

### XIII. ACCOUNTANTS' REPORT

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11 February 2002

The Board of Directors  
TSR Capital Berhad  
(Previously known as Aimplex Berhad)  
No. 2-2, Jalan 4/62D  
Medan Putra Business Centre  
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Off Jalan Damansara  
52200 Kuala Lumpur

Dear Sirs

**TSR CAPITAL BERHAD**  
(Previously known as Aimplex Berhad)  
**ACCOUNTANTS' REPORT**

#### 1. PURPOSE OF REPORT

This report has been prepared by Horwath Mok & Poon, an approved company auditors, for inclusion in the Prospectus of TSR Capital Berhad ("the Company" or "TSR") to be dated 20 February 2002 in connection with the following proposals:-

- (a) restricted issue of 6,000,000 new ordinary shares in TSR at an issue price of RM1.30 per share;
- (b) public issue of 13,300,000 new ordinary shares in TSR comprising:-
  - (i) 3,300,000 new ordinary shares of RM1.00 each available for application at an issue price of RM1.30 per share;
  - (ii) 10,000,000 new ordinary shares of RM1.00 each by way of private placement at an issue price of RM1.30 per share; and
- (c) listing of and quotation for the entire enlarged share capital of TSR comprising 64,000,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

#### 2. DETAILS OF TSR AND ITS SUBSIDIARIES

##### 2.1 THE COMPANY

The Company was incorporated on 7 March 2001 in Malaysia as a private company limited by shares under the Malaysian Companies Act, 1965 in the name of Aimplex Sdn. Bhd. It was subsequently converted into a public limited company on 13 April 2001 and assumed its present name, TSR Capital Berhad, on 21 June 2001. Its principal activity is that of investment holding.

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**XIII. ACCOUNTANTS' REPORT (Cont'd)****2.2 RESTRUCTURING**

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and fully paid-up ordinary share capital of TSR on the Main Board of the KLSE, the Company undertook the following restructuring exercise which was approved by the relevant authorities:-

- (a) acquisition of the entire equity interest in TSR Bina Sdn. Bhd. ("TSRB") comprising 10,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM44,535,695 satisfied by the issuance of 37,476,000 new ordinary shares of RM1.00 each in TSR at an issue price of approximately RM1.19 per share;
- (b) acquisition of the entire equity interest in TSR Concrete Products Sdn. Bhd. ("TSRCP") comprising 1,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM4,411,438 satisfied by the issuance of 3,712,000 new ordinary shares of RM1.00 each in TSR at an issue price of approximately RM1.19 per share;
- (c) acquisition of the entire equity interest in TSR Geotechnics Sdn. Bhd. ("TGEO") comprising 1,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM1,775,388 satisfied by the issuance of 1,494,000 new ordinary shares of RM1.00 each in TSR at an issue price of approximately RM1.19 per share;
- (d) acquisition of the entire equity interest in TSR Properties Sdn. Bhd. ("TPROP") comprising 2,050,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,041,533 satisfied by the issuance of 1,718,000 new ordinary shares of RM1.00 each in TSR at an issue price of approximately RM1.19 per share;
- (e) restricted issue of 6,000,000 new ordinary shares of RM1.00 each in TSR at an issue price of RM1.30 per share;
- (f) public issue of 13,300,000 new ordinary shares in TSR comprising:-
  - (i) 3,300,000 new ordinary shares of RM1.00 each available for application at an issue price of RM1.30 per share;
  - (ii) 10,000,000 new ordinary shares of RM1.00 each by way of private placement at an issue price of RM1.30 per share; and
- (f) listing of and quotation for the entire enlarged share capital of TSR comprising 64,000,000 ordinary shares of RM1.00 each on the Main Board of the KLSE.

The acquisitions of TSRB, TSRCP, TGEO and TPROP by TSR were completed on 1 November 2001. TSR, together with its subsidiary companies, are hereinafter referred to as "the Group" or "TSR Group".

**XIII. ACCOUNTANTS' REPORT (Cont'd)****2.3 DETAILS OF THE SUBSIDIARY COMPANIES**

A summary of the details of the subsidiary companies of TSR is as follows:-

<b>Name</b>	<b>Date and Country of incorporation</b>	<b>Issued and paid-up share capital RM</b>	<b>Effective interest %</b>	<b>Principal activities</b>
TSRB	9 July 1991 / Malaysia	10,000,000	100	Construction and civil engineering works
TSRCP	10 October 1996 / Malaysia	1,000,000	100	Manufacturing and marketing of precast concrete products
TGEO	13 November 1995 / Malaysia	1,000,000	100	Construction/Geotechnical works
TPROP	2 September 1995 / Malaysia	2,050,000	100	Investment holding
TSRU	17 January 2000 / Malaysia	300,010	60*	Building construction and civil engineering works
TSRCPK	24 July 2000 / Malaysia	10	60**	Manufacture of and trading in precast concrete products

*Notes:-*

\* - *Interest held through TSRB*

\*\* - *Interest held through TSRCP*

**XIII. ACCOUNTANTS' REPORT (Cont'd)****3. SHARE CAPITAL**

The authorised share capital of TSR is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of TSR as at the date of this Prospectus is RM44,700,000 comprising 44,700,000 ordinary shares of RM1.00 each.

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

<b>Date of Allotment</b>	<b>Number of ordinary shares of RM1.00 each</b>	<b>Consideration/Type of issue</b>	<b>Cumulative total issued and paid-up share capital RM</b>
7 March 2001	2	Subscribers shares	2
9 April 2001	299,998	Cash	300,000
1 November 2001	44,400,000	Acquisitions of the entire equity interest in TSRB, TSRCP, TGEO and TPROP	44,700,000

Subsequent to the restricted issue of 6,000,000 new ordinary shares of RM1.00 each and public issue of 13,300,000 new ordinary shares of RM1.00 each at an issue price of RM1.30, the issued and paid-up share capital of TSR would be increased to RM64,000,000 comprising 64,000,000 ordinary shares of RM1.00 each.

