend rate (%)	-	-	-	-	-	-

* Annualised

Notes :

- 1) There were no extraordinary items in all the financial years/periods under review.
- 2) The turnover for all the financial years/periods under review were derived from land rental from its holding companies.
- 3) The turnover between financial years/periods 1995 to 1998 were determined by aggregating all the expenses and tax charge/credit of SuESB which resulted in nil profit after taxation.
- 4) The turnover in financial years 1999 and 2000 were determined by aggregating all the expenses and tax charge/credit of SuESB plus RM1 which resulted in RM1 profit after taxation.
- 5) The turnover for the three months period ended 30 April 2000 was reclassified from other operating income for comparison purpose.
- 6) The effective tax rates for financial years/period 1995 to 2000 were higher than the statutory tax rates due to the income recognition as mentioned in (3) and (4) above.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***4.3.6 Sykt KFS**

	Year ended	13 months	Year ended 31 January			3 months
	31 December	ended	31 January			ended 30 April
	1995	1997	1998	1999	2000	2000
	RM	RM	RM	RM	RM	RM
Turnover	5,176	6,511	5,691	4,644	5,885	1,493
Profit/(loss) before depreciation and interest	687	1,800	707	(35)	760	195
Depreciation	-	-	-	-	-	-
Interest expenses	-	-	-	-	-	-
Profit/(loss) before taxation	687	1,800	707	(35)	760	195
Taxation	(687)	(1,800)	(707)	36	(759)	(195)
Profit after taxation	-	-	-	1	1	-
No. of ordinary shares in issue	2	2	2	2	2	2
Earnings/(loss) per share (RM)						
- Gross	343.50	830.77*	353.50	(17.50)	380.00	390.00*
- Net	-	-	-	0.50	0.50	-
Gross dividend rate (%)	-	-	-	-	-	-

* Annualised

Notes :

- 1) There were no extraordinary items in all the financial years/periods under review.
- 2) The turnover for all the financial years/periods under review were derived from land rental from its holding companies.
- 3) The turnover between financial years/period 1995 to 1998 were determined by aggregating all the expenses and tax charge/credit of Sykt KFS which resulted in nil profit after taxation.
- 4) The turnover in financial years 1999 and 2000 were determined by aggregating all the expenses and tax charge/credit of Sykt KFS plus RM1 which resulted in RM1 profit after taxation.
- 5) The turnover for the three months period ended 30 April 2000 was reclassified from other operating income for comparison purpose.
- 6) The effective tax rates for financial years/period 1995 to 2000 were higher than the statutory tax rates due to the income recognition as mentioned in (3) and (4) above.

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

4.3.7 TCSB

	5 March 1999 To 30 April 2000 RM
Turnover	- <hr/>
Profit before depreciation and interest	-
Depreciation	-
Interest	- <hr/>
Profit before taxation	-
Taxation	- <hr/>
Profit after taxation	- <hr/>
No. of ordinary shares in issue	2
Earnings per share (RM)	
- Gross	-
- Net	-
Gross dividend rate (%)	- <hr/>

Notes :

- 1) TCSB has been dormant since its date of incorporation, 5 March 1999.

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

4.3.8 DKLISB

	28 January 2000 To <u>30 April 2000</u> RM
Turnover	- <hr/>
Profit before depreciation and interest	-
Depreciation	-
Interest	- <hr/>
Profit before taxation	-
Taxation	- <hr/>
Profit after taxation	- <hr/>
No. of ordinary shares in issue	2
Earnings per share (RM)	
- Gross	-
- Net	-
Gross dividend rate (%)	- <hr/>

Notes :

- 1) DKLISB has been dormant since its date of incorporation, 28 January 2000.

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

4.3.9 WPSB

	5 April 2000 To 30 April 2000 RM
Turnover	-
Profit before depreciation and interest	-
Depreciation	-
Interest	-
Profit before taxation	-
Taxation	-
Profit after taxation	-
No. of ordinary shares in issue	5
Earnings per share (RM)	
- Gross	-
- Net	-
Gross dividend rate (%)	-

Notes :

- 1) WPSB has been dormant since its date of incorporation, 5 April 2000.

11. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

5. DIVIDENDS

For all the financial years/periods under review, KLR and its subsidiaries have not paid any dividends, except for KLPO, KLPOM and SESB.

