

X. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

Deloitte KassimChan (AF 0080)
(Formerly known as Kassim Chan & Co)
Public Accountants
Level 19, Uptown 1
1 Jalan SS 21/58, Damansara Uptown
47400 Petaling Jaya, Malaysia

P.O. Box 10093, 50704 Kuala Lumpur
Malaysia

Tel : +60(3) 77236500, 77261833
Fax : +60(3) 77263986, 77268986
aaa@deloitte.com.my

September 24, 2002

The Board of Directors
Hytex Integrated Berhad
Level 14, Uptown 1
1 Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

1. INTRODUCTION

This report has been prepared by Deloitte KassimChan, an approved company auditor, for inclusion in the Prospectus of Hytex Integrated Berhad (hereinafter referred to as "HIB" or "The Company") to be dated September 30, 2002 in connection with the Public Issue of 23,115,000 new ordinary shares of RM0.50 each in HIB at an issue price of RM0.65 per ordinary share and the listing of and quotation for the entire enlarged issued and fully paid-up share capital of HIB comprising 150,000,000 ordinary shares of RM0.50 each on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 Incorporation

The Company was incorporated as a public company in Malaysia under the Companies Act, 1965 on October 27, 2001 under the name of Hytex Integrated Berhad.

2.2 Principal activities

The principal activities of the Company are investment holding and provision of management services.

2.3 Restructuring and flotation scheme

As an integral part of the listing of and quotation for its entire enlarged issued and paid-up ordinary share capital on the Main Board of the KLSE, HIB implemented a restructuring and flotation scheme which were approved by the Ministry of International Trade and Industry ("MITI") on March 19, 2002, and March 28, 2002, Securities Commission ("SC") on April 30, 2002 and July 11, 2002 and Foreign Investment Committee ("FIC") on June 26, 2002, July 4, 2002 and July 11, 2002 involving the following:

- a) acquisition of 1,200,000 ordinary shares of RM1.00 each in Hytex Holdings Sdn Bhd ("HHSB"), representing the entire issued and paid-up share capital of HHSB, for a total purchase consideration of RM1,935,683 to be satisfied by way of an issue of 3,280,831 new ordinary shares of RM0.50 each in HIB at an issue price of approximately RM0.59 per ordinary share;
- b) acquisition of 4,320,000 ordinary shares of RM1.00 each in Hytex Garments (M) Sdn Bhd ("HGSB"), representing the entire issued and paid-up share capital of HGSB for a total purchase consideration of RM20,994,525 to be satisfied by way of an issue of 35,584,070 new ordinary shares of RM0.50 each in HIB at an issue price of approximately RM0.59 per ordinary share;

X. ACCOUNTANTS' REPORT (CONT'D)**Deloitte KassimChan**

- c) acquisition of 870,000 ordinary shares of RM1.00 each in Hytex Products (M) Sdn Bhd ("HPSB"), representing the entire issued and paid-up share capital of HPSB, for a total purchase consideration of RM1,909,529 to be satisfied by way of an issue of 3,236,502 new ordinary shares of RM0.50 each in HIB at an issue price of approximately RM0.59 per ordinary share;
- d) acquisition of 9,000,000 ordinary shares of RM1.00 each in Hytex Apparels Sdn Bhd ("HASB"), representing the entire issued and paid-up share capital of HASB, for a total purchase consideration of RM32,921,643 to be satisfied by way of an issue of 55,799,598 new ordinary shares of RM0.50 each in HIB at an issue price of approximately RM0.59 per ordinary share;
- e) acquisition of 860,000 ordinary shares of RM1.00 each in Leading Textiles Sdn Bhd ("LTSB"), representing the entire issued and paid-up share capital of LTSB, for a total purchase consideration of RM2,761,778 to be satisfied by way of an issue of 4,680,997 new ordinary shares of RM0.50 each in HIB at an issue price of approximately RM0.59 per ordinary share;
- f) upon completion of the acquisition of HGSB, the acquisition of 100,000 ordinary shares of SGD1.00 each in Hytex International Pte Ltd ("HIPL"), representing the entire issued and paid-up share capital of HIPL from HGSB for a total cash consideration of RM174,000;
- g) upon completion of the acquisition of HASB, the acquisition of 100 ordinary shares of USD15,000 each in Hytex Garments (Cambodia) Ltd ("HGCL"), representing the entire issued and paid-up share capital of HGCL from HASB for a total cash consideration of RM5,695,225;
- h) rights issue of 24,303,000 new ordinary shares of RM0.50 each in HIB at par on the basis of approximately 2,3691 new ordinary shares for every 10 existing ordinary shares held after the acquisitions of the aforementioned companies;
- i) public issue of 23,115,000 new ordinary shares of RM0.50 each at RM0.65 per ordinary share payable in full as follows:

	Number of ordinary shares of RM0.50 each
Eligible Directors, employees, customers and suppliers of the HIB Group	7,500,000
Private placement to identified investors, including collective investment schemes	11,615,000
Malaysian public	<u>4,000,000</u>
Total	<u>23,115,000</u>

- j) listing of and quotation for the entire enlarged issued and fully paid-up share capital of HIB, comprising 150,000,000 ordinary shares of RM0.50 each on the Main Board of the KLSE.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

2.4 Share capital

The Company was incorporated with an authorised share capital of RM100,000 comprising 200,000 ordinary shares of RM0.50 each and an issued and paid up share capital of RM1.00 comprising 2 ordinary shares of RM0.50 each. On August 12, 2002, the authorised share capital of the Company was increased from RM100,000 to RM100,000,000 by the creation of 199,800,000 new ordinary shares of RM0.50 each.

The present issued and paid-up share capital of the Company is RM63,442,500 comprising 126,885,000 ordinary shares of RM 0.50 each.

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

Date of Allotment	No. of ordinary shares of RM0.50 each	Consideration/ Type of Issue	Cumulative total issued and paid-up share capital RM
27.10.2001	2	Subscribers' shares	1
12.08.2002	102,581,998	Issued pursuant to the acquisition of HHSB, HGSB, HPSB, HASB and LTSB at an issue price of approximately RM0.59 per ordinary share.	51,291,000
16.09.2002	24,303,000	Rights issue on the basis of approximately 2.3691 new ordinary shares for every 10 existing ordinary shares held after the acquisitions of the aforementioned companies	63,442,500

The issued and fully paid-up share capital of the Company after the public issue of 23,115,000 new ordinary shares would be RM75,000,000 comprising 150,000,000 ordinary shares of RM0.50 each.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

2.5 Principal activities of the subsidiary companies

The subsidiary companies and their respective principal activities as at the date of this report are as follows:

Name of Company	Date of Incorporation	Effective Equity Interest (%)	Principal Activities
Direct Subsidiary Companies (Incorporated in Malaysia)			
HGSB	24.11.1981	100	Sub-outward contract manufacturing and trading of printed garments and wearing apparels
HPSB	5.12.1983	100	Producer and dealer of textile products
HASB	26.1.1988	100	Manufacture and distribution of printed garments
HHSB	17.12.1993	100	Investment holding company
LTSB	16.7.1994	100	Manufacture, marketing and distribution of garments
Direct Subsidiary Company (Incorporated in Singapore)			
HIPL	12.4.1994	100	Trader, retailer and wholesaler of wearing apparels and sports equipment
Direct Subsidiary Company (Incorporated in Cambodia)			
HGCL	4.6.1996	100	Provider of garment accessories, packing materials and sub-contracting services to garment manufacturers

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

Name of Company	Date of Incorporation	Effective Equity Interest (%)	Principal Activities
Indirect Subsidiary Company (Incorporated in Malaysia)			
WBSB	28.2.1997	100	Retailing of printed garments, wearing apparels and accessories

Note:

HGSB, HPSB, HASB, HHSB, LTSB, HIPL and HGCL were acquired by HIB based on the audited net tangible assets value of the subsidiary companies as of March 31, 2001. The acquisitions of HGSB, HPSB, HASB, HHSB and LTSB were completed on August 12, 2002 while the acquisitions of HIPL and HGCL were completed on September 3, 2002 and September 13, 2002 respectively.

2.6 Financial statements and auditors

We have acted as auditors of HIB, LTSB, HHSB and WBSB since the date of incorporation.

We have acted as auditors of HGSB and HPSB since the financial year ended December 31, 1994, of HASB since the financial year ended March 31, 1995 and of HGCL, for the purpose of consolidation with HASB, since the financial year ended March 31, 1998. Prior to that, the financial statements of HGSB, HPSB and HASB were audited by another firm of auditors.

The financial statements of HIPL are audited by another firm of auditors in Singapore.

The auditors' reports on the financial statements of HIB and its subsidiary companies for the respective financial periods/years under review were not subject to any qualification.

The financial statements of HIB and its subsidiary companies except for HIPL for the respective financial periods/years under review, have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by Malaysian Accounting Standards Board.

2.7 Accounting policies

There were no changes in accounting policies or accounting estimates by the Proforma Group for the relevant financial years/period under review except for the revision in depreciation rate of plant and machinery of HASB from 15% to 10% to more realistically reflect the estimated remaining useful lives of the assets in the financial year ended March 31, 2002 as mentioned in Section 3.5.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

3. SUMMARISED INCOME STATEMENTS

3.1 The Proforma Group

We set out below the proforma consolidated financial results of HIB and its subsidiary companies (hereinafter referred to as "the Proforma Group") for the past five financial years/period ended March 31, 1998 to 2002 after making such adjustments considered necessary. The proforma consolidated results are provided for illustrative purposes only, based on the assumption that the Proforma Group had been in existence throughout the financial years under review.

	<-----Financial year ended March 31----->				
	1998 RM '000	1999 RM '000	2000 RM '000	2001 RM '000	2002 RM '000
Turnover	82,100	85,118	98,998	109,958	111,392
Profit before depreciation, amortisation of expenditure carried forward, expenditure carried forward written off, interest and taxation	17,259	18,283	23,054	26,569	25,851
Depreciation	(4,306)	(5,849)	(8,042)	(9,179)	(7,746)
Amortisation of expenditure carried forward	-	-	(85)	-	-
Expenditure carried forward written off	-	-	-	(256)	-
Interest expense	(3,359)	(3,500)	(3,498)	(4,147)	(4,957)
Profit before taxation	9,594	8,934	11,429	12,987	13,148
Taxation	(2,743)	(1,045)	(1,317)	(2,882)	(2,348)
Profit after taxation	6,851	7,889	10,112	10,105	10,800
Minority interest	-	-	**	**	-
Profit after taxation and minority interest	6,851	7,889	10,112	10,105	10,800
Number of ordinary shares of RM 0.50 each assumed to be in issue ('000) *	102,582	102,582	102,582	102,582	102,582
Gross earnings per share (sen)	9.35	8.71	11.14	12.66	12.82
Net earnings per share (sen)	6.68	7.69	9.86	9.85	10.53

* The number of ordinary shares assumed in issue throughout the financial years under review is the number of ordinary shares in issue after the acquisitions of the subsidiary companies by HIB, i.e. 102,582,000 ordinary shares of RM0.50 each.

** Less than RM500.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

Notes:

- a) The proforma consolidated results for the five financial years ended March 31, 2002 are prepared on the basis that the Proforma Group had been effective throughout the periods under review and have been prepared on a time apportionment basis as HPSB and HGSB had different financial year end prior to the financial year ended March 31, 2000. The proforma consolidated results for these years have been prepared on a time apportionment basis to March 31, based on the audited financial statements for all its subsidiary companies. The proforma consolidated results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the individual subsidiary companies.
- b) The gross earnings per share of the Proforma Group is calculated based on the profit before taxation and the number of ordinary shares of HIB assumed to be in issue of 102,582,000 ordinary shares of RM0.50 each.
- c) The net earnings per share of the Proforma Group is calculated based on the profit after taxation and minority interest and the number of ordinary shares of HIB assumed to be in issue of 102,582,000 ordinary shares of RM0.50.
- d) There were no extraordinary or exceptional items in all the financial years under review.
- e) The effective tax rates of the Proforma Group for the financial years under review were lower than the statutory income tax rates mainly due to reinvestment allowances claimed under Schedule 7A of the Income Tax Act, 1967 by HASB

The effective tax rates of the Proforma Group for 1999 and 2000 were lower than other financial years under review due to the different financial year-end of HGSB and HPSB i.e. December 31, resulting in the effects of waiver of tax payable under the Income Tax (Amendment) Act, 1999 of HGSB and HPSB being reflected proportionately in 1999 and 2000. Therefore, the Proforma Group has an estimated taxation of RM1.045 million for the financial year ended March 31, 1999 even though it is a tax waiver year.

- f) The taxation charge of the Proforma Group, where agreed with tax authorities has been adjusted to reallocate the over/(under) provisions to the respective years to which they relate.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan**3.2 HIB**

The following summarised income statement of HIB is based on the audited financial statements of HIB for the period ended March 31, 2002.