**4. RELEVANT FINANCIAL PERIODS**

The relevant financial periods for the purpose of this report ("Relevant Financial Periods") are as follows:-

<b>Company</b>	<b>Relevant financial periods</b>
TSR	7 March 2001 (date of incorporation) to 31 August 2001.
TSRB, TGEO and TPROP	Years ended 31 December 1996, 1997, 1998, 1999 and 2000 and 8 month period ended 31 August 2001.
TSRCP	Period from 10 October 1996 (date of incorporation) to 31 December 1997, years ended 31 December 1998, 1999, 2000 and 8 month period ended 31 August 2001.
TSRU	Period from 17 January 2000 (date of incorporation) to 31 December 2000 and 8 month period ended 31 August 2001.
TSRCPK	24 July 2000 (date of incorporation) to 31 August 2001.

**XIII. ACCOUNTANTS' REPORT (Cont'd)****5. ACCOUNTING STANDARDS AND POLICIES****5.1 ACCOUNTING STANDARDS**

The financial statements of the Company are prepared under the historical cost convention and in compliance with applicable approved accounting standards in Malaysia.

**5.2 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by the Group in the preparation of this report are as follows:-

**(a) Basis of Consolidation**

The proforma group income statement and statement of assets and liabilities incorporate the financial statements of the Company and its subsidiary companies using the acquisition method. The results of the subsidiary companies acquired or disposed of are included in the consolidated income statements from the effective date of acquisition or up to the date of disposal.

All significant intra group transactions and balances are eliminated on consolidation.

**(b) Property, Plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated under the straight-line method to write off the cost of the fixed assets over their estimated useful lives. The principal annual rates used for this purpose are:-

Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10%
Plant and machinery	20%
Site equipment	20%

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

**(c) Amount Owning By/(To) Contract Customers**

Amount owing by contract customers is stated at cost plus profit attributable to contract work performed to date less applicable progress billings and provision for foreseeable loss. Cost comprises raw materials, direct expenses, labour and appropriate overheads.

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

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**5.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis, and comprises the purchase price and incidental expenses incurred in bringing the inventories to their present location and condition. For finished goods and work-in-progress, cost includes direct labour and appropriate production overheads.

**(e) Debtors**

Debtors are carried at their anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

**(f) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(g) Deferred Taxation**

Deferred taxation is provided using the liability method on all material timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefit is only recognised when there is reasonable expectation of realisation in the foreseeable future.

**(h) Revenue Recognition**

Income on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case the income on contracts will only be recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

Variation orders or claims are recognised as revenue upon certification/confirmation by the relevant consultants/customers.

The stage of completion is determined based on the survey of work performed.

Sales are recognised upon delivery of goods and customers' acceptance and where applicable, net of returns and trade discounts.

**5.3 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES**

There were no changes in the significant accounting policies adopted by the Group during the Relevant Financial Periods.



**XIII. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITORS AND AUDIT REPORTS****6.1 AUDITORS**

We have acted as the auditors of each company within the Group for the Relevant Financial Periods as stated in paragraph 4 above, except for the financial periods/years ended on and prior to 31 December 1999, in which they were audited by another firm of accountants.

**6.2 AUDIT REPORTS**

The financial statements of each company within the Group for the Relevant Financial Periods were audited and reported on without any qualification by the auditors.

**7. INCOME STATEMENTS FOR THE RELEVANT FINANCIAL PERIODS****7.1 INCOME STATEMENTS OF TSR**

The summary of the results of TSR based on its audited financial statements for the Relevant Financial Period is set out below:-

	<b>8 month period ended 31 August 2001 RM'000</b>
Turnover	-
Cost of sales	-
	<hr/>
Gross profit	-
Administrative and other operating expenses	(16)
	<hr/>
Loss before taxation	(16)
Taxation	-
	<hr/>
Loss after taxation	<b>(16)</b>
	<hr/> <hr/>
No. of ordinary shares of RM1 each in issue	300
	<hr/> <hr/>
Gross loss per share ("LPS") (RM)	# (0.08)
	<hr/> <hr/>
Net LPS (RM)	# (0.08)
	<hr/> <hr/>

# - *Annualised*

## XIII. ACCOUNTANTS' REPORT (Cont'd)



## 7.2 PROFORMA CONSOLIDATED RESULTS OF TSR GROUP

The summarised proforma consolidated results of the TSR Group for the Relevant Financial Periods have been prepared for illustration purposes only. It is assumed that the TSR Group had been in existence throughout the Relevant Financial Periods under review, except for TSRU whereby its results are only included from the date of acquisition by TSRB i.e. in the financial year ended 31 December 2000.

	{-----Year ended 31 December-----}					8 month period ended 31 August 2001 RM'000
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	
Turnover	37,864	40,328	53,209	56,165	79,991	67,661
Cost of sales	(34,072)	(34,312)	(44,695)	(44,700)	(60,056)	(53,488)
Gross profit	3,792	6,016	8,514	11,465	19,935	14,173
Other operating income	-	-	155	15	78	338
Administrative and other operating expenses	(43)	(76)	(419)	(839)	(2,119)	(2,363)
Finance expense	-	(8)	(72)	(216)	(191)	(142)
Operating profit	3,749	5,932	8,178	10,425	17,703	12,006
Depreciation	1,368	2,148	1,775	3,516	3,425	2,289
Interest expense	140	348	386	177	4	72
Earnings before interest, depreciation, tax and amortisation ("EBIDTA")	5,257	8,428	10,339	14,118	21,132	14,367
Less :						
Depreciation	(1,368)	(2,148)	(1,775)	(3,516)	(3,858)	(2,289)
Interest	(140)	(348)	(386)	(177)	(166)	(72)
Profit before taxation ("PBT")	3,749	5,932	8,178	10,425	17,108	12,006
Taxation	(1,125)	(1,867)	(2,214)	-	(5,596)	(4,110)
Profit after taxation ("PAT")	2,624	4,065	5,964	10,425	11,512	7,896
Minority interests ("MI")	-	-	-	-	4	(564)
PAT after MI	2,624	4,065	5,964	10,425	11,516	7,332
Assumed number of ordinary shares of RM1.00 each in issue ('000)*	44,700	44,700	44,700	44,700	44,700	44,700
Gross earnings per share ("EPS") (Sen)	8.4	13.3	18.3	23.3	38.3	# 37.5
Net EPS (Sen)	5.9	9.1	13.3	23.3	25.8	# 24.6