5.1 KLPO

Details of dividends declared and paid by KLPO during the years/periods under review are as follows :-

<u>Financial year/period ended</u>	Ordinary shares issued and fully paid-up No.	Gross rate of dividends %	<u>Net dividend</u> RM
31.12.1995 - Interim (Tax exempt)	1,750,000	25.00	437,500
- Final (Tax exempt)	1,750,000	55.00	962,500
31.1.1997 - Interim (Tax exempt)	1,750,000	45.00	787,500
- Final	1,750,000	35.00	428,748
31.1.1998 - Interim	1,750,000	25.00	306,250
- Final	1,750,000	25.00	315,000
31.1.1999 - Interim	1,750,000	175.00	2,205,000
31.1.2000 - Interim	1,750,000	224.00	2,822,400

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6. SUMMARISED BALANCE SHEETS**

The summarised balance sheets of each of the companies within KLR Group and KLPO Group, KLC Group and OMSB based on their respective audited accounts are set out below :

6.1 KLR Group

	As at 31 January			As at
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>30 April</u>
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Property, plant and equipment	16,784	22,628	26,925	28,022
Expenditure carried forward	28	28	28	37
	<u>16,812</u>	<u>22,656</u>	<u>26,953</u>	<u>28,059</u>
CURRENT ASSETS				
Stocks	481	760	451	565
Trade debtors	-	602	275	292
Other debtors and deposits	73	564	856	1,176
Amount owing by holding company	-	-	1,624	1,466
Fixed deposits	400	-	104	-
Cash and bank balances	351	1,124	2,172	908
	<u>1,305</u>	<u>3,050</u>	<u>5,482</u>	<u>4,407</u>
CURRENT LIABILITIES				
Trade creditors	43	744	1,142	1,085
Other creditors and accruals	194	405	874	474
Amount owing to a related company	-	-	817	817
Amount owing to related party	-	-	-	195
Provision for taxation	8	6	1,526	1,609
	<u>245</u>	<u>1,155</u>	<u>4,359</u>	<u>4,180</u>
Net current assets	1,060	1,895	1,123	227
	<u>17,872</u>	<u>24,551</u>	<u>28,076</u>	<u>28,286</u>
Financed by :				
SHAREHOLDERS' EQUITY				
Share capital	10	10	10	10
Profit and loss account	1,075	7,761	12,128	12,338
Shareholders' equity	<u>1,085</u>	<u>7,771</u>	<u>12,138</u>	<u>12,348</u>
MINORITY INTERESTS	-	(2)	25	25
LONG-TERM AND DEFERRED LIABILITIES				
Amount owing to related companies	15,610	14,436	13,619	13,619
Amount owing to minority shareholders	-	1,169	1,139	1,139
Deferred taxation	1,177	1,177	1,155	1,155
	<u>16,787</u>	<u>16,782</u>	<u>15,913</u>	<u>15,913</u>
	<u>17,872</u>	<u>24,551</u>	<u>28,076</u>	<u>28,286</u>
Net tangible assets per share (RM)	105.70	774.30	1,211.00	1,231.10

Note :

KLR Group only exists from financial year 1998.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.1.1 Property, plant and equipment**

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

	As at 31 January			As at
	1998 RM'000	1999 RM'000	2000 RM'000	30 April 2000 RM'000
COST				
Brought forward	85	21,159	27,603	32,722
Transfer from related companies	16,382	-	-	-
Additions	4,692	6,598	5,127	1,308
Disposals	-	(154)	(8)	-
Carried forward	21,159	27,603	32,722	34,030
ACCUMULATED DEPRECIATION				
Brought forward	-	4,375	4,975	5,797
Transfer from related companies	3,999	-	-	-
Charge for the year	376	631	830	211
Disposals	-	(31)	(8)	-
Carried forward	4,375	4,975	5,797	6,008
NET BOOK VALUE	16,784	22,628	26,925	28,022

Property, plant and equipment consist of :

Category	As at 31 January			As at
	1998 RM'000	1999 RM'000	2000 RM'000	30 April 2000 RM'000
Properties	15,058	20,341	24,177	24,944
Plant and machinery	829	1,290	1,344	1,621
Equipment, furniture and fittings	98	136	210	300
Motor vehicles	799	861	1,194	1,157
Net book value	16,784	22,628	26,925	28,022

In financial year 1998, the group acquired property, plant and equipment from its holding company, SKL and a related company following a restructuring exercise to consolidate the plantation division of SKL.

