

# PROSPECTUS

## FOREMOST HOLDINGS BERHAD

*(Co No. 463440-X)*

*(Formerly known as Foremost Kenn Kenn Berhad)*

### PUBLIC ISSUE OF

**7,800,000 NEW ORDINARY SHARES OF RM1.00 EACH**

**AT AN ISSUE PRICE OF RM1.70 PER ORDINARY SHARE**

**PAYABLE IN FULL ON APPLICATION**

### ADVISER AND MANAGING UNDERWRITER



## UTAMA MERCHANT BANK BERHAD

*(Company No. 23878-X)*

*(Incorporated in Malaysia)*

This Prospectus is dated 26 June 2000

**THE APPROVAL OF THE SECURITIES COMMISSION SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION RECOMMENDS THE PUBLIC ISSUE SHARES OF 7,800,000 NEW ORDINARY SHARES OF RM1.00 EACH IN FOREMOST HOLDINGS BERHAD AT AN ISSUE PRICE OF RM1.70 PER NEW ORDINARY SHARE. INVESTORS ARE ADVISED TO MAKE THEIR OWN INDEPENDENT ASSESSMENT OF FOREMOST HOLDINGS BERHAD AND SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF INVESTING IN THE PUBLIC ISSUE SHARES.**

**THE PUBLIC ISSUE PRICE OF RM1.70 PER SHARE WAS ENTIRELY DETERMINED AND AGREED UPON BY FOREMOST HOLDINGS BERHAD AND UTAMA MERCHANT BANK BERHAD BASED ON VARIOUS RELEVANT FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASES USED.**

**A COPY OF THIS PROSPECTUS HAS BEEN LODGED WITH AND REGISTERED BY THE REGISTRAR OF COMPANIES, MALAYSIA WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.**

**THE KUALA LUMPUR STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. THE ADMISSION TO THE OFFICIAL LIST OF THE SECOND BOARD OF THE KUALA LUMPUR STOCK EXCHANGE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF FOREMOST HOLDINGS BERHAD OR ITS ORDINARY SHARES.**

**THE REPORTING ACCOUNTANTS' RESPONSIBILITY WITH REGARD TO THIS PROSPECTUS DOES NOT EXTEND BEYOND THE ACCOUNTANTS' REPORT, THE CONSOLIDATED PROFIT FORECAST AND THE PROFORMA CONSOLIDATED BALANCE SHEET. APART FROM THE ABOVEMENTIONED, THE REPORTING ACCOUNTANTS HAVE HAD NO INVOLVEMENT IN THE PREPARATION OF THIS PROSPECTUS.**

## DEFINITIONS

Unless specifically stated otherwise, the abbreviations below will apply throughout this Prospectus: -

“FOREMOST” or “the Company”	: Foremost Holdings Berhad (463440-X) (Formerly known as Foremost Kenn Kenn Berhad)
“FOREMOST Group” or “the Group”	: FOREMOST and its subsidiary companies namely FMA, KKAA, YKS, FMSB and ABC
“FMA”	: Foremost Audio Sdn Bhd (187042-D)
“KKAA” or “KKAA Group”	: Kenn Kenn Auto Accessories & Services Sdn Bhd (54761-W) and its subsidiary, Auto Bargain Centre Sdn. Bhd (“ABC”) (147246-W) (formerly known as Kenn Kenn Auto Sdn. Bhd)
“YKS”	: Yaku Shin (M) Sdn. Bhd (286628-T)
“FMSB”	: Fomak Marketing Sdn. Bhd (458632-U)
“KMSB”	: Kenn Kenn Management Sdn. Bhd (365164-M)
“Orbitmas”	: Orbitmas Sdn. Bhd (364854-P)
“Internal Equity Restructuring”	: Transfer of 695,917 ordinary shares of RM1.00 each in FMA by KMSB to the existing shareholders of FMA
“FMA Acquisition”	: Acquisition by FOREMOST of the entire issued and paid-up share capital of FMA comprising 11,800,012 ordinary shares of RM1.00 each for a total purchase consideration of RM29,921,703 which was fully satisfied by the issuance of 27,201,548 new ordinary shares of RM1.00 each in FOREMOST at an issue price of RM1.10
“KKAA Acquisition”	: Acquisition by FOREMOST from FMA the entire issued and paid-up share capital of KKAA comprising 5,388,000 ordinary shares of RM1.00 each for a total cash consideration of RM11,687,026
“YKS Acquisition”	: Acquisition by FOREMOST from FMA of 58.75% of the issued and paid-up share capital of YKS comprising 2,350,002 ordinary shares of RM1.00 each for a total cash consideration of RM4,081,417
“FMSB Acquisition”	: Acquisition by FOREMOST from FMA the entire issued and paid-up share capital of FMSB comprising 2 ordinary shares of RM1.00 each for a total negative purchase consideration of RM328,651
“Acquisitions”	: FMA Acquisition, KKAA Group Acquisition, YKS Acquisition and FMSB Acquisition, collectively

**DEFINITIONS**

“Special Bumiputra Issue” or “Special Bumi Issue”	: Special Bumiputra Issue of 5,350,000 new ordinary shares of RM1.00 each at a Special Bumiputra Issue Price of RM1.05 per share to Dato’ Mohd Radzi bin Manan, Mohamad Azlan bin Faizul, Mohamed Fathil bin Kassim, Hasan bin Buyong and Merit Version Sdn. Bhd.
“Rights Issue”	: Rights Issue of 3,498,450 new ordinary shares of RM1.00 each in FOREMOST at an issue price of RM1.05 per share on the basis of approximately RM0.12 per new ordinary shares for each existing ordinary share held in FOREMOST after the Acquisitions
“Restructuring Scheme”	: The Restructuring Scheme entails the following proposals:-  i) Internal Equity Restructuring; ii) Acquisition of FMA; iii) Acquisition of KKAA Group, YKS and FMSB from FMA; iv) Rights Issue; and v) Special Bumiputra Issue.
“Flotation Scheme”	: The Flotation Scheme entails the following Proposals:-  i) Public Issue; ii) Listing of and quotation for the entire enlarged issued and paid-up share capital of FOREMOST comprising of 43,850,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.
“Public Issue”	: Public Issue of 7,800,000 new ordinary shares of RM1.00 each at a public issue price of RM1.70 per ordinary share payable on application
“MIDF”	: MIDF Consultancy and Corporate Services Sdn Bhd (11324-H)
“MCD”	: Malaysian Central Depository Sdn Bhd (165570-W), a subsidiary of the KLSE
“CDS”	: Central Depository System
“MITI”	: Ministry of International Trade and Industry
“FIC”	: Foreign Investment Committee
“SC”	: Securities Commission
“KLSE”	: Kuala Lumpur Stock Exchange
“ROC”	: Registrar of Companies
“ADA”	: Authorised Depository Agent
“ISO 9002”	: Quality Management Systems from Sirim
“SGS ISO 9002”	: Quality Management Systems from Societe Generale de Surveillance

**DEFINITIONS**

“ADA Code”	:	ADA (Broker) Code
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“OEM”	:	Original Equipment Manufacturers
“ODM”	:	Original Design Manufacturers
“E&E”	:	Electrical and Electronics Industry
“NTA”	:	Net tangible assets
“EPS”	:	Earnings per share
“PE”	:	Price earnings
“UMBB” or “Utama Merchant”	:	Utama Merchant Bank Berhad (23878-X)

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# FOREMOST HOLDINGS BERHAD

(Company No. 463440-X)  
(Formerly known as Foremost Kenn Kenn Berhad)  
(Incorporated in Malaysia under the Companies Act 1965)

## 1. SUMMARY INFORMATION

The summary information set out below is derived from, and should be read in conjunction with, the full text of this Prospectus.

### 1.1 History and Principal Activities

FOREMOST was incorporated as a public company in Malaysia under the Companies Act, 1965 on 3<sup>rd</sup> June 1998. Its principal activity is investment holding.

The FOREMOST Group is a comprehensive speaker manufacturer that produces general audio speakers, automobile speakers, Hi-Fi speaker systems and home theatre systems. The Group operates within the E&E industry and provides an extensive range of audio products in the form of speakers. It is responsible for the design, procurement of relevant materials and consequently the manufacture and assembly of audio speakers.

Both FMA and YKS produce OEM products specifically for the export market, which spans over several continents. The FOREMOST Group exports over 80% of their products to countries around the world, mainly to the United States and Japan. FOREMOST specialises in manufacturing automobile and home audio speaker systems for a wide base of multinational electronics firms producing product brands like Alpine, Clarion, Denon, Grundig, Kenwood, Onkyo, Panasonic, Sony, Hitachi, Yamaha, Sharp, JVC, Philips, Pioneer and Radio Shack. The FOREMOST Group is also an ODM company that manufactures its own line of speakers such as 'Conqueror', 'Man Audio' and 'Kennway'.

The following entails the principal activities of FOREMOST and its subsidiary companies: -

<b>Subsidiary</b>	<b>% Held</b>	<b>Principal Activities</b>
FMA	100	Manufacture of automobile, home audio and general audio speakers.
KKAA	100	Retailing of the full range of auto accessories including automobile repairs and maintenance, automobile audio and video installation, tyres and sports rims. Franchisor for the Kenn Kenn Franchise Scheme ("Kenn Kenn AutoNet").
YKS	58.75	Manufacture of Hi-Fi Speaker Systems, home theatre speaker systems, multimedia computer speakers and wooden speaker boxes with/without speakers.
FMSB	100	Marketing subsidiary of the FOREMOST Group including the Group's in-house brands 'Conqueror', 'Man Audio' and 'Kennway'.
<b><u>Subsidiary of KKAA</u></b>		
ABC	100	Master Franchisee for the Kenn Kenn Franchise Scheme ("Kenn Kenn AutoNet"), auto repairs and auto accessories.

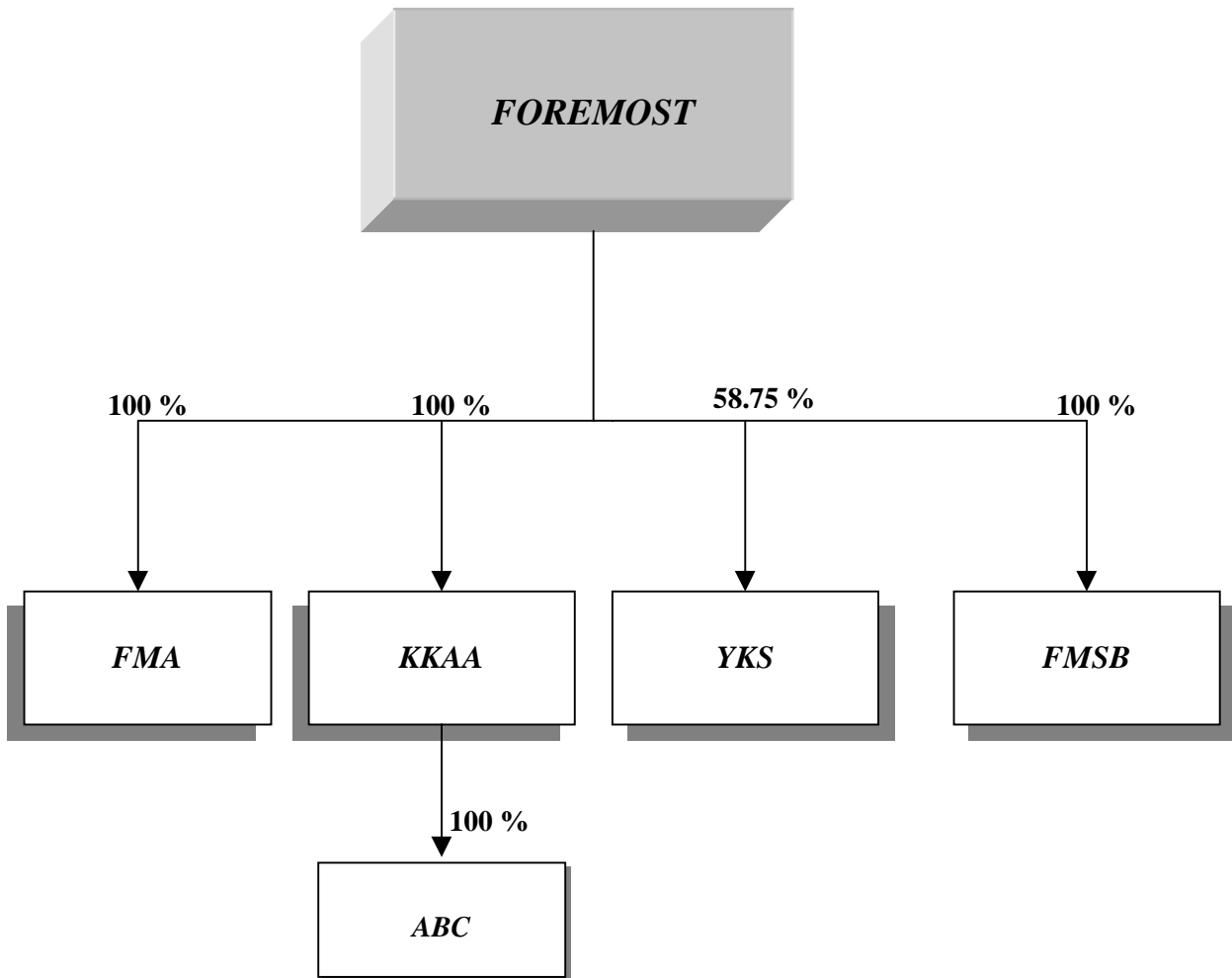


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**1. SUMMARY INFORMATION (Cont'd)**

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The Company Structure of FOREMOST and its subsidiary companies is illustrated below in diagrammatic format: -



## 1. SUMMARY INFORMATION (Cont'd)

### 1.2 Financial Record

The following table sets out the audited proforma consolidated results of FOREMOST Group for the last five (5) financial years ended 31 December 1999 and was prepared based on the adjusted audited results of the FOREMOST Group and on the assumption that the Group has been in existence throughout the periods under review.

The proforma consolidated results are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11: -

Year Ended 31 December	1995 <sup>(i)</sup> RM'000	1996 <sup>(i)</sup> RM'000	1997 <sup>(i)</sup> RM'000	1998 <sup>(i)</sup> RM'000	1999 <sup>(i)</sup> RM'000
Turnover	63,149	90,073	131,624	151,814	127,041
Profit before depreciation and interest	5,252	8,287	12,869	13,342	13,860
Depreciation	(856)	(1,005)	(1,466)	(1,810)	(1,907)
Interest Expense	(1,009)	(1,563)	(1,869)	(2,282)	(1,771)
Interest Income	3	11	33	62	146
Profit before taxation and minority interest <sup>(iii)</sup>	3,390	5,730	9,567	9,312	10,328
Taxation <sup>(iv)</sup>	(409)	(2,064)	(2,230)	(2,048)	(233)
Profit after taxation but before minority interest	2,981	3,666	7,337	7,264	10,095
Minority Interest	182	(72)	(475)	(1,133)	(1,620)
Profit after tax and minority interest	3,163	3,594	6,862	6,131	8,475
No. of ordinary shares assumed to be in issue <sup>(vii)</sup> ('000)	30,700	30,700	30,700	30,700	30,700
Gross EPS (sen)* <sup>(vi)</sup>	11.0	18.7	31.2	30.3	33.6
Net EPS (sen)	10.3	11.7	22.4	20.0	27.6

\* Based on pretax profit before minority interest and on number of new shares in issue.

#### Notes:

- (i) The Proforma Consolidated results of the FOREMOST Group are prepared for illustrative purposes only and are based on the audited accounts of FMA, KKAA Group, YKS and FMSB.
- (ii) The financial year-end for YKS has been changed from 30 April to 31 December in 1998. In preparing the proforma consolidated profit and loss account, the results of YKS prior to 31 December 1998 was time apportioned to 31 December.
- (iii) The increase in profit before taxation from 1995 to 1997 is due to the increase in turnover and gross margin of the Group. However, the profit before taxation in 1998 is reduced due to an increase in operating cost of KKAA and the operating loss suffered by FMSB which commenced operations in the second half of 1998. The increase in profit before taxation for the year ended 31 December 1999 is mainly due to an increase in gross margin.

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**1. SUMMARY INFORMATION (Cont'd)**


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- (iv) *The effective tax rates for the Group in the years ended 31 December 1995, 1997 and 1998 were lower than the statutory tax rate due to the utilisation of reinvestment allowance and capital allowance by certain subsidiary companies. The effective rate of taxation for the Group in the financial years ended 31 December 1996 was higher than the statutory tax rate due to certain expenses not being deductible for tax purposes. There is no tax charge on the income for 1999 in view of the tax waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Bill 1999. The provision for tax charge for the year ended 31 December 1999 was in respect of deferred taxation liability.*
- (v) *There were no exceptional items and extraordinary items during the financial years under review.*
- (vi) *The gross earnings per share is calculated based on the profit after minority interest but before taxation and extraordinary items and on the number of issued and paid-up capital of the Group at 30,700,000 ordinary shares of RM1.00 each. The net earnings per share is calculated based on the profit after taxation and minority interest and on the number of issued and paid-up capital of the Group at 30,700,000 ordinary shares of RM1.00 each.*
- (vii) *The number of ordinary shares is arrived at after the acquisition of FMA, KKAA Group, YKS and FMSB, and the Rights Issue of 3,498,450 new ordinary shares of RM1.00 each but before the Special Bumiputra Issue of 5,350,000 new ordinary shares of RM1.00 each and Public Issue of 7,800,000 new ordinary shares of RM1.00 each.*
- (viii) *All inter-company transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.*

**1.3 Principal Statistics Relating to the Public Issue**

	<b>RM</b>
<b>(i) Share Capital</b>	
<i>Authorised:-</i>	
100,000,000 ordinary shares of RM1.00 each	100,000,000
<i>Issued and fully paid-up as at the date of this Prospectus</i>	
30,700,000 ordinary shares of RM1.00 each	30,700,000
<i>To be issued pursuant to the Special Bumiputra Issue</i>	
5,350,000 new ordinary shares of RM1.00 each	5,350,000
<i>To be issued pursuant to the Public Issue</i>	
7,800,000 new ordinary shares of RM1.00 each	7,800,000
	<b><u>43,850,000</u></b>
<b>(ii) Public Issue</b>	
Issue Price per ordinary share of RM1.00 each	1.70
<b>(iii) Proforma Consolidated NTA</b>	
Proforma consolidated NTA as at 31 December 1999 ('000) (after provision for estimated listing expenses of RM1,500,000)	59,400
Proforma consolidated NTA per ordinary share (based on the enlarged issued and paid-up share capital of 43,850,000 shares of RM1.00 each)	1.35

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**1. SUMMARY INFORMATION (Cont'd)**


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<b>(iv)</b>	<b>Consolidated Profit Forecast For The Financial Year Ending 31 December 2000</b>	<b>Forecast 2000 (RM'000)</b>
	Consolidated profit before taxation but after minority interest	11,896
	Consolidated profit after taxation and minority interest	8,776
	Enlarged issue and paid-up share capital	43,850
	Weighted average number of shares in issue	35,776
	Gross EPS (sen)*	27.1
	Gross EPS (sen)**	33.2
	Net EPS (sen)*	20.0
	Net EPS (sen)**	24.5
	Gross PE multiple based on the issue price of RM1.70 per ordinary share (times)*	6.3
	Gross PE multiple based on the issue price of RM1.70 per ordinary share (times)**	5.1
	Net PE multiple based on the issue price of RM1.70 per ordinary share (times)*	8.5
	Net PE multiple based on the issue price of RM1.70 per ordinary share (times)**	6.9
	* Based on the enlarged issued and paid-up capital of 43,850,000 ordinary shares of RM1.00 each	
	** Based on the weighted number of shares in issue of 35,775,635 ordinary shares of RM1.00 each	
<b>(v)</b>	<b>Dividend Forecast For the Financial Year Ending 31 December 2000</b>	
	Net dividend rate per RM1.00 per share (sen)	5.0
	Net dividend yield (%)*	2.94
	Net dividend cover (times)#	4.0
	* Based on Issue Price of RM1.70 per share	
	# Based on the enlarged issued and paid-up share capital of RM43,850,000 ordinary shares of RM1.00 each	

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**2. CORPORATE INFORMATION**


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**DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Dato' Mohd Radzi bin Manan <i>(Executive Chairman)</i>	28, Tambun Height, 31400 Ipoh, Perak Darul Ridzuan	Company Director	Malaysian
Tang Chun Yong	9, Lorong 29, Taman Patani Jaya, 08000 Sungai Petani, Kedah Darul Aman	Company Director	Malaysian
Hu Shih Long <i>(Alternate Director to Mr. Tang Chun Yong)</i>	72-02-4, Scotland Park 10450 Pulau Pinang	Company Director	Republic of China
Tang Chung Hau <i>(Executive Director)</i>	30-A Changkat Minden, Jalan 5, 11700 Pulau Pinang	Company Director	Malaysian
Siow You <i>(Executive Director)</i>	23 Jalan SS 24/22 Taman Megah 47301 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Mohamad Azlan bin Faizul <i>(Executive Director)</i>	10E-04-06-001 Sri Kinabalu Apartments, Seksyen 10, Wangsa Maju 53300 Kuala Lumpur Wilayah Persekutuan	Company Director	Malaysian
Mohamed Fathil bin Kassim	No. 47, Lot 29 Jalan Bunga Anggerik 2 Dataran Ukay 68000 Ampang Selangor Darul Ehsan	Company Director	Malaysian
Roslan bin Ariffin <i>(Independent Non-Executive Director)</i>	110 Jalan BRP 7/3A Bukit Rahman Putra Sungai Buloh 47000 Selangor Darul Ehsan	Company Director	Malaysian
Norzita binti Rabaai <i>(Independent Non-Executive Director)</i>	52, Lintasan Rokam 3A Pekan Razaki 31350 Ipoh Perak Darul Ridzuan	Company Secretary	Malaysian

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**2. CORPORATE INFORMATION (Cont'd)**

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**AUDIT COMMITTEE**

<b>Name</b>	<b>Responsibility</b>	<b>Directorship</b>
Roslan Bin Ariffin	Chairman of the Committee	Independent Non-Executive Director
Norzita Binti Rabaai	Member of the Committee	Independent Non-Executive Director
Siow You	Member of the Committee	Executive Director

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**2. CORPORATE INFORMATION (Cont'd)**

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<b>COMPANY SECRETARY</b>	: Soon Guat Lian (MAICSA 0807290) 408, Block G6 Section 2, Wangsa Maju 53300 Kuala Lumpur Wilayah Persekutuan
<b>REGISTERED OFFICE</b>	: 3 <sup>rd</sup> . Floor No. 17 Jalan Ipoh Kecil 50350 Kuala Lumpur Wilayah Persekutuan
<b>PRINCIPAL BANKER</b>	: Public Bank Berhad 1 <sup>st</sup> Floor, Wisma Le Proton 134, Jalan Raja Abdullah 50300 Kuala Lumpur Wilayah Persekutuan
<b>ISSUING HOUSE</b>	: MIDF Consultancy and Corporate Services Sendirian Berhad 12 <sup>th</sup> Floor, Bangunan MIDF 195A, Jalan Tun Razak 50400 Kuala Lumpur Wilayah Persekutuan
<b>REGISTRAR</b>	: Malaysian Share Registration Services Sdn Bhd 7 <sup>th</sup> Floor, Exchange Square Bukit Kewangan 52000 Kuala Lumpur Wilayah Persekutuan
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	: Wong Liu & Partners Public Accountants 6762 Jalan Kampong Gajah 12200 Butterworth Pulau Pinang
<b>SOLICITORS</b>	: Jeff Leong, Poon & Wong Advocates & Solicitors A-11-3A, Level 11 Megan Phileo Avenue Jalan Yap Kwan Seng 50450 Kuala Lumpur Wilayah Persekutuan

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**2. CORPORATE INFORMATION (Cont'd)**

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<b>ADVISER AND MANAGING UNDERWRITER</b>	:	Utama Merchant Bank Berhad (23878-X) 27th Floor, Central Plaza Jalan Sultan Ismail 50250 Kuala Lumpur Wilayah Persekutuan
<b>UNDERWRITERS</b>	:	Utama Merchant Bank Berhad (23878-X) 27th Floor, Central Plaza Jalan Sultan Ismail 50250 Kuala Lumpur Wilayah Persekutuan
	:	MIDF Sisma Securities Sdn. Bhd (A Member Company of Kuala Lumpur Stock Exchange) (423833-U) 17 <sup>th</sup> & 18 <sup>th</sup> Floor Empire Tower 182 Jalan Tun Razak 50400 Kuala Lumpur Wilayah Persekutuan
	:	Kuala Lumpur City Securities Sdn. Bhd (A Member Company of Kuala Lumpur Stock Exchange) (126994-W) 3.07 Level 3, Bangunan Angkasa Raya Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan
<b>LISTING SOUGHT</b>	:	Second Board of the Kuala Lumpur Stock Exchange



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### 3. INTRODUCTION TO THE PROSPECTUS

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This Prospectus is dated 26 June 2000.

