

11. FINANCIAL INFORMATION

11.1 Profit And Dividend Record

The following table sets out a summary of the HYB Group's financial performance for the past six (6) financial years ended 31 March 2002. The consolidated profit and dividend records should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12 of this Prospectus:

	←----- Financial Year Ended 31 March ----->					
	1997	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	51,881	34,334	40,272	32,091	49,681	99,482
Cost of sales	(33,307)	(22,558)	(28,990)	(23,492)	(31,597)	(69,743)
Gross profit	18,574	11,776	11,282	8,599	18,084	29,739
Other operating income	455	218	120	621	526	971
Operating expenses	(2,322)	(5,033)	(2,256)	(2,444)	(3,472)	(5,236)
Exceptional items	(3,620)	(1,897)	-	4,785	-	-
Profit before depreciation, interest and taxation	13,087	5,064	9,146	11,561	15,138	25,474
Depreciation	(510)	(494)	(494)	(338)	(299)	(494)
Interest expense	(573)	(402)	(41)	(675)	(246)	(972)
Share of profits/(loss) in associates	1,914	716	1,978	(75)	-	-
Profit before taxation	13,918	4,884	10,589	10,473	14,593	24,008
Taxation	(5,140)	(2,520)	328	(2,008)	(2,935)	(6,797)
Profit after taxation	8,778	2,364	10,917	8,465	11,658	17,211
Minority interest	(7)	(120)	(345)	(169)	(460)	(338)
Profit for the year	8,771	2,244	10,572	8,296	11,198	16,873
Basic earnings per share:						
Weighted average number of ordinary shares in issue ('000)	10,005	11,583	12,230	12,230	12,230	77,129
Gross EPS (RM)	1.39	0.41	0.83	0.84	1.14	0.31
Net EPS (RM)	0.88	0.19	0.86	0.68	0.92	0.22
After adjustment for bonus issue:						
Weighted average number of ordinary shares in issue ('000)	74,904	76,482	77,129	77,129	77,129	77,129
Gross earnings per share (RM)	0.19	0.06	0.13	0.13	0.18	0.31
Net earnings per share (RM)	0.12	0.03	0.14	0.11	0.15	0.22

11. FINANCIAL INFORMATION (Cont'd)

Notes:

a) The following adjustments were incorporated to the summarised consolidated audited income statements:

i) Preliminary and pre-operating expenses is written off in the year where they were incurred in accordance with MASB 1 – Presentation of Financial Statements;

The amounts adjusted against operating expenses in the respective years are as follows:

1997	1998	1999	2000	2001	2002
RM7,305	(RM3,840)	RM19,439	(RM1,542)	RM57,885	-

ii) Minority interests' shares of results for the financial years ended 31 March 1998 and 1999 have been adjusted to reflect the effects of consolidation of the unconsolidated subsidiary companies in accordance with MASB 11 – Consolidated Financial Statements and Investments in Subsidiaries; and

iii) Under or over provision of taxation has been reclassified to the respective years where such under or over provision originated.

b) During the financial years under review there were no extraordinary items.

c) Exceptional items for the respective years comprised the following:

	←-----Financial Year Ended 31 March----->					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gain arising from disposals of investments	389	-	-	-	-	-
(Loss)/gain arising from disposals of subsidiary companies	(4,009)	(1,897)	-	4,919	-	-
Strata title processing and survey fees in respect of past developments	-	-	-	(134)	-	-
	<u>(3,620)</u>	<u>(1,897)</u>	<u>-</u>	<u>4,785</u>	<u>-</u>	<u>-</u>

11.2 Segmental Analysis Of Revenue And Profits**Analysis of revenue by companies**

	←-----Financial Year Ended 31 March----->					
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
AMISB	-	10	48	102	4,359	27,712
BESB	-	-	-	535	339	32
BHSB	-	-	-	-	-	3