6.1.2 Stocks

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

6.1.3 Amount owing by holding company

The amount owing by holding company, SKL arose due to inter-company financing which is unsecured and interest-free with no fixed terms of repayment.

6.1.4 Provision for taxation

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

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

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.1.5 Shareholders' equity**

The movement of shareholders' equity is summarised as follows :

	Share capital RM'000	Profit and loss accumulated RM'000	Total RM'000
Balance as at 1 February 1997	10	-	10
Net profit for the year	-	1,075	1,075
Balance as at 31 January 1998	10	1,075	1,085
Net profit for the year	-	6,686	6,686
Balance as at 31 January 1999	10	7,761	7,771
Net profit for the year	-	4,367	4,367
Balance as at 31 January 2000	10	12,128	12,138
Net profit for the period	-	210	210
Balance as at 30 April 2000	10	12,338	12,348

6.1.6 Amount owing to related companies

The amount arose mainly from assets transferred to KLR in financial year 1998 following a restructuring exercise to consolidate the plantation division of SKL.

6.1.7 Amount owing to related party

The amount arose from advances from Desa Cattle (S) Sdn. Bhd., a minority shareholder in a related company, DOSB.

6.1.8 Amount owing to minority shareholders

The amount arose from acquisition of land in a subsidiary company, DKLPSP from a minority shareholder, Korporasi Pembangunan Desa (KPD) in financial year 1999 .

6.1.9 Deferred taxation

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

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.2 KLR (The Company)**

	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						
Property, plant and equipment	21	21	15,236	15,988	16,757	16,907
Expenditure carried forward	4	4	-	-	-	-
Investment in subsidiary companies	-	-	1,494	1,494	1,564	1,564
	<u>25</u>	<u>25</u>	<u>16,730</u>	<u>17,482</u>	<u>18,321</u>	<u>18,471</u>
CURRENT ASSETS						
Stocks	-	-	481	616	334	334
Trade debtors	1	-	-	602	275	292
Other debtors and deposits	-	-	73	1,643	1,952	1,800
Amount owing to related companies	-	-	2	2,930	7,891	9,015
Fixed deposits	-	-	400	-	104	-
Cash and bank balances	-	-	351	1,116	2,168	904
	<u>1</u>	<u>-</u>	<u>1,307</u>	<u>6,907</u>	<u>12,724</u>	<u>12,345</u>
CURRENT LIABILITIES						
Trade creditors	-	-	42	742	1,032	959
Other creditors and accruals	-	-	192	297	686	232
Amount owing to a director	1	1	1	-	-	-
Amount owing to related companies	15	13	-	-	816	817
Provision for taxation	-	1	4	4	1,524	1,611
	<u>16</u>	<u>15</u>	<u>239</u>	<u>1,043</u>	<u>4,058</u>	<u>3,619</u>
Net current (liabilities)/assets	<u>(15)</u>	<u>(15)</u>	<u>1,068</u>	<u>5,864</u>	<u>8,666</u>	<u>8,726</u>
	<u>10</u>	<u>10</u>	<u>17,798</u>	<u>23,346</u>	<u>26,987</u>	<u>27,197</u>
Financed by :						
SHAREHOLDERS' EQUITY						
Share capital	10	10	10	10	10	10
Profit and loss account	-	-	1,076	7,796	12,203	12,413
Shareholders' equity	<u>10</u>	<u>10</u>	<u>1,086</u>	<u>7,806</u>	<u>12,213</u>	<u>12,423</u>
LONG-TERM AND DEFERRED LIABILITIES						
Amount owing to related companies	-	-	15,535	14,363	13,619	13,619
Deferred taxation	-	-	1,177	1,177	1,155	1,155
	<u>-</u>	<u>-</u>	<u>16,712</u>	<u>15,540</u>	<u>14,774</u>	<u>14,774</u>
	<u>10</u>	<u>10</u>	<u>17,798</u>	<u>23,346</u>	<u>26,987</u>	<u>27,197</u>
Net tangible assets per share (RM)	0.60	0.60	108.60	780.60	1,221.30	1,242.30

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.2.1 Property, plant and equipment**