	Financial period from October 27, 2001 (Date of incorporation) to March 31, 2002 RM '000
Turnover	-
Loss before depreciation, interest and taxation	(1)
Depreciation	-
Interest expense	-
Loss before taxation	(1)
Taxation	-
Loss after taxation	(1)
Number of ordinary shares of RM 0.50 each	2
Gross loss per share (RM)	Note a
Net loss per share (RM)	Note a

Notes:

- a. HIB was incorporated as a public company in Malaysia on October 27, 2001 and prepared its first set of audited financial statements for the financial period October 27, 2001 to March 31, 2002. The Company has not commenced operations as of March 31, 2002. Accordingly, loss per share on the gross and net basis has not been computed.
- b. There were no extraordinary or exceptional items in the financial period under review.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

3.3 HGSB

The following summarised income statements of HGSB are based on the audited financial statements of HGSB for the past six financial years/period as shown below:

	<---Year ended December 31--->			1.1.2000	<-Year ended March 31->	
	1997	1998	1999	to 31.3.2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	32,845	31,126	37,937	10,236	40,225	42,262
Profit before depreciation, interest and taxation	6,674	5,117	6,606	2,301	7,461	7,187
Depreciation	(952)	(1,084)	(1,153)	(291)	(1,080)	(1,228)
Interest expense	(541)	(422)	(360)	(79)	(408)	(523)
Profit before taxation	5,181	3,611	5,093	1,931	5,973	5,436
Taxation	(1,562)	(1,195)	(12)	(572)	(1,878)	(1,300)
Profit after taxation	3,619	2,416	5,081	1,359	4,095	4,136
Number of ordinary shares of RM 1.00 each ('000)	1,200	1,200	4,320	4,320	4,320	4,320
Gross earnings per share (sen)	431.75	300.92	117.89	178.80*	138.26	125.83
Net earnings per share (sen)	301.58	201.33	117.62	125.83*	94.79	95.74

* Annualised.

Notes:

- There were no extraordinary or exceptional items in all the financial years/period under review.
- Income tax expense for the financial years/period under review reflected an effective tax rate that was higher than the statutory income tax rate except for 1999 and 2002. The higher effective tax rates were due mainly to certain expenses that were non-deductible for income tax purposes. No provision for income tax has been made in 1999 where income tax has been waived under the Income Tax (Amendment) Act, 1999 except for the provision of deferred tax liability, amounting to RM12,000. The lower effective tax rate for 2002 was due mainly to reversal of timing differences in respect of provision of royalty fees which was not previously recognised in prior years.
- Taxation for the financial years/period shown above have been adjusted to reallocate the under/over provisions to the respective financial years/period.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

3.4 HPSB

The following summarised income statements of HPSB are based on the audited financial statements of HPSB for the past six financial years/period as shown below:

	<---Year ended December 31--->			1.1.2000 to	<-Year ended March 31->	
	1997	1998	1999	31.3.2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	2,176	3,303	3,054	512	2,603	2,092
Profit before depreciation, interest and taxation	162	527	518	95	493	343
Depreciation	(55)	(67)	(60)	(15)	(59)	(59)
Interest expense	(69)	(60)	(69)	(14)	(82)	(120)
Profit before taxation	38	400	389	66	352	164
Taxation	(39)	(140)	-	(26)	(104)	(51)
Profit after taxation	(1)	260	389	40	248	113
Number of ordinary shares of RM 1.00 each ('000)	150	150	870	870	870	870
Gross earnings per share (sen)	25.33	266.67	44.71	30.34*	40.46	18.85
Net earnings/ (loss) per share (sen)	(0.67)	173.33	44.71	18.39*	28.51	12.99

* Annualised.

Notes:

- a. There were no extraordinary or exceptional items in all the financial years/period under review.
- b. The income tax expense for the financial years/period under review reflects an effective tax rate which is higher than the statutory income tax rate due mainly to certain expenses which are non-deductible for income tax purposes. No provision for income tax was made in 1999 as income tax has been waived under the Income Tax (Amendment) Act, 1999.
- c. Taxation for the financial years/period shown above have been adjusted to reallocate the under/over provisions to the respective financial years/period.

X. ACCOUNTANTS' REPORT (CONT'D)**Deloitte KassimChan****3.5 HASB**

The following summarised income statements of HASB are based on the audited financial statements of HASB for the past five financial years as shown below:

	<-----Financial year ended March 31----->				
	1998 RM '000	1999 RM '000	2000 RM '000	2001 RM '000	2002 RM '000
Turnover	40,808	37,979	47,586	49,126	46,167
Profit before depreciation, interest and taxation	9,823	10,501	13,629	15,229	15,875
Depreciation	(2,909)	(4,105)	(5,985)	(6,796)	(5,035)
Interest expense	(2,574)	(2,773)	(2,913)	(3,471)	(4,392)
Profit before taxation	4,340	3,623	4,731	4,962	6,448
Taxation	(1,086)	-	(312)	(431)	(533)
Profit after taxation	3,254	3,623	4,419	4,531	5,915
Number of ordinary shares of RM 1.00 each ('000)	4,600	4,600	9,000	9,000	9,000
Gross earnings per share (sen)	94.35	78.76	52.57	55.13	71.64
Net earnings per share (sen)	70.74	78.76	49.10	50.34	65.72

Notes:

- a. There were no extraordinary or exceptional items in all the financial years under review.
- b. There was no change in accounting policies or accounting estimates for the financial years under review except for the revision in depreciation rate of plant and machinery from 15% to 10% to more realistically reflect the estimated remaining useful lives of the assets in the financial year ended March 31, 2002. The effect on the financial statements of this revision in depreciation rate was to reduce depreciation expense and correspondingly increase profit before taxation for the financial year ended March 31, 2002 by RM1,832,482.
- c. Income tax expense for the financial years under review reflected an effective tax rate lower than the statutory income tax rate due mainly to reinvestment allowances claimed which partially set off the chargeable income that would otherwise be taxable. No provision for income tax was made in 1999 as income tax has been waived under the Income Tax (Amendment) Act, 1999.
- d. Taxation for the financial years shown above have been adjusted to reallocate the under/over provisions to the respective financial years.

X. ACCOUNTANTS' REPORT (CONT'D)**Deloitte KassimChan****3.6 HHSB**

The following summarised income statements of HHSB are based on the audited financial statements of HHSB for the past five financial years as shown below:

	<-----Financial year ended March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	17	17	17	17	17
Profit/(loss) before depreciation, interest and taxation	(10)	(11)	1	1	100
Depreciation	(16)	(16)	(16)	(16)	(16)
Interest expense	-	-	-	-	(108)
Loss before taxation	(26)	(27)	(15)	(15)	(24)
Taxation	(1)	-	-	-	1
Loss after taxation	(27)	(27)	(15)	(15)	(23)
Number of ordinary shares of RM 1.00 each ('000)	1,200	1,200	1,200	1,200	1,200
Gross loss per share (sen)	(2.17)	(2.25)	(1.25)	(1.25)	(2.00)
Net loss per share (sen)	(2.25)	(2.25)	(1.25)	(1.25)	(1.92)

Notes:

- a. There were no extraordinary or exceptional items in all the financial years under review.
- b. Taxation for the financial years shown above have been adjusted to reallocate the under/over provisions to the respective financial years.