11. FINANCIAL INFORMATION (Cont'd)

	← Financial Year Ended 31 March →					
	1997	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BSSB	-	-	3,708	2,953	3,734	956
DNSB	-	-	-	-	10,000	-
DNDSB	-	-	-	-	-	-
FSB	896	88	19	27	-	-
GPSB	-	-	-	-	-	47,177
HYB - Company	19,653	15,683	17,037	10,192	13,121	12,675
HYBMSSB	-	-	-	-	-	-
HYBTSB	-	27	94	14	-	-
PHYSB	-	2,732	41,822	7,627	6,363	2,274
PPSB	132	1,107	1,160	748	167	1,121
Prop Park	10,071	5,133	-	6,400	-	-
SSB	2,740	-	-	-	-	-
TDSB	16	21	22	30	30	27
YLRBSB	19,807	12,203	18,783	11,222	15,538	10,048
Consolidation adjustments	(1,434)	(2,670)	(42,421)	(7,759)	(3,970)	(2,543)
HYB Group	51,881	34,334	40,272	32,091	49,681	99,482

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11. FINANCIAL INFORMATION (Cont'd)*Analysis of profit after taxation and minority interest by companies*

	←-----Financial Year Ended 31 March----->					
	1997	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
AMISB	(17)	(116)	(88)	(1)	2,786	7,140
BESB	-	-	(3)	283	179	(2)
BHSB	(1)	(2)	(1)	1	(1)	(16)
BSSB	(1)	(1)	625	466	262	99
DNSB	(5)	(8)	(6)	(4)	6,041	323
DNDSB	(1)	(1)	(1)	(1)	(1)	(1)
FSB	122	33	9	3	(3)	(2)
GPSB	(3)	(3)	(2)	(15)	(189)	8,458
HYB - Company	4,066	1,612	759	6,561	5,015	36,976
HYBMSSB	(1)	(1)	(1)	(1)	(1)	(1)
HYBTBS	(1)	1	8	-	(1)	(1)
PHYSB	(1)	267	3,096	374	868	258
PPSB	9	350	461	130	9	546
Prop Park	2,711	1,928	7	1,848	(6)	(5)
SSB	209	(51)	-	(14)	(13)	(2)
TDSB	9	13	20	(133)	(1)	(7)
YLRSB	4,937	2,136	7,607	4,524	3,593	3,707
Consolidation adjustments	(3,261)	(3,913)	(1,918)	(5,725)	(7,339)	(40,597)
HYB Group	8,771	2,244	10,572	8,296	11,198	16,873

11.3 Overview Of Revenue And Profits, Including Taxation And Exceptional Items For The Past Six (6) Financial Years Ended 31 March 2002*Financial period ended 31 March 1997*

The revenue of the Group in 1997 increased by RM25 million or approximately 93% as compared to the revenue in 1996 of RM27 million. The revenue in 1997 was mainly attributed to HYB, YLRSB and Prop Park.

In summary the revenue in 1997 was mainly due to the sales of completed factories of Chandan Raya Industrial Park project amounting to RM8.7 million, the completion of Halaman Ampang Mewah Phase 1 & 2 terrace houses of RM17.5 million and the completion of project located at Jalan Kampung Jawa, Klang of RM9.8 million.

In addition, HYB also launched SB Jaya Industrial Park in the period under review of which contributed revenue of RM10.4 million in the same period.

The deterioration of the profit before tax margin from 234% in 1996 to 30% in 1997 was mainly due to the impact of an exceptional gain arising from the disposal of shares in a subsidiary company amounting to RM45.9 million recognised in 1996. In 1997, an exceptional loss of approximately RM4.0 million arose from the disposal of subsidiary companies.

11. FINANCIAL INFORMATION (Cont'd)

The effective tax rate was higher than the statutory tax rate mainly due to certain expenses which were disallowable for tax purposes and also because of exceptional losses arising from the disposal of subsidiary companies for which no tax relief was provided.

Financial year ended 31 March 1998

The revenue for 1998 decreased primarily due to the developments brought forward from 1997 were substantially completed in that year and launches of new projects, such as Anjung Bercham Megah project developed by YLR SB did not record a high rate of completion in 1998.

The decrease in profit before taxation for 1998 was mainly due to the 10% deposit of approximately RM1.7 million forfeited for a proposed purchase of land by YLR SB, the deterioration of profit before tax margin, increase in Directors' remuneration and staff costs of RM297,000 and donations made of RM329,000.

The exceptional loss of approximately RM1.9 million arose from disposal of subsidiary companies.