\* - The number of ordinary shares assumed in issue is based on the issued and paid-up share capital of TSR after the acquisition of TSRB, TSRCP, TGEO and TPROP by TSR.

# - Annualised



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

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**7.2 PROFORMA CONSOLIDATED RESULTS OF TSR GROUP (CONT'D)**

Notes:-

- (a) *The proforma consolidated income statement is presented for illustrative purposes only.*
- (b) *The proforma consolidated income statements have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the subsidiary companies.*
- (c) *The difference between the effective tax rate and the statutory tax rate is explained in the notes to each individual company.*
- (d) *There were no extraordinary items during the Relevant Financial Periods under review.*
- (e) *The proforma gross EPS is computed based on profit before taxation but after minority interests and divided by the number of ordinary shares assumed in issue of 44,700,000 ordinary shares of RM1.00 each after the acquisitions of TSRB, TSRCP, TGEO and TPROP.*
- (f) *The proforma net EPS is computed based on the profit after taxation and minority interests divided by the number of ordinary shares assumed in issue of 44,700,000 ordinary shares of RM1.00 each after the acquisitions of TSRB, TSRCP, TGEO and TPROP by TSR.*
- (g) *All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.*

## XIII. ACCOUNTANTS' REPORT (Cont'd)



## 7.3 INCOME STATEMENTS OF TSRB

The summary of the results of TSRB based on its audited financial statements for the Relevant Financial Periods is set out below:-

	{-----Year ended 31 December-----}					8 month period ended 31 August 2001
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	37,864	38,848	45,515	52,070	70,648	57,990
Cost of sales	(34,072)	(32,577)	(39,758)	(42,083)	(53,649)	(47,264)
Gross profit	3,792	6,271	5,757	9,987	16,999	10,726
Other operating income	-	-	155	9	76	315
Administrative and other Operating expenses	(43)	(54)	(150)	(558)	(1,949)	(1,485)
Finance expense	-	-	-	(130)	(245)	(116)
Operating profit	3,749	6,217	5,762	9,308	14,881	9,440
Depreciation	1,369	1,976	1,410	3,017	3,102	1,709
Interest expense	140	340	314	93	54	42
EBIDTA	5,258	8,533	7,486	12,418	18,037	11,191
Less: Depreciation	(1,369)	(1,976)	(1,410)	(3,017)	(3,102)	(1,709)
Interest expense	(140)	(340)	(314)	(93)	(54)	(42)
PBT	3,749	6,217	5,762	9,308	14,881	9,440
Taxation	(1,125)	(1,866)	(1,614)	-	(4,890)	(3,020)
PAT	2,624	4,351	4,148	9,308	9,991	6,420
Weighted average no. of ordinary shares of RM1 each in issue ('000)	2,034	5,066	5,620	6,663	10,000	10,000
Gross EPS (RM)	1.84	1.22	1.03	1.40	1.49	# 1.42
Net EPS (RM)	1.29	0.86	0.74	1.40	1.00	# 0.96

# - Annualised

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



**7.3 INCOME STATEMENTS OF TSRB (CONT'D)**

Notes:-

- (a) *The significant increase in turnover in 1998 was mainly due to the significant progress billings made on two contracts with a total contact value of RM51 million of which RM23 million was recognised as income in 1998. The income from these two contracts accounted for 51% of turnover for 1998.*
- (b) *The significant increase in turnover in 1999 was mainly due to the completion of two contracts. The total income recognised in respect of these two contracts accounted for RM34 million or 65% of turnover for 1999.*
- (c) *The substantial increase in turnover in 2000 was mainly due to the completion of a large contract with a contract value of RM40 million of which RM23 million was recognised as income in the financial year. TSRB also commenced work on four new contracts with a total contact value of RM179 million of which RM41 million was recognised as income in 2000. Two of the contracts, which commenced during the financial year, were also completed in the same year.*
- (d) *The increase in administrative and other operating expenses in 2000 is due mainly to the increase in the level of activities and a corresponding increase in personnel.*
- (e) *No provision for tax was made on the profit for 1999 as the amount of tax payable is waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999.*
- (f) *There were no extraordinary items during the Relevant Financial Periods under review.*
- (g) *The gross EPS is calculated based on the profit after minority interests but before taxation and on weighted or actual number of ordinary shares in issue, as applicable, for the respective financial years/period under review.*

*The net EPS is calculated based on the profit after taxation and on the weighted or actual number of ordinary shares in issue, as applicable, for the respective financial years/period under review.*

## XIII. ACCOUNTANTS' REPORT (Cont'd)



## 7.4 INCOME STATEMENTS OF TSRCP

The summary of results of TSRCP based on its audited financial statements for the Relevant Financial Periods is set out below:-