X. ACCOUNTANTS' REPORT (CONT'D)**Deloitte KassimChan****3.7 LTSB**

The following summarised income statements of LTSB are based on the audited financial statements of LTSB for the past five financial years as shown below:

	<-----Financial year ended March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	6,681	9,996	13,129	13,152	13,351
Profit before depreciation, interest and taxation	412	1,155	1,026	1,063	1,126
Depreciation	(142)	(172)	(182)	(180)	(177)
Interest expense	(178)	(235)	(152)	(168)	(506)
Profit before taxation	92	748	692	715	443
Taxation	(45)	(2)	(206)	(185)	(130)
Profit after taxation	47	746	486	530	313
Number of ordinary shares of RM 1.00 each ('000)	150	500	860	860	860
Gross earnings per share (sen)	61.33	149.60	80.47	83.14	51.51
Net earnings per share (sen)	31.33	149.20	56.51	61.63	36.40

Notes:

- a. There were no extraordinary or exceptional items in all the financial years under review.
- b. The income tax expenses for the financial years under review reflected an effective tax rate that is higher than the statutory income tax rate except for 1999 and 2001 due to certain expenses that are non-deductible for income tax purposes. No provision for income tax has been made in 1999 where income tax has been waived under the Income Tax Act (Amendment) Act, 1999. The provision made in 1999 was due to the provision for deferred tax liability of RM1,500. The lower effective tax rate in 2001 was due mainly to the reversal of the deferred tax provided in the previous financial years.
- c. Taxation for the financial years shown above have been adjusted to reallocate the under/over provisions to the respective financial years.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

3.8 HIPL

The following summarised income statements of HIPL are based on the audited financial statements of HIPL for the past five financial years as shown below:

	<-----Financial year ended March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	1,772	3,659	3,912	4,084	5,617
Profit before depreciation, interest and taxation	185	182	247	260	221
Depreciation	(90)	(119)	(194)	(208)	(184)
Interest expense	(11)	(13)	(18)	(18)	(15)
Profit before taxation	84	50	35	34	22
Taxation	(13)	-	-	-	-
Profit after taxation	71	50	35	34	22
Number of ordinary shares of SGD 1.00 each ('000)	100	100	100	100	100
Gross earnings per share (sen)	84.00	50.00	35.00	34.00	22.00
Net earnings per share (sen)	71.00	50.00	35.00	34.00	22.00

Notes:

- a. There were no extraordinary or exceptional items in all the financial years under review.
- b. There is no provision for income tax for the financial years under review as HIPL has sufficient capital allowance to offset its chargeable income. However, the deferred tax asset arising in respect of the tax effect of the timing differences between book depreciation charges and tax capital allowances claimed on property, plant and equipment was not recognised as it is HIPL's policy to recognise the deferred tax assets generally upon realisation only in the financial statements.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

3.9 HGCL

The following summarised income statements of HGCL are based on the audited financial statements of HGCL for the past five financial years as shown below:

	<-----Financial year ended March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	-	-	947	4,559	8,198
Profit before depreciation, amortisation of expenditure carried forward, expenditure carried forward written off, interest and taxation	-	-	(478)	765	261
Depreciation	-	-	(65)	(111)	(124)
Amortisation of expenditure carried forward	-	-	(85)	-	-
Expenditure carried forward written off	-	-	-	(256)	-
Interest expense	-	-	-	-	(31)
(Loss)/Profit before taxation	-	-	(628)	398	106
Taxation	-	-	-	-	-
(Loss)/Profit after taxation	-	-	(628)	398	106
Number of ordinary shares of USD15,000 each (1998: USD8,000 each)	100	100	100	100	100
Gross earnings/ (loss) per share (sen)	-	-	(628.00)	398.00	106.00
Net earnings/ (loss) per share (sen)	-	-	(628.00)	398.00	106.00

Notes:

- a. There were no extraordinary or exceptional items in all the financial years under review.
- b. HGCL was incorporated on June 4, 1996 and commenced its operations in August 1999.
- c. HGCL has yet to be assessed and taxed under the Law of the Kingdom of Cambodia.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

3.10 WBSB

The following summarised income statements of WBSB are based on the audited financial statements of WBSB for the past five financial years as shown below:

	28. 2.1997	<-----Financial year ended March 31----->			
	to 31.3.1998 RM '000	1999 RM '000	2000 RM '000	2001 RM '000	2002 RM '000
Turnover	15,393	15,874	15,062	23,214	29,011
Profit before depreciation, interest and taxation	312	441	872	1,385	1,904
Depreciation	(105)	(270)	(361)	(728)	(926)
Interest expense	(19)	(9)	(6)	(36)	(130)
Profit before taxation	188	162	505	621	848
Taxation	(63)	(39)	(191)	(299)	(415)
Profit after taxation	125	123	314	322	433
Number of ordinary shares of RM 1.00 each ('000)	200	200	400	400	400
Gross earnings per share (sen)	94.00	81.00	126.25	155.25	212.00
Net earnings per share (sen)	62.50	61.50	78.50	80.50	108.25

Notes:

- There were no extraordinary or exceptional items in all the financial years/ period under review.
- Except for 1999, the income tax expense of the financial years/period under review reflect an effective tax rate that is higher than the statutory income tax rate due to certain expenses that are non-deductible for income tax purposes.

No provision for income tax has been made in 1999 as tax payable on WBSB's chargeable income is waived under the Income Tax (Amendment) Act, 1999. The taxation in 1999 relates to the provision of deferred tax arising from timing differences between book depreciation charges and tax capital allowances claimed on property, plant and equipment.
- Taxation for the financial years/period shown above have been adjusted to reallocate the under/over provisions to the respective financial years/period.
- WBSB was incorporated on February 28, 1997 and prepared its first set of audited financial statements for the financial period February 28, 1997 to March 31, 1998.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

4. DIVIDENDS

The Company has not paid or declared any dividends since the date of incorporation.

The details of final dividends declared by the subsidiary companies of HIB in respect of the financial years under review are as follows:-

Year Ended/ Company	Issued and Paid-up Capital	Gross Dividend Rate	Tax Rate	Net Dividend
31.3.2001				
HGSB	RM4,320,000	100%	28%	RM3,110,400
HASB	RM9,000,000	- 25%	28%	RM1,620,000
		- 5%	Tax exempt	RM450,000

No dividend has been paid or declared by the other subsidiary companies of HIB during the financial years under review.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

5. SUMMARISED BALANCE SHEETS

As the purchase consideration for the acquisitions as stated in parts (a) to (g) of Section 2.3 is calculated based on the net tangible assets of the individual subsidiary companies as of March 31, 2001 as shown by the audited financial statements, it is therefore impracticable to present the proforma balance sheets of the Proforma Group throughout the financial years under review. Accordingly, the proforma balance sheets of the Proforma Group has only been presented by way of proforma statement of assets and liabilities as of March 31, 2002 based on the latest audited financial statements as of March 31, 2002 of HIB and its subsidiary companies as shown in Section 6 of this report.