The effective tax rate was higher than the statutory tax rate mainly due to certain expenses which were disallowable for tax purposes and also because of exceptional losses arising from the disposal of subsidiary companies for which no tax relief was provided.

Financial year ended 31 March 1999

In 1999, the main contributors to the Group's revenue are HYB (approximately RM17 million) and YLR SB (approximately RM19 million). The improvement was due to higher percentage of completion of development projects.

The improvement in profit before tax margin from 14% to 26 % was due to no exceptional losses were recorded in 1999.

There was no taxation charge for 1999 other than dividend income as the amount payable on other income has been waived in accordance with the Income Tax (Amendment) Act, 1999. Taxation in 1999 was in respect of reversal of previously provided timing differences.

Financial year ended 31 March 2000

The revenue for the Group in 2000 decreased by approximately RM8 million or 20% as compared to the revenue in 1999 of RM40 million. The decrease was due to development projects were substantially completed in 1999.

The Group's profit before tax margin increased from approximately 26% to 33% for year 2000 mainly due to exceptional gains from the disposal of certain subsidiary companies of approximately RM4.9 million.

The effective tax rate for 2000 was lower than the statutory tax rate because of the gains arising from disposal of subsidiary companies which was not subject to tax.

Financial year ended 31 March 2001

The revenue of the Group in 2001 increased by approximately RM18 million or 55% as compared to the revenue in 2000 of RM32 million.

The increase was due to the new launches of HYB and YLR SB projects namely Bukit Desa Seremban and Anjung Bercham Megah. In addition, one parcel of land of which has been approved for hotel development and also a parcel of orchard land were disposed off during the year under review.

11. FINANCIAL INFORMATION (Cont'd)

The Group achieved a profit before tax margin of approximately 29% for the year under review mainly because of higher revenue recorded by the Group during the year.

The effective tax rate for 2001 is also lower than the statutory tax rate due to the lower real property gain tax rate claimed on the gains arising from the disposal of the two parcel of land.

Financial year ended 31 March 2002

The revenue of the Group for the financial year ended 31 March 2002 was RM99.5 million. The substantial increase of approximately RM49.801 million or 100% as compared to the revenue in 2001 of RM49.861 million was mainly due to the launch of the Group's two flagship township projects of Taman Pulau Indah, Johor Bahru and Bandar Universiti, Seri Iskandar, Perak in March 2001 and June 2001 respectively.

The Group achieved a profit before tax margin of approximately 24% for the financial year under review. The effective tax rate was in line with the statutory tax rate of 28%.

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11. FINANCIAL INFORMATION (Cont'd)

11.4 Directors' Declaration On Financial Performance, Position And Operations

As at 16 September 2002, being the latest practicable date prior to the printing of this Prospectus, the financial performance, position and operations of the Company and its subsidiaries are not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the HYB Group; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

11.5 Working Capital, Borrowings, Contingent Liabilities And Material Litigation / Arbitration Proceedings

(i) Working Capital

The Directors of HYB are of the opinion that barring any unforeseen circumstances and after taking into account the cashflow forecast, banking facilities available and the gross proceeds from the Public Issue, the HYB Group will have adequate working capital for its current and future requirements.

(ii) Borrowings

As at 16 September 2002, being the latest practicable date prior to the printing of this Prospectus, the HYB Group has:

Long-term borrowings

- (a) Term loan facilities totalling RM5,000,000 whereby the amount outstanding is RM318,199.00.

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11. FINANCIAL INFORMATION (Cont'd)

Short-term borrowings

- (a) Total existing overdraft facilities amounting to RM4,985,000 whereby the amount outstanding is RM3,759,913.55;
- (b) Total revolving loan facilities amounting to RM33,603,205.76 whereby the amount outstanding is RM33,603,205.76; and
- (c) Hire purchase commitments of RM118,322.28.

All of the borrowings disclosed above are interest bearing.

Save as disclosed in this Prospectus, the HYB Group does not have any other borrowings and indebtedness in the form of borrowings, including bank overdraft and liabilities under acceptances or hire purchase.