A copy of this Prospectus has been lodged with and registered by the Registrar of Companies, Malaysia who takes no responsibility for its contents.

Approval has been obtained from the SC for FOREMOST's flotation scheme detailed in Section 7.0 of this Prospectus. The Approval of the SC shall not be taken to indicate that the SC recommends the Public Issue. Investors are advised to make their own independent assessment of FOREMOST and should rely on their own evaluation to assess the merits and risks of any investment.

Approval-in-principle from the KLSE has been obtained on 20 June 2000 for admission to the Official List of the Second Board of the KLSE for permission to deal in and for the listing of and quotation for the entire issued and fully paid-up ordinary shares of RM1.00 in FOREMOST, including the Public Issue Shares which are subject to this Prospectus. These ordinary shares will be admitted to the Official List of the Second Board of the KLSE and the official quotation will commence after the receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

**Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965, the KLSE has prescribed FOREMOST as a CDS security. In consequence thereof, the Public Issue Shares through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.**

An applicant should state his/her CDS account number in the space provided in the Application Form if he/she presently has such an account. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code. Where an applicant already has a CDS account, he/she should not complete the preferred ADA Code.

The SC and KLSE assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the KLSE Second Board is not to be taken as an indication of the merits of the Company or of its shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by FOREMOST. Neither the delivery of this Prospectus nor any Public Issue Shares made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of FOREMOST or the Group since the date hereof.

The distribution of this Prospectus in relation to the Public Issue Shares is subject to Malaysian law and the Company takes no responsibility for the distribution of this Prospectus and the sale of the Public Issue Shares outside Malaysia. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such invitation is not authorised or lawful or to any person to whom it is unlawful to make such Public Issue or invitation.

**If you are in any doubt of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser.**

#### 4. MORATORIUM ON THE SALE OF SHARES

The SC in approving the flotation of FOREMOST on the Second Board of the KLSE has imposed a moratorium on the disposal of shares by the promoters/substantial shareholders of FOREMOST.

It is also a condition of the SC that the promoters/substantial shareholders of FOREMOST will not be allowed to sell, transfer or assign their respective shareholdings in FOREMOST amounting to 19,732,500 ordinary shares of RM1.00 each, representing 45% of the issued and paid-up share capital of FOREMOST within one (1) year from the date of admission of FOREMOST to the Official List of the Second Board of the KLSE. Thereafter, the promoters/substantial shareholders are permitted to divest or transfer up to a maximum of one-third per annum on a straight line basis of their respective shareholding in FOREMOST which is under moratorium for each subsequent year.

The restriction is specifically endorsed on the share certificates and notices of allotment representing the respective shareholdings of the promoters/substantial shareholders which are under moratorium to ensure that trading of these shares are not allowed in compliance with the restriction imposed by the KLSE. The restriction is fully accepted by the promoters/substantial shareholders and the public is deemed to have notice of this restriction.

The shareholdings of the promoters/substantial shareholders after the Public Issue which are under moratorium as imposed by the SC and KLSE are set out below:

<b>Promoters/Substantial Shareholder</b>	<b>No. of FOREMOST Shares under Moratorium</b>	<b>% of enlarged share capital</b>
Dato' Mohd Radzi bin Manan	6,704,840	15.30
Mohamad Azlan bin Faizul	2,106,660	4.80
Tang Chun Yong	990,000	2.26
Tang Chung Hau	951,000	2.17
Hu Shih-Long	879,000	2.00
Ng Kim Weng	201,000	0.46
Tan Choon Huat	1,800,000	4.10
Kenn Kenn Management Sdn. Bhd	2,700,000	6.16
Orbitmas Sdn. Bhd	3,400,000	7.75
<b>Total</b>	<b>19,732,500</b>	<b>45.00</b>

In compliance with Section 10.12 of SC's Policies and Guidelines on Issue/Offer of Securities, all the promoters/substantial shareholders of FOREMOST indicated on the above table have given undertakings to the SC that they will not sell, assign or transfer their direct and indirect shareholding in FOREMOST from the date of admission of FOREMOST to the Official List of the Second Board of the KLSE to the expiry of the moratorium period imposed on promoters/substantial shareholders of FOREMOST listed on the above table, by the SC for the sale of FOREMOST shares.

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## 5. INVESTMENT CONSIDERATION AND RISK FACTORS

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Applicants for the Public Issue Shares should carefully consider the following in addition to the other information contained elsewhere in this Prospectus, before applying for the Public Issue Shares.

**(i) No prior market for FOREMOST's shares**

Prior to this Public Issue, there has been no public market for FOREMOST's shares. Consequently, the issue price of RM1.70 per Issue Share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in the businesses similar to that of the Group and the prevailing market conditions at the time the application for FOREMOST's listing was submitted to the SC. No assurance can be given that an active trading market for FOREMOST shares will develop upon its listing on the Second Board of the KLSE, or, if developed, that such market will be sustained.

**(ii) Industry Risk**

The FOREMOST Group is subject to certain risks inherent in the electrical and electronics (E&E) industry. These include the macro effects of world, regional and local economic cycles, the entry of new local and foreign players, the introduction of competitive manufacturing and other technologies and new legislation or regulations which could adversely impact the competitive environment in which FOREMOST operates. Although the Group seeks to limit these risks, no assurance can be given that any changes to these factors will not have a material adverse effect on the group's business.

The E&E industry is highly competitive with numerous players which include both private and public listed companies. The Directors consider that the Group has developed a competitive advantage as the FOREMOST Group specialises in manufacturing automobile and home audio speaker systems for a wide base of multinational electronics firms producing product brands like Alpine, Clarion, Denon, Grundig, Kenwood, Onkyo, Panasonic, Sony, Hitachi, Yamaha, Sharp, JVC, Philips, Pioneer and Radio Shack. The FOREMOST Group also manufactures car speaker systems for automobile manufacturers and assemblers like Daihatsu Motor Co. Ltd., Mitsubishi Motors Australia Ltd., General Motors Holdens Automotive Ltd., Perusahaan Otomobil Nasional Berhad, Kah Motor Car Sdn. Bhd. (Honda), MBf Peugeot Sdn. Bhd., Toyota (Malaysia) Sdn. Bhd., Edaran Motor Tan Chong (Nissan) Sdn. Bhd. and Suzuki Motor Corporation. The Group has also recently expanded their product range to include multimedia, high fidelity (Hi-Fi) computer speakers which is targeted at the Japanese market. This high fidelity speakers that FOREMOST manufactures has built-in amplifiers that ensures high quality sound reproduction. However, no assurance can be given that FOREMOST will be able to maintain its existing market share after listing.

## 5. INVESTMENT CONSIDERATION AND RISK FACTORS (Cont'd)

### (iii) Availability of Resources

The exponential increase in some imports has placed some companies who are reliant on expensive imported goods in financial difficulty. In the FOREMOST Group's case this is not significant as FMA and YKS have sourced on an average from 1997 to 1999 approximately 71% and 46% respectively of their raw materials locally, in order to lessen its dependence on imports. Only some parts that are nominated by the customers or unavailable in Malaysia are imported. Since the Asian economic crisis, OEMs are increasingly finding local substitutes as opposed to imports thereby expanding the local speaker components industry. It has long been the goal of the FOREMOST Group to source all raw materials from the local market because it is more cost-effective in terms of exchange rate fluctuations and prompt delivery time. The delivery lag time is too long for imported materials and it would assist the nation's austerity drive to decrease dependence on imports.

However, there are several raw material parts that have to be imported due to unavailability problems and other factors. The essential speaker components that are unavailable in Malaysia are speaker cloths, strontium and alnico magnets. There are several parts that have been nominated by the client to be purchased from one of the client's subsidiaries. These parts include the cone paper, dampers, voice coil, amplifiers and speakers. These customers are Onkyo Electronic Corporation, Japan and MYS Corporation, Japan who requests that certain components be imported from their subsidiaries in Japan. However, due to the additional costs these customers are increasingly sourcing the components locally. The FOREMOST Group has made progress in sourcing these materials from the expanding local speaker component market as tabulated below:-

Years	1997 RM	%	1998 RM	%	1999 RM	%	Average RM	%
<b>FMA Purchases</b>								
Local	12,731,082	60	18,176,919	74	17,203,945	77	16,037,315	71
Foreign	8,516,990	40	6,431,323	26	5,122,984	23	6,690,432	29
<b>YKS Purchases</b>								
Local	18,143,376	49	27,968,540	44	31,409,880	47	25,840,599	46
Foreign	18,883,922	51	35,382,926	56	35,573,466	53	29,946,771	54

The three criteria the FOREMOST Group insists on their suppliers are prompt delivery, quality parts and competitive prices. If any one of these criteria is not fulfilled by the local suppliers, the Group would have to import these items.

### (iv) Substantial Shareholders

Following the Public Issue, the substantial shareholders, of FOREMOST Group are Dato' Mohd. Radzi bin Manan, Mr. Tang Chun Yong, Mr. Tang Chung Hau, Mr. Hu Shih-Long, Mr. Tan Choon Huat, Mr. Siow You, Encik Mohamed Fathil bin Kassim, Encik Hasan bin Buyong, Mr Yoshikazu Masayoshi and Encik Mohamad Azlan bin Faizul collectively owning approximately 76%. The above mentioned parties may be able to effectively control the outcome of certain matters requiring the vote of the Company's shareholders unless required to abstain from voting by law and/or by the relevant authorities.

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**5. INVESTMENT CONSIDERATION AND RISK FACTORS (Cont'd)**

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**(v) Business Risks**

The intrinsic nature of the OEM manufacturing business does not require the use of contracts. In the normal course of business, the client would place their orders with FOREMOST and depending on the product the period of time over which orders may be placed may vary between one (1) to three (3) years. The business relationships with the OEMs have and always will be based on several important criteria. One is consistently high quality speaker products that stringently adheres to customer specifications, the other criterion is prompt and reliable delivery. The third and equally significant reason is the competitive pricing offered by FOREMOST in order to secure the long-term support and businesses of the OEMs.

Once the relationship has been established based on high quality products, timely delivery and competitive pricing, it is unlikely that the OEM customers would sever the business relationship unless one of the criteria has not been met. This is evidenced by the length of business relationship FOREMOST enjoys with their OEM customers, for example Onkyo Corporation, Japan (10 years), Pioneer Electronic (Taiwan) Corporation, Taiwan (8 years), Soshin Onkyo Works Ltd., Japan (8 years) and MYS Corporation, Japan (8 years) have been FMA's longest customers.

**(vi) Competition**

The FOREMOST Group faces competition from various competitors, which include both local and foreign electronics firms. In order to gain a competitive advantage in its selected markets, FOREMOST seeks to develop a reputation for quality design, differentiation of its products and cultivating its own brand names. FOREMOST believes that the following measures employed in the Group would maintain its competitive advantage:-

- *Efficiency of operations, evidenced by FMA and YKS obtaining the ISO 9002 (SIRIM) and ISO 9002 (SGS-UK) respectively;*
- *Competitive pricing;*
- *Constant reviewing and upgrading of technology; and*
- *Investment in Research and Development*

No assurance is given that FOREMOST will be able to maintain its existing market share in the future.

**(vii) Dependence on Key Personnel**

The Directors believe that the Group's continued success will depend, to a certain extent, upon the abilities and continued efforts of its existing Board and senior management. It has been the Group's continuing policy to train and expose its personnel so that they can be promoted to senior positions within the Group as part of its employee career advancement programme. The Group's success will also depend upon its ability to attract and retain skilled personnel. Conscious of this important factor, the Board endeavours to inculcate a family working spirit among its staff and at the same time giving attention to staff welfare.

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**5. INVESTMENT CONSIDERATION AND RISK FACTORS (Cont'd)**

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**(viii) Year 2000 (“Y2K”) Compliance (“Y2K Compliant”)**

The Board of Directors of FOREMOST was aware of the Y2K problem and had taken all necessary precautions to ensure the Group is Y2K compliant. FMA had upgraded their data software to be Y2K compliant. PRONTO uses 32 bit julian numbers for dates internally. YKS has also employed an IT staff to ensure that all their computers are Y2K compliant.

Subsequent to 31 December 1999 until presently, the Company experienced no problems with their computer hardware and software and all systems are functioning normally. FOREMOST is still continuing to monitor the Group’s computer systems for any potential threat.

Save as disclosed above and apart from normal commercial risk, the Group is not vulnerable to any specific factors or events.

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**6. SHARE CAPITAL**


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	<b>RM</b>
<i>Authorised:</i>	
100,000,000 ordinary shares of RM1.00 each	100,000,000
<i>Issued and fully paid:</i>	
30,700,000 ordinary shares of RM1.00 each	30,700,000
<i>To be issued pursuant to the Special Bumiputra Issue</i>	
5,350,000 new ordinary shares of RM1.00 each	5,350,000
<i>To be issued pursuant to the Public Issue:</i>	
7,800,000 new ordinary shares of RM1.00 each	7,800,000
	<hr/> <b><u>43,850,000</u></b> <hr/>

The issue price of RM1.70 per Public Issue Share is payable in full on application.

There is only one class of shares in FOREMOST being ordinary shares of RM1.00 each. The Special Bumi Issue Shares and the Public Issue Shares will rank pari passu in all respects with the other existing issued ordinary shares of the Company including voting rights and the rights to all dividends and distribution that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which maybe issued by the Company shall, in proportion to the amount of paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of any surplus in the event of the liquidation of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and, on the show of hands, every person present who is a shareholder or representative or proxy of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or by other duly authorised representative shall have one vote for each share held. A proxy may but need not be a member of the Company.

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**7. PARTICULARS OF THE PUBLIC ISSUE**


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**7.1 Opening and Closing of Application Lists**

The Application Lists for the Public Issue will open on 10.00 a.m. on 10 July 2000 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of FOREMOST in their absolute discretion may decide.

**7.2 Basis of Arriving at the Public Issue Price**

The Public Issue Price of RM1.70 per share can be justified as follows:

**(a) PE Multiple and Forecast Earnings**

The forecast profit after tax of FOREMOST, for the financial year ending 31 December 2000 is RM8,776,000. Based on an enlarged share capital of 43,850,000 ordinary shares of RM1.00 each, its net EPS would be 20.0 sen. Accordingly, an issue price of RM1.70 per share represents a forecast net PE multiple of 8.5 times. A comparison of the Net PE Multiple of 8.5 times with that of listed companies involved in similar business is tabulated below:

<b>Name of Listed Company</b>	<b>PE Multiple (times)</b>
FOREMOST	8.5
Dai Hwa Holdings (M) Bhd*	11.6
Formosa Prosonic Industries Berhad*	15.6

\* *Based on Bloomberg, 12 June 2000 and annual report*

**(b) Proforma Consolidated NTA**

The proforma consolidated NTA after Proposed Public Issue based on the audited accounts as at 31 December 1999 is RM59.4 million or RM1.35 per share.

The proposed issue price of RM1.70 per share represents a premium of RM0.35 or 25.9% over the NTA per share of RM1.35.

**(c) Dividend Forecast**

The Company is forecast to declare a net dividend rate of 5 sen per ordinary share for the financial year ending 31 December 2000. Based on the enlarged share capital of 43,850,000 ordinary shares of RM1.00 each, this translates into a dividend yield of 2.9% based on the proposed issue price of RM1.70 per share.

The dividend cover is 4.0 times based on the consolidated profit after taxation and minority interest of FOREMOST for the financial year ending 31 December 2000.



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**7. PARTICULARS OF THE PUBLIC ISSUE** *(cont'd)*


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The dividend yield of FOREMOST of 2.9% is reasonable compared to similar listed companies as illustrated below:

<b>Name of Listed Company</b>	<b>Net Dividend Yield (%)</b>
FOREMOST	2.9
Dai-Hwa Holdings (M) Berhad*	4.0*
Formosa Prosonic Industries Berhad*	1.2*

\* *Source: Bloomberg 12 June 2000 and annual report*

### **7.3 Details of the Public Issue**

The Public Issue of 7,800,000 new ordinary shares of RM1.00 each is an invitation by the Company to the Malaysian public and eligible employees of FOREMOST Group to apply for the Public Issue at an issue price of RM1.70 per share and is payable in full on application upon the terms and conditions of this Prospectus.

The Public Issue is subject to the terms and conditions of this Prospectus and upon acceptance, the 7,800,000 Public Issue Shares will be allocated in the following manner:-

**(a) Eligible Employees**

1,550,000 Public Issue Shares have been reserved for eligible employees of the FOREMOST Group.

**(b) Malaysian Public**

6,250,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions. At least 1,875,000 new ordinary shares or 30% is to be set aside strictly for Bumiputra individuals, companies, co-operatives, societies and institutions. The remaining 4,375,000 new ordinary shares will be made available to the general Malaysian public.

The 6,250,000 Public Issue Shares made available to the Malaysian public listed under paragraph 7.3(b) above have been fully underwritten by the Managing Underwriters and Underwriters as set out in Section 2 of this Prospectus.

The 1,550,000 Public Issue Shares in respect of paragraphs 7.3(a) above are not required to be underwritten and therefore are not underwritten. In the event that any such Public Issue Shares are not taken up by the eligible employees of FOREMOST Group, such shares will be made available for application by the Malaysian public and arrangements have been made for such shares to be fully underwritten by the Managing Underwriter.

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**7. PARTICULARS OF THE PUBLIC ISSUE (cont'd)**


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**7.4 Purposes of the Public Issue**

The purposes of the Public Issue are as follows:-

- (a) To provide an opportunity for Malaysian investors and eligible employees of FOREMOST Group to participate directly in the continuing growth of FOREMOST;
- (b) To increase the Bumiputra equity participation in FOREMOST in line with the aspiration of the National Development Policy;
- (c) To obtain a listing of and quotation for FOREMOST's entire enlarged issued and paid-up share capital of 43,850,000 ordinary shares of RM1.00 each on the KLSE Second Board; and
- (d) To enable FOREMOST to gain access to the capital market to tap external sources of debt and equity funds for the future expansion, improvement and modernisation and continued growth of FOREMOST Group.