The balance sheets of the Company and its subsidiaries based on the audited financial statements for the relevant financial years/periods under review are summarised, after making such reclassifications for comparative purposes where applicable, as follows:

5.1 HIB

	RM '000
Current Assets	442
Current Liabilities	443
Net Liabilities	<u>(1)</u>
Represented By:	
Issued capital	*
Accumulated loss	<u>(1)</u>
Capital Deficiency	<u>(1)</u>
NTA	(1)
NTA per ordinary share (RM)	<u>**</u>

* This represents RM1.00 comprising 2 ordinary shares of RM0.50 each.

** The Company has not commenced operations as of March 31, 2002. Accordingly, NTA per ordinary share has not been computed.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

5.2 HGSB

	<---As of December 31--->			1.1.2000	<-As of March 31->	
	1997	1998	1999	to 31.3.2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Property, plant and equipment	6,671	7,176	6,498	6,198	5,440	5,601
Investment in subsidiary company	174	174	174	174	174	174
Current Assets	20,587	24,177	35,597	26,193	39,264	55,143
Current Liabilities	18,484	20,803	23,862	12,531	24,059	35,264
Net current assets	2,103	3,374	11,735	13,662	15,205	19,879
Long-term And Deferred Liabilities	(1,238)	(511)	13	(255)	(56)	(755)
Net Assets	7,710	10,213	18,420	19,779	20,763	24,899
Represented By:						
Issued capital	1,200	1,200	4,320	4,320	4,320	4,320
Unappropriated profit	6,510	9,013	14,100	15,459	16,443	20,579
Shareholders' Equity	7,710	10,213	18,420	19,779	20,763	24,899
NTA	7,710	10,213	18,420	19,779	20,763	24,899
NTA per ordinary share (RM)	6.43	8.51	4.26	4.58	4.81	5.76

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

5.3 HPSB

	<---As of December 31--->			1.1.2000 to	<-As of March 31->	
	1997 RM '000	1998 RM '000	1999 RM '000	31.3.2000 RM '000	2001 RM '000	2002 RM '000
Property, plant and equipment	372	305	247	232	173	114
Current Assets	2,059	4,898	4,673	5,262	6,760	7,567
Current Liabilities	1,895	4,459	3,130	3,675	5,002	5,656
Net current assets	164	439	1,543	1,587	1,758	1,911
Long-term Liabilities	(230)	(162)	(99)	(84)	(21)	-
Net Assets	306	582	1,691	1,735	1,910	2,025
Represented By:						
Issued capital	150	150	870	870	870	870
Unappropriated profit	156	432	821	865	1,040	1,155
Shareholders' Equity	306	582	1,691	1,735	1,910	2,025
NTA	306	582	1,691	1,735	1,910	2,025
NTA per ordinary share (RM)	2.04	3.88	1.94	1.99	2.20	2.33

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

5.4 HASB

	<-----As of March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Property, plant and equipment	36,597	37,269	49,394	58,754	57,309
Investment in subsidiary Company	20	1,414	1,414	1,414	5,690
Current Assets	29,682	36,337	39,980	53,239	57,929
Current Liabilities	29,309	36,593	41,957	57,388	61,931
Net current assets/(liabilities)	373	(256)	(1,977)	(4,149)	(4,002)
Long-term And Deferred Liabilities	(18,858)	(17,017)	(18,141)	(22,868)	(19,681)
Net Assets	18,132	21,410	30,690	33,151	39,316
Represented By:					
Issued capital	4,600	4,600	9,000	9,000	9,000
Unappropriated profit	13,532	16,810	21,690	24,151	30,316
Shareholders' Equity	18,132	21,410	30,690	33,151	39,316
NTA	18,132	21,410	30,690	33,151	39,316
NTA per ordinary share (RM)	3.94	4.65	3.41	3.68	4.37

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

5.5 HHSB

	<-----As of March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Property, plant and equipment	1,502	1,487	1,471	1,455	1,439
Investment in subsidiary company	200	200	400	400	400
Current Assets	552	2,350	5,160	6,575	8,771
Current Liabilities	1,144	2,954	5,968	7,382	9,588
Net current liabilities	(592)	(604)	(808)	(807)	(817)
Net Assets	1,110	1,083	1,063	1,048	1,022
Represented By:					
Issued capital	1,200	1,200	1,200	1,200	1,200
Unappropriated profit	(90)	(117)	(137)	(152)	(178)
Shareholders' Equity	1,110	1,083	1,063	1,048	1,022
NTA	1,110	1,083	1,063	1,048	1,022
NTA per ordinary share (RM)	0.93	0.90	0.89	0.87	0.85

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

5.6 LTSB

	<-----As of March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Property, plant and equipment	918	810	671	492	315
Current Assets	11,866	20,332	23,056	30,784	42,125
Current Liabilities	12,020	19,448	21,329	28,477	39,365
Net current assets/(liabilities)	(154)	884	1,727	2,307	2,760
Long-term And Deferred Liabilities	(486)	(319)	(177)	(37)	-
Net Assets	278	1,375	2,221	2,762	3,075
Represented By:					
Issued capital	150	500	860	860	860
Unappropriated profit	128	875	1,361	1,902	2,215
Shareholders' Equity	278	1,375	2,221	2,762	3,075
NTA	278	1,375	2,221	2,762	3,075
NTA per ordinary share (RM)	1.85	2.75	2.58	3.21	3.58

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

5.7 HIPL

	<-----As of March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Property, plant and equipment	312	495	635	528	338
Current Assets	1,830	3,043	4,238	5,127	7,480
Current Liabilities	1,707	3,112	4,353	5,152	7,333
Net current assets/(liabilities)	123	(69)	(115)	(25)	147
Long-term Liabilities	(122)	(67)	(130)	(97)	(50)
Net Assets	313	359	390	406	435
Represented By:					
Issued capital	174	174	174	174	174
Reserves – Translation	54	50	45	26	17
Unappropriated profit	85	135	171	206	244
Shareholders' Equity	313	359	390	406	435
NTA	313	359	390	406	435
NTA per ordinary share (RM)	3.13	3.59	3.90	4.06	4.35

Note:

The balance sheets of HIPL reported in Singapore Dollar (“S\$”) are translated into Ringgit Malaysia (“RM”) in accordance with the accounting policy as stated in Section 7.1.1.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

5.8 HGCL

	←-----As of March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Property, plant and equipment	-	448	819	853	881
Expenditure carried forward	12	249	256	-	-
Current Assets	8	725	366	537	4,919
Current Liabilities	-	7	654	205	251
Net current assets/(liabilities)	8	718	(288)	332	4,668
Net Assets	20	1,415	787	1,185	5,549
Represented By:					
Issued capital	20	1,415	1,415	1,415	5,690
Reserves - Translation	-	-	-	-	(18)
Unappropriated profit	-	-	(628)	(230)	(123)
Shareholders' Equity	20	1,415	787	1,185	5,549
NTA	8	1,166	531	1,185	5,549
NTA per ordinary share (RM)	80	11,660	5,310	11,850	55,490