(iii) Contingent Liabilities

Save as disclosed below, as at 16 September 2002 being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus, the Group does not have any other material contingent liabilities:

- (a) The Company is a corporate guarantor for a term loan facility of RM5,000,000 granted to its subsidiary, AMISB by RHB Bank Berhad. The amount outstanding as at 16 September 2002 is RM318,199.00.
- (b) The Company is a corporate guarantor for an overdraft facility of RM1,535,000 granted to its subsidiary, GPSB by RHB Bank Berhad. The amount outstanding as at 16 September 2002 is RM597,535.29.
- (c) Letters of guarantee granted to the HYB Group by OCBC Bank (Malaysia) Berhad. As at 16 September 2002, a total of RM1,116,850 has been issued.

(iv) Material Litigation / Arbitration Proceedings

Save as disclosed in section 15.8, the HYB Group is presently not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of the HYB Group and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of HYB and its subsidiaries.

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11. FINANCIAL INFORMATION (Cont'd)

11.6 Consolidated Profit Forecast

The Directors of HYB forecast that, in the absence of unforeseen circumstances, the Group's results for the financial year ending 31 March 2003 is as follows:

Financial Year Ending 31 March 2003	Forecast
	RM'000
Consolidated revenue	166,076
Consolidated profit before taxation and minority interest	37,735
Less: Taxation	(11,196)
Consolidated profit after taxation but before minority interest	26,539
Less: Minority interest	(527)
Consolidated profit after taxation and minority interest	26,012
Weighted average number of ordinary shares after adjustments for Bonus Issue ('000)	82,492
Enlarged number of ordinary shares in issue ('000)	90,000
Based on weighted average number of ordinary shares after adjustments for Bonus Issue	
(i) Gross EPS (sen)	44.86
(ii) Net EPS (sen)	31.53
(iii) Gross PE Multiple based on the Issue/Offer price of RM1.75 per ordinary share (times)	3.90
(iv) Net PE Multiple based on the Issue/Offer price of RM1.75 per ordinary share (times)	5.55
Based on enlarged number of ordinary shares in issue	
(i) Gross EPS (sen)	41.11
(ii) Net EPS (sen)	28.90
(iii) Gross PE Multiple based on the Issue/Offer price of RM1.75 per ordinary share (times)	4.26
(iv) Net PE Multiple based on the Issue/Offer price of RM1.75 per ordinary share (times)	6.06

The principal assumptions upon which the consolidated profit forecast has been made are set out in the report as prepared by the Auditor's which is set out in Section 11.8 below.

11. FINANCIAL INFORMATION (Cont'd)**11.7 Sensitivity Analysis****(i) Variations in Revenue**

A sensitivity analysis on the HYB Group's forecasted consolidated PBT for the financial year ending 31 March 2003 based on deviation of 5% - 10% on the Group's revenue is set out below:

Forecasted PBT RM' 000	After Effect RM' 000	Change %	After Effect RM' 000	Change %
	<----- + 5% ----->		<----- - 5% ----->	
37,735	40,038	6%	35,431	-6%
	<----- + 10% ----->		<----- - 10% ----->	
37,735	42,341	12%	33,128	-12%

Revenue represents:

- sales value of completed houses/buildings sold; and
- proportionate sales value of houses/buildings under construction which have been sold according to stages of completion.

As shown in the table above, a 10% increase in selling price of development properties is expected to increase the HYB Group's PBT by 12% as compared to the forecasted PBT of RM37,735,000. A 10% decrease in selling price of development properties is expected to reduce the HYB Group's PBT by 12% as compared to the forecasted PBT of RM37,735,000.

(ii) Variations in Cost of Sales

A sensitivity analysis on the HYB Group's forecasted consolidated PBT for the financial year ending 31 March 2003 based on deviation of 5% - 10% on the Group's cost of sales is set out below:

Forecasted PBT RM' 000	After Effect RM' 000	Change %	After Effect RM' 000	Change %
	<----- + 5% ----->		<----- - 5% ----->	
37,735	31,734	-16%	43,735	16%
	<----- + 10% ----->		<----- - 10% ----->	
37,735	25,734	-32%	49,736	32%

As shown in the above, a 10% increase in the cost of sales is expected to decrease the HYB Group's PBT by 32% as compared to forecasted figure of RM37,735,000. A 10% decrease in the cost of sales is expected to increase the HYB Group's PBT by 32% as compared to forecasted figure of RM37,735,000.