The movement of property, plant and equipment of KLR 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'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST						
Brought forward	21	21	21	19,611	20,866	22,276
Transfer from related companies	-	-	16,382	-	-	-
Additions	-	-	3,208	1,409	1,419	316
Disposals	-	-	-	(154)	(9)	-
Carried forward	21	21	19,611	20,866	22,276	22,592
ACCUMULATED DEPRECIATION						
Accumulated depreciation brought forward	-	-	-	4,375	4,878	5,519
Transfer from related companies	-	-	3,999	-	-	-
Charge for the year/period	-	-	376	-	-	-
Disposals	-	-	-	534	650	166
Accumulated depreciation carried forward	-	-	4,375	4,878	5,519	5,685
NET BOOK VALUE	21	21	15,236	15,988	16,757	16,907

Property, plant and equipment consist of :

	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
Category						
Properties	21	21	13,510	14,332	14,907	14,969
Plant and machinery	-	-	829	863	917	990
Equipment, furniture and fittings	-	-	98	131	192	261
Motor vehicles	-	-	799	662	741	687
Net book value	21	21	15,236	15,988	16,757	16,907

In financial year 1998, KLR acquired property, plant and equipment from its holding company, SKL following a restructuring exercise to consolidate the plantation division of SKL.

6.2.2 Investment in subsidiary companies

In the financial year 1998, KLR acquired the subsidiary companies following a restructuring exercise to consolidate the plantation division of SKL.

In addition, KLR also formed a 70% owned subsidiary company, DKLPSB to operate a new plantation estate in Telupid, Sabah.

6.2.3 Stocks

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

6.2.4 Amount owing by related companies

The amount arose from inter-company financing which is unsecured and interest-free with no fixed terms of repayment.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.2.5 Provision for taxation**

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

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

6.2.6 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	Share capital RM'000	Profit and loss account RM'000	Total RM'000
Balance as at 1 February 1994	10	-	10
Net profit for the year	-	-	-
Balance as at 31 December 1995	10	-	10
Net profit for the period	-	-	-
Balance as at 31 January 1997	10	-	10
Net profit for the year	-	1,076	1,076
Balance as at 31 January 1998	10	1,076	1,086
Net profit for the year	-	6,720	6,720
Balance as at 31 January 1999	10	7,796	7,806
Net profit for the year	-	4,407	4,407
Balance as at 31 January 2000	10	12,203	12,213
Net profit for the period	-	210	210
Balance as at 30 April 2000	10	12,413	12,423

6.2.7 Amount owing to related companies

The amount arose mainly from assets transferred to KLR in financial year 1998 following a restructuring exercise to consolidate the plantation division of SKL.

6.2.8 Deferred taxation

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

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.3 DKLPSB**

	As at 31 January			As at
	1998	1999	2000	30 April
	RM	RM	RM	RM
ASSETS				
Property, plant and equipment	3,137	5,094,302	8,667,716	9,183,268
Expenditure carried forward	3,550	3,550	3,550	3,550
	<u>6,687</u>	<u>5,097,852</u>	<u>8,671,266</u>	<u>9,186,818</u>
CURRENT ASSETS				
Stocks	-	175,853	135,088	247,914
Other debtors and deposits	-	51,049	34,126	69,471
Cash and bank balances	8	8,434	4,191	4,191
	<u>8</u>	<u>235,336</u>	<u>173,405</u>	<u>321,576</u>
CURRENT LIABILITIES				
Trade creditors	-	-	108,324	120,558
Other creditors and accruals	1,050	108,487	187,677	241,345
	<u>1,050</u>	<u>108,487</u>	<u>296,001</u>	<u>361,903</u>
Net current (liabilities)/assets	(1,042)	126,849	(122,596)	(40,327)
	<u>5,645</u>	<u>5,224,701</u>	<u>8,548,670</u>	<u>9,146,491</u>
Financed by :				
SHAREHOLDERS' EQUITY				
Share capital	8	100	100,000	100,000
Profit and loss account	-	(5,056)	(15,279)	(16,592)
Shareholders' equity	<u>8</u>	<u>(4,956)</u>	<u>84,721</u>	<u>83,408</u>
MINORITY INTERESTS				
LONG-TERM AND DEFERRED LIABILITIES				
Amount owing to holding companies	5,637	2,929,657	6,193,919	6,793,053
Amount owing to minority shareholders	-	2,300,000	2,270,030	2,270,030
	<u>5,637</u>	<u>5,229,657</u>	<u>8,463,949</u>	<u>9,063,083</u>
	<u>5,645</u>	<u>5,224,701</u>	<u>8,548,670</u>	<u>9,146,491</u>
Net tangible (liabilities)/assets per share (RM)	(442.75)	(85.06)	0.81	0.80