	Period from 10.10.1996 to 31.12.1997 RM'000	{---Year ended 31 December---}			8 month period ended 31 August 2001 RM'000
		1998 RM'000	1999 RM'000	2000 RM'000	
Turnover	1,480	10,989	5,001	9,297	6,156
Cost of sales	(1,735)	(8,231)	(3,797)	(7,094)	(4,616)
Gross (loss)/profit	(255)	2,758	1,204	2,203	1,540
Other operating income	-	-	6	2	23
Administrative and other operating expenses	(23)	(270)	(273)	(565)	(481)
Finance expenses	(8)	(72)	(86)	(109)	(26)
Operating (loss)/profit	(286)	2,416	851	1,531	1,056
Depreciation	172	365	600	684	490
Interest expense	8	72	84	108	26
(Loss before interest, depreciation, taxation and amortiasation)/EBIDTA	(106)	2,853	1,535	2,323	1,572
Less: Depreciation	(172)	(365)	(600)	(684)	(490)
Interest expense	(8)	(72)	(84)	(108)	(26)
(Loss before taxation)/PBT	(286)	2,416	851	1,531	1,056
Taxation	-	(600)	-	(500)	(350)
(Loss after taxation)/PAT	(286)	1,816	851	1,031	706
Weighted average no. of ordinary shares of RM1 each in issue ('000)	447	470	470	916	1,000
Gross (LPS)/EPS (RM)	(0.64)	5.14	1.81	1.67	# 1.58
Net (LPS)/EPS (RM)	(0.64)	3.86	1.81	1.13	# 1.06

# - Annualised

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

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**7.4 INCOME STATEMENTS OF TSRCP (CONT'D)**

*Notes:-*

- (a) *The low turnover recorded in 1997 was mainly due to 1997 being the first year of operations.*
- (b) *The significant increase in turnover in 1998 was mainly due to high demand for ready mixed concrete. Sales of ready mixed concrete accounts for 77% of turnover in 1998.*
- (c) *The substantial decrease in turnover in 1999 was mainly due to a change in product mix and lower demand in 1999. Sales of concrete piles were higher whilst the demand for ready mixed concrete in 1999 fell substantially compared to 1998.*
- (d) *The significant increase in turnover in 2000 was mainly due to two new products manufactured, namely reinforced concrete piles and box culverts.*
- (e) *The effective tax rate for 1998 is lower than the statutory tax rate due to the utilisation of unutilised tax losses brought forward from 1997.*

*No provision for tax was made on the profit for 1999 as the amount of tax payable is waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999.*

*The effective tax rate for 2000 was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.*

- (f) *There were no extraordinary items during the Relevant Financial Periods under review.*
- (g) *The gross EPS is calculated based on the profit before taxation and on the weighted or actual number of ordinary shares in issue, as applicable, for the respective financial years/periods under review.*

*The net EPS is calculated based on the profit after taxation and on the weighted or actual number of ordinary shares in issue, as applicable for the respective financial years/periods under review.*

**XIII. ACCOUNTANTS' REPORT (Cont'd)****7.5 INCOME STATEMENTS OF TSRCPK**

The summary of the results of TSRCPK based on its audited financial statements for the Relevant Financial Period is set out below:-

	<b>8 month period ended 31 August 2001 RM'000</b>
Turnover	1,062
Cost of sales	<u>(915)</u>
Gross profit	147
Other operating income	-
Administrative and other operating expenses	<u>(87)</u>
Operating profit	60
Depreciation	<u>41</u>
EBIDTA	101
Less: Depreciation	<u>(41)</u>
PBT	60
Taxation	<u>(19)</u>
PAT	<u><u>41</u></u>
No. of ordinary shares of RM1 each in issue	<u><u>*</u></u>
Gross EPS (RM)	<u><u># 9,000</u></u>
Net EPS (RM)	<u><u># 6,150</u></u>

\* - 10 ordinary shares

# - Annualised

Notes:-

- (a) *TSRCPK only began operations in June 2001.*
- (b) *There were no extraordinary items during the Relevant Financial Period under review.*
- (c) *The gross EPS is calculated based on the profit before taxation and on the number of ordinary shares in issue for the financial period under review.*

*The net EPS is calculated based on the profit after taxation and on the number of ordinary shares in issue for the financial period under review.*



## XIII. ACCOUNTANTS' REPORT (Cont'd)



## 7.6 INCOME STATEMENTS OF TGEO

The summary of the results of TGEO based on its audited financial statements for the Relevant Financial Periods is set out below:-

	{--Year ended 31 December--}		8 month period ended 31 August 2001
	1999 RM'000	2000 RM'000	RM'000
Turnover	736	2,924	13,109
Cost of sales	(462)	(2,190)	(12,865)
Gross profit	274	734	244
Other operating income	-	-	-
Administrative and other operating expenses	(8)	(19)	(10)
Operating profit	266	715	234
Depreciation	20	20	13
EBIDTA	286	735	247
Less: Depreciation	(20)	(20)	(13)
PBT	266	715	234
Taxation	-	(206)	(77)
PAT	<u>266</u>	<u>509</u>	<u>157</u>
Weighted average no. of ordinary shares of RM1 each in issue ('000)	<u>*</u>	<u>836</u>	<u>1,000</u>
Gross EPS (RM)	<u>133,000</u>	<u>0.86</u>	<u># 0.35</u>
Net EPS (RM)	<u>133,000</u>	<u>0.61</u>	<u># 0.24</u>

\* - 2 ordinary shares

# - Annualised

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

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**7.6 INCOME STATEMENTS OF TGEO (CONT'D)**

*Notes:-*

- (a) Prior to 1999, no income statements were prepared as TGEO was dormant.*
- (b) TGEO commenced its foundation engineering and soil improvement works on 15 October 1999. The low turnover in year 1999 was due to the fact that the operations was for approximately three months in that year.*
- (c) The significant increase in turnover in 2000 was mainly due to TGEO securing two new projects in 1999.*
- (d) No provision for tax was made on the profit for 1999 as the amount of tax payable is waived in accordance with the provisions of the Income Tax (Amendment) Act, 1999.*