**7.5 Proceeds from the Public Issue**

The Public Issue shall raise approximately RM13,260,000 to the Company. Together with approximately RM5,617,500 raised from the Special Bumiputra Issue and RM3,673,373 from the Rights Issue, the entire sum of approximately RM22,550,872 shall be utilised in the following manner:-

	<b>TOTAL</b>
To subscribe to a proposed rights issue in YKS (See Note 1)	2,350,000
Research & Development Expenditure (See Note 2)	1,500,000
Capital Expenditure (See Note 3)	1,400,000
Repayment in bank borrowings	5,500,000
Working capital	10,300,872
Estimated Listing expenses	1,500,000
<b>Total</b>	<b><u>22,550,872</u></b>

**Notes:-**

- (1) *Proposed Rights Issue in YKS of 4,000,004 new ordinary shares of RM1.00 each at Par Value of which FOREMOST will be entitled to subscribe up to 2,350,000 rights shares representing 58.75% of its equity interest in YKS. The Proposed utilisation for the Proposed Rights Issue in YKS is as follows:-*

	<b>RM'000</b>
1. Reduction of bank borrowings*	3,000
2. Working capital	1,000
<b>TOTAL</b>	<b><u>4,000</u></b>

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**7. PARTICULARS OF THE PUBLIC ISSUE (cont'd)**


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\* *The total borrowings for YKS as at 12 June 2000 is RM8,270,413 (latest practicable date prior to the printing of the prospectus). The above repayment would give rise to a net interest savings of RM86,187 per annum.*

(2) *The proposed utilisation for research and development for FOREMOST are as follows:-*

	<b>RM'000</b>
1. Computer hardware, plotters, scanners and software	500
2. Tooling, labour, testing equipments, materials	500
3. Set-up cost for centralisation of Group's R&D	<u>500</u>
<b>TOTAL</b>	<b><u><u>1,500</u></u></b>

*FMA's Research and Development department was set up in 1995 and is presently headed by the Managing Director of FMA, Mr. Hu Shih-Long along with 5 staff.*

(3) *The proposed utilisation for the capital expenditure for FMA is as follows: -*

	<b>RM</b>
1. Machinery and Plant Equipment	820,000
2. Computer System (Hardware, Software and Upgrades)	177,500
3. Office Equipment	102,500
4. Renovation	<u>300,000</u>
<b>TOTAL</b>	<b><u><u>1,400,000</u></u></b>

*The expenses and fees incidental to all the corporate exercises leading to the listing and quotation for the ordinary shares of FOREMOST on the Second Board of the KLSE, estimated at approximately RM1.5 million, shall be borne by the Company. The Group's total bank borrowings as at 12 June 2000 (being the latest practicable date prior to the printing of this Prospectus) is RM24,751,684. The net interest saving arising from the repayment of bank borrowings is expected to be approximately RM667,576 per annum.*

### **7.6 Brokerage and Underwriting Commission**

Brokerage is payable by the Company at the rate of 1.0% of the issue price of RM1.70 per share in respect of successful applications which bear the stamp of UMBB, member companies of the KLSE, members of the Association of Merchant Banks in Malaysia, members of the Association of Banks in Malaysia and MIDFCCS.

The Managing Underwriter and Underwriters as mentioned in Section 2 of this Prospectus have agreed to underwrite 6,250,000 new ordinary shares which are available for application by the Malaysian public. The Managing Underwriter has further agreed to underwrite any Public Issue Shares reserved but which are not taken up by the eligible employees of the FOREMOST Group. The Underwriting commission is payable by the Company in respect of the Public Issue at a rate of 1.25% of the issue price of RM1.70 per Public Issue Share.

## 8. INFORMATION ON THE FOREMOST GROUP

### 8.1 Incorporation And Principal Activities

FOREMOST was incorporated as a public company in Malaysia under the Companies Act, 1965 on 3 June 1998. Its principal activity is investment holding. FOREMOST's authorised capital is RM100,000,000 comprising of 100,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM30,700,000 divided into 30,700,000 ordinary shares of RM1.00 each.

<u>Subsidiary</u>	<u>% Held</u>	<u>Issued and Paid-Up Capital (RM)</u>	<u>Principal Activities</u>
FMA	100	11,800,012	Manufacture of automobile, home audio and general audio speakers.
KKAA	100	5,388,000	Retailing of the full range of auto accessories including automobile repairs and maintenance, automobile audio and video installation, tyres and sports rims. Franchisor for the Kenn Kenn Franchise Scheme ("Kenn Kenn AutoNet").
YKS	58.75	4,000,004	Manufacture of Hi-Fi Speaker Systems, home theatre speaker systems, multimedia computer speakers and wooden speaker boxes with/without speakers.
FMSB	100	2	Marketing subsidiary of the FOREMOST Group including the Group's in-house brands 'Conqueror', 'Man Audio' and 'Kennway'.
<b><u>Subsidiary of KKAA</u></b>			
ABC	100	100,000	Master Franchisee for the Kenn Kenn Franchise Scheme ("Kenn Kenn AutoNet"), auto repairs and auto accessories.

### 8.2 Restructuring Scheme

The Restructuring Exercise was approved by FIC on 19 August 1998 and MITI on 12 August 1998. On 11 September 1999 and 6 September 1999 the FIC and MITI approved the revisions in the Restructuring Scheme based on the revised SC guidelines. The SC approved the revised Restructuring Scheme on 23 September 1999. In the SC's Approval letter dated 23 September 1999, the Proposed Private Placement and issuance of 2,200,000 shares was rejected. The Company subsequently appealed against the decision by requesting for an additional Special Bumiputra Issue of 3,850,000 new ordinary shares to the full-time Bumiputra Directors of FOREMOST, long-term Bumiputra shareholders (i.e. Bumiputra shareholders for more than 3 years) of FOREMOST and existing Bumiputra franchisee of KKAA, Merit Version Sdn Bhd.

MITI and the FIC ratified the Special Bumiputra Issue of 3,850,000 new ordinary shares in their letters dated 30 December 1999 and 14 March 2000. The SC approved the Special Bumiputra Issue of 3,850,000 new ordinary shares in its letter dated 4 January 2000.

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## 8. INFORMATION ON THE FOREMOST GROUP (*Cont'd*)

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The Restructuring Scheme entails the following:-

(i) **Internal Equity Restructuring**

FMA had on 24 March 1997 entered into a Sale of Shares Agreement (“SSA”) with KMSB to acquire the entire equity interest in KKAA of 5,388,000 ordinary shares of RM1.00 each for RM15,000,000 or RM2.34 per share, to be satisfied by the issuance of 6,400,006 ordinary shares of RM1.00 in FMA to KMSB. The purchase consideration of RM2.34 per share was arrived at on a “willing buyer willing seller” basis.

KMSB had given a warranty under the SSA to the extent that the NTA of KKAA as at 31 December 1997 would be RM15,000,000. On this basis the 6,400,006 ordinary shares, whilst is to be issued at par would have a notional value of RM2.34 per share. MITI on 18 July 1997 and FIC on 21 August 1997 approved this issue.

For the year ended 31 December 1997, KMSB had not been able to meet the warranted NTA of RM15,000,000 pursuant to the SSA dated 24 March 1997. As a result of this KMSB was required to compensate this NTA shortfall. This compensation shortfall was to be executed via a Deed of Compromise based on the following terms:-

- (i) KMSB to pay a sum totalling RM695,917 to FMA and FMA agreed to waive its right to claim against KMSB.
- (ii) Transfer of the FMA shares over issued to KMSB totalling 695,917 for a consideration of RM1.00 each to all the shareholders of FMA (excluding KMSB as appended in Section 8.2(ii) of this Prospectus).

MITI approved the Internal Restructuring Scheme in its letter dated 12 August 1998. The SC approved the internal restructuring scheme vide their approval letter dated 23 September 1999 for the flotation of FOREMOST. The Deed of Compromise was executed on 22 November 1999.

In addition to the above condition, there was also a profit guarantee condition imposed in the SSA dated 24 March 1997 for the financial years ended 31 December 1997 and 31 December 1998 on KMSB. The total guaranteed Profit Before Tax for the two (2) financial years amounts to RM8,000,000 and the aggregate shortfall for the two (2) years amounts to RM3,731,926.

The Board of FMA has proposed that due to the difficult economic conditions experienced in 1997 and 1998 this shortfall in the profit guarantee will be met through a Deed of Settlement between FMA and KMSB, whereby KMSB would be required to fulfill the profit guarantee obligation over a two (2) year period from the date of listing and quotation of the entire issued and paid-up capital of FOREMOST on the KLSE (“Listing Date”). The Deed of Settlement dated 15 November 1999 stated that the total shortfall of the profit guaranteed amount of RM3,731,926 is to be settled by four equal cash installments of RM932,981.50 according to the following schedule:-

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**

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- (a) the first installment shall be payable on or before 5.00 p.m. on the date falling 6 months after the Listing Date;
- (b) the second installment shall be payable on or before 5.00 p.m. on the date falling 12 months after the Listing Date;
- (c) the third installment shall be payable on or before 5.00 p.m. on the date falling 18 months after the Listing Date; and
- (d) the fourth installment shall be payable on or before 5.00 p.m. on the date falling 24 months after the Listing Date.

The Deed of Settlement is enforceable via a Stakeholders Agreement dated 14 January 2000 and as amended by a supplemental agreement dated 16 June 2000 ("Stakeholders Agreement"). The Stakeholders Agreement provides for the procedures in respect of the settlement of the shortfall in the profit guarantee.

The salient terms of the Stakeholders Agreement are as follows:

- KMSB is required to place 2,000,000 FOREMOST ordinary shares of RM1.00 each with a stakeholder in the following manner:-
  - 1,000,000 shares prior to the listing of FOREMOST; and
  - 500,000 shares upon the first anniversary of the upliftment of moratorium shares of FOREMOST held by KMSB; and
  - Balance of 500,000 shares upon the second anniversary of the upliftment of moratorium shares of FOREMOST held by KMSB.
- If the installments are not settled according to the schedule in the Deed of Settlement, the stakeholder and/or its nominee will upon receipt of instruction from the authorised representative of the Board of KKAA dispose off the FOREMOST shares with the stakeholder and the proceeds from the disposal will be deposited in a trust account in order to meet the scheduled payment.

Messrs. K H Tan & Chua, Advocates & Solicitors are acting as the stakeholder in the Deed of Settlement, their business address is Unit No. B-8-2, Megan Phileo Avenue, No.12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Wilayah Persekutuan.

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**


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**(ii) FMA Acquisition**

The acquisition by FOREMOST of the entire issued and paid-up share capital in FMA comprising 11,800,012 ordinary shares of RM1.00 each for a total purchase consideration of RM29,921,703 which was fully satisfied by the issuance of 27,201,548 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share. The total purchase consideration was fully satisfied by the allotment and issue of new ordinary shares of RM1.00 each in FOREMOST in the following manner:-

<u>Vendors of FMA</u>	<u>No. of Shares held in FMA</u>	<u>%</u>	<u>No. of new FOREMOST Shares issued</u>	<u>%</u>
Tang Chun Yong	448,314	3.80	1,033,459	3.80
Tang Chung Hau	413,828	3.51	953,962	3.51
Hu Shih-Long	392,272	3.32	904,270	3.32
Ng Kim Weng	131,475	1.11	303,079	1.11
Ooi Goo Siam	24,786	0.21	57,138	0.21
Tang Chin Hooi	17,243	0.15	39,748	0.15
Tan Choon Huat	965,592	8.18	2,225,895	8.18
Kenn Kenn Management Sdn. Bhd.	2,144,086	18.17	4,942,577	18.17
Orbitmas Sdn.. Bhd.	2,069,125	17.53	4,769,775	17.53
Speed Management Services Sdn Bhd	34,485	0.29	79,496	0.29
Seow San Ying	137,942	1.17	317,985	1.17
Hasan bin Buyong	517,618	4.39	1,193,220	4.39
Dato' Mohd Radzi bin Manan	3,276,126	27.76	7,552,171	27.76
Mohamad Azlan bin Faizul	378,993	3.21	873,661	3.21
Chu Shui-Yuan	150,874	1.28	347,796	1.28
Su Shu-Li	60,349	0.51	139,118	0.51
Tan Chin Whye	65,738	0.56	151,540	0.56
Tan Chin Liang	30,175	0.26	69,559	0.26
Michael Yang Chee Hoong	137,942	1.17	317,985	1.17
Teh Guat Eng	23,709	0.20	54,654	0.20
Yoshikazu Masayoshi	362,097	3.07	834,711	3.07
Azhar bin Othman	17,243	0.15	39,749	0.15
	<b>11,800,012</b>	<b>100.00</b>	<b>27,201,548</b>	<b>100.00</b>

The total purchase consideration of RM29,921,703 for the acquisition was arrived at on a "willing buyer willing seller" basis after taking into consideration the audited Group NTA of FMA as at 31 December 1998 of RM29,921,703. The issue price of RM1.10 was arrived after considering the retention of reserves required by the SC guidelines on Public Offerings, Section 10-10(j) (Retention of Reserves) which, amongst others states that for applicants with enlarged capital up to RM50 million, the quantum per share on enlarged capital should be 10 sen or at least 10% of consolidated reserves.

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## 8. INFORMATION ON THE FOREMOST GROUP *(Cont'd)*

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The 27,201,548 new ordinary shares of RM1.00 each in FOREMOST were issued free from all charges, liens and encumbrances and rank pari passu in all respects with the existing ordinary shares of FOREMOST and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof. The FMA Acquisition was completed on 10 December 1999.

### (iii) **KKAA Acquisition**

The acquisition by FOREMOST of the entire issued and paid-up share capital in KKAA comprising 5,388,000 ordinary shares of RM1.00 each for a total cash consideration of RM11,687,026 from FMA by way of transfer of KKAA shares to FOREMOST. The shares acquired are free from all charges, liens and encumbrances. The acquisition of KKAA was completed on 10 December 1999.

The total cash consideration of RM11,687,026 was arrived at on a “willing buyer willing seller” basis after taking into consideration the audited NTA of KKAA as at 31 December 1998 of RM11,687,026. The total cash consideration of RM11,687,026 will be reflected as inter-company balances in the respective books of FOREMOST and FMA.

### (iv) **YKS Acquisition**

The acquisition by FOREMOST of 58.75% of the issued and paid-up share capital in YKS comprising 2,350,002 ordinary shares of RM1.00 each for a total cash consideration of RM4,081,417 from FMA. The shares acquired are free from all charges, liens and encumbrances. The acquisition of YKS was completed on 10 December 1999.

The total cash consideration of RM4,081,417 was arrived at on a “willing buyer willing seller” basis after taking into consideration the audited NTA of YKS as at 31 December 1998 of RM6,947,093 (RM4,081,417 for 58.75%). The total cash consideration of RM4,081,417 will be reflected as inter-company balances in the respective books of FOREMOST and FMA.

YKS has proposed a Rights Issue of 4,000,004 new ordinary shares of RM1.00 at par value, which will be completed within 3 months from the date of the listing and quotation of FOREMOST shares on the KLSE. FOREMOST will be entitled to subscribe up to 2,350,000 new rights shares in YKS representing its 58.75% equity interest.

### (v) **FMSB Acquisition**

The acquisition by FOREMOST of the entire issued and paid-up capital in FMSB comprising 2 ordinary shares of RM1.00 each for a total negative cash consideration of RM328,651 from FMA by way of transfer of FMSB shares to FOREMOST. The shares acquired are free from all charges, liens and encumbrances. The acquisition of FMSB was completed on 10 December 1999.

The total negative cash consideration of RM328,651 was arrived at on a “willing buyer willing seller” basis after taking into consideration the audited negative NTA of FMSB as at 31 December 1998 of (RM328,651)



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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**


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**(vi) Rights Issue**

Rights Issue of 3,498,450 new ordinary shares of RM1.00 each in FOREMOST at an issue price of RM1.05 per share on the basis of approximately RM0.12 new ordinary share of RM1.00 each for every existing ordinary share held after the acquisitions of FMA, KKAA, YKS and FMSB but before the Special Bumiputra Issue. The Rights Issue Price of RM1.05 per FOREMOST share was arrived after considering amongst others the requirement of the SC guidelines on Public Offerings that the quantum per share on enlarged share capital should be 10 sen or at least 10% of the consolidated reserves. The Rights Issue was completed on 12 January 2000.

The Rights Issue shares will rank pari passu in all respects with the existing ordinary shares of FOREMOST and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment date thereof.

**(vii) Special Bumiputra Issue**

The Special Bumiputra Issue of 5,350,000 new ordinary shares of RM1.00 each in FOREMOST at a Special Bumiputra Issue price of RM1.05 per share to Dato' Mohd Radzi bin Manan, Mohamad Azlan bin Faizul, Mohamed Fathil bin Kassim, Hasan bin Buyong and Merit Version Sdn. Bhd. The Bumi issue price of RM1.05 would be equal to the Rights Issue price as it is deemed equivalent to a rights issue but made to Bumiputra. The Special Bumi Issue of 5,350,000 new ordinary shares of RM1.00 each has been allocated in the following manner:

	<b>No. of Shares</b>	<b>% of enlarged share capital</b>
Dato' Mohd Radzi bin Manan	1,500,000	3.4
Mohamad Azlan bin Faizul	1,500,000	3.4
Mohamed Fathil bin Kassim	1,500,000	3.4
Hasan bin Buyong	300,000	0.7
Merit Version Sdn. Bhd	550,000	1.3
	<b>5,350,000</b>	<b>12.2</b>

The Special Bumiputra Issue is to be completed simultaneously with the Public Issue.

The 5,350,000 new ordinary shares of RM1.00 each in FOREMOST will rank pari passu in all respects with the existing ordinary shares of FOREMOST and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the Public Issue.

## 8. INFORMATION ON THE FOREMOST GROUP *(Cont'd)*

### 8.3 Flotation Scheme

#### (i) Public Issue

Public issue of 7,800,000 Public Issue Shares at an issue price of RM1.70 per share payable in full upon application, which shall be allocated in the following manner:

- (a) 1,550,000 Public Issue Shares to be reserved for all eligible employees of FOREMOST Group;
- (b) 4,375,000 Public Issue Shares to be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions; and
- (c) 1,875,000 or 30% of the Public Issue Shares to be made available for application by Bumiputra individuals, companies, co-operations, societies and institutions.

#### (ii) Listing

Listing of and quotation for the entire issued and paid-up share capital of RM43,850,000 comprising 43,850,000 ordinary shares of RM1.00 each in FOREMOST on the Second Board of the KLSE.

### 8.4 Share Capital

#### (a) Authorised Share Capital

The authorised share capital of FOREMOST is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each.

#### (b) Issued and Paid-up Share Capital

The present issued and paid up share capital of FOREMOST as at the date of this Prospectus is RM30,700,000 comprising 30,700,000 ordinary shares of RM1.00 each. Details of changes in the issued and paid up share capital of FOREMOST since its incorporation are set out below: -

<u>Date of Allotment</u>	<u>No. of Ordinary Shares Allotted</u>	<u>Par Value (RM)</u>	<u>Consideration</u>	<u>Total Issued and Paid-up Capital (RM)</u>
03.06.1998	2	1.00	Subscribers' shares	2
05.01.2000	27,201,548	1.00	Acquisition of FMA	27,201,550
12.01.2000	3,498,450	1.00	Rights Issue of approximately 0.12 new ordinary share for every one share held at an issue price of RM1.05 per new ordinary share.	30,700,000

All of the above 30,700,000 ordinary shares rank pari passu with each other.

## 8. INFORMATION ON THE FOREMOST GROUP *(Cont'd)*

### 8.5 Information on Subsidiary Companies

Relevant details of the subsidiary companies of FOREMOST as at the date of this Prospectus are as follows:-

<u>Name of Company</u>	<u>Place and Date of Incorporation</u>	<u>Authorised Share Capital RM</u>	<u>Issued and paid-up Share Capital RM</u>	<u>Equity Held (%)</u>	<u>Principal Activities</u>
FMA	Malaysia 21.09.1989	50,000,000	11,800,012	100	Manufacture of automobile, home audio and general audio speaker systems
KKAA	Malaysia 04.02.1980	10,000,000	5,388,000	100	Retailing of the full range of auto accessories including automobile repairs and maintenance, automobile audio and video installation, tyres and sports rims. Franchisor for the Kenn Kenn Franchise Scheme ("Kenn Kenn AutoNet").
YKS	Malaysia 11.01.1994	10,000,000	4,000,004	58.75	Manufacture of Hi-Fi speaker system, home theatre speaker systems, multimedia computer speakers and wooden speaker boxes with/without speakers.
FMSB	Malaysia 5.03.1998	100,000	2	100	Marketing subsidiary of the FOREMOST Group including the Group's in-house brands 'Conqueror', 'Man Audio' and 'Kennway'
<b><u>Subsidiary of KKAA</u></b>					
ABC	Malaysia 9.11.1985	100,000	100,000	100	Master Franchisee for the Kenn Kenn Franchise Scheme ("Kenn Kenn AutoNet"), auto repairs and auto accessories

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**


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Further information on the subsidiary companies of FOREMOST are as follows:-

**8.5.1 Information on FMA**
**(a) History and Business**

FMA was incorporated on 21 September 1989 as a private limited company in Malaysia under the Companies Act, 1965, and commenced operations on 1 August 1990 .

FMA's principal markets are Japan and the United States. The turnover breakdown in terms of percentage for local and exports for the three (3) years ended 31 December 1999 is illustrated below:-

<b>FMA</b>	<b><u>1997</u></b>		<b><u>1998</u></b>		<b><u>1999</u></b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Local	2,487	7.0	1,658	4.4	4,804	13.4
Export	32,910	93.0	36,089	95.6	31,043	86.6
	35,397	100.0	37,747	100.0	35,847	100.0

FMA's factory is located within 3 buildings in Gurun, Kedah Darul Aman, with a total land area of 15,632.19 sq. metres and a total built-up area of 10,240.55 sq. metres. FMA has 493 employees, all of which are locals. FMA has a total of 7 lines operating in one shift and with a production capacity of 12 million pieces of speakers and an annual output of approximately 7.8 million pieces of speakers.