11. FINANCIAL INFORMATION (Cont'd)**(iii) Variations in Operating and Administrative Expenses**

A sensitivity analysis on the HYB Group's forecasted consolidated PBT for the financial year ending 31 March 2003 based on deviation of 5% - 10% on the Group's operating and administrative expenses is set out below:

Forecasted PBT	After Effect	Change	After Effect	Change
RM' 000	RM' 000	%	RM' 000	%
	<----- + 5% ----->		<----- - 5% ----->	
37,735	37,431	-1%	38,039	1%
	<----- + 10% ----->		<----- - 10% ----->	
37,735	37,127	-2%	38,343	2%

As shown in the table above, a 10% increase in operating and administrative expenses is expected to decrease the HYB Group's PBT by 2% as compared to the forecasted PBT of RM37,735,000. A 10% decrease in operating and administrative expenses is expected to increase the HYB Group's PBT by 2% as compared to the forecasted PBT of RM37,735,000.

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11. FINANCIAL INFORMATION (Cont'd)

11.8 Auditors' Letter On The Consolidated Profit Forecast
(Prepared for inclusion in this Prospectus)



AF: 0039

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26 September 2002

The Board of Directors
Hua Yang Berhad
123A, Jalan Kampar
30250 Ipoh
Perak Darul Ridzuan

Dear Sirs

CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2003

We have reviewed the accounting policies and the calculations for the forecast consolidated profit after taxation and minority interests of Hua Yang Berhad (the "Company") and its subsidiary companies (collectively known as the "Group"), for which the directors are solely responsible, for the year ending 31 March 2003, as set out in sections 2.7 and 11.6 of the Prospectus to be dated 30 September 2002 in connection with the following proposals:

- i) Public Issue of 12,871,000 new ordinary shares of RM1.00 each at an issue price of RM1.75 per ordinary share comprising:
 - a) 2,832,000 new ordinary shares of RM1.00 each available for application by Directors and eligible employees of the Group;
 - b) 8,000,000 new ordinary shares of RM1.00 each by way of placement; and
 - c) 2,039,000 new ordinary shares of RM1.00 each available for application by the Malaysian Public;
- ii) Offer for Sale of 27,000,000 ordinary shares of RM1.00 each to Bumiputera Investors approved by the Ministry of International Trade and Industry at an offer price of RM1.75 per ordinary share; and
- iii) Listing and quotation for the entire enlarged issued and paid-up share capital of the Company comprising 90,000,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.

11. FINANCIAL INFORMATION (Cont'd)



In our opinion, the forecast consolidated profit after taxation and minority interests, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors as set out in sections 2.7 and 11.6 of the Prospectus, and is stated on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ernst & Young' written in a cursive style.

Ernst & Young AF:0039
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Leong Keng Yuen' written in a cursive style.

Leong Keng Yuen - 1851/09/03 (J)
Partner

Ipoh, Perak Darul Ridzuan, Malaysia

11. FINANCIAL INFORMATION (Cont'd)

**CONSOLIDATED PROFIT FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEAR
ENDING 31 MARCH 2003**

(Prepared for inclusion in this Prospectus)

**HUA YANG BERHAD
CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 31 MARCH 2003**

The Directors of the Company estimates that, barring unforeseen circumstances, the consolidated profit forecast for the year ending 31 March 2003 will be as follows: -

	Profit Forecast For The Year Ending 31 March 2003 <u>RM'000</u>
Consolidated profit after taxation and minority interest	<u>26,012</u>
Net earnings per share	<u>RM0.31⁽¹⁾</u>

Note

- (1) This is derived based on the weighted average number of ordinary shares in issue of 82,491,917 shares during the year.