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.3.1 Property, plant and equipment**

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

	As at 31 January			As at
	1998	1999	2000	30 April
	RM	RM	RM	2000
				RM
<u>COST</u>				
Brought forward	-	3,137	5,192,085	8,946,001
Additions	3,137	5,188,948	3,753,916	560,813
Disposals	-	-	-	-
Carried forward	3,137	5,192,085	8,946,001	9,506,814
<u>ACCUMULATED DEPRECIATION</u>				
Brought forward	-	-	97,783	278,285
Charge for the period/year	-	97,783	180,502	45,261
Disposals	-	-	-	-
Carried forward	-	97,783	278,285	323,546
NET BOOK VALUE	3,137	5,094,302	8,667,716	9,183,268

Property, plant and equipment consist of :

	As at 31 January			As at
	1998	1999	2000	30 April
	RM	RM	RM	2000
				RM
<u>Category</u>				
Properties	3,137	4,463,050	7,769,280	8,324,683
Plant and machinery	-	426,939	427,380	416,921
Equipment, furniture and fittings	-	5,273	18,176	20,199
Motor vehicles	-	199,040	452,880	421,465
Net book value	3,137	5,094,302	8,667,716	9,183,268

The depreciation charges in financial years/period 1999 and 2000 were capitalised as part of Plantation Development Expenditure (PDE).

6.3.2 Stocks

Stocks consisted of oil palm seedlings, building materials, fertilizers, machinery spare parts, fuel and lubricants.

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

(Prepared for inclusion in the Prospectus)

6.3.3 Shareholders' equity

The movement of shareholders' equity is summarised as follows :

	Share capital RM	Profit and loss account RM	Total RM
Balance as at 10 January 1997	8	-	8
Net profit for the period	-	-	-
Balance as at 31 January 1998	<u>8</u>	<u>-</u>	<u>8</u>
Issue of share capital	92	-	92
Net loss for the year	-	(5,056)	(5,056)
Balance as at 31 January 1999	<u>100</u>	<u>(5,056)</u>	<u>(4,956)</u>
Issue of share capital	99,900	-	99,900
Net loss for the year	-	(10,223)	(10,223)
Balance as at 31 January 2000	<u>100,000</u>	<u>(15,279)</u>	<u>84,721</u>
Net loss for the period	-	(1,313)	(1,313)
Balance as at 30 April 2000	<u><u>100,000</u></u>	<u><u>(16,592)</u></u>	<u><u>83,408</u></u>

6.3.4 Amount owing to holding companies

The amount arose from financing the development costs of the estate and working capital of DKLPSB.

6.3.5 Amount owing to minority shareholders

The amount arose from acquisition of land from the minority shareholder of DKLPSB, Korporasi Pembangunan Desa (KPD) in financial year 1999.

11. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***6.4 LDSB**

	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	24,398	24,398	24,398	24,398	24,398	24,398
Expenditure carried forward	18,629	18,629	18,629	18,629	18,629	18,629
	<u>43,027</u>	<u>43,027</u>	<u>43,027</u>	<u>43,027</u>	<u>43,027</u>	<u>43,027</u>
CURRENT ASSETS						
Trade debtor	768	-	-	-	-	-
Other debtor	-	-	-	-	-	386
	<u>768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>386</u>
CURRENT LIABILITIES						
Trade creditors	300	420	420	480	480	1,701
Amount owing to holding company	43,493	41,797	41,561	41,971	41,891	41,708
Provision for taxation	-	808	1,044	573	652	-
	<u>43,793</u>	<u>43,025</u>	<u>43,025</u>	<u>43,024</u>	<u>43,023</u>	<u>43,409</u>
Net current liabilities	<u>(43,025)</u>	<u>(43,025)</u>	<u>(43,025)</u>	<u>(43,024)</u>	<u>(43,023)</u>	<u>(43,023)</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)	(9,313.50)	(9,313.50)	(9,313.50)	(9,313.00)	(9,312.50)	(9,312.50)

6.4.1 Property, plant and equipment

The movement of property, plant and equipment of LDSB 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	24,398	24,398	24,398	24,398	24,398	24,398
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Carried forward	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>	<u>24,398</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>24,398</u>	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>	<u>24,398</u>