*The effective tax rate for 2000 approximates closely to the statutory tax rate for the financial year.*

*There were no extraordinary items in respect of the Relevant Financial Periods under review.*

- (e) The gross EPS is calculated based on the profit before taxation and on the actual or weighted average number of ordinary shares in issue, as applicable, for the respective financial years/period under review.*

*The net EPS is calculated based on the profit after taxation and on the actual or weighted average number of ordinary shares in issue, as applicable, for the respective financial years/period under review.*

**XIII. ACCOUNTANTS' REPORT (Cont'd)****7.7 INCOME STATEMENTS OF TSRU**

The summary of the results of TSRU based on its audited financial statements for the Relevant Financial Periods is set out below:-

	<b>Financial period from 17 January to 31 December 2000 RM'000</b>	<b>8 month period ended 31 August 2001 RM'000</b>
Turnover	-	28,670
Cost of sales	-	(26,377)
Gross profit	-	2,293
Other operating income	-	-
Administrative and other operating expenses	(5)	(281)
Finance expense	(4)	-
Operating profit	(9)	2,012
Depreciation	51	36
Interest expense	4	5
EBIDTA	46	2,053
Less: Depreciation	(51)	(36)
Interest expense	(4)	(5)
PBT	(9)	2,012
Taxation	-	(644)
PAT	(9)	1,368
Weighted average no. of ordinary shares of RM1 each in issue ('000)	275	300
Gross (LPS)/EPS (RM)	(*)	# 10.06
Net (LPS)/EPS (RM)	(*)	# 6.84

\* - *Insignificant*

# - *Annualised*

*Notes:-*

- (a) *TSRU only began operations in 2001.*
- (b) *There were no extraordinary items during the Relevant Financial Periods under review.*
- (c) *The gross EPS is calculated based on the profit before taxation and on the weighted average number of ordinary shares in issue for the respective financial periods under review.*

*The net EPS is calculated based on the profit after taxation and on the weighted average number of ordinary shares in issue for the respective financial periods under review.*

**XIII. ACCOUNTANTS' REPORT (Cont'd)****7.8 INCOME STATEMENTS OF TPROP**

The summary of the results of TPROP based on its audited financial statements for the Relevant Financial Periods is set out below:-

	<b>8 month period ended 31 August 2001 RM'000</b>
Turnover	-
Cost of sales	-
	<hr/>
Gross profit	-
Other operating income	-
Administrative and other	(3)
Operating expenses	-
	<hr/>
(Loss before taxation)	(3)
Taxation	-
	<hr/>
(Loss after taxation)	<u>(3)</u>
Weighted average no. of ordinary shares of RM1 each in issue ('000)	<u>2,050</u>
Gross LPS (Sen)	<u>#</u>
Net LPS (Sen)	<u>#</u>

# - Insignificant

Notes:-

- (a) Prior to 2000, no income statements were prepared as TPROP was dormant since the date of incorporation.
- (b) There were no extraordinary items in respect of the Financial Period under review.

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


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**8. BALANCE SHEETS FOR THE RELEVANT FINANCIAL PERIODS****8.1 TSR**

The balance sheet of TSR as at 31 August 2001 is as follows:-

	<b>At 31 August 2001</b> <b>RM'000</b>
Intangible assets	588
Current assets	7
Current liabilities	(311)
Net Current Liabilities	<u>(304)</u>
	<b>284</b>
Financed by:-	
Share capital	300
Accumulated loss	<u>(16)</u>
	<b>284</b>
Net tangible liabilities ("NTL") per share (RM)	<u><u>(1.01)</u></u>

**XIII. ACCOUNTANTS' REPORT (Cont'd)****8.2 TSRB**

The balance sheets of TSRB based on its audited financial statements for the Relevant Financial Periods are as follows:-

	{-----At 31 December-----}					At 31
	1996	1997	1998	1999	2000	August
	RM'000	RM'000	RM'000	RM'000	RM'000	2001
						RM'000
Investment in subsidiary company	-	-	-	-	180	180
Plant and equipment	5,275	6,407	4,431	7,494	5,676	5,984
Other assets	1,204	1,008	1,281	1,413	2,484	3,357
	6,479	7,415	5,712	8,907	8,340	9,521
Current assets	14,568	19,183	23,471	35,799	61,936	75,118
Current liabilities	(6,964)	(9,162)	(7,363)	(9,963)	(24,794)	(31,882)
Net current assets	7,604	10,021	16,108	25,836	37,142	43,236
	14,083	17,436	21,820	34,743	45,482	52,757
Financed by:-						
Share capital	5,000	5,500	6,500	10,000	10,000	10,000
Retained profits	6,744	11,095	15,243	24,551	34,542	40,962
Shareholders' equity	11,744	16,595	21,743	34,551	44,542	50,962
Long term liabilities	2,339	841	77	192	940	1,795
	14,083	17,436	21,820	34,743	45,482	52,757
Net Tangible Assets ("NTA") per share (RM)	2.35	3.02	3.35	3.46	4.45	5.10

**Notes:-**

- (a) *The other assets refer to retention monies which are due and receivable after twelve months from the balance sheet date, upon expiry of the warranty period of the relevant contracts.*
- (b) *The significant increase in current assets and current liabilities from 1996 to 2001 was mainly due to the increase in business activity throughout the Relevant Financial Periods.*



## XIII. ACCOUNTANTS' REPORT (Cont'd)



## 8.3 TSRCP

The balance sheets of TSRCP based on its audited financial statements for the Relevant Financial Periods are as follows:-