11. FINANCIAL INFORMATION (Cont'd)

**HUA YANG BERHAD
CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 31 MARCH 2003**

The principal bases and assumptions upon which the consolidated profit forecast have been prepared are as follows: -

- i) There will be no significant changes in the existing structure and principal activities of the Group.
- ii) There will be no significant changes in the management structure, operating and accounting policies currently adopted by the Group.
- iii) There will be no significant changes in the current demand and the prevailing market conditions, which will adversely affect the Group's performance and business of its major customers, suppliers and stakeholders.
- iv) There will be no significant changes in the present legislation or government regulations, rates and basis of tariff, levies and taxes affecting the Group's activities.
- v) There will be no major industrial disputes, economic and political changes or any abnormal circumstances, which will adversely affect the operations of the Group.
- vi) Existing financing facilities will continue to be available to the Group and at the prevailing interest rates for 2002.
- vii) The inflation rate and exchange rates of foreign currencies will not change significantly from their present levels.
- viii) Capital expenditure programmes will take place as planned and there will be no material acquisitions or disposals of property, plant and equipment and investments other than those planned.
- ix) The Group will continue to attract and retain key personnel to sustain its growth.
- x) Approvals, licences and other authorisations from the relevant authorities for the Group's property development projects will be obtained as planned.
- xi) The Group's property development projects will be launched, developed and sold as planned.

11. FINANCIAL INFORMATION (Cont'd)

**HUA YANG BERHAD
CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 31 MARCH 2003 (CONT'D)**

- xii) The taxation of the Group will be as forecasted and the Group will not be subjected to any material back taxes or real property gains taxes on past transactions.
- xiii) There will be no significant incidence of bad debts, liquidated ascertained damages or claims of defects by property purchasers.

11. FINANCIAL INFORMATION (Cont'd)**11.9 Directors' Comments On Consolidated Profit Forecast*****Consolidated Profit Forecast For The Financial Year Ending 31 March 2003 ("FY2003")***

Revenue in FY2003 is forecasted to increase to RM166 million or at a rate of approximately 67%. Demand for the Group's low to medium-cost terrace houses in Taman Pulai Indah and Bandar Universiti is expected to remain strong.

The profit before tax is forecasted to be RM37.7 million or at a margin of 23%.

The Group is expected to achieve a profit after tax and minority interest of RM26.0 million in FY2003, an increase of approximately 54% if compared to FY2002.

The Directors of HYB have reviewed and analysed the reasonableness of the bases and assumptions used in arriving at the profit forecast for the financial year ending 31 March 2003 and are of the opinion that the profit forecast for the financial year ending 31 March 2003 to be true and fair in the light of the future prospects of the industry, future plans and strategies, level of gearing, liquidity and working capital requirements to be adopted by the Company.

11.10 Dividend Forecast

It is the policy of the Directors of HYB in recommending dividends to allow shareholders to participate in the profits of HYB as well as leaving adequate reserves for the future growth of HYB.

Based on the Issue/Offer price of RM1.75 per share, the gross dividend yield per share would be approximately 2.86% and the net dividend cover is 8.03 times based on the forecasted earnings for the financial year ending 31 March 2003. The gross dividend rate is forecasted at 5.00%.

Financial year ending 31 March 2003	Forecast RM'000
Consolidated profit before taxation and minority interest	37,735
Less: Taxation	(11,196)
Consolidated profit after taxation but before minority interests	<u>26,539</u>
Less: Minority Interest	(527)
Consolidated profit after taxation and minority interests	<u>26,012</u>
Less: Proposed dividend (less 28% tax)	(3,240)
Retained profit for the year	<u>22,772</u>
Gross dividend per ordinary share (sen)	5.00
Net dividend per ordinary share (sen)	3.60
Gross dividend yield based on the Issue/Offer price of RM1.75 per ordinary share (%)	2.86
Net dividend yield based on the Issue/Offer price of RM1.75 per ordinary share (%)	2.06
Gross dividend cover (times)	8.22
Net dividend cover (times)	8.03

Investors should note that future dividends might be waived if:

- (a) the results of the HYB Group differ significantly from that of its forecast; or
- (b) the payment of the dividends would adversely affect the HYB Group's cashflows and operations.