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## 8. INFORMATION ON THE FOREMOST GROUP *(Cont'd)*

FMA is principally engaged in the manufacture of speakers for both automobile and home audio markets mainly for the export market. The type of products and names of customers are summarised on the table below: -

<b>FMA</b>	<b>Customer/OEM Customers</b>	<b>Brands Manufactured/ Customers</b>
<b>RANGE OF PRODUCTS</b>		
<b>1. Automobile Speakers : -</b>		
<b>OEM for After Market*</b>	Onkyo Electric (M) Sdn. Bhd Pioneer Electronic (Taiwan) Corp. Soshin Onkyo Works, Ltd, Japan Electromedia Di Roccobelli, Italy Sony (Malaysia) Sdn. Bhd.	Clarion, Alpine Kenwood Panasonic, Daihatsu Hertz ICE
<b>OEM for Automobile Assemblers</b>	Pioneer Electronic (Taiwan) Corp. Soshin Onkyo Works, Ltd, Japan Spektralink Sdn. Bhd Oriental Audio (M) Sdn. Bhd Toyota Tsusho (Malaysia) Sdn. Bhd	Kenwood-Maruti Mitsubishi,Daihatsu,G.M.H Proton Honda, Peugeot Toyota, Nissan
<b>In-House Designed Products</b>	Local and Export Market Panos Englezos (Manufacturers) Ltd. Cyprus Excel Audio Sdn. Bhd	Man Audio# Conqueror@ Kennway

\* *OEM for After Market are speakers that are bought via retail outlets and are not part of the original accessories provided after the purchase of the automobile. After Market sector goods are applicable when the customer wishes to upgrade the original sound system in their automobile.*

# *Man Audio products consist of speakers, amplifiers and tweeters.*

@ *Conqueror products consist of speakers.*

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**

Type of products and names of customers (cont'd): -

<b>2. Home Hi-Fi Speakers : -</b>		
<b>OEM for Audio Equipment Manufacturers</b>	Onkyo Electric (Malaysia) Sdn. Bhd Monetech Audio Sdn. Bhd Pioneer Electronic (Taiwan) Corp. Matsushita Audio Video (M) Sdn. Bhd Philips Sound System Sdn. Bhd Flextronics International GMBH, Austria	Sharp, JVC, Panasonic Sharp, Sony Pioneer Matsushita Philips Philips
<b>In-House Designed Products</b>	Local Market Chuan Seng Hin Sdn. Bhd Comers (M) Sdn. Bhd	Audio Sound Tecnik
<b>3. General Purpose Speakers</b>		
<b>OEM for Audio Equipment Manufacturers</b>	Tohoku Pioneer Corp, Japan Onkyo Corporation, Japan City Electronic, Hong Kong Sony Electronics (M) Sdn. Bhd	NTT Toshiba Grundig Sony
<b>4. Speaker Box Systems</b>		
<b>OEM for Audio Equipment Manufacturers</b>	Audio-Mys Trading (M) Sdn. Bhd Audio Intertech Sdn. Bhd Onkyo Trading (M) Sdn. Bhd	Radio Shack, Sony, MGT Clarion, Alpine

**(b) Changes in Share Capital**

The authorised share capital of FMA is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of FMA as at the date at this Prospectus is RM11,800,012 comprising 11,800,012 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of FMA since its incorporation are set out below: -

<u>Date of Allotment</u>	<u>No. of Ordinary Shares Allotted</u>	<u>Par Value (RM)</u>	<u>Consideration</u>	<u>Total Issued and Paid-up Capital (RM)</u>
21.09.89	2	1.00	Cash – Subscriber	2.00
01.08.90	1,088,000	1.00	Cash	1,088,000
15.03.91	912,000	1.00	Cash	912,000
25.10.94	2,000,002	1.00	Bonus	4,000,004
12.06.95	2,400,002	1.00	Bonus	6,400,006
05.08.97	5,400,006	1.00	Acquisition of KKA	11,800,012

## 8. INFORMATION ON THE FOREMOST GROUP (Cont'd)

### (c) Profit and Dividend Record

The audited profit and dividend records of FMA for the past five years ended 31 December 1999 are summarised as follows : -

Year ended 31 December	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	40,936	35,422	35,396	37,747	35,847
Profit before depreciation and interest	4,791	5,348	5,464	6,834	6,772
Depreciation	(480)	(505)	(564)	(593)	(616)
Interest Expense	(690)	(832)	(459)	(504)	(338)
Profit Before Taxation	3,621 <sup>(i)</sup>	4,011 <sup>(i)</sup>	4,441 <sup>(i)</sup>	5,737	5,818 <sup>(i)</sup>
Taxation <sup>(ii)</sup>	(313)	(1,328)	(1,236)	(1,498)	(21)
Profit after taxation	3,308	2,683	3,205	4,239	5,757
No. of ordinary shares of RM1.00 each in issue	6,400,006	6,400,006	11,800,012	11,800,012	11,800,012
Gross EPS (sen)	56.6	62.7	37.6	48.6	49.3
Net EPS (sen)	51.7	41.9	27.2	35.9	49.1
Gross Dividend per share (sen)	-	-	-	16.9	
Net Dividend per share (sen)	-	-	-	16.9	

#### Notes:-

- (i) *The increase in profit before taxation from 1995 to 1998 is mainly due to an increase in gross margin of around 2% yearly. The higher profit before taxation for the year ended 31 December 1999 was due to an increase in gross margin of around 3% as a result of an increase in income from services rendered which generated higher gross margin.*
- (ii) *The effective tax rates for the years ended 31 December 1995, 1997 and 1998 are lower than the statutory tax rates due to capital allowance and reinvestment allowance claimed. The effective tax rate for the year ended 31 December 1996 is higher than the statutory tax rate due to certain expenses not being deductible for income tax purposes.*
- There is no tax charge on the income for the year ended 31 December 1999 in view of the tax waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Act, 1999. The provision for tax charge for 1999 was in respect of deferred tax liability.*
- (iii) *There were no exceptional items and extraordinary items during the financial years under review.*

### (d) Subsidiary and Associated Companies

As at the date of this Prospectus, FMA does not have any subsidiary or associate company.

## 8. INFORMATION ON THE FOREMOST GROUP (Cont'd)

### 8.5.2 Information on YKS

#### (a) History and Business

YKS was incorporated on 11 January 1994 as a private limited company in Malaysia under the Companies Act, 1965 and commenced operations on 1 June 1995. There have been no significant changes in the principal activities since its date of incorporation.

YKS's principal markets are Singapore, USA, Europe and Japan. The turnover breakdown in terms of percentage for local and exports for the three (3) years ended 31 December 1999 are illustrated below: -

YKS	1997		1998		1999	
	RM'000	%	RM'000	%	RM'000	%
Local	-	-	1,172	1.3	2,361	2.8
Export	70,916	100.0	90,595	98.7	81,746	97.2
	70,916	100.0	91,767	100.0	84,107	100.0

YKS's main factory is located in one building in Gurun, Kedah Darul Aman and one branch factory in Ulu Tiram, Johor Bahru, Johor Darul Takzim, with a land area of 8,250 sq.metres and a built-up area of 5,570 sq.metres for the Gurun factory and a land area of 4,105 sq.metres and a built-up area of 2,167 sq.metres for the branch factory in Johor Bahru. YKS has 650 local and foreign employees. YKS has a total of 8 lines operating in one shift except for the wood working section which operates in 2 shifts. It has a production capacity of 4.2 million pieces of speakers and an annual output of approximately 3.35 million pieces of speakers.

YKS is principally engaged in the manufacture of Hi-Fi speaker system, home theatre speaker systems, multimedia computer speakers and wooden speaker boxes with/without speakers. The type of products and names of customers are summarised in the table below:-

YKS		
Products and Services	Customers	Brands Manufactured
Manufacture of multimedia computer speakers	Onkyo Trading (M) Sdn. Bhd	Onkyo
Manufacture of speaker box systems and parts for speaker box	Sony International (S) Pte. Ltd Sony Electronics (M) Sdn. Bhd Sony Wega, Germany	Sony
	Matsushita Electronics (S) Pte. Ltd (MESA) Matsushita Audio Video (M) Sdn. Bhd (MAV) Asia Matsushita (S) Ltd	Panasonic
	Onkyo Trading (M) Sdn. Bhd	Clarion, Onkyo
	Philips Sound Systems (M) Sdn. Bhd	Philips
	Foster Electric (S) Pte. Ltd	Yamaha
	MEC Audio Visual Products Sdn. Bhd	MEC, Grundig
	Kenwood Corporation, Japan	Kenwood
	Hitachi Consumer Products (S) Pte. Ltd	Hitachi
	Yamaha Corporation, Japan Yamaha Electronic Mfg (M) Sdn. Bhd	Yamaha



**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)****(b) Changes in Share Capital**

The changes in the issued and paid-up share capital since its incorporation are set out below: -

<u>Date of Allotment</u>	<u>No. of Ordinary Shares Allotted</u>	<u>Par Value (RM)</u>	<u>Consideration</u>	<u>Total Issued and Paid-up Capital (RM)</u>
11.01.94	2	1.00	Cash - Subscriber	2
14.10.94	2,000,000	1.00	Cash	2,000,002
01.12.96	2,000,002	1.00	Bonus Issue	4,000,004

**(c) Profit and Dividend Record**

The audited profit and dividend records of YKS for the past five (5) years, being years ended 30 April 1996 to 1998 and period ended 1 May 1998 to 31 December 1998 and year ended 31 December 1999 are summarised as follows:-

<b>Year Ended</b>	<b>01.05.95 to 30.04.96 RM'000</b>	<b>01.05.96 to 30.04.97 RM'000</b>	<b>01.05.97 to 30.04.98 RM'000</b>	<b>8 Month Period Ended 31.12.98#*(iii) RM'000</b>	<b>31.12.99 RM'000</b>
Turnover	12,350	49,028	81,861,	64,480	84,107
Profit before depreciation and interest	641	1,265	3,503	3,663	5,716
Depreciation	(275)	(299)	(655)	(501)	(894)
Interest Expense	(366)	(704)	(1,253)	(876)	(796)
Interest Income	4	15	42	48	168
Profit Before Taxation <sup>(i)</sup>	4	277	1,637	2,334	4,194
Taxation <sup>(ii)</sup>	-	(17)	(38)	(120)	(268)
Profit after taxation	4	260	1,599	2,214	3,926
No. of ordinary shares of of RM1.00 each in issue	2,000,002	4,000,004	4,000,004	4,000,004	4,000,004
Gross EPS (sen)	0.20	6.9	40.9	87.5*	104.9
Net EPS (sen)	0.20	6.5	40.0	83.0*	98.2
Gross Dividend per share (sen)	-	-	-	-	-
Net Dividend per share (sen)	-	-	-	-	-

\* Change of year end to be co terminous with FMA, arising from FMA acquisition of YKS

# Annualised to 12 months

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## 8. INFORMATION ON THE FOREMOST GROUP *(Cont'd)*

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*Notes:-*

- (i) *YKS suffered losses in 1995 as this was the company's first year of operation and it had not achieved the economy of scale of production.*

*The profit before taxation increased from financial year ended 30 April 1996 to 31 December 1998. This was due to the increase in turnover. The profit before taxation for the year ended 31 December 1999 increased substantially due to an increase in turnover and gross margin.*

- (ii) *There were no tax payable for the financial years ended 30 April 1995 to 1996 due to the unabsorbed losses, capital allowances and reinvestment allowances available to set off against taxable profit. The effective tax rate for the year ended 30 April 1997 and 1998 and for the year ended 31 December 1998 is lower than statutory tax rate due to unabsorbed losses, capital allowances and reinvestment allowances available to set off against taxable profit.*

*There is no tax charge on the income for 1999 in view of the tax waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Act 1999. The provision for tax charge for the year ended 31 December 1999 was in respect of deferred taxation liability.*

- (iii) *YKS changed its financial year ended 30 April to 31 December in 1998 so as to be co-terminous with that of its holding company then, FMA.*

- (iv) *There were no exceptional items and extraordinary items during the financial years under review.*

**(d) Subsidiary and Associated Companies**

As at the date of this Prospectus, YKS does not have any subsidiary or associate company.

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**


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**8.5.3 Information on KKAA****(a) History and Business**

KKAA was incorporated on 4 February 1980 as a private limited company in Malaysia under the Companies Act, 1965 and commenced operations on the same date of incorporation.

KKAA has 70 local employees and has a total of 11 outlets out of which 7 outlets are franchised outlets. These outlets are located in the Klang Valley region, Jalan 227 (2 outlets), Jalan SS2 (2 outlets), Damansara Utama (1 outlet), Bangsar (1 outlet), Jalan Ipoh (1 outlet), Jalan Bukit Bintang (1 outlet), Jalan Chow Kit (1 outlet), Taman Desa Aman, Cheras (1 outlet) and Setapak (1 outlet). KKAA is principally involved in the retailing of car accessories, audio & visual system and repair and maintenance. A detailed list of services offered by KKAA is tabulated below:-

<b>Products and Services</b>	<b>Brands Retailed</b>
<ul style="list-style-type: none"> <li>• Retailing of auto accessories, including automobile audio and video systems, tyres and sport rims</li> <li>• General Automobile Services including car repairs and pre delivery inspection services</li> <li>• Wholesale and retailing of in-house brand automobile speakers and amplifier called "Man Audio" and car care products called 'Kennway'</li> </ul>	<p>Sony, Pioneer, Onkyo, Kenwood,</p> <p>Man Audio, Conqueror, Kennway</p>

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## 8. INFORMATION ON THE FOREMOST GROUP (Cont'd)

### (b) Changes in Share Capital

The authorised share capital of KKAA is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of KKAA as at the date at this Prospectus is RM5,388,000 comprising 5,388,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of KKAA since its incorporation are set out below: -

<u>Date of Allotment</u>	<u>No. of Ordinary Shares Allotted</u>	<u>Par Value (RM)</u>	<u>Consideration</u>	<u>Total Issued and Paid-up Capital (RM)</u>
04.02.80	2	1.00	Cash (Subscriber's Shares)	2
16.05.84	9,000	1.00	Cash (Bonus Issue)	9,002
08.08.96	118,998	1.00	(Bonus Issue)	128,000
10.12.96	372,000	1.00	(Bonus Issue)	500,000
18.12.96	1,600,000	1.00		2,100,000
31.12.96	194,686	1.00	Non-cash * (Note 1 )	2,294,686
31.12.96	535,724	1.00	Non-cash * (Note 2 )	2,830,410
31.12.96	261,399	1.00	Non-cash* (Note 3 )	3,091,809
31.12.96	508,191	1.00	Non-cash * (Note 4 )	3,600,000
01.03.97	388,000	1.00	Non-cash * (Note 5 )	3,988,000
17.03.97	1,400,000	1.00	Cash	5,388,000

\* Shares issued in consideration for the acquisitions of Kenn Kenn Auto Accessories Centre, Syarikat Tayar Kenn Kenn, Kenn Kenn Auto Centre, KK Auto Accessories & Supply and ABC (formerly known as Kenn Kenn Auto Sdn. Bhd)

#### Notes:-

1. Issued at RM2.00 per share for the acquisition of Kenn Kenn Auto Accessories Centre
2. Issued at RM2.00 per share for the acquisition of Syarikat Tayar Kenn Kenn
3. Issued at RM2.00 per share for the acquisition of Kenn Kenn Auto Centre
4. Issued at RM2.00 per share for the acquisition of KK Auto Accessories & Supply
5. Issued at RM2.00 per share for the acquisition of ABC (formerly known as Kenn Kenn Auto Sdn. Bhd)

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**


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**(c) Profit and Dividend Record**

The audited profit and dividend records of KKAA for the past five years ended 31 December 1999 are summarised as follows: -

<b>Year ended 31 December</b>	<b>1995 RM'000</b>	<b>1996 RM'000</b>	<b>1997 RM'000</b>	<b>1998 RM'000</b>	<b>1999 RM'000</b>
Turnover	<u>10,689</u>	<u>15,963</u>	<u>24,121</u>	<u>21,061</u>	<u>11,296</u>
Profit before Depreciation and Interest	331	1,606	3,876	2,302	1,391
Depreciation	(96)	(171)	(351)	(498)	(394)
Interest Expense	<u>(56)</u>	<u>(139)</u>	<u>(285)</u>	<u>(776)</u>	<u>(659)</u>
Profit Before Taxation	179	1,296	3,240 <sup>(i)</sup>	1,028 <sup>(i)</sup>	338 <sup>(i)</sup>
Taxation <sup>(ii)</sup>	<u>(87)</u>	<u>(638)</u>	<u>(756)</u>	<u>(419)</u>	<u>55</u>
Profit after taxation	<u>92</u>	<u>658</u>	<u>2,484</u>	<u>609</u>	<u>393</u>
No. of ordinary shares of RM1.00 each in issue	9,002	3,600,000	5,388,000	5,388,000	5,388,000
Gross EPS (sen)	1,988.9	36.0	60.1	19.1	6.3
Net EPS (sen)	1,022.2	18.3	46.1	11.3	7.3
Gross Dividend per share	-	-	-	-	-
Net Dividend per share	-	-	-	-	-

**Notes: -**

- (i) *The higher profit before taxation achieved in 1997 was mainly due to an increase in gross margin and a reduction in the operating costs. In 1998, the profit before taxation is lower due to a reduction in turnover and an increase in operating costs. The profit before taxation for the year ended 31 December 1999 was reduced further due to a further drop in turnover as a result of the reduction in the number of trading outlets from 19 to 4 of which 7 outlets have been franchised out and a reduction in franchisee fee income.*
- (ii) *The effective tax rates are higher than the statutory tax rates in 1995, 1996 and 1998 due to certain expenses not being deductible for income tax purposes. The effective tax rate for 1997 is lower than the statutory tax rates due to the transfer to deferred taxation. In 1999, the taxation account showed a credit of RM55,000 due the transfer of deferred tax to the Profit and Loss Account.*
- (iii) *There were no exceptional items and extraordinary items during the financial years under review.*

## 8. INFORMATION ON THE FOREMOST GROUP *(Cont'd)*

### (d) Subsidiary and Associated Companies

Details of the subsidiary company of KKAA as at the date of this Prospectus are as follows: -

<u>Name of Company</u>	<u>Place and Date of Incorporation</u>	<u>Authorised Share Capital RM</u>	<u>Issued and paid-up Share Capital RM</u>	<u>Equity Held (%)</u>	<u>Principal Activities</u>
Auto Bargain Centre Sdn Bhd ("ABC")	Malaysia 9.11.1985	100,000	100'000	100	Master Franchisee for the Kenn Kenn Franchise Scheme ("AutoNet"), auto repairs and auto accessories

ABC commenced business in 1986 and is the Master Franchisee for the "Kenn Kenn Autonet" franchise scheme launched by KKAA. This scheme enables entrepreneurs to adopt the business processes of an established auto accessories retail chain like KKAA, and forming strategic alliances to provide customers with quality products and services. Through this scheme, KKAA is able to secure competitive prices, which can be passed on to their customers. The franchise scheme provides complete service and all the expertise in auto accessories supplies and installation similar to KKAA including auto repairs and maintenance to the franchisees.

As at the date of this prospectus, KKAA does not have an associate company.

The audited profit and dividend records of ABC for the past five years ended 31 December 1999 are summarised as follows: -

<b>Year ended 31 December</b>	<b>1995 RM'000</b>	<b>1996 RM'000</b>	<b>1997 RM'000</b>	<b>1998 RM'000</b>	<b>1999 RM'000</b>
Turnover	<u>3,457</u>	<u>3,277</u>	<u>3,019</u>	<u>4,153</u>	<u>1,487</u>
Profit before Depreciation and Interest	41	276	772	(5)	6
Depreciation	(11)	(38)	(15)	-	-
Interest Expense	<u>-</u>	<u>(1)</u>	<u>(55)</u>	<u>-</u>	<u>-</u>
Profit Before Taxation	30	237 <sup>(i)</sup>	702 <sup>(i)</sup>	(5) <sup>(i)</sup>	6
Taxation <sup>(ii)</sup>	<u>(11)</u>	<u>(87)</u>	<u>(208)</u>	<u>2</u>	<u>-</u>
Profit after taxation	<u>19</u>	<u>150</u>	<u>494</u>	<u>(3)</u>	<u>6</u>
No. of ordinary shares of RM1.00 each in issue	100	100	100	100	100
Gross EPS (sen)	300	2,370	7,020	(50)	60
Net EPS (sen)	190	1,500	4,940	(30)	60
Gross Dividend per share	-	-	-	-	-
Net Dividend per share	-	-	-	-	-

## 8. INFORMATION ON THE FOREMOST GROUP *(Cont'd)*

*Note: -*

- i) *The higher profit before taxation achieved in 1996 and 1997 was mainly due to an increase in gross margin. From 1998 onwards, ABC is engaged as KKAA's master franchisee, that is, as an intermediary in KKAA's franchise business. Any sales to the franchise outlets will be undertaken by ABC, which obtains its supplies from KKAA. The profits generated from these transactions are all reflected in KKAA's accounts whereas ABC only received management fee from KKAA. ABC suffered losses in 1998, as the operating cost was higher than the management fee received from KKAA.*
- ii) *The effective tax rates are higher than the statutory tax rates for the years ended 31 December 1995 to 1998 due to certain expenses not being deductible for income tax purposes.*
- The is no tax charge on the income for 1999 in view of the tax waiver for 1999 financial year in accordance with the Income Tax (Amendment) Act, 1999.*
- iii) *There were no exceptional items and extraordinary items during the financial years under review.*

### 8.5.4 Information on FMSB

(a) **History and Business**

FMSB was incorporated on 5 March 1998 as a private limited company in Malaysia under the Companies Act, 1965 and commenced operations in 1998. FMSB is principally engaged in the marketing of FOREMOST Group's products including the in-house brands "Conqueror", "Man Audio" and "Kennway." It also markets directly to non-national car assemblers like Toyota, Nissan, Honda and Peugeot. FMSB has no employees as it is managed by FMA.