Note:

The balance sheets of HGCL reported in US Dollar ("USD") are translated into RM in accordance with the accounting policy as stated in Section 7.1.1.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

5.9 WBSB

	←-----As of March 31----->				
	1998	1999	2000	2001	2002
	RM '000	RM '000	RM '000	RM '000	RM '000
Property, plant and equipment	1,174	1,685	2,182	4,942	4,657
Current Assets	1,312	3,397	7,020	10,297	10,247
Current Liabilities	2,103	4,537	8,107	13,243	12,661
Net current liabilities	(791)	(1,140)	(1,087)	(2,946)	(2,414)
Long-term And Deferred Liabilities	(61)	(100)	(144)	(708)	(526)
Net Assets	322	445	951	1,288	1,717
Represented By:					
Issued capital	200	200	400	400	400
Unappropriated profit	122	245	551	888	1,317
Shareholders' Equity	322	445	951	1,288	1,717
NTA	322	445	951	1,288	1,717
NTA per ordinary share (RM)	1.61	2.23	2.38	3.22	4.29

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

6. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of HIB and the Proforma Group which are prepared for illustrative purposes are based on the audited financial statements of HIB and its subsidiary companies as at March 31, 2002 and on the assumption that the restructuring scheme of HIB Group, Rights Issue and Public Issue as stated in Section 2.3 and the utilisation of the proceeds had been effected on March 31, 2002 and should be read in conjunction with the notes thereon.

	Note	As of March 31, 2002	
		The Proforma Group RM '000	The Company RM '000
Property, plant and equipment	7.2	72,289	-
Current Assets			
Inventories	7.3	61,804	-
Trade receivables	7.4	16,620	-
Other receivables and prepaid expenses		4,481	-
Deferred expenditure	7.5	-	442
Cash and bank balances	7.6	8,937	*
		<u>91,842</u>	<u>442</u>
Current Liabilities			
Trade payables		4,996	-
Other payables and accrued expenses	7.9	12,768	443
Bank borrowings	7.7	36,044	-
Tax liabilities		5,197	-
		<u>59,005</u>	<u>443</u>
Net current assets/(liabilities)		32,837	(1)
Long-term And Deferred Liabilities			
Long-term loans	7.8	(4,963)	-
Hire-purchase payables	7.9	(3,803)	-
Finance lease payables	7.10	(249)	-
Deferred tax liabilities	7.11	(70)	-
Net Assets/ (Liabilities)		<u>96,041</u>	<u>(1)</u>
Represented By:			
Issued capital	7.12	75,000	**
Reserves	7.13	21,041	(1)
Shareholders' Equity/ (Capital Deficiency)		<u>96,041</u>	<u>(1)</u>
NTA per ordinary share (RM)		<u>0.64</u>	<u>***</u>

* This represents cash balance of RM1.00.

** This represents RM1.00 comprising 2 ordinary shares of RM0.50 each.

*** The Company has not commenced operations as of March 31, 2002. Accordingly, NTA per ordinary share has not been computed.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

7. NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES**7.1 Basis of Preparation of the Proforma Statement of Assets and Liabilities**

The proforma statement of assets and liabilities of the Proforma Group and of the Company are prepared under the historical cost convention and in accordance with applicable approved accounting standards of the Malaysian Accounting Standards Board and on the following accounting policies which are consistent with those adopted in the preparation of the audited financial statements of the individual subsidiary companies:

7.1.1 Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of the financial year, at the approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

For the purpose of consolidation, the financial statements of foreign incorporated subsidiaries are translated into Ringgit Malaysia as follows:

Assets and liabilities	-	at closing rate
Issued capital	-	at historical rate
Revenue and expenses	-	at average rate

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	RM
United States Dollar	3.775
Singapore Dollar	2.062

All translation gains or losses are taken up and reflected in the translation reserve account under shareholders' equity. Such translation gains or losses are recognised as income or expenses in the income statements, in the period in which the operations is disposed of.

Difference in exchange arising from the translation of the opening net investments in foreign subsidiary company, and from the translation of the results of the company at the average exchange rate, are taken to translation reserve account.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

7.1.2 Income Tax

The tax effects of transactions are recognised, using the 'liability' method, when such transactions enter into the determination of net income regardless of when they are recognised for tax purposes. However, when timing differences give rise to net deferred tax assets, the tax effects are recognised generally on actual realisation.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

7.1.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised in the income statements whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount.

Property, plant and equipment, other than renovation in progress which is not depreciated, are depreciated on a straight-line method to their residual values at rates based on the estimated useful lives of the various assets. The annual depreciation rates are as follows:

Electrical Installation	15%
Furniture & Fittings	12.5% to 15%
Leasehold Buildings	2%
Leasehold Land	Over the lease term of 95 to 99 years
Leasehold Land & Building	Over the lease term of 79 to 81 years
Motor Vehicles	15%
Office Equipment	5 % to 15%
Plant & Machinery	10% to 15%
Renovation	5 % to 15%
Sign Board	15%

7.1.4 Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

7.1.5 Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan**7.1.6 Basis of Consolidation**

Subsidiary companies are consolidated using the acquisition method of accounting. At the date of acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

The difference between the fair values of the identifiable net assets of a subsidiary company acquired and the purchase consideration at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation. Goodwill or reserve arising on consolidation is amortised on a systematic basis following an assessment of the economic useful life of the assets, subject to a maximum of 20 years. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

All significant intercompany balances and transactions are eliminated on consolidation.

7.1.7 Investments

Investment in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

7.1.8 Inventories

Inventories are valued at the lower of cost (Inventories of HASB and LTSB are determined on the 'weighted average' method whereas inventories of HGSB, WOC, HHSB and HIPL are determined on 'first-in-first-out' method) and net realisable value. The cost of trading inventories and raw materials comprise the original purchase price plus cost incurred in bringing the inventories to their present location and condition. The costs of finished goods and work-in-progress comprise the cost of raw materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

7.1.9 Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

7.2 Property, plant and equipment**The Proforma Group**

	Cost RM '000	Accumulated Depreciation RM '000	NBV RM '000
Electrical installation	144	142	2
Furniture and fittings	1,201	750	451
Furniture and fittings under hire-purchase	135	81	54
Leasehold buildings	32,820	1,959	30,861
Leasehold land	2,720	285	2,435
Leasehold land and building	5,512	254	5,258
Mannequin	211	-	211
Motor Vehicle	1,596	1,525	71
Motor Vehicle under hire-purchase	2,315	1,012	1,303
Office equipment	5,706	3,214	2,492
Office equipment under hire-purchase	1,219	134	1,085
Office equipment under finance lease	613	59	554
Plant and machinery	27,646	16,818	10,828
Plant and machinery under hire-purchase	16,149	7,166	8,983
Plant and machinery under finance lease	54	39	15
Renovation	11,871	5,962	5,909
Renovation under hire-purchase	54	5	49
Renovation in progress	6	-	6
Sign board	122	34	88
	<u>110,094</u>	<u>39,439</u>	<u>70,655</u>
Add: Procurement of machinery (Note 7.6)			<u>1,634</u>
Total net book value			<u>72,289</u>

The long leasehold land and the leasehold building of the Proforma Group have been charged to a local bank for term loans and other credit facilities of RM55.4 million, RM6.52 million, RM28 million granted to HASB, HGSB and HHSB respectively.