11. FINANCIAL INFORMATION (Cont'd)

11.11 Reporting Accountants' Letter On The Proforma Consolidated Balance Sheets As At 31 March 2002

(Prepared for inclusion in this Prospectus)



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26 September 2002

The Board of Directors
Hua Yang Berhad
123A, Jalan Kampar
30250 Ipoh
Perak Darul Ridzuan

Dear Sirs

PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2002

We have reviewed the presentation of the pro forma consolidated balance sheets of Hua Yang Berhad (the "Company") and its subsidiary companies (collectively known as the "Group") as at 31 March 2002 together with the notes thereto, for which the directors are solely responsible, as set out in section 2.4 of the Prospectus to be dated 30 September 2002 in connection with the following proposals:

- i) Public Issue of 12,871,000 new ordinary shares of RM1.00 each at an issue price of RM1.75 per ordinary share comprising the following:
 - a) 2,832,000 new ordinary shares of RM1.00 each available for application by Directors and eligible employees of the Group;
 - b) 8,000,000 new ordinary shares of RM1.00 each by way of placement; and
 - c) 2,039,000 new ordinary shares of RM1.00 each available for application by the Malaysian Public;
- ii) Offer for Sale of 27,000,000 ordinary shares of RM1.00 each to Bumiputera Investors approved by the Ministry of International Trade and Industry at an offer price of RM1.75 per ordinary share; and
- iii) Listing and quotation for the entire enlarged issued and paid-up share capital of the Company comprising 90,000,000 ordinary shares of RM1.00 each on the Main Board of the Kuala Lumpur Stock Exchange.

11. FINANCIAL INFORMATION (Cont'd)



In our opinion, the pro forma consolidated balance sheets of Hua Yang Berhad as at 31 March 2002, which are provided for illustrative purposes only, have been properly compiled to reflect the transactions as referred to in the notes to the pro forma balance sheets set out in section 2.4 of the Prospectus.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Leong Keng Yuen', written over a faint grid background.

Ernst & Young AF:0039
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Leong Keng Yuen', written over a faint grid background.

Leong Keng Yuen - 1851/09/03 (J)
Partner

Ipoh, Perak Darul Ridzuan, Malaysia

11. FINANCIAL INFORMATION (Cont'd)

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2002*(Prepared for inclusion in this Prospectus)*

	Audited as at 31 March 2002 RM'000	After Public Issue RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	35,485	35,485
Land and development expenditure	79,157	79,157
Goodwill on consolidation	11,730	11,730
Long term receivables	3,850	3,850
Deferred expenditure	677	677
	130,899	130,899
CURRENT ASSETS		
Inventories	634	634
Development properties	33,193	33,193
Trade receivables	29,723	29,723
Other receivables, deposits and prepayments	4,396	1,896
Cash and bank balances	1,482	6,506
	69,428	71,952
CURRENT LIABILITIES		
Trade payables	33,895	33,895
Other payables and accruals	11,761	9,261
Bank borrowings	40,005	25,005
Taxation	2,590	2,590
	88,251	70,751
NET CURRENT (LIABILITIES)/ASSETS	(18,823)	1,201
	112,076	132,100
SHAREHOLDERS' EQUITY AND LONG TERM LIABILITIES		
Share Capital	77,129	90,000
Share Premium	-	7,153
Reserves	20,302	20,302
	97,431	117,455
Minority Interests	143	143
Deferred Liabilities	14,502	14,502
	112,076	132,100
Net Tangible Assets Per Share (RM)	1.11	1.17

11. FINANCIAL INFORMATION (Cont'd)

**HUA YANG BERHAD
NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**

The proforma consolidated balance sheets which are based on the audited consolidated balance sheet of Hua Yang Berhad as at 31 March 2002, have been prepared on accounting policies and basis consistent with those normally adopted in the preparation of the financial statements and are provided for illustrative purposes only to show the effects of the Public Issue as stated below, on the assumption they were effected on 31 March 2002:

The Public Issue of 12,871,000 new ordinary shares of RM1.00 each at an issue price of RM1.75 per share comprising the following:

- a) 2,832,000 new ordinary shares of RM1.00 each available for application by Directors and eligible employees of the Group;
- b) 8,000,000 new ordinary shares of RM1.00 each by way of placement; and
- c) 2,039,000 new ordinary shares of RM1.00 each available for application by the Malaysian Public.

The estimated share issue expenses of RM2,500,000 is paid and written off against the share premium arising therefrom. A portion of the proceeds from the Public Issue of RM15,000,000 will be used for settlement of bank borrowings.