(b) **Changes in Share Capital**

The authorised share capital of FMSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of FMSB as at the date at this Prospectus is RM2.00 comprising 2 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of FMSB since its incorporation are set out below: -

<u>Date of Allotment</u>	<u>No. of Ordinary Shares Allotted</u>	<u>Par Value (RM)</u>	<u>Consideration</u>	<u>Total Issued and Paid-up Capital (RM)</u>
05.03.98	2	1.00	Cash (Subscribers' shares)	2.00

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**


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**(c) Profit and Dividend Record**

The audited profit and dividend records of FMSB for the period 5 March 1998 to 31 December 1998 and the year ended 31 December 1999 are summarised as follows : -

<b>Year Ended</b>	<b>05.03.98 to 31.12.98<sup>(i)</sup> RM'000</b>	<b>31 December 1999 RM'000</b>
Turnover	230	1,359
Loss before depreciation and interest	(326)	(24)
Depreciation	(3)	(4)
Loss before taxation	(329)	(28)
Taxation	-	-
Loss after taxation	(329)	(28)
No. of ordinary shares of RM1.00 each in issue ('000)	2	2
Gross EPS (RM)	(164,500)	(14,000)
Net EPS (RM)	(164,500)	(14,000)
Gross Dividend per share	-	-
Net Dividend per share	-	-

**Notes:-**

- (i) *FMSB incurred losses in 1998 as it only commenced operations during the second half of 1998 with a low turnover. The company's performance improved for the year ended 31 December 1999 with a higher turnover resulting in lower operating loss.*
- (ii) *There were no exceptional items and extraordinary items during the financial years under review.*

**(d) Subsidiary and Associated Companies**

As at the date of this Prospectus, FMSB does not have any subsidiary or associate company.

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## 8. INFORMATION ON THE FOREMOST GROUP (Cont'd)

### 8.6 Summary of Properties and Buildings

A summary of properties and buildings of the FOREMOST Group as at 31 December 1999 is set out below:-

Title No./Location	Age ( years)	Registered Owner/ Existing Use	Land area /Built-up Area (sq. metres)	Tenure (years)	Net book value as at 31.12.99 Purchase consideration RM
Lot No. PT 1268 HS(D) 198/82 Mukim of Gurun, District of Kuala Muda, Kedah-charge to Perwira Affin Bank Berhad	11	FMA/ factory cum office	8,408.19/6,732.96	freehold	177,893
Lot No, PT 1270 HS(D) 1983/92 Mukim of Gurun, District of Kuala Muda, Kedah	5	FMA/ factory cum office	7,224/3,507.59	freehold	366,299
Lot 5614, Mukim Gurun, District of Kuala Muda, Kedah from HS(D) 241/84 Lot 7483, Mukim Gurun, District Kuala Muda, Kedah	7	YKS/ factory cum office	8,250/5,570	freehold	350,000
4 storey Shop Office, Lot No 383, Subang	8	KKAA/completed, pending issuance of certificate of fitness	323.94	Leasehold/ 93 year lease expiring in 2085	1,063,000
GD 35 Plaza Summit City, Subang Jaya	1	KKAA/shoplot/ sub-tenanted	51.19	freehold	798,921
LG 438 Plaza Summit City, Subang Jaya	1	KKAA/shoplot/ sub-tenanted	51.19	freehold	771,372
No. 07-10 Berjaya Star City	Under construction	KKAA/shoplot	26.85	freehold	365,975
No. 04-25A, Berjaya Star City	Under construction	KKAA/shoplot	36.97	freehold	680,580
12 Jalan SS2/61 , Petaling Jaya	28	KKAA/retail outlet	156.07	freehold	500,000
<b>TOTAL</b>					<b>5,803,254</b>

(i) Notes:- There was no revaluation carried out on any of the FOREMOST Group's properties and buildings as at 31 December 1999

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## 8. INFORMATION ON THE FOREMOST GROUP (*Cont'd*)

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### 8.7 Directors, Senior Management and Employees

A brief profile on the Board of Directors and Senior Management of FOREMOST are as follows:-

#### 8.7.1 Directors

**Y.B. Dato' Mohd Radzi bin Manan**, aged 55, is the Executive Chairman of FOREMOST and its subsidiary companies. He was appointed to the Board of Directors of FOREMOST as Executive Chairman on 22 December 1999. He graduated from the University of Tasmania, Australia with a Bachelor of Arts degree in Political Science in 1967.

He began his career with the Malaysian government in 1968. He served in the Malaysia Administrative and Diplomatic service for 13 years and the last appointment was as the Director of Immigration Northern Region Penang before he left for the private sector in 1981.

He is a member of the Justices of the Peace, Perak Darul Ridzuan since 1986 and a member of the Ipoh City Council from 1987- 1996. He was appointed a Senator and Member of Parliament from 1994 - 1995. In 1995, he was elected to the Perak Legislative Assembly representing the constituency of Tualang Sekah, Kampar, Perak. He was reelected for the same seat in the last general election of 1999.

Currently, he sits on the Board of Directors of Malakoff Berhad and has been since 10 June 1996, a company listed on the Main Board of the KLSE. His corporate involvement include being a director and substantial shareholder of Puncak Kinta Sdn Bhd which is a substantial shareholder of Syarikat Permodalan Perusahaan Perak Berhad (now known as KUB (Malaysia) Berhad), an investment holding company which were involved in plantation, tin mining, timber and trading. He was also actively involved in International Exhibitions which included airport technology and aircraft. He was also previously the authorised dealer for Toyota cars. He also sits on the Board of Directors of all subsidiary companies of FOREMOST and several other private limited companies. He is also the Executive Chairman of Le Proton LIMA Sdn. Bhd, the organiser of the world renowned biennial Langkawi International Maritime and Aerospace shows (LIMA) since 1991.

**Mr Tang Chun Yong**, aged 62, is a Director of FOREMOST and founding member of FMA. He was appointed to the Board of FOREMOST on 22 December 1999.

Prior to forming FMA, he was a director with Dai-Ichi Electronics (M) Sdn Bhd, an audio speaker manufacturer. He was attached to Dai-Ichi Electronics (M) Sdn. Bhd for seven (7) years, from 1983 to 1990. He has more than fifteen (15) years experience in the audio speaker manufacturing industry.

He also sits on the Board of Directors of FMA and several private limited companies.

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**

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**Mr Tang Chung Hau**, aged 56, is an Executive Director of FOREMOST. He was appointed to the Board of FOREMOST on 22 December 1999.

Prior to forming FMA, he was a Director with Dai-Ichi Electronics (M) Sdn Bhd, an audio speaker manufacturer. He was attached to Dai-Ichi Electronics (M) Sdn Bhd for seven (7) years from 1983 to 1990. He has more than fifteen (15) years of experience in audio speaker manufacturing industry.

He also sits on the Board of Directors of FMA, YKS, KKAA and FMSB, subsidiary companies of FOREMOST and several private limited companies.

**Mr Siow You**, aged 47, is an Executive Director of FOREMOST. He was appointed to the Board of FOREMOST on 22 December 1999. He is also the President of Kenn Kenn Auto Accessories & Services Sdn Bhd, a wholly owned subsidiary of FMA.

He is the founding member of Kenn Kenn Auto Accessories & Services Sdn Bhd since 1979. He has been involved in the auto accessories and services industry for the last twenty (20) years. He has developed Kenn Kenn Auto Accessories & Services Sdn Bhd from a family business into a well respected company in the Klang Valley.

In 1996, in recognition of his service to the community, he was awarded by the Sultan of Negeri Sembilan the Pingat Jasa Kebaktian (PJK), in addition to the Pingat Masyarakat Cemerlang (PMC) and Jubli Perak Tuanku Jaafar (JPTJ).

He also sits on the Board of Directors of FMA, KKAA, ABC and private limited companies.

**Encik Mohamad Azlan Bin Faizul**, aged 43, is an Executive Director of FOREMOST. He was appointed to the Board of FOREMOST on 22 December 1999. He graduated from Institute of Technology of MARA, Shah Alam in 1977 with a Diploma in Accountancy. In 1983, he graduated from Western Illinois University, Macomb, Illinois with a Bachelor of Business and in 1985 he obtained his Masters in Business Administration from Governors State University, University Park, Illinois.

He began his career with Messrs Price Waterhouse & Co. in 1977, after which he continued his studies in United States of America. He joined Permodalan Nasional Berhad in 1985 in the Internal Audit Department. While he was with Permodalan Nasional Berhad, he was seconded to subsidiary companies holding various finance related responsibilities. Upon leaving Permodalan Nasional Berhad in 1992, He joined a financial consulting firm, Wahad Khalid Consultants Sdn Bhd as a manager. In 1994, he was with DCB Sakura Merchant Bank Berhad as Manager in the Privatisation Department. He left the bank in 1995. Prior to joining the Board of FMA in November 1997, he was a business consultant to Granger Communications (M) Sdn Bhd.

He also sits on the Board of Directors of FMA, YKS, FMSB and a private limited company.

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## 8. INFORMATION ON THE FOREMOST GROUP (*Cont'd*)

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**Encik Mohamed Fathil Bin Kassim**, aged 46, is a Director of FOREMOST and Executive Director of KKAA. He was appointed to the Board of FOREMOST on 22 December 1999, to the Board of KKAA and YKS on 16 November 1998 and to the Board of ABC on 1 March 2000.

He graduated from Institute of Technology of MARA, Shah Alam in 1977 with a Diploma in Accountancy. In 1980, he graduated from Southern Illinois University, Carbondale, Illinois with a Bachelor of Science in Finance and in 1981 he obtained his Masters in Business Administration from Marshall University, Huntington, West Virginia, USA.

He joined Aseambankers (M) Berhad in 1981 and was Senior Manager in Banking before he left in 1994 to Sime Bank Berhad as the Assistant General Manager in the Corporate Banking Department. He left Sime Bank Berhad on 15 November 1998.

**Encik Roslan Bin Ariffin**, aged 41, is the Non Executive Independent Director and the Chairman on the Audit Committee. He was appointed to the Board of FOREMOST on 16 June 2000. He obtained a Bachelor of Science degree in Quantity Surveying from Portsmouth University in United Kingdom in 1983. He is a Registered Quantity Surveyor with the Board of Quantity Surveyors, Malaysia, a member of the Institution of Surveyors, Malaysia and a member of the Malaysian Institute of Management.

He started his career as a Quantity Surveyor with Perbadanan Pembangunan Bandar (UDA) from 1983 to 1986. He then joined Inter Pacific Industrial Group, a company involved in the manufacturing of bicycles and also property development as an Assistant Manager from 1986 to 1990. From 1990 to 1991, he was the Assistant General Manager for Panelex Sdn. Bhd, a construction company and from 1991 to present, he is the Managing Partner for HRA Juruukur Bahan, a professional quantity-surveying firm. He is also an Executive Director for NAZ Progressive Consultant & Services Sdn. Bhd, a project management company.

**Puan Norzita Binti Rabaai**, aged 39, is the Non-Executive Independent Director and Member of the Audit Committee. She was appointed to the Board of FOREMOST on 16 June 2000. She qualified from the Institute of Chartered Secretaries and Administrators (U.K) and is a full member of the Malaysian Association of Companies Secretaries.

She started her career in 1984 with Ernst & Young, Ipoh and by the time she left in 1993 she was Head of Corporate Secretarial Department. Since 1994, she was an Executive Director of Multi Team Corporate Services Sdn. Bhd, a company secretarial firm. She presently an Executive Director in NZ Management Services Sdn. Bhd., a company secretarial firm.

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## 8. INFORMATION ON THE FOREMOST GROUP (*Cont'd*)

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**Mr Hu Shih-Long**, aged 47, is an alternate Director of FOREMOST. He is also the founding member of FMA and the Managing Director since 1990. He was appointed to the Board of FOREMOST on 22 December 1999.

He holds a Diploma in Electronics from Taipei Private Kai Nan High School, Taiwan, Republic of China. He started his working career in the audio speaker industry and he has more than twenty (20) years of experience in this industry.

He also sits on the Board of Directors of YKS, KKAA and FMSB, subsidiary companies of FOREMOST.

### 8.7.2 Senior Management

**Mr Loke Yu**, aged 51, is a Director of FMA since 1997.

He was articled in London in 1971 and qualified as a Chartered Accountant in 1976. He had worked with Price Waterhouse Hong Kong for three years and in 1979 joined PA Management Accountants Ltd Hong Kong as their Regional Financial Controller. He has also practised as a public accountant in Hong Kong and Malaysia for fifteen years before joining KKAA.

He is a Fellow of The Institute of Chartered Accountants in England and Wales and an Associate of The Institute of Chartered Secretaries and Administrators. He is also a member of the Singapore Institute of Certified Public Accountants and the Malaysian Institute of Taxation as well as the Malaysian Institute of Accountants.

He also sits on the Board of Directors of FMA and KKAA.

**Mr Ng Kim Weng**, aged 42, is the General Manager of FMA and a Director in FMSB. He was appointed to both positions in 1998.

Prior to joining FMA, he was with Sharp Roxy Corporation Sdn Bhd, an audio manufacturer, as Production Executive from 1979 to 1983. He joined Dai-Ichi Electronics (M) Sdn Bhd, an audio speaker manufacturer, as Production Manager in 1983. He joined FMA during the start-up stage in 1989 as Factory Manager. He is currently responsible for the sales, store, purchasing, materials, production control, manufacturing, general administration and human resource.

He has approximately twenty (20) years of experience in the audio speaker manufacturing industry.

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**

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**Mdm Lee Lay Keng**, aged 39, is the Store and Quality Control Manager of FMA since 1996. She graduated with a Degree in Electrical Engineering from Cheng Kung University, Taiwan in 1986.

Prior to joining FMA in 1996, she was an Assistant Production Manager with Maxcap Electronic Sdn Bhd, an audio speaker manufacturing company.

She is currently responsible for the overall quality control functions of the company products. She is the management representative for the quality systems and the project manager for the ISO 9002.

**Mr Yeoh Hee Khoon**, aged 48, is the Managing Director of YKS since 1994. He graduated in 1972 and holds a professional qualification in Electrical Engineering from C & G of London Institute.

Prior to joining Yaku Shin (M) Sdn Bhd, he was the Factory Manager for EAW Woods Ind. Sdn Bhd, a speaker box manufacturer from 1989 to 1992. He left to join P.T. EAW Woods Industry (Indonesia), a speaker box manufacturer, as General Manager in 1992 until he moved to Yaku Shin (M) Sdn Bhd in 1994 as Managing Director.

**Mr Too Yee Choy**, aged 40, is Production Director of YKS since 1994.

Prior to joining Yaku Shin (M) Sdn Bhd, He was with Dai Hwa Industry (M) Sdn Bhd, a speaker box manufacturer as a Production Manager from 1979 to 1990. He then joined Industri Kotakayu Sdn Bhd, also a speaker box manufacturer, as Factory Manager from 1991 to 1994. He joined Yaku Shin (M) Sdn Bhd as Production Director in 1994.

He has approximately (20) years experience in the audio speaker manufacturing industry.

**Mr Lee Kee Beng**, aged 47, is the General Manager of YKS since 1996. He also sits on the Board of Directors of YKS. He is an Associate Member of Malaysian Institute of Management.

He first began his career as an Audit Trainee in Syarikat Lixin Chew, a Public Accountants firm in 1977. He then joined Niven (Asia) Sdn Bhd as an accountant for two (2) years. Subsequently, he joined Eully Plastic Industry, as Personnel Officer cum Assembly Officer from 1985 to 1989. In 1989 he joined EAW Woods Ind. Sdn Bhd, a speaker box manufacturer, as Assistant General Manager for seven (7) years before he left in 1996 and joined Yaku Shin (M) Sdn Bhd as General Manager.

He has more than 10 years experience in speaker box manufacturing industry.

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**8. INFORMATION ON THE FOREMOST GROUP (Cont'd)**

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**Victor Siow Geat Min**, aged 41, is one of the founders of KKAA and also the Executive Director of KKAA, since 1980.

He has been involved in the auto accessories and services industry for more than 19 years. He is actively involved with the marketing of the KKAA Group's products and services through trade exhibitions in Moscow, Korea, Taiwan, Singapore and most notably, the Consumer Electronic Show in Las Vegas. He has also attended seminars in advanced sound systems

He is currently responsible for the purchasing, marketing and control of all inventories for the KKAA Group.

He also sits on the Board of Directors of YKS, KKAA, FMSB and ABC.

**8.7.3 Family Relationships**

Save for Mr Tang Chun Yong and Mr Tang Chung Hau who are brothers and Mr. Siow You and Mr. Victor Siow Geat Min who are brothers, none of the other Directors and Senior Management of the FOREMOST Group are related under Section 6A of the Companies Act 1965.

**8.7.4 Employees**

The FOREMOST Group as at 12 June 2000 has the following number of employees:

<b>Company</b>	<b>No. of Employees</b>
FMA	493
YKS	650
KKAA	70
<b>TOTAL</b>	<b>1,213</b>

The management has maintained a cordial working relationship with its employees evidenced by its low staff turnover. None of the employees in the Group belong to any trade unions or similar organisations.

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## 9. INDUSTRY AND BUSINESS OVERVIEW

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### 9.1 Overview of the Malaysian Economy

The Malaysian economy has recovered in 1999 from the severe deflationary impact of the regional financial crisis, which had resulted in a 7.5% contraction of the economy in 1998. Real Gross Domestic Product (GDP) has registered a significantly milder contraction of 1.3% in the first quarter and recovered with a positive growth of 4.1% in the second quarter of 1999.

The Real Gross Domestic Product (GDP) is expected to recover by 4.3% in 1999 as compared with -7.5% in 1998. This recovery is mainly attributed to the growth stimulus from the manufacturing, agriculture and services sectors. The manufacturing sector will generate a substantial rebound with value-added increasing by an estimated 8.9% as compared with 1998 which was -13.7%.

The turnaround in real GDP growth has been accompanied by a further strengthening of the balance of payments position as well as lower inflation rates. Boosted by stronger volume exports which continued to surpass imports, the external trade position recorded a surplus of RM46.2 billion (15% of GNP). Accordingly, Malaysia's external reserves held by Bank Negara Malaysia (BNM) is estimated to strengthen to RM125.5 billion (US\$33 billion) which is adequate to finance 6.5 months of retained imports, against RM99.4 billion (US\$26.2 billion) or an equivalent of 5.7 months of retained imports as at the end of 1998.

*(Source: Economic Report 1999/2000, Ministry of Finance)*

#### 9.1.1 Manufacturing Sector

The recovery in both external and domestic demand fueled positive growth rates from the value added in the manufacturing and services sectors. In response to a strengthening of overseas sales orders as well as the improvement in domestic demand, the output of the manufacturing sector has recovered significantly since February 1999 to register an average of 10% through August 1999. The manufacturing sector is expected to record a growth of 8.9% in 1999.

The performance of the export market-orientated manufacturing sector is estimated to increase their output in 1999 to 6.7% as compared to -6.8% in 1998. This favourable growth is attributed to increase in demand for electronics equipment and components including semiconductors.

*(Source: Economic Report 1999/2000, Ministry of Finance)*

#### 9.1.2 Electrical and Electronics Sector

Production has increased significantly for the electrical and electronics sector to record a growth of 8.1% during the first eight months of 1999. This growth can be attributed to the upsurge in global demand for semiconductors which is in turn boosted by increase in global demand for computers and other automated appliances as businesses strive to attain the Y2K compliance. This sector still maintains its position as the highest contributor to manufacturing production with 37.6% in 1999.

*(Source: Economic Report 1999/2000, Ministry of Finance)*



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## 9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)

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### 9.1.3 Transport Equipment Sector

The output of the transport equipment sector recorded a significant increase of 48.6% during the first eight months of 1999 as compared with a steep decline of 51.8% during the corresponding period in 1998. This was attributed to rising demand for motor vehicles as illustrated by the increase in sales of passenger cars of 105.9% from January to August 1999. The increase in the sales of commercial vehicles by 61.9% from the period January to August 1999 also contributed to the impressive growth rates of the industry.

(Source: *Economic Report 1999/2000, Ministry of Finance*)

## 9.2 Overview of FOREMOST's Export Markets

The FOREMOST Group being an export-orientated company is dependent on several international markets in which their manufactured goods are exported to. The two most important markets for the Group's audio products are the United States and Japan which accounts for approximately 30% and 25% of their international sales respectively. The remainder of the exports are to destinations like Europe which accounts for approximately 10% of the Group's sales, Australia accounts for 15% and Hong Kong, the Middle East, Singapore and other countries make up 5% of the Group's exports. The Group's domestic sales account for approximately 15% of the Group's turnover.

The demand for FOREMOST's goods are positively correlated to specific segments of the international markets such as the Japanese Electronics industry, the Japanese Automobile industry, the United States Electronics industry and the United States Automobile industry.

### 9.2.1 The Japanese Electronics Industry

Production figures for the Japanese electronics industry for 1998 are on the increase after several years of depressed demand. The Japanese electronics market softened after the peak of 1991 and only recently have there been a surge in goods demanded. The industry is forecast to expand beyond the Yen 27,000 billion benchmark due to increased demand for industrial electronic equipment, particularly information-related equipment, and a recovery in demand for consumer electronic equipment and electronic components and devices.

Within the consumer electronic equipment segment, demand is expected to rise for such audio-visual (AV) equipment as digital video cameras and Mini-Disk players, as well as for car navigational systems. This demand is expected to spill over to other segments of the consumer electronics sector such as the audio market. The total imports of electronics into Japan as at July 1999 has increased significantly by approximately 100.7% as compared to the previous year. In particular, audio and video equipment rose 103.3% and 108.8% respectively as compared to 1998. The import of computers also increased by 109.2% to date as at July 1999. Production of the Japanese electronics industry increased substantially by 98.1% as at July 1999 as compared with 1998 of ¥13,597,974 million. Audio and visual equipment also generated a high growth rate of 99.2% and 98.3% as compared with the 1998 production figures.

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## 9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)

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*(Source: Ministry of International Trade and Industry, Japan (MITI) and Electronics Industries Association of Japan (EIAJ)) at their website: [www.eiaj.or.jp](http://www.eiaj.or.jp) as at 19 October 1999.*

### 9.2.2 The Japanese Automobile Market

There has been a general increase in production and export of Japanese cars from 1996 to 1997. However, the market has a tendency to be cyclical in nature and dependent on the overall performance of the economy involved. The Japanese government embarked on a series of stimulus measures and along with large public works spending packages have yielded a GDP growth rate of 8.1% in the first quarter of 1999 and 0.9% in the second quarter. This is due to higher housing investment and improvement in net exports.