7.3 Inventories

Inventories consist of the following:

	The Proforma Group RM'000	The Company RM'000
At cost:		
Raw materials	16,695	-
Work-in-progress	13,155	-
Finished goods	14,889	-
Trading inventories	17,394	-
	<u>62,133</u>	<u>-</u>
Less: Allowance for slow moving inventories	(329)	-
	<u>61,804</u>	<u>-</u>

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

7.4 Trade receivables

	The Proforma Group RM'000	The Company RM'000
Trade receivables	18,241	-
Less: Allowance for doubtful debts	<u>(1,621)</u>	<u>-</u>
	<u>16,620</u>	<u>-</u>

7.5 Deferred expenditure

This comprises professional fees and expenses incurred in conjunction with the Company's flotation scheme which will be written off against the share premium arising from the shares issued pursuant to the flotation scheme.

7.6 Cash and bank balances

	The Proforma Group RM'000	The Company RM'000
Cash and bank balances as at March 31, 2002	1,114	*
Add: Proceeds from Rights Issue	12,151	-
Proceeds from Public Issue	<u>15,025</u>	<u>-</u>
	28,290	-
Less: Utilisation of proceeds:		
Procurement of machinery (Note 7.2)	(1,634)	-
Redemption of convertible secured loan stocks (Included premium on redemption of RM 375,000)	(1,875)	-
Repayment of long-term loans		-
- portion due within one year (Note 7.7)	(1,853)	-
- portion due after one year (Note 7.8)	(10,304)	-
Repayment of advances from directors	(1,929)	-
Estimated restructuring and listing expenses **	<u>(1,758)</u>	<u>-</u>
	<u>8,937</u>	<u>*</u>

* This represents cash and bank balances of RM 1.00.

** As of March 31, 2002, total estimated restructuring and listing expenses amounting to RM442,412 were incurred by HIB and shown as deferred expenditure under current assets.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

7.7 Bank borrowings

Bank borrowings consist of the following:

	The Proforma Group RM'000	The Company RM'000
Bank overdraft	8,850	-
Bills payables	7,677	-
Bankers' acceptances	17,204	-
	<u>33,731</u>	<u>-</u>
Term loans: Portion due within one year (Note 7.8)	4,166	-
Repayment of portion of term loan due within one year (Note 7.6)	(1,853)	-
	<u>36,044</u>	<u>-</u>

The bank overdraft and other credit facilities bear interest at rates ranging from 6.50% to 10.55% per annum and are secured by:

- a. A debenture incorporating fixed and floating charges over the assets of HGSB, LTSB, HASB and HPSB;
- b. A second legal charge over the leasehold land of HGSB;
- c. Legal charges over certain landed properties belonging to certain directors of HGSB, LTSB, HASB and HPSB;
- d. Joint and several guarantee by all directors of HGSB, WBSB, LTSB, HASB and HPSB;
- e. Corporate Guarantee by LTSB, HGSB, HHSB and HASB;
- f. First and second legal charges over a piece of leasehold land and building of HASB; and
- g. A legal charge over the inventories of HASB for inventories acquired under trust receipt arrangements.

7.8 Long-term loans

Long-term loans consist of the following:

	The Proforma Group RM'000	The Company RM'000
Term loans from local banks	19,433	-
Less: Portion due within one year (Note 7.7)	(4,166)	-
Non-current portion	<u>15,267</u>	<u>-</u>
Repayment of long-term loans from proceeds of Rights Issue and Public Issue (Note 7.6)	(10,304)	-
	<u>4,963</u>	<u>-</u>

X. ACCOUNTANTS' REPORT (CONT'D)**Deloitte KassimChan**

The long-term loans facilities bear interest at rates ranging from 6.50% to 8.90% per annum and are secured by:

- a. Credit Guarantee Corporation cover under Flexi Guarantee Scheme at 50% coverage on unsecured portion for the whole tenure of loan;
- b. Corporate guarantee by HHSB;
- c. Joint and several guarantee by certain directors of WBSB and HASB;
- d. A first and second third party fixed charge over the land belonging to HASB, together with the building erected thereon;
- e. A debenture incorporating a fixed and floating charge over the present and future assets of HASB; and
- f. A specific debenture incorporating fixed charge over the assets of HASB;

7.9 Hire-purchase payables

	The Proforma Group RM'000	The Company RM'000
Total instalments outstanding	8,652	-
Less: Interest-in-suspense	<u>(1,978)</u>	-
Principal outstanding	6,674	-
Less: Amount due within 12 months (included in other payables and accrued expenses)	<u>(2,871)</u>	-
Non-current portion	<u>3,803</u>	<u>-</u>

The interest rates implicit in these hire-purchase obligations of the Proforma Group ranges from 6.94% to 22.01% per annum.

The non-current portion is repayable as follows:

Financial years ending March 31,		
2004	1,894	-
2005	1,211	-
2006	476	-
2007	88	-
2008 and thereafter	<u>134</u>	<u>-</u>
	<u>3,803</u>	<u>-</u>

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

7.10 Finance lease payables

	The Proforma Group	
	Minimum lease payments RM '000	Present value of minimum lease payments RM '000
Amount payable under finance lease:		
Within one year	218	186
In the second to fifth year (inclusive)	291	249
	<hr/>	<hr/>
	509	435
Less: Future finance charges	(74)	-
	<hr/>	<hr/>
Present value of lease payables	435	435
	<hr/>	<hr/>
Less: Amount due within 12 months (included in other payables and accrued expenses)		(186)
		<hr/>
Non-current portion		249
		<hr/>
The non-current portion is repayable as follows:		
Financial year ending March 31,		
2004		193
2005		56
		<hr/>
		249
		<hr/>

7.11 Deferred tax liabilities

The deferred taxation is in respect of the following:

	The Proforma Group RM'000	The Company RM'000
Timing differences between depreciation and tax capital allowances on property, plant and equipment	70	-
	<hr/>	<hr/>

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

7.12 Share capital

	The Proforma Group RM'000	The Company RM'000
Authorised		
Ordinary shares of RM 0.50 each	100,000	100
Issued and fully paid:		
Ordinary shares of RM0.50 each		
Balance as at March 31, 2002	*	*
Add:		
102,581,998 new ordinary shares at an issue price of approximately RM0.59 per ordinary share issued for the acquisition of HHSB, HGSB, HPSB, HASB and LTSB	51,291	-
Rights Issue of 24,303,000 new ordinary shares at an issue price of RM0.50 per ordinary share	12,151	-
Public Issue of 23,115,000 new ordinary shares at an issue price of RM0.65 per ordinary share	11,558	-
Enlarged issued and paid-up share capital	75,000	*