	{-----At 31 December-----}				At 31
	1997	1998	1999	2000	August
	RM'000	RM'000	RM'000	RM'000	2001
					RM'000
Investment in subsidiary company	-	-	-	-	*
Plant and equipment	689	1,287	1,863	1,601	1,365
	689	1,287	1,863	1,601	1,365
Current assets	1,813	5,108	2,234	6,917	9,444
Current liabilities	(2,084)	(4,060)	(986)	(3,934)	(5,626)
Net current (liabilities) /assets	(271)	1,048	1,248	2,983	3,818
	<u>418</u>	<u>2,335</u>	<u>3,111</u>	<u>4,584</u>	<u>5,183</u>
Financed by:-					
Share capital	470	470	470	1,000	1,000
(Accumulated loss)/ retained profits	(286)	1,530	2,381	3,412	4,118
Shareholders' equity	184	2,000	2,851	4,412	5,118
Long term liabilities	234	335	260	172	65
	<u>418</u>	<u>2,335</u>	<u>3,111</u>	<u>4,584</u>	<u>5,183</u>
NTA per share (RM)	<u>0.39</u>	<u>4.26</u>	<u>6.07</u>	<u>4.41</u>	<u>5.12</u>

\* - RM6

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


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**8.4 TSRCPK**

The balance sheet of TSRCPK based on its audited financial statements for the Relevant Financial Periods is as follows:-

	<b>At 31 August 2001 RM'000</b>
Plant and equipment	267
Current assets	2,074
Current liabilities	(2,300)
Net current liabilities	(226)
	41
 Financed by:-	
Share capital	*
Retained profit	41
Shareholders' equity	41
NTA per share (RM)	4,100

\* - RM10

## XIII. ACCOUNTANTS' REPORT (Cont'd)



## 8.5 T GEO

The balance sheets of T GEO based on its audited financial statements for the Relevant Financial Periods are as follows:-

	At 31 December					At 31
	1996	1997	1998	1999	2000	August
	RM'000	RM'000	RM'000	RM'000	RM'000	2001
						RM'000
Plant and equipment	-	-	-	81	60	47
Deferred expenditure	3	5	6	-	-	-
Current assets	-	-	-	612	4,980	3,273
Current liabilities	(3)	(5)	(6)	(427)	(3,265)	(1,388)
Net current (liabilities)/ assets	(3)	(5)	(6)	185	1,715	1,885
	*	*	*	266	1,775	1,932
Financed by:-						
Share capital	*	*	*	*	1,000	1,000
Retained profit	-	-	-	266	775	932
Shareholders' equity	*	*	*	266	1,775	1,932
(NTL)/NTA per share (RM)	(1,659)	(2,319)	(3,155)	133,174	1.78	1.93

\* - RM2

**XIII. ACCOUNTANTS' REPORT (Cont'd)****8.6 TSRU**

The balance sheets of TSRU based on its audited financial statements for the Relevant Financial Periods are as follows:-

	<b>At 31 December 2000 RM'000</b>	<b>At 31 August 2001 RM'000</b>
Plant and equipment	285	250
Current assets	507	9,346
Current liabilities	(446)	(7,908)
Net current assets	61	1,438
	346	1,688
<b>Financed By:-</b>		
Share capital	300	300
(Accumulated loss)/retained profit	(9)	1,359
Shareholders' equity	291	1,659
Long term liabilities	55	29
	346	1,688
NTA per share (RM)	0.97	5.53

**XIII. ACCOUNTANTS' REPORT (Cont'd)****8.7 TPROP**

The balance sheets of TPROP based on its audited financial statements for the Relevant Financial Periods are as follows:-

	At 31 December					At 31
	1996	1997	1998	1999	2000	August
	RM'000	RM'000	RM'000	RM'000	RM'000	2001
						RM'000
Deferred expenditure	2	3	3	4	-	-
Current assets	550	1,997	547	2,047	3,428	3,427
Current liabilities	(2)	(1,450)	(*)	(**)	(1,386)	(1,388)
Net current assets	548	547	547	2,046	2,042	2,039
	<b>550</b>	<b>550</b>	<b>550</b>	<b>2,050</b>	<b>2,042</b>	<b>2,039</b>
Financed by:-						
Share capital	550	550	550	2,050	2,050	2,050
Accumulated losses	-	-	-	-	(8)	(11)
Shareholders' equity	<b>550</b>	<b>550</b>	<b>550</b>	<b>2,050</b>	<b>2,042</b>	<b>2,039</b>
NTA per share (RM)	<b>1.00</b>	<b>0.99</b>	<b>0.99</b>	<b>1.00</b>	<b>1.00</b>	<b>0.99</b>

\* - RM400

\*\* - RM800

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

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**9. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIODS**

The Company and its subsidiary companies have not paid or declared any dividend during the Relevant Financial Periods.

**10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The following is a detailed statement of the assets and liabilities of TSR at 31 August 2001 and of the Proforma Group based on the audited financial statements of TSRB, TSRCP, TSRCPK, TSRU, TGEO and TPROP as at 31 August 2001.

The Proforma Group's statement of assets and liabilities is provided for illustrative purposes only to show the effects of the following transactions:-

- (i) acquisitions by TSR of the entire equity interest in TSRB, TSRCP, TGEO and TPROP;
- (ii) restricted issue of 6,000,000 new ordinary shares of RM1.00 each in TSR at an issue price of RM1.30 per share; and
- (iii) public issue of 13,300,000 new ordinary shares of RM1.00 each in TSR at an issue price of RM1.30 per share.

The Proforma Group's statement of assets and liabilities is based on the assumption that the above transactions had been completed on 31 August 2001 and should be read in conjunction with the accompanying notes thereon.