The import of automobiles into Japan has increased by 4.7% as at June 1999 to 139,258 units and the new imported passenger car registrations in Japan as at June 1999 has increased 18.2%, indicating improved domestic demand. The total car market sales in Japan also increased 4.3% to 2,164,751 units in June 1999. Japanese domestic production and vehicle exports have decreased by 3.6% and 7.9% respectively. However, this is compensated by increased Japanese local production in the U.S. Cumulative investment have surpassed US\$16 billion in the Japanese automakers' U.S. auto plants and auto parts manufacturing operations. Japanese production in the U.S. totalled nearly 2.4 million vehicles and 1.7 million engines in 1998. Japanese automakers in 1998 supply 65% of their total sales from their North American plants as compared with 12% in 1986. Japanese automakers' US-based production accounts for more than 45% of total U.S. exports, excluding exports to Canada.

*(Source: Japanese Automobile Manufacturers Association (JAMA) at their website: [www.japanauto.com](http://www.japanauto.com) as at 22 October 1999 and Japanese Automobile Importers Association.)*

### 9.2.3 The US Electronics Industry

The electronic industries make up the largest manufacturing sector in the United States. The industry in the U.S. is the international leader in growth and innovation as well, representing about half of the world's trillion dollar electronics sector. U.S. factory sales of electronic equipment, components and related products increased 11% to just over US\$460 billion for 1997. This illustrates the upsurge in demand for electronic products in the US and it is forecast to continue its demand appreciation in 1998 to approximately US\$500 billion, and being the leading sectors, those manufacturing components and telecommunications are projected to grow by 10%. The consumer electronics sector has chartered significant growth rates of 8% to US\$10.5 billion in 1997 and is forecasted to increase by 5% to US\$11.1 billion in 1998.

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**9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)**

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The overall audio industry showed an increase of 9% in May 1999 with factory sales charting US\$656 million making year-to-date audio industry sales of US\$2.8 billion which is ahead of the first five months of last year. Factory sales of home audio products contributed significantly to the overall audio revenues in July 1999 with sales of US\$611 million bringing year-to-date sales to US\$4.1 billion. The aftermarket autosound experienced a 8% growth rate in July 1999 driving year-to-date revenues to US\$1.3 billion a 12% increase from the first seven months of 1998. The impressive performance of the aftermarket autosound sector illustrates the continuing trend of consumers' increasing demand of higher fidelity digital sound in their vehicles. Consequently, the in-dash automobile CD player and car speakers also charted high growth rates of 31% and 17% respectively in July 1999.

The sales of Digital Versatile Disk (DVD) has reached the one million unit mark as at June 1999 and Consumer Electronics Manufacturer Association (CEMA) announced that they are revising their previous forecast from 1.8 million to 3 million units by year's end. DVD sales at the end of August 1999 reached approximately 2.4 million units and should be able to realise the forecast sales. The high DVD sales would directly benefit other products in the electronic market such as home theatre systems and home audio systems of which belong to FOREMOST's product range. According to CEMA, the primary home entertainment experience today is delivered by a quality home theatre system. There are almost twenty million American households that own a home theatre system and the number is expected to increase, according to the latest sales of home theatre systems during the first half of 1999 of US\$3.9 billion, a 6% increase as compared with the corresponding period in 1998.

New digital technologies such as MP3 and other audio downloading technologies such as multichannel music formats like DVD-Audio and Super Audio CD as well as the launch of digital audio radio (DAR) services in the US are bringing new digital audio products into the market by adding to and developing the new sound quality first realised by the compact disc. These emerging technologies plus the latest in specialty radio, home audio and mobile audio products will provide a wide variety of cutting-edge audio technologies into the expanding electronics market. This new direction in multimedia products will benefit FOREMOST's position as the Company also manufacturers high-fidelity computer speakers to the US and Japanese market.

Source: (i) *Figures obtained from US Department of Commerce and compiled by Consumer Electronics Manufacturer Association (CEMA), at their website: [www.cemacity.org](http://www.cemacity.org) as at 19 October 1999, which is a sector of the Electronics Industries Association (EIA), representing U.S. manufacturers of audio, video, accessories, mobile electronics, communication, information and multimedia products which are sold through consumer channels.*

(ii) *Figures obtained from US Department of Commerce and compiled by the Electronic Industries Association (EIA). The EIA is the national trade organisation representing all facets of electronic manufacturing in the US.*

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## 9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)

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### 9.2.4 The United States Automobile Market

The American automobile market is the largest car market in the world and still expanding after several years of stagnation, due significantly to the highly favourable environment of low interest and inflation rates, rising national employment and real increases in both household and business income. Another contributing factor is the bullish sentiments prevalent in the American Stock Markets catapulting the Dow Jones to record levels.

The automotive manufacturing industry in the U.S. forms the core of the nation's industrial strength. This sector contributes tremendously to the GDP (approx. 3.3% of total GDP in 1995) and employment. Sales of new car and non-commercial light trucks in the U.S. have increased 10.1% in the first nine months of 1999. U.S. production of light vehicles has also increased by 10.4% in the first nine months of 1999 to 9.429 million units. The health of the U.S. automobile market, to some extent, can be ascertained by the performance of the Big-3 (General Motors Corporation, Ford Motor Company and Daimler-BenzChrysler). The Big-3's sales and revenues have increased 17.2% in the second quarter of 1999 to US\$87 billion with a net income of US\$4.3 billion a 53.6% increase from the same period in 1998.

Source: (i) *Office of Automotive Affairs, U.S. Department of Commerce "U.S. Automotive Industry Sector Report-17 September 1997".* Obtained from International Trade Administration website: [www.ita.doc.gov](http://www.ita.doc.gov).

(ii) *Figures compiled by US Department of Commerce and Office of Automotive Affairs.* Obtained from International Trade Administration website: [www.ita.doc.gov](http://www.ita.doc.gov) as at 25 October 1999.

### 9.3 Future Plans

In order to be competitive in the 21<sup>st</sup> century, the management has envisaged the need for FOREMOST to be identified as a true Malaysian electronics firm offering high quality consumer electronics products and services. FOREMOST aims to further strengthen its technical staff force within the immediate term and pursue an aggressive marketing strategy based on its existing speaker products and its in-house products.

In this regard, the Group's commitment is to engineer customers' concepts into reality, from conceptual sample products to actual high quality speaker products. There will be a push to equip the Group with resources namely technological, human and capital to boost up-stream services such as financial, economic and technical feasibility studies, and expansion of its existing customer base.

At the same time, concerted efforts will be made to add depth and breadth to its product range, technical capabilities and services that will enable the transformation of the Group into a globally competitive and multi-disciplinary consumer electronics entity catering to local and international companies.

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**9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)**

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The main aspects of the future development plan are as follows: -

- ***Technology***

It is envisaged that with the support of the Group's in-house R&D, the FOREMOST Group would create a wealth of manufacturing expertise necessary for the quantum leap into the hi-tech sphere. With the R&D department led by Mr. Hu Shih Long, the Group would continue designing audio speakers and optimising productivity utilising the automation process and through the development of speaker technology. The R&D department has the necessary technical expertise to design and develop new audio speaker products through the utilisation of computer aided design (CAD) system software which will reduce the design and development time of the various audio speaker products. FOREMOST has proposed that part of the utilisation of the public issue proceeds be used for the R&D department in order to continue the development of better quality products.

- ***Human Resource***

The Group plans to boost the quality and quantity of the technical and design team with relevant exposure and expertise through investment in staff training and recruitment. That pool of technical expertise will facilitate technology transfer process by absorbing and translating new technology and advancement into new products and improvement in production process and quality of output. The Group's process manufacturing and technical team comprises of 28 personnel. The Group is currently sourcing for additional personnel in the form of product designers for the R&D team in an effort to inject 'fresh new blood' into their design concepts. The Group strongly believes in investment in people in order to fulfil its vision of transforming into a fully integrated consumer electronics company.

- ***Automation***

Expansion and upgrading of equipment capacity and capability towards automation of the production process with increasing use of CAD software and computer aided manufacturing facilities that correspond to the technological transformation. Latest addition is a sophisticated fully automated Computer Numerical Control (CNC) Precision Wood slicing apparatus. The Group has further plans to invest in a plastic injection moulding machine and metal stamping machinery, which will substantially reduce costs in order to increase the profit margins and be more competitive.

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## 9. INDUSTRY AND BUSINESS OVERVIEW *(Cont'd)*

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### 9.4 Business Overview

FOREMOST consists of four subsidiaries whose activities include the manufacture of home and automotive speakers and speaker systems for internationally renowned electronics firms, home stereo speaker boxes, retailing of complete range of auto accessories, repair and maintenance of motor vehicles. The Group's audited sales revenue is approximately RM127 million for the year ended 31 December 1999.

FMA's activities principally involve the manufacture and assembly of mid to high-end automotive speakers for several internationally established OEM companies like Onkyo Corporation of Japan, Matsushita Corporation, Pioneer Electronic Corporation, Kenwood Corporation, MYS Corporation and Soshin Onkyo Works Ltd. The FOREMOST Group is also an ODM who manufactures and markets their own in-house branded speakers like 'Conqueror', 'Man Audio' and 'Kennway'.

The Group's 100% subsidiary KKAA has already established itself as a renowned auto accessories retailer in Klang Valley with over 19 years of experience. KKAA's existing network consists of 11 retail outlets (including 7 franchised outlets) within the Klang Valley.

YKS, a 58.75% subsidiary to the Group manufactures medium to high end speaker box systems. Its exports 97.2% of its products directly and via the Free Trade Zone ("FTZ") to numerous countries around the world mainly Japan and the United States. YKS's OEM customers include an impressive array of Japanese and foreign multinational electronics companies like Matsushita Electronics (S) Pte. Ltd, Sony Wega Germany, Onkyo Electronic Corp, Japan, Kenwood Corporation, Japan, Yamaha Corporation, Japan, Hitachi Consumer Products (S) Pte.Ltd and Phillips Sound Systems (M) Sdn. Bhd.

FMSB is a 100% subsidiary of FOREMOST and its business objective is to market and expand the Group's products, especially the Group's in-house brands 'Conqueror', 'Man Audio' and 'Kennway'.

Over the years, the E&E industry in Malaysia developed at a rapid rate, encouraged by the conducive economic environment provided by foreign investment and the Malaysian Government. Riding on the tremendous growth of the industry, the Board of Directors of FMA seized the opportunity to increase the quality and service delivered by the company. This not only pleased its customers, but also enabled the Company to establish a strong name for itself in terms of reliability on quality and timely delivery, essential qualities that are highly valued by the predominantly Japanese Multinational E&E giants that have established themselves in Malaysia. Since then, the Company has established itself in the industry and supplies to a varied customer base.

With the strong partnerships that were established, the Japanese multinational corporations are able to incorporate the products manufactured by FMA and YKS into their final product. As the world demand for E&E products grew, the demand for FOREMOST Group's products increased in tandem by discovering additional needs of customers and fulfilling them. This led to the synergistic acquisitions of the various subsidiaries namely KKAA and YKS, that share FMA's business philosophy on quality and service. The experience, dynamism and track record of the management accumulated over a span of 9 years, led by Mr. Tang Chun Yong, his brother Mr. Tang Chung Hau and later joined by Dato' Mohd. Radzi bin Manan and Encik Mohamad Azlan bin Faizul, has been infused into FMA. Presently, with the leadership of Dato' Mohd. Radzi bin Manan, the management's business acumen will shape the direction of the Group and therefore gear it towards the drive by the Malaysian Government to be a renowned world exporter of E&E products.

## 9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)

### 9.4.1 Principal Products and Services

FOREMOST manufactures all forms of speaker systems including automobile speaker systems, home Hi-Fi audio speakers, general-purpose speakers and speaker box systems. Its subsidiary KKAA provides a wide spectrum of automobile related services like auto repair and maintenance, retailing of all types of auto accessories and franchisor for the Kenn Kenn Franchise Scheme. The value-added services in which the Group provides are as follows: -

- *Provide Production Design of Speaker Systems to OEM Customers.*
- *Develop the Production Process Standard in order to Manufacture Speaker Parts and Products*
- *Manufacture of High-Quality Speaker Systems that Strictly Adheres to Customer Requirements and Specifications with zero defects.*
- *Provision of Additional Advisory Services to Customers on Methods of Improvement for Speaker Products.*

The Group's principal products and services are illustrated below in tabular form:-

<b>FMA</b>	<b>Customer/OEM Customers</b>	<b>Brands Manufactured/ Customers</b>
<b>RANGE OF PRODUCTS</b>		
<b>Automobile Speakers : -</b>		
<b>OEM for After Market*</b>	Onkyo Electric (M) Sdn. Bhd Pioneer Electronic (Taiwan) Corp. Soshin Onkyo Works, Ltd, Japan Electromedia Di Roccobelli, Italy Sony (Malaysia) Sdn. Bhd.	Clarion, Alpine Kenwood Panasonic, Daihatsu Hertz ICE
<b>OEM for Automobile Assemblers</b>	Pioneer Electronic (Taiwan) Corp. Soshin Onkyo Works, Ltd, Japan Spektralink Sdn. Bhd Oriental Audio (M) Sdn. Bhd Toyota Tsusho (Malaysia) Sdn. Bhd	Kenwood-Maruti Mitsubishi,Daihatsu,G.M.H Proton Honda, Peugeot Toyota, Nissan
<b>In-House Designed Products</b>	Local and Export Market Panos Englezos (Manufacturers) Ltd. Cyprus Excel Audio Sdn. Bhd	Man Audio# Conqueror@ Kennway

\* *OEM for After Market are speakers that are bought via retail outlets and are not part of the original accessories provided after the purchase of the automobile. After Market sector goods are applicable when the customer wishes to upgrade the original sound system in their automobile.*

# *Man Audio products consist of speakers, amplifiers and tweeters.*

@ *Conqueror products consist of speakers.*

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**9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)**


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<b>2. Home Hi-Fi Speakers : -</b>		
<b>OEM for Audio Equipment Manufacturers</b>	Onkyo Electric (Malaysia) Sdn. Bhd Monetech Audio Sdn. Bhd Pioneer Electronic (Taiwan) Corp. Matsushita Audio Video (M) Sdn. Bhd Philips Sound System Sdn. Bhd Flextronics International GMBH, Austria	Sharp, JVC, Panasonic Sharp, Sony Pioneer Matsushita Philips Philips
<b>In-House Designed Products</b>	Local Market Chuan Seng Hin Sdn. Bhd Comers (M) Sdn. Bhd	Audio Sound Tecnik
<b>3. General Purpose Speakers</b>		
<b>OEM for Audio Equipment Manufacturers</b>	Tohoku Pioneer Corp, Japan Onkyo Corporation, Japan City Electronic, Hong Kong Sony Electronics (M) Sdn. Bhd	NTT Toshiba Grundig Sony
<b>4. Speaker Box Systems</b>		
<b>OEM for Audio Equipment Manufacturers</b>	Audio-Mys Trading (M) Sdn. Bhd Audio Intertech Sdn. Bhd Onkyo Trading (M) Sdn. Bhd	Radio Shack, Sony, MGT Clarion, Alpine

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**9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)**


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<b>YKS</b>		
<b>Products and Services</b>	<b>Customers</b>	<b>Brands Manufactured</b>
Manufacture of speaker box systems and parts for speaker box	Sony International (S) Pte. Ltd Sony Electronics (M) Sdn. Bhd Sony Wega, Germany	Sony
	Matsushita Electronics (S) Pte. Ltd (MESA) Matsushita Audio Video (M) Sdn. Bhd (MAV) Asia Matsushita (S) Ltd	Panasonic
	Onkyo Trading (M) Sdn. Bhd	Clarion, Onkyo
	Philips Sound Systems (M) Sdn. Bhd	Philips
	Foster Electric (S) Pte. Ltd	Yamaha
	MEC Audio Visual Products Sdn. Bhd	MEC, Grundig
	Kenwood Corporation, Japan	Kenwood
	Hitachi Consumer Products (S) Pte. Ltd	Hitachi
	Yamaha Corporation, Japan Yamaha Electronic Mfg (M) Sdn. Bhd	Yamaha

<b>KKAA</b>		
	<b>Products and Services</b>	<b>Brands Retailed</b>
	<ul style="list-style-type: none"> <li>◆ Retailing of auto accessories, including automobile audio and video systems, tyres and sport rims</li> <li>◆ General Automobile Services including car repairs and pre delivery inspection services</li> <li>◆ Wholesale and retailing of in-house brand automobile speakers and amplifier called "Man Audio" and car care products called 'Kennway'</li> </ul>	<p>Sony, Pioneer, Onkyo, Kenwood,</p> <p>Man Audio, Conqueror, Kennway</p>

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**9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)**

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**9.4.2 Principal markets, end-users and demand for the products/services**

The FOREMOST Group is a comprehensive speaker manufacturer, which produces general audio speakers, automobile speakers and home audio speaker systems which includes home theatre systems. Both FMA and YKS produce OEM products specifically for the export market. The FOREMOST Group exports their products to countries around the world.

The two most important markets for the Group's audio products are the United States and Japan which account for approximately 30% and 25% of their international sales respectively. The remainder of the exports are to destinations like Europe which accounts for approximately 10% of the Group's sales, Australia accounts for 15% and Hong Kong, the Middle East, Singapore and other countries make up to 5% of the FOREMOST Group's exports. The Group's domestic sales account for approximately 15% of the Group's turnover. The Group's principal customers are illustrated in tabular form in Section 9.4.1.

**9.4.3 Methods of Distribution**

Approximately 85% of FOREMOST Group products are exported to countries around the world, mostly to the United States and Japan. The finished goods are distributed to their overseas customers via shipping containers. The remaining 15% of the manufactured products are exported indirectly to the customers through the Free Trade Zone (FTZ) and License Manufacturing Warehouse (LMW).

**9.4.4 Source and Availability of Raw Materials**

The FOREMOST Group has fostered good relationships with its suppliers over the years, most of which have been supporting the company since its inception. Typically, the business relationships have been between eight (8) to ten (10) years for FMA and between five (5) to six (6) years for YKS, all with good credit terms. FMA's credit terms are usually for 60 days and YKS credit terms range from 30 to 60 days.

For a speaker manufacturer with high turnover, 60 days is more than sufficient for their purposes. In addition, OEMs are reliable paymasters and approximately 85% of YKS's revenues are conducted in US Dollars ("USD"). There is no critical raw material that is controlled by a single supplier.

As for the supply market, it is characterised by healthy competition, which benefits the Group in terms of diversity of choice coupled with competitive pricing, quick delivery, adequate quantity if and when needed. The percentages of local and foreign purchases for FMA and YKS are illustrated below: -

## 9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)

Years	1997		1998		1999		Average	
	RM	%	RM	%	RM	%	RM	%
<b>FMA Purchases</b>								
Local	12,731,082	60	18,176,919	74	17,203,945	77	16,037,315	71
Foreign	8,516,990	40	6,431,323	26	5,122,984	23	6,690,432	29
<b>YKS Purchases</b>								
Local	18,143,376	49	27,968,540	44	31,409,880	47	25,840,599	46
Foreign	18,883,922	51	35,382,926	56	35,573,466	53	29,946,771	54

The major suppliers for FMA, YKS and KKAA are listed in the table below: -

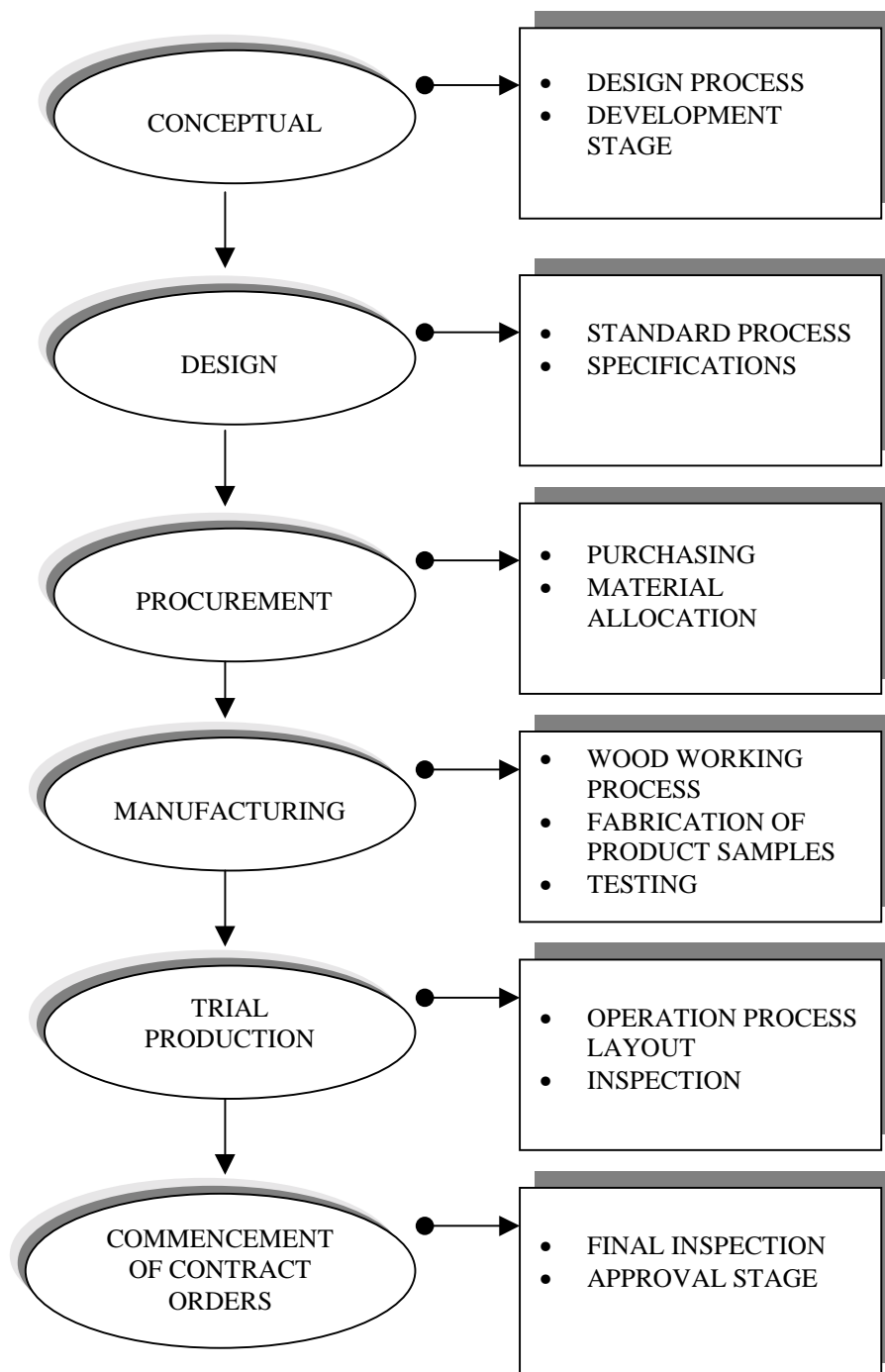
	<b>FMA</b>	<b>YKS</b>	<b>KKAA</b>
1.	Allied Advantage Sdn. Bhd	Matsushita Electric (T) Co. Ltd	Sony (M) Sdn. Bhd
2.	Eternal Power Sdn. Bhd	Advance-Worth Sdn. Bhd	Akaya Auto Accessories Sdn. Bhd
3.	Moritetsu Electric (M) Sdn. Bhd	P.T. Panasonic Gobel Elec. Comp.	Autoart (M) Sdn. Bhd
4.	A-Ton (Malaysia) Sdn. Bhd	Luster Plastic Industries Sdn. Bhd	Trio Auto Accessories Sdn. Bhd
5.	Taigene Metal (M) Sdn. Bhd	Hongye Enterprise Sdn. Bhd	KK Best Leather Seat Sdn. Bhd

### 9.4.5 Principal Manufacturing and Assembly Process

FOREMOST is responsible for the design, procurement of relevant materials and also the manufacture and assembly of audio speakers. The overall production process can be applied to all these different categories of audio speakers. In order to better outline the Group's manufacturing process, a summary of the Company's activities can be categorised into the following compartments illustrated in diagram on the next page.