**This represents 2 ordinary shares of RM0.50 each.*

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

7.13 Reserves

	Non-distributable Reserves		Accumulated	Total
	Share premium RM'000	Reserve on consolidation RM'000	loss RM'000	RM'000
<i>The Company</i>				
At date of incorporation	-	-	-	-
Loss for the period	-	-	(1)	(1)
As of March 31, 2002	-	-	(1)	(1)
<i>The Proforma Group</i>				
As of March 31, 2002	-	-	-	-
102,581,998 new ordinary shares at an issue price of approximately RM0.59 per ordinary share issued for the acquisition of HHSB, HGSB, HPSB, HASB and LTSB	9,232	-	-	9,232
Reserve on consolidation**	-	10,917	-	10,917
Public Issue of 23,115,000 new ordinary shares at an issue price of RM0.65 per ordinary share	3,467	-	-	3,467
Estimated listing expenses	(2,200)	-	-	(2,200)
Loss for the year	-	-	(375)	(375)
	<u>10,499</u>	<u>10,917</u>	<u>(375)</u>	<u>21,041</u>
				RM'000
** Reserve on consolidation comprises of:				
Goodwill arising from acquisition of HGCL				(219)
Reserve arising from acquisition of HGSB, HPSB, HASB, HHSB, LTSB and HIPL				<u>11,136</u>
				<u>10,917</u>

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

7.14 Commitments

- a. As of March 31, 2002, the Proforma Group has royalty commitments in respect of licensed products as follow:

Financial years ending March 31	The Proforma Group RM'000
2003	2,056
2004	2,824
2005	<u>2,500</u>
	<u>7,380</u>

- b. As of March 31, 2002, the Proforma Group has non-cancellable outstanding rental commitments in respect of rental of outlets as follows:

Financial years ending March 31,	The Proforma Group RM'000
2003	2,145
2004	708
2005	<u>143</u>
	<u>2,996</u>

- c. As of March 31, 2002, the Proforma Group has capital commitments relating to the acquisition of property, plant and equipment as follows:

Authorised but not contracted for:	The Proforma Group RM'000
Plant and machinery	<u>1,634</u>

7.15 Contingent liabilities

The Proforma Group is contingently liable for guarantees totalling RM15,700,000 issued in favour of a local bank for banking facilities given to HGSB, LTSB HHSB and HASB. As of March 31, 2002, the amount of banking facilities utilised by the aforesaid subsidiary companies is RM6,952,960.

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

8. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement prepared for illustration purposes is based on the audited financial statements of HASB, HGSB, WBSB, LTSB, HPSB, HHSB, HIPL and HGCL for the financial year ended 31 March 2002 and on the assumption that the Proforma Group has been in existence throughout the year ended March 31, 2002 and that the Rights Issue and the Public Issue referred to in Section 2.3 have been completed on March 31, 2002:

	The Proforma Group RM '000	The Company RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	13,148	(1)
Adjustments for:		
Depreciation of property, plant and equipment	7,746	-
Allowance for doubtful debts no longer required	(35)	-
Provision for royalty fees	3,330	-
Foreign exchange arising from transaction	(18)	-
Unrealised gain on foreign exchange	(11)	-
Gain on disposal of property, plant and equipment	(63)	-
Property, plant and equipment written off	136	-
Interest expenses	4,957	-
Operating (Loss)/Profit Before Working Capital Changes	29,190	(1)
(Increase)/Decrease in:		
Inventories	(6,614)	-
Trade receivables	(855)	-
Other receivables and prepaid expenses	(2,767)	-
Deferred expenditure	-	(442)
Increase/(Decrease) in:		
Trade payables	(1,169)	-
Other payables and accrued expenses	3,632	443
Amount owing to directors	(3,338)	-
Bank borrowings	1,211	-
Cash Generated From Operations	19,290	-
Interest paid	(130)	-
Tax paid	(3,490)	-
Royalty paid	(5,057)	-
Net Cash From Operating Activities	10,613	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note 8.2)	(4,594)	-
Proceeds from disposal of property, plant and equipment	70	-
Net Cash Used In Investing Activities	(4,524)	-

(Forward)

X. ACCOUNTANTS' REPORT (CONT'D)

Deloitte KassimChan

	The Proforma Group RM '000	The Company RM '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of convertible loan stocks	(1,875)	-
Proceeds from bank borrowings	5,565	-
Repayment for bank borrowing	(1,853)	-
Repayment of long-term loans	(12,030)	-
Repayment of hire purchase payables	(4,582)	-
Repayment of finance lease payables	(118)	-
Dividend paid	(5,180)	-
Proceeds from issuance of shares	-	1
Proceeds from rights issue	12,151	-
Proceeds from public issue	15,025	-
Payment of listing expenses	(2,200)	-
Interest paid	(4,827)	-
Net Cash From Financing Activities	76	1
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,165	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	(6,071)	-
Effect of Foreign Currency Exchange	(7)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	87	1

8.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	The Proforma Group RM '000	The Company RM '000
Cash and bank balances	8,937	1
Bank overdraft (Note 7.7)	(8,850)	-
	87	1

8.2 Purchase of property, plant and equipment

During the financial year, the Proforma Group acquired property, plant and equipment with an aggregate cost of RM5,918,000 of which RM2,407,000 was acquired under hire-purchase arrangement and RM551,000 was acquired under finance lease arrangement. Cash payments for the acquisition of property, plant and equipment amounted to RM2,960,000. There is also an utilisation of proceeds for the procurement of machinery amounting RM1,634,000 (Note 7.6).

X. ACCOUNTANTS' REPORT (CONT'D)**Deloitte KassimChan****9. PROFORMA NET TANGIBLE ASSETS COVER**

Based on the proforma statement of assets and liabilities of the Proforma Group as at March 31, 2002, the proforma net tangible assets (NTA) cover per ordinary share after incorporating the restructuring of the HIB Group, Rights Issue and Public Issue and estimated cost of flotation will be as follows:

NTA of the Proforma Group as per statement of assets and liabilities as of March 31, 2002 (RM'000)	<u>96,041</u>
Number of ordinary shares of RM0.50 each assumed in issue ('000)	<u>150,000</u>
Proforma NTA cover per ordinary share of RM 0.50 each (RM)	<u>0.64</u>

10. EVENTS SUBSEQUENT TO MARCH 31, 2002

Based on the audited financial statements for the year ended March 31, 2002, we are not aware of any subsequent event that has arisen which require disclosure or adjustment in this report.

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to March 31, 2002.

Yours faithfully,



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



HIEW KIM TIAM
1717/08/03 (J)
Partner