## XIII. ACCOUNTANTS' REPORT (Cont'd)



## 10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

	Notes	As At 31 August 2001 TSR RM'000	Proforma Group RM'000
<b>Plant and equipment</b>	10.1	-	7,913
<b>Other assets</b>	10.2	-	3,357
<b>Intangible assets</b>	10.3	588	-
		<u>588</u>	<u>11,270</u>
<b>Current assets</b>			
Inventories	10.4	-	1,029
Amount owing by contract customers	10.5	-	34,344
Trade debtors	10.6	-	34,657
Other debtors and deposits	10.7	-	3,238
Amount owing by a related party	10.8	-	327
Fixed deposits with licensed banks	10.9	-	8,842
Cash and bank balances		7	23,622
Total current assets		<u>7</u>	<u>106,059</u>
<b>Current liabilities</b>			
Trade creditors	10.10	-	17,202
Other creditors and accruals		-	1,889
Amount owing to a related company		311	-
Hire purchase creditors	10.11	-	983
Provision for taxation		-	11,399
Total current liabilities		<u>311</u>	<u>31,473</u>
Net current (liabilities)/assets		<u>(304)</u>	<u>74,586</u>
		<u>284</u>	<u>85,856</u>
<b>Financed by:</b>			
Share capital	10.12	300	64,000
Share premium	10.13	-	11,954
Reserve on consolidation		-	7,348
Accumulated loss		(16)	(16)
Shareholders' equity		<u>284</u>	<u>83,286</u>
Minority interests		-	680
Hire purchase creditors	10.11	-	1,211
Deferred taxation	10.14	-	679
		<u>284</u>	<u>85,856</u>
Number of ordinary shares in issue ('000)		<u>300</u>	<u>64,000</u>
(NTL)/NTA per share (RM)		<u>(1.01)</u>	<u>1.30</u>

## XIII. ACCOUNTANTS' REPORT (Cont'd)



## 10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

	Notes	As At 31 August 2001 TSR RM'000	Proforma Group RM'000
<b>Plant and equipment</b>	10.1	-	7,913
<b>Other assets</b>	10.2	-	3,357
<b>Intangible assets</b>	10.3	588	-
		<u>588</u>	<u>11,270</u>
<b>Current assets</b>			
Inventories	10.4	-	1,029
Amount owing by contract customers	10.5	-	34,344
Trade debtors	10.6	-	34,657
Other debtors and deposits	10.7	-	3,238
Amount owing by a related party	10.8	-	327
Fixed deposits with licensed banks	10.9	-	8,842
Cash and bank balances		7	23,622
Total current assets		<u>7</u>	<u>106,059</u>
<b>Current liabilities</b>			
Trade creditors	10.10	-	17,202
Other creditors and accruals		-	1,889
Amount owing to a related company		311	-
Hire purchase creditors	10.11	-	983
Provision for taxation		-	11,399
Total current liabilities		<u>311</u>	<u>31,473</u>
Net current (liabilities)/assets		<u>(304)</u>	<u>74,586</u>
		<u>284</u>	<u>85,856</u>
<b>Financed by:</b>			
Share capital	10.12	300	64,000
Share premium	10.13	-	11,954
Reserve on consolidation		-	7,348
Accumulated loss		(16)	(16)
Shareholders' equity		<u>284</u>	<u>83,286</u>
Minority interests		-	680
Hire purchase creditors	10.11	-	1,211
Deferred taxation	10.14	-	679
		<u>284</u>	<u>85,856</u>
Number of ordinary shares in issue ('000)		<u>300</u>	<u>64,000</u>
(NTL)/NTA per share (RM)		<u>(1.01)</u>	<u>1.30</u>

**XIII. ACCOUNTANTS' REPORT (Cont'd)****10.5 AMOUNT OWING BY CONTRACT CUSTOMERS**

	<b>Proforma Group RM'000</b>
Contract expenditure	146,825
Attributable profits	18,031
	<hr/>
	164,856
Progress billings	(120,512)
	<hr/>
	44,344
Advances from contract customers	(10,000)
	<hr/>
Amount owing by contract customers	<u>34,344</u>

**10.6 TRADE DEBTORS**

Included in net trade debtors is an amount of RM3,347,315 (2000 - RM3,347,315) relating to retention monies due and receivable within twelve months from contract customers.

	<b>Proforma Group RM'000</b>
Gross trade debtors	34,907
Provision for bad and doubtful debts	(250)
	<hr/>
Net trade debtors	<u>34,657</u>

**10.7 OTHER DEBTORS AND DEPOSITS**

Included in other debtors and deposits is an amount of RM350,000 (2000 - RM350,000) which relates to a deposit paid for the purchase of a freehold four storey commercial shop lot. The purchase of the property is pending completion.

**10.8 AMOUNT OWING BY A RELATED PARTY**

The related party is TSR Manufacturing Sdn. Bhd. a company in which certain directors have substantial financial interests.

The amount was unsecured, interest-free and not subject to fixed terms of repayment. On 6 November 2001, the amount owing was fully settled.

**10.9 FIXED DEPOSITS WITH LICENSED BANKS**

The fixed deposits have been pledged as security for bank guarantees issued on behalf of the Group.

**XIII. ACCOUNTANTS' REPORT (Cont'd)****10.10 TRADE CREDITORS**

Included in trade creditors is an amount of RM3,018,735 (2000 - RM1,976,594) relating to retention monies due and payable to sub-contractors.