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9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)



## 9. INDUSTRY AND BUSINESS OVERVIEW (Cont'd)

FMA's factory is located within 3 buildings in Gurun, Kedah Darul Aman, with a total land area of 15,632.19 sq. metres and a total built-up area of 10,240.55 sq. metres. YKS's main factory is located within 1 block in Gurun, Kedah Darul Aman and 1 branch factory in Ulu Tiram, Johor Bahru, Johor Darul Takzim, with a land area of 8,250 sq.metres and a built-up area of 5,570 sq.metres for the Gurun factory and a land area of 4,105 sq.metres and a built-up area of 2,167 sq.metres for the branch factory in Johor Bahru.

FMA and YKS's production capacity and output for the last five years are illustrated in tabular form below :-

Year ended 31 December	Production Capacity Pieces		Production Output Pieces	
	FMA	YKS	FMA	YKS
	Speakers	Speaker Boxes	Speakers	Speaker Boxes
1995	12,000,000	112,065	7,700,000	95,255
1996	12,000,000	1,578,645	5,700,000	1,447,505
1997	12,000,000	1,711,748	6,100,000	1,414,175
1998	12,000,000	2,294,802	5,700,000	2,212,662
1999	12,000,000	2,102,684	6,000,000	1,761,823

In order to ensure high quality control measures, FMA has obtained the ISO 9002 for Quality Management Systems and YKS has earned the SGS ISO 9002 for Internal Quality Audit and Quality Improvement Programme. In the FY1999, YKS had invested in a sanding machine, edge bending machine and accessories for the V-Cut machine which are used in the manufacturing of high quality speaker boxes, which amounted to approximately RM500,000. Their expansion activities included establishing a branch factory in Ulu Tiram, Johor Bahru, Johor Darul Takzim in December 1998 which cost approximately RM1 million. FOREMOST does not hold any patents or trademarks in relation to its business activities.

### 9.4.6 Research and Development

Currently, FMA has an Engineering department to liaise with its existing customers on the technical aspects of audio speaker design and manufacturing. There are five (5) employees and the Managing Director of FMA is responsible for the department.

The Engineering department has to be upgraded in terms of manpower and equipment. This will be done through the recruitment of an audio speaker designer and audio engineers and the purchase of the latest testing equipment. Eventhough the Research and Development will be under FMA, its objective is to benefit the FOREMOST Group as a whole.

The purposes of having the Research and Development department are as follows: -

- To be more competitive in terms of costing and designing;
- To maintain and expand the existing customer base;
- To be able to design and propose new speaker design to existing and potential customers; and
- To train Malaysians in audio speakers technology.

## 10. FINANCIAL INFORMATION ON THE FOREMOST GROUP

### 10.1 Profit Record

The following sets out a summary of FOREMOST Group's audited proforma consolidated results for the five financial years ended 31 December 1995 to 31 December 1999 were prepared based on the adjusted audited results of FOREMOST and its subsidiaries and on the assumptions that the Group had been in existence throughout the periods under review. The proforma consolidated results are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out herein:-

Year Ended 31 December	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	63,149	90,073	131,624	151,814	127,041
Profit before depreciation and interest	5,252	8,287	12,869	13,342	13,860
Depreciation	(856)	(1,005)	(1,466)	(1,810)	(1,907)
Interest Expense	(1,009)	(1,563)	(1,869)	(2,282)	(1,771)
Interest Income	3	11	33	62	146
Profit before taxation and minority interest	3,390	5,730	9,567	9,312	10,328
Taxation	(409)	(2,064)	(2,230)	(2,048)	(233)
Profit after taxation but before minority interest	2,981	3,666	7,337	7,264	10,095
Minority Interest	182	(72)	(475)	(1,133)	(1,620)
Profit after tax and minority interest	3,163	3,594	6,862	6,131	8,475
No. of ordinary shares assumed to be in issue ('000)	30,700	30,700	30,700	30,700	30,700
Gross EPS (sen)*	11.0	18.7	31.2	30.3	33.6
Net EPS (sen)	10.3	11.7	22.4	20.0	27.6

\* Based on pretax profit before minority interest and on no. of new shares in issue.

#### Notes:-

- (i) The Proforma Consolidated results of the FOREMOST Group are prepared for illustrative purposes only and are based on the audited accounts of FMA, KKAA Group, YKS and FMSB.
- (ii) The financial year-end for YKS has been changed to 31 December in 1998. In preparing the proforma consolidated profit and loss account, the results of YKS prior to 31 December 1998 was time apportioned to 31 December.
- (iii) The increase in profit before taxation from 1995 to 1997 is due to the increase in turnover and gross margin of the Group. However, the profit before taxation in 1998 is reduced due to an increase in operating cost of KKAA and the operating loss suffered by FMSB which commenced operations in the second half of 1998. The increase in profit before taxation for the year ended 31 December 1999 is mainly due to an increase in gross margin.

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**

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- (iv) *The effective tax rates for the Group in the years ended 31 December 1995, 1997 and 1998 were lower than the statutory tax rate due to the utilisation of reinvestment allowance and capital allowance by certain subsidiary companies. The effective rate of taxation for the Group in the financial years ended 31 December 1996 was higher than the statutory tax rate due to certain expenses not being deductible for tax purposes.*

*There is no tax charge on the income for 1999 in view of the tax waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Bill 1999. The provision for tax charge for the year ended 31 December 1999 was in respect of deferred taxation liability.*

- (v) *There were no exceptional items and extraordinary items during the financial years/period under review.*

- (vi) *The gross earnings per share is calculated based on the profit after minority interest but before taxation and extraordinary items and on the number of issued and paid-up capital of the Group at 30,700,000 ordinary shares of RM1.00 each.*

*The net earnings per share is calculated based on the profit after taxation and minority interest and on the number of issued and paid-up capital of the Group at 30,700,000 ordinary shares of RM1.00 each.*

- (vii) *The number of ordinary shares is arrived at after the acquisition of FMA, KKAA Group, YKS and FMSB, Rights Issue of 3,498,450 new ordinary shares of RM1.00 each but before the Special Bumiputra Issue of 5,350,000 new ordinary shares of RM1.00 each and Public Issue of 7,800,000 new ordinary shares of RM1.00 each*

- (viii) *All inter-company transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.*

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**

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**10.2 Working Capital, Borrowings, Capital Commitments and Contingent Liabilities**

**10.2.1 Working Capital**

The Directors are of the opinion, that, after taking into account the cashflow forecast and projections and the banking facilities available, the FOREMOST Group will have adequate working capital for its present and foreseeable requirements.

**10.2.2 Borrowings**

As at 12 June 2000 (being the last practicable date prior to the printing of this Prospectus), the total bank borrowings and overdraft facilities of the FOREMOST Group amounts to RM24,751,684

**10.2.3 Capital Commitments**

As at 12 June 2000 (being the latest practicable date prior to the issue of this Prospectus), the Group has a capital commitment of RM677,290.

**10.2.4 Contingent Liabilities**

As at 12 June 2000 (being the last practicable date prior to the printing of this Prospectus), the FOREMOST Group does not have any contingent liabilities, loan capital or convertible debt securities outstanding or created but unissued nor any mortgages or charges outstanding or guarantees. Except in respect of a material litigation involving KKAA, as disclosed in Section 13I of this Prospectus which involves a sum of RM341,897 deposited into the Court and a further sum that the amount has yet to be ascertained.

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP(cont'd)**  
*(Prepared for inclusion in this Prospectus)*


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**10.3 Consolidated Profit Forecast and Assumptions**

The Directors of FOREMOST forecast that, in the absence of unforeseen circumstances, the consolidated profit before and after taxation for the financial year ending 31 December 2000 will be as follows: -

<b>Forecast for the Year Ended</b>	<b>31 December 2000</b>
Consolidated profit before taxation and after minority interest	11,896
Consolidated profit after tax and minority interest	8,776
Gross EPS*	27.1
Gross EPS**	33.2
Net EPS*	20.0
Net EPS**	24.5
Gross PE multiple based on the issue price of RM1.70 per ordinary share*	6.3
Gross PE multiple based on the issue price of RM1.70 per ordinary share**	5.1
Net PE multiple based on the issue price of RM1.70 per ordinary share*	8.5
Net PE multiple based on the issue price of RM1.70 per ordinary share**	6.9

**Notes : -**

\* *Based on enlarged issued and paid-up share capital of 43,850,000 ordinary shares of RM1.00 each*

\*\* *Based on the weighted average number of shares in issue of 35,775,635 ordinary shares of RM1.00 each*

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (cont'd)**  
*(Prepared for inclusion in this Prospectus)*

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The principal assumptions upon which the consolidated profit forecast of FOREMOST for the year ending 31 December 2000 have been prepared are set out below:-

1. There will be no significant changes in the principal activities, management structure, accounting and business policies adopted by the Group.
2. The existing terms and conditions of contracts and agreements entered into by the Group will remain in force.
3. There will be no significant changes to the legislation and regulations, which will adversely affect the operations of the Group.
4. The prevailing Malaysian and world economic conditions will not adversely affect the activities or performance of the Group as currently planned. There will be no further significant changes affecting the Malaysian economy that will adversely affect the Group.
5. There will be no major industrial disputes or any abnormal circumstances, which will adversely affect the operations of the Group.
6. There will be no significant changes in the prices of finished products of the Group.
7. The turnover forecast and related costs are based on forecast of the directors after taking into consideration the present market conditions of selling prices and related costs of the Group.
8. Production cost will not be adversely affected by any abnormal circumstances or events.
9. There will be no significant changes in current demand and in the prevailing market conditions which will adversely affect the performance of the Group.
10. The rates and bases of taxation including the tax incentives available to the Group will not change significantly.
11. Interests rates for lendings and borrowings will not change significantly.
12. The Group will continue to enjoy the existing credit facilities at current rates and conditions. Credit facilities with licensed banks are subject to annual review and it is assumed this will be reviewed with no change to existing terms and conditions.
13. There will be no major breakdown or disruption in the manufacturing facilities nor will there be any disruption in the sourcing of materials by the Group.
14. There will be no material fluctuations in manufacturing costs (including labour, cost of materials and other production overheads).
15. There will be no unexpected problems that may affect the Group's various manufacturing schedules.

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (cont'd)**  
*(Prepared for inclusion in this Prospectus)*

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16. There will be no major capital and revenue cost items variations that are beyond the control of the Group.
17. There will be no significant fluctuations in inflation rate from the forecast levels.
18. There will be no adverse movements in foreign currency exchange rates which will materially affect the Group's operations.
19. There will be no significant incidence of bad debts.
20. There will be no material acquisition or disposals of fixed assets other than those that have been forecasted for.
21. The proceeds from the Special Bumi Issue and Public Issue will be received by 31 July 2000.

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**  
*(Prepared for inclusion in this Prospectus)*

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**10.4 Reporting Accountants' Letter on the Consolidated Profit Forecast**

**WONG LIU & PARTNERS**  
Public Accountants (M)  
6762, Jln. Kampung Gajah,  
12200 Butterworth  
Penang

Date: 12 June 2000

The Board of Directors  
**FOREMOST HOLDINGS BERHAD**  
(formerly known as Foremost Kenn Kenn Berhad)  
3<sup>rd</sup> Floor, No. 17 Jalan Ipoh Kecil  
50350 Kuala Lumpur  
Wilayah Persekutuan

Dear Sirs

**ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST FOR THE  
YEAR ENDING 31 DECEMBER 2000**

We have reviewed the accounting policies and calculations for the consolidated profit forecast of Foremost Holdings Berhad ("FOREMOST") and its subsidiary companies ("the Group"), for which the Directors are solely responsible, as set out in the Prospectus to be dated 26 June 2000, in connection with the Public Issue of 7,800,000 new ordinary shares of RM1.00 each at an issue price of RM1.70 per ordinary share and the listing of and quotation for the entire issued and paid-up share capital of FOREMOST comprising of 43,850,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

**WONG LIU & PARTNERS**  
Public Accountants  
AF 0182

**TANG YIN KHAM**  
Partner  
1728/3/02(J)

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**


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**10.5 Dividend Forecast**

It is the policy of FOREMOST to recommend dividends to allow shareholders to participate in the profits of the Company as well as maintaining adequate resources for the future growth of the Company.

On the basis of the profit forecast for the year ending 31 December 2000, maintaining the present basis of calculating taxation of 28% and the rates of taxation will also remain unchanged, the Directors of the Company has proposed a net dividend rate of 5 sen per share on the enlarged paid-up capital in respect of the year ending 31 December 2000. The Company did not pay any dividends for 31 December 1999.

The intended appropriation would be as follows: -

<b>Year ending 31 December 2000</b>	<b>Forecast</b>
	<b>RM'000</b>
Consolidated profit before tax after minority interest	11,896
Taxation	<u>(3,120)</u>
Consolidated profit after tax and minority interest	8,776
Proposed Dividends (Net)	<u>2,192</u>
Retained profit for the year	<u>6,584</u>
Net dividend per share (RM)	0.05
Net dividend cover (times)	4.0
Net dividend yield (%) based on the Public Issue Price of RM1.70 per share (RM)	2.94

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**  
(Prepared for inclusion in this Prospectus)

**10.6 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 1999**

The Proforma Consolidated Balance Sheets are provided for illustrative purposes only to show the effects of the acquisition of FMA, KKAA Group, YKS and FMSB ("Acquisitions"), the Rights Issue of 3,498,450 new ordinary shares of RM1.00 each at RM1.05 per share, the Special Bumi Issue of 5,350,000 new ordinary shares of RM1.00 each at RM1.05 per share, the Public Issue of RM7,800,000 new ordinary share of RM1.00 each at an issue price of RM1.70 per share and the estimated listing expenses of RM1,500,000 on assumption that these transactions had been completed on 31 December 1999.

	(I)	(II)	(III)	(IV)	
	As at 31 December 1999 RM'000	Group after Acquisition RM'000	After (I) & Rights Issue RM'000	After (II) & Special Bumi Issue RM'000	After (III) & Public Issue RM'000
<b>EMPLOYMENT OF CAPITAL</b>					
<b>FIXED ASSETS</b>	-	26,479	26,479	26,479	26,479
<b>UNQUOTED INVESTMENT</b>	-	70	70	70	70
<b>CURRENT ASSETS</b>					
Stocks	-	25,917	25,917	25,917	25,917
Trade debtors	-	33,341	33,341	33,341	33,341
Other debtors, deposits and prepayments	-	11,238	11,238	11,238	11,238
Fixed deposits	-	1,526	1,526	1,526	1,526
Cash & bank balances	*	483	4,156	9,774	21,534
	*	72,505	76,178	81,796	93,556
<b>CURRENT LIABILITIES</b>					
Trade creditors	-	21,951	21,951	21,951	21,951
Other creditors and accruals	744	5,168	5,168	5,168	5,168
Bank borrowings	-	23,371	23,371	23,371	23,371
Amount owing to directors	-	186	186	186	186
Term Loans	-	120	120	120	120
Proposed dividend	-	-	-	-	-
Provision for taxation	-	1,544	1,544	1,544	1,544
	744	52,340	52,340	52,340	52,340
<b>NET CURRENT ASSETS</b>	(744)	20,165	23,838	29,456	41,216

**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**  
*(Prepared for inclusion in this Prospectus)*

		(I)	(II)	(III)	(IV)
	As at 31 December 1999 RM'000	Group after Acquisition RM'000	After (I) & Rights Issue RM'000	After (II) & Special Bumi Issue RM'000	After (III) & Public Issue RM'000
<b>INTANGIBLE ASSETS</b>	744	1,281	1,281	1,281	1,281
	*	47,995	51,668	57,286	69,046
<b>CAPITAL EMPLOYED</b>					
<b>SHARE CAPITAL</b>	*	27,202	30,700	36,050	43,850
<b>SHARE PREMIUM ACCOUNT</b>	-	2,500	2,675	2,943	6,903
<b>PROFIT AND LOSS ACCOUNT</b>	-	9,928	9,928	9,928	9,928
<b>SHAREHOLDERS' FUNDS</b>	-	39,630	43,303	48,921	60,681
<b>HIRE PURCHASE &amp; FINANCE LEASE CREDITORS</b>	-	311	311	311	311
<b>TERM LOANS</b>	-	2,931	2,931	2,931	2,931
<b>DEFERRED TAXATION</b>	-	638	638	638	638
<b>MINORITY INTEREST</b>	-	4,485	4,485	4,485	4,485
	*	47,995	51,668	57,286	69,046
NTA per share (RM)	(222,120)	1.41	1.37	1.32	1.35

\* This represents RM2

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**  
*(Prepared for inclusion in this Prospectus)*

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**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**

The proforma consolidated balance sheets as at 31 December 1999 have been prepared for illustrative purposes only, based on the audited accounts of FOREMOST and its subsidiaries as at 31 December 1999, to show the effects of the following transactions on the assumptions that they had been completed on 31 December 1999:-

**(i) Proforma I**

- (a) The acquisition by FOREMOST of the entire issued and paid-up share capital of FMA comprising 11,800,012 ordinary shares of RM1.00 each for a purchase consideration of RM29,921,703 satisfied by an issue of 27,201,548 new ordinary shares of M1.00 each in FHB at an issue price of RM1.10 per share, credited as fully paid-up;
- (b) The acquisition of the entire issued and paid up capital of KKAA Group from FMA to FOREMOST for a cash consideration of RM11,687,026;
- (c) The acquisition of 58.75% equity interest in YKS from FMA to FOREMOST for a cash consideration of RM4,081,417; and
- (d) The acquisition of the entire issued and paid up capital of FMSB from FMA to FOREMOST for a negative cash consideration of RM328,65.

**(ii) Proforma II**

Proforma II incorporates the effects of Proforma I and the rights issue of 3,498,450 new ordinary shares of RM1.00 each in FOREMOST at an issue price of RM1.05 per share.

**(iii) Proforma III**

Proforma III incorporates the effects of Proforma II and the special bumi issue of 5,350,000 new ordinary shares of RM1.00 each in FOREMOST at an issue price of RM1.05 per share.

**(iv) Proforma IV**

Proforma IV incorporates the effects of Proforma III and the public issue of 7,800,000 new ordinary shares of RM1.00 each in FOREMOST at an issue price of RM1.70 per share.



**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**  
*(Prepared for inclusion in this Prospectus)*

(v) The movements of the share capital and share premium are as follows: -

	Share Capital RM'000	Share Premium RM '000	Merger Reserve RM '000	Retained Profits RM'000
Balance as per audited balance sheet of FOREMOST as at 31 December 1999	*	-	-	-
Balance as per consolidated audited balance sheets of FMA, KKAA Group, YKS and FMSB	-	2,500	296	25,034
Issuance of 27,201,548 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share in respect of the Acquisitions for RM29,921,703	27,202	-	-	-
Set-off against debit merger reserve (Note (vi))	-	-	(296)	(15,106)
As shown in Proforma I	27,202	2,500	-	9,928
Rights Issue of 3,498,450 new ordinary shares of RM1.00 each at an issue price of RM1.05 per share	3,498	-	-	-
Premium arising from Rights Issue	-	175	-	-
As shown in Proforma II	30,700	2,675	-	9,928
Special Bumi Issue of 5,350,000 new ordinary shares of RM1.00 each at an issue price of RM1.05 per share	5,350	-	-	-
Premium arising from Special Bumi Issue	-	268	-	-
As shown in Proforma III	36,050	2,943	-	9,928
Public Issue of 7,800,000 new ordinary shares of RM1.00 each at an issue price of RM1.70 per share	7,800	-	-	-
Premium arising from Public Issue	-	5,460	-	-
	43,850	8,403	-	9,928
Estimated listing expenses (Note (vii))	-	(1,500)	-	-
As shown in Proforma IV	<b>43,850</b>	<b>6,903</b>	<b>-</b>	<b>9,928</b>

\* This represents RM2

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**  
*(Prepared for inclusion in this Prospectus)*


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(vi) Debit merger reserve is arrived at as follows:-

	<b>RM '000</b>
Nominal value of shares acquired in FMA	11,800
Nominal value of shares issued by FOREMOST for the Acquisitions	(27,202)
Debit merger reserve	(15,402)
Set-off against merger reserve	296
Set-off against retained profits	15,402
	-

(vii) The estimated listing expenses of RM1,500,000 will be written off against Share Premium Account.