**10.11 HIRE PURCHASE CREDITORS**

	<b>Proforma Group RM'000</b>
Gross hire purchase creditors	2,532
Interest in suspense	(338)
	<hr/>
Net hire purchase creditors	2,194
	<hr/> <hr/>
The net hire purchase creditors are repayable as follows:-	
Not later than one year	983
Later than one year but not later than five years (shown as a long term liability)	1,211
	<hr/>
	2,194
	<hr/> <hr/>

**10.12 SHARE CAPITAL**

	<b>The Company RM'000</b>	<b>Proforma Group RM'000</b>
Ordinary shares of RM1.00 each:-		
Authorised	100,000	100,000
	<hr/>	<hr/>
Issued and fully paid-up:-		
As at 9 April 2001	300	300
Shares issued in consideration for the acquisitions of TSRB, TSRCP, TGEO and TPROP	-	44,400
Restricted Issue	-	6,000
Public Issue	-	13,300
	<hr/>	<hr/>
	300	64,000
	<hr/> <hr/>	<hr/> <hr/>

**XIII. ACCOUNTANTS' REPORT (Cont'd)****10.13 SHARE PREMIUM**

	<b>Proforma Group RM'000</b>
At 9 April 2001	-
Arising from the acquisitions of TSRB, TSRCP, TGEO and TPROP	8,364
Restricted Issue	1,800
Public Issue	3,990
	<hr/>
	14,154
Estimated listing expenses written off	(2,200)
	<hr/>
	<b>11,954</b>
	<hr/> <hr/>

**10.14 DEFERRED TAXATION**

The deferred taxation relates to timing differences between depreciation and capital allowances on qualifying cost of fixed assets.

**10.15 CAPITAL COMMITMENT**

	<b>Proforma Group RM'000</b>
Contracted but not provided for in the financial statements	3,150
	<hr/> <hr/>

**XIII. ACCOUNTANTS' REPORT (Cont'd)****11. PROFORMA CONSOLIDATED GROUP CASH FLOW STATEMENT**

The proforma cash flow statement of TSR Group set out below is based on the audited financial statements of TSR and its subsidiary companies for the financial period ended 31 August 2001, and is presented on the basis that the acquisition of TSRB, TSRCP, TGEO and TPROP by TSR had been in effect throughout the relevant periods under review.

	<b>For the period from 1 January 2001 to 31 August 2001 RM'000</b>
<b>Proforma Group Consolidated Cash Flow Statement</b>	
<b>Cash Flows (For)/From Operating Activities</b>	
Profit before taxation	12,006
Adjustments for:-	
Depreciation of plant and equipment	2,289
Interest expenses	72
Provision for doubtful debts	250
Interest income	(275)
Operating profit before working capital changes	14,342
Increase in inventories	(674)
Increase in trade and others receivables	(18,467)
Increase in trade and other payables	8,473
Increase in amount owing by contract customers	(6,372)
<b>Cash For Operations</b>	(2,698)
Interest paid	(72)
Tax paid	(2,895)
<b>Net Cash For Operating Activities</b>	(5,665)
<b>Cash Flows (For)/From Investing Activities</b>	
Purchase of plant and equipment	(1,211)
Preliminary expenses	(588)
Interest received	275
<b>Net Cash For Investing Activities</b>	(1,524)
	(7,189)
<b>Cash Flows From/(For) Financing Activities</b>	
Investment in subsidiary subscribed by minority shareholder	*
Proceeds from issuance of shares	300
Repayment from related parties	2,089
Repayment to hire purchase creditors	(387)
Repayment of term loan	(150)
Repayment from directors	4,012
<b>Net Cash From Financing Activities</b>	5,864
<b>Net Decrease In Cash And Cash Equivalents</b>	(1,325)
<b>Cash And Cash Equivalents At Beginning Of The Financial Period</b>	10,311
<b>Cash And Cash Equivalents At End Of The Financial Period</b>	8,986

\* - RM4



**XIII. ACCOUNTANTS' REPORT (Cont'd)****11. PROFORMA CONSOLIDATED GROUP CASH FLOW STATEMENT (CONT'D)****ANALYSIS OF CASH AND CASH EQUIVALENTS**

	<b>Proforma Group RM'000</b>
Fixed deposits with licensed banks	8,842
Cash and bank balances	144
	<hr/>
	8,986
	<hr/> <hr/>

**12. NET TANGIBLE ASSETS COVER**

The net tangible assets cover of TSR based on the Proforma Group statement of assets and liabilities as at 31 August 2001 as set out in Section 10 above is illustrated below:-

	<b>RM'000</b>
Shareholders' equity	60,396
Less: Intangible assets	(588)
	<hr/>
Net tangible assets of TSR Group as at 31 August 2001 before the Restricted Issue and Public Issue	59,808
Increase in net tangible assets arising from:	
Restricted Issue	7,800
Public Issue	17,290
Less: Listing expenses accrued*	(1,612)
	<hr/>
Proforma Net Tangible Assets	83,286
	<hr/> <hr/>

\* - This is the estimated listing expenses payable out of the proceeds of the Restricted Issue and Public Issue.

Number of ordinary shares of RM1.00 each in TSR that are in issue:-

	<b>Number of shares '000</b>
As at 31 August 2001	300
Shares issued/to be issued pursuant to:-	
-Acquisitions of TSRB, TSRCP, TGEO and TPROP	44,400
-Restricted Issue	6,000
-Public Issue	13,300
	<hr/>
Proforma issued and paid-up share capital of TSR	64,000
	<hr/> <hr/>

On the basis of the issued and paid-up share capital of 64,000,000 ordinary shares of RM1.00 each in TSR, the Group net tangible assets cover per ordinary share of TSR is approximately RM1.30.

**13. SUBSEQUENT EVENTS**

There were no significant subsequent events between the date of the last financial statements used in the preparation of this report and the date of this report which will affect materially the content of this report.

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

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**14. AUDITED FINANCIAL STATEMENTS**

No audited financial statements have been prepared in respect of any period subsequent to 31 August 2001 for TSR Group.

Yours faithfully

A handwritten signature in black ink, appearing to be "Horwath Mok &amp; Poon".

**HORWATH MOK & POON**  
Firm No : AF 0995  
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe".

**ONN KIEN HOE**  
Approval No : 1772/11/02 (J)  
Partner of Firm