(viii) The proforma consolidated balance sheets as at 31 December 1999 have been prepared in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965. The proforma consolidated balance sheets are consolidated using the following method of accounting and all inter company transactions and balances are eliminated on consolidation.

<b>COMPANY</b>	<b>METHOD OF CONSOLIDATION</b>
FMA	Merger accounting
KKAA Group	Merger accounting
YKS	Acquisition accounting
FMSB	Acquisition accounting

The merger method of consolidation is used for consolidating Foremost with FMA as the total consideration given was in the form of equity share capital.

The merger method of consolidation is used for consolidating Foremost with KKAA Group as KKAA was the wholly owned subsidiary of FMA and the merger method of consolidation was used to consolidate FMA with KKAA Group. The total consideration given by FMA when acquiring KKAA Group was in the form of equity share capital.

The acquisition method of consolidation is used for consolidating Foremost with YKS and FMSB as when YKS and FMSB was acquired by FMA, the consideration given was in the form of cash which failed to fulfil the conditions of merger accounting.

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**10. FINANCIAL INFORMATION ON THE FOREMOST GROUP (Cont'd)**  
*(Prepared for inclusion in this Prospectus)*

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**10.7 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets**

**WONG LIU & PARTNERS**  
Public Accountants (M)  
6762, Jln. Kampung Gajah,  
12200 Butterworth  
Penang

Date: 12 June 2000

**The Boards of Directors**  
**Foremost Holdings Berhad**  
(Formerly known as Foremost Kenn Kenn Berhad)  
3rd Floor, 17, Jalan Ipoh Kecil  
50350 Kuala Lumpur

Dear Sirs

**ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 1999**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Foremost Holdings Berhad ("FOREMOST") and its subsidiary companies ("the Group") as at 31 December 1999 together with the notes thereon, for which the Directors are solely responsible, as set out in the Prospectus to be dated 26 June 2000 in connection with the public issue of 7,800,000 new ordinary shares of RM1.00 each in FOREMOST at an issue price of RM1.70 per share and the listing of and quotation for the entire issued and paid-up share capital of FOREMOST comprising 43,850,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the abovementioned Proforma Consolidated Balance Sheets together with the notes thereon, which are prepared for illustrative purposes only, have been presented on the accounting principles and bases consistent with those normally adopted by the Group and are presented in a form suitable for inclusion in the said Prospectus.

Yours faithfully

**WONG LIU & PARTNERS**  
Public Accountants  
AF 0182

**TANG YIN KHAM**  
Partner  
1728/3/02(J)

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**11. ACCOUNTANTS' REPORT**  
(Prepared for inclusion in this Prospectus)

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Date: 12 June 2000

**The Board of Directors**  
**Foremost Holdings Berhad**  
(Formerly known as Foremost Kenn Kenn Berhad)  
3rd Floor, 17, Jalan Ipoh Kecil  
50350 Kuala Lumpur

Gentlemen,

**ACCOUNTANTS' REPORT**

**1. INTRODUCTION**

This report has been prepared for inclusion in the Prospectus to be dated in connection with the public issue of 7,800,000 new ordinary shares of RM1.00 each of Foremost Holdings Berhad (hereinafter referred to as "FOREMOST" or "the Company") at an issue price of RM1.70 per share and the listing of and quotation for the entire issued and paid-up share capital of FOREMOST on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

**2. GENERAL INFORMATION**

**2.1 Background**

The Company was incorporated on 3 June 1998 in Malaysia under the Companies Act, 1965 as a limited company under the name of Foremost Kenn Kenn Berhad.

The Company changed its name to Foremost Holdings Berhad on 12 October 1999. The principal activity of the Company is that of investment holding.

**2.2 Share Capital**

2.2.1 At the date of incorporation, the authorised share capital of the Company was RM100,000 comprising 100,000 ordinary shares of RM1.00 each. Pursuant to an Extraordinary General Meeting held on 10 December 1999, the authorised share capital was increased to RM100,000,000 ordinary share of RM1.00 each by the creation of 99,900,000 new ordinary shares of RM1.00 each.

2.2.2 The changes in the issued and paid-up share capital of FOREMOST since its incorporation are as follows :-

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

<b>Date of allotment</b>	<b>Ordinary Shares of RM1.00 each</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
03.06.98	2	Subscribers' shares	2
05.01.00	27,201,548	Issued as consideration for Acquisition of Foremost Audio Sdn. Bhd. ("FMA").	27,201,550
12.01.00	3,498,450	Rights issue of 3,498,450 new Ordinary shares of M1.00 each at an issue price of RM1.05 per share.	30,700,000

Subsequent to the special bumi issue and the public issue, the issued and paid-up share capital of FOREMOST Group would be increased to RM43,850,000 by way of a special bumi issue of 5,350,000 new ordinary shares of RM1.00 each at an issue price of RM1.05 per share and a public issue of 7,800,000 new ordinary shares of RM1.00 each at an issue price of RM1.70 per share.

**2.3 Restructuring and Flotation Scheme**

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of FOREMOST on the Second Board of the KLSE, the Company undertook the following restructuring scheme:-

**2.3.1 Acquisition of FMA**

Acquisition of 100% equity interest in FMA comprising 11,800,012 ordinary shares of RM1.00 each for a total consideration of RM29,921,703. The consideration will be satisfied by the issue of 27,201,548 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share credited as fully paid up in exchange for the entire issued and paid up share capital of FMA.

**2.3.2 Acquisition of KKAA GROUP**

Acquisition of 100% equity interest in KKAA Group comprising 5,388,000 ordinary shares of RM1.00 each for a total cash consideration of RM11,687,026.

**2.3.3 Acquisition of YKS**

Acquisition of 58.75% equity interest in YKS comprising 2,350,002 ordinary shares of RM1.00 each for a total cash consideration of RM4,081,417.

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

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**2.3.4 Acquisition of FMSB**

Acquisition of 100% equity interest in FMSB comprising 2 ordinary shares of RM1.00 each for a total negative cash consideration of RM328,651.

**2.3.5** Rights issue of 3,498,450 new ordinary shares of RM1.00 each at an issue price of RM1.05 per share on the basis of approximately 0.1286 new ordinary share for every one (1) existing ordinary share held after the Acquisition.

**2.3.6** Special bumi issue of 5,350,000 new ordinary shares of RM1.00 each at an issue price of RM1.05 per share.

**2.3.7** Public issue of 7,800,000 new ordinary shares of RM1.00 each at an issue price of RM1.70 per share payable in full upon application.

**3. SUBSIDIARY COMPANIES**

The subsidiary companies of FOREMOST are as follows:-

**(i) FMA**

FMA was incorporated in Malaysia under the Companies Act, 1965 on 21 September 1989 as a private limited company under the name Zhongsen (M) Sdn. Bhd. The present authorised share capital is RM50,000,000 divided into 50,000,000 ordinary shares of RM1.00 each, of which 11,800,012 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activities of FMA are the manufacture of automobile, home audio and general audio speakers systems.

**(ii) KKAA**

KKAA was incorporated in Malaysia under the Companies Act, 1965 on 4 February 1980 as a private limited company. The present authorised share capital is RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each, of which 5,388,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activities of KKAA is retailing of the full range of auto accessories including automobile repairs and maintenance, automobile audio and video installation, tyres and sports rims as to engage as franchisor for the Kenn Kenn Franchise Scheme ("Kenn Kenn Auto Net").

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

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**(iii) YKS**

YKS was incorporated in Malaysia under the Companies Act, 1965 on 11 January 1994 as a private limited company. The present authorised share capital is RM10,000,000 dividend into 10,000,000 ordinary shares of RM1.00 each, of which 4,000,004 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activities of YKS is the manufacture of Hi-Fi speaker system, home theatre speaker systems, multimedia computer speakers and wooden speaker boxes with/without speakers.

**(iv) FMSB**

FMSB was incorporated in Malaysia under the Companies Act, 1965 on 5 March 1998 as a private limited company. The present authorised share capital is RM100,000 divided into 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activities of FMSB is to engage as the marketing subsidiary of FOREMOST Group including the marketing of the Group's in-house brands 'Conqueror', 'Man Audio' and 'Kennway'.

**Subsidiary of KKAA**

**(i) ABC**

ABC was incorporated in Malaysia under the Companies Act, 1965 on 9 November 1985 as a private limited company. The present authorised share capital is RM100,000 dividend into 100,000 ordinary shares of RM1.00 each, of which 100 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activities is to engage as master franchisee for the Kenn Kenn Franchise Scheme ("Kenn Kenn AutoNet"), auto repairs and auto accessories.

**4. ACCOUNTS AND AUDITORS**

We have acted as auditors for FOREMOST, FMA and FMSB for all the years under review and have been auditors of KKAA and YKS since the financial year ended 31 December 1998.

The audit reports of the respective companies for the relevant financial period/years were not subject to any qualification except for KKAA which audit report for the year ended 31 December 1996 includes a reservation clause on stocks due to non attendance by the auditors at the physical stock count at 31 December 1996.

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

**5. SUMMARISED PROFORMA CONSOLIDATED RESULTS OF FOREMOST GROUP**

5.1 The summarised proforma consolidated results of the FOREMOST Group for the past five (5) financial years ended 31 December 1995 to 31 December 1999 have been prepared for illustrative purposes after making such adjustments that we considered necessary and assuming that the FOREMOST Group had been in existence throughout the years under review.

<b>Year Ended 31 December</b>	<b>1995<sup>(i)</sup> RM'000</b>	<b>1996<sup>(i)</sup> RM'000</b>	<b>1997<sup>(i)</sup> RM'000</b>	<b>1998<sup>(i)</sup> RM'000</b>	<b>1999<sup>(i)</sup> RM'000</b>
Turnover	63,149	90,073	131,624	151,814	127,041
Profit before depreciation and interest	5,252	8,287	12,869	13,342	13,860
Depreciation	(856)	(1,005)	(1,466)	(1,810)	(1,907)
Interest Expense	(1,009)	(1,563)	(1,869)	(2,282)	(1,771)
Interest Income	3	11	33	62	146
Profit before taxation <sup>(ii)</sup>	3,390	5,730	9,567	9,312	10,328
Taxation <sup>(iv)</sup>	(409)	(2,064)	(2,230)	(2,048)	(233)
Profit after taxation	2,981	3,666	7,337	7,264	10,095
Minority Interest	182	(72)	(475)	(1,133)	(1,620)
Profit after tax and minority interest	3,163	3,594	6,862	6,131	8,475
No. of ordinary shares of RM1.00 each in issue <sup>(vii)</sup>	30,700	30,700	30,700	30,700	30,700
Gross Earnings Per Share (sen) <sup>(vi)</sup>	11.04	18.66	31.16	30.33	33.64
Net Earnings Per Share (sen)	10.30	11.71	22.35	19.97	27.61

**Notes :-**

- (i) *The proforma consolidated results of the FOREMOST Group are prepared for illustrative purposes only and are based on the audited accounts of FMA, KKAA Group, YKS and FMSB.*
- (ii) *The financial year end of YKS has been changed from 30 April to 31 December in 1998. In preparing the proforma consolidated profit and loss account, the results of YKS prior to 31 December 1998 was time apportioned to 31 December.*
- (iii) *The increase in profit before taxation from 1995 to 1997 is due to the increase in turnover and gross margin of the group. However, the profit before taxation in 1998 is reduced due to an increase in operating cost of KKAA and the operating loss suffered by FMSB which commenced operations in the second half of 1998. The increase in profit before taxation for the year ended 31 December 1999 is mainly due to an increase in gross margin.*



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

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- (iv) *The effective tax rates for the Group in the years ended 31 December 1995, 1997 and 1998 were lower than the statutory tax rates due to the utilisation of reinvestment allowance and capital allowance by certain subsidiary companies. The effective tax rate for the year ended 31 December 1996 was higher than the statutory tax due to certain expenses not being deductible for income tax purposes.*

*There is no tax charge on the income for 1999 in view of the waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Act, 1999. The provision for tax charge for the year ended 31 December 1999 was in respect of deferred taxation liability.*

- (v) *There were no exceptional items and extraordinary items during the financial year under review.*
- (vi) *The gross earnings per share is calculated based on the profit after minority interest but before taxation and exceptional items and on the number of issued and paid-up capital of the Group at 30,700,000 ordinary shares of RM1.00 each.*

*The net earnings per share is calculated based on the profit after taxation and minority interest and on the number of issued and paid-up share capital of the Group at 30,700,000 ordinary share of RM1.00 each.*

- (vii) *The number of ordinary shares is arrived at after the acquisition of FMA, KKAA group, YKS and FMSB and the Rights Issue of 3,498,450 new shares of RM1.00 each but before the Special Bumi Issue of 5,350,000 new ordinary shares of RM1.00 each and the Public Issue of 7,800,000 new ordinary shares of RM1.00 each.*
- (viii) *All inter-company transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.*

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

- 5.2 The summarised results of the companies in FOREMOST Group based on the audited account of FMA, KKAA, ABC, YKS and FMSB for the five (5) years ended 31 December 1999 are set out below: -

**FOREMOST**

FOREMOST has not commenced operations since its incorporation on 03 June 1998.

FMA	Year ended 31 December				
	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	40,936	35,422	35,396	37,747	35,847
Profit before depreciation and interest	4,791	5,348	5,464	6,834	6,772
Depreciation	(480)	(505)	(564)	(593)	(616)
Interest expense	(690)	(832)	(459)	(504)	(338)
Profit before taxation	3,621 <sup>(i)</sup>	4,011 <sup>(i)</sup>	4,441 <sup>(i)</sup>	5,737	5,818 <sup>(i)</sup>
Taxation <sup>(ii)</sup>	(313)	(1,328)	(1,236)	(1,498)	(21)
Profit after taxation	3,308	2,683	3,205	4,239	5,797
No. of ordinary shares of RM 1.00 each in issue ('000)	6,400	6,400	11,800	11,800	11,800
Gross earnings per share (sen)	56.58	62.67	37.64	48.62	49.31
Net earnings per share (sen)	51.69	41.92	27.16	35.92	49.13
Net dividend per share (sen)	-	-	-	16.95	-

**Notes :-**

- (i) *The increase in profit before taxation from 1995 to 1998 is mainly due to an increase in gross margin of around 2% yearly. The higher profit before taxation for the year ended 31 December 1999 was due to an increase in gross margin of around 3% as a result of an increase in income from services rendered which generate higher gross margin.*
- (ii) *The effective tax rates for the years ended 31 December 1995, 1997 and 1998 is lower than the statutory tax rates due to capital allowance and reinvestment allowance claimed. The effective tax rate for the year ended 31 December 1996 is higher than the statutory tax rate due to certain expenses not being deductible for income tax purposes.*
- There is no tax charge on the income for the year ended 31 December 1999 in view of the tax waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Act, 1999. The provision for tax charge for 1999 was in respect of deferred tax liability.*
- (iii) *There were no exceptional items and extraordinary items during the financial years under review.*

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

KKA A	Year ended 31 December				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	10,689	15,963	24,121	21,061	11,296
Profit before depreciation and interest	331	1,606	3,876	2,302	1,391
Depreciation	(96)	(171)	(351)	(498)	(394)
Interest expense	(56)	(139)	(285)	(776)	(659)
Profit before taxation	179	1,296	3,240 <sup>(i)</sup>	1,028 <sup>(i)</sup>	338 <sup>(i)</sup>
Taxation <sup>(ii)</sup>	(87)	(638)	(756)	(419)	55
Profit after taxation	92	658	2,484	609	393
No. of ordinary shares of RM 1.00 each in issue ('000)	9	3,600	5,388	5,388	5,388
Gross earnings per share (sen)	1,988.89	36.00	60.13	19.08	6.27
Net earnings per share (sen)	1,022.22	18.28	46.10	11.30	7.29

**Notes :-**

- (i) *The higher profit before taxation achieved in 1997 was mainly due to an increase in gross margin and a reduction in the operating costs. In 1998, the profit before taxation is lower due to a reduction in turnover and an increase in operating costs. The profit before taxation for the year ended 31 December 1999 reduced further due to a further drop in turnover as a result of the reduction in the number of trading outlets and a reduction in franchise fee income.*
- (ii) *The effective tax rates are higher than the statutory tax rates in 1995, 1996 and 1998 due to certain expenses not being deductible for income tax purposes. The effective tax rates for 1997 are lower than the statutory tax rates due to the transfer of deferred taxation. In 1999, the taxation account showed a credit of RM55,000 due to the transfer of deferred tax to the Profit and Loss Account.*
- (iii) *There were no exceptional items and extraordinary items during the financial years under review.*

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

ABC	Year ended 31 December				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	3,457	3,277	3,019	4,153	1,487
Profit before depreciation and interest	41	276	772	(5)	6
Depreciation	(11)	(38)	(15)	-	-
Interest expense	-	(1)	(55)	-	-
Profit before taxation	30	237 <sup>(i)</sup>	702 <sup>(i)</sup>	(5) <sup>(i)</sup>	6
Taxation <sup>(ii)</sup>	(11)	(87)	(208)	2	-
Profit after taxation	19	150	494	(3)	6
No. of ordinary shares of RM 1.00 each in issue	100	100	100	100	100
Gross earnings per share (RM)	300	2,370	7,020	(50)	60
Net earnings per share (RM)	190	1,500	4,940	(30)	60

**Notes :-**

- (i) *The higher profit before taxation achieved in 1996 and 1997 was mainly due to an increase in gross margin. From 1998 onwards, ABC is engaged as KKAA's master franchisee, that is, as an intermediary in KKAA's franchise business. Any sales to the franchise outlets will be undertaken by ABC which obtains its supplies from KKAA. The profits generated from these transactions are all reflected in KKAA's accounts whereas ABC only received management fee from KKAA. ABC suffered losses in 1998 as the operating cost was higher than the management fee received from KKAA.*
- (ii) *The effective tax rates are higher than the statutory tax rates for the years ended 31 December 1995 to 1998 due to certain expenses not being deductible for income tax purposes.*
- There is no tax charge on the income for 1999 in view of the tax waiver for 1999 financial year in accordance with the Income Tax (Amendment) Act, 1999.*
- (iii) *There were no exceptional items and extraordinary items during the financial years under review.*

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

YKS	Years ended 30 April				8 months	Year
					period	ended
	1995	1996	1997	1998	ended <sup>(iii)</sup>	ended
	RM'000	RM'000	RM'000	RM'000	31.12.98	31.12.99
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	175	12,350	49,028	81,861	64,480	84,107
Profit/(loss) before depreciation and interest	(1,016)	641	1,265	3,503	3,663	5,716
Depreciation	(256)	(275)	(299)	(655)	(501)	(894)
Interest expense	(58)	(366)	(704)	(1,253)	(876)	(796)
Interest income	1	4	15	42	48	168
Profit/(loss) before taxation <sup>(i)</sup>	(1,329)	4	277	1,637	2,334	4,194
Taxation <sup>(ii)</sup>	-	-	(17)	(38)	(120)	(268)
Profit/(loss) after taxation	(1,329)	4	260	1,599	2,214	3,926
No. of ordinary shares of RM 1.00 each in issue ('000)	2,000	2,000	4,000	4,000	4,000	4,000
Gross earnings per share (sen)	(66.45)	0.20	6.93	40.93	87.53*	104.85
Net earnings per share (sen)	(66.45)	0.20	6.50	39.98	83.03*	98.15

**Notes :-**

(i) YKS suffered losses in 1995 as this is the company's first year of operation and it had not achieved the economy scale of production.

The profit before taxation increased from financial years ended 30 April 1996 to 31 December 1998 due to an increase in turnover.

The profit before taxation for the year ended 31 December 1999 increased substantially due to an increase in turnover and gross margin.

(ii) There were no tax payable for the financial years ended 30 April 1995 and 1996 due to unabsorbed tax losses, capital allowances and reinvestment allowances available for set off against the taxable profit.

The effective tax rates for the year ended 30 April 1997 and 1998 and for the year ended 31 December 1998 is lower than statutory tax rates due to unabsorbed losses, capital allowances and reinvestment allowances available for set off against the taxable profit.

There is no tax charge on the income for 1999 in view of the waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Act, 1999. The provision for tax charge for the year ended 31 December 1999 is in respect of deferred taxation liability.

(iii) YKS changed its financial year end from 30 April to 31 December in 1998 in order to be coterminous with that of its holding company.

(iv) There were no exceptional items and extraordinary items during the financial year under review.

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

<b>FMSB</b>	<b>05.03.98 to 31.12.98<sup>(i)</sup> RM'000</b>	<b>Year ended 31.12.99 RM'000</b>
Turnover	230	1,359
Loss before depreciation and interest	(326)	(24)
Depreciation	(3)	(4)
Loss before taxation	(329)	(28)
Taxation	-	-
Loss after taxation	(329)	(28)
No. of ordinary shares of RM 1.00 each in issue	2	2
Gross earnings per share (RM)	(219,333)*	(14,000)
Net earnings per share (RM)	(219,333)*	(14,000)

\* Annualised

**Notes :-**

- (i) *FMSB incurred losses in 1998 as it only commenced operations during the second half of 1998 with a lower turnover. The company's performance improved for the year ended 31 December 1999 with a higher turnover resulting in a lower operating loss.*
- (ii) *There were no exceptional items and extraordinary items during the financial period/year under review.*

**6. DIVIDENDS**

**6.1** FOREMOST has not paid or declared any dividend since its incorporation on 3 June 1998.

**6.2** Details of the dividends declared by FMA is as follows : -

<b>Financial Year</b>	<b>Issued and Paid-up Share Capital of RM1 each</b>	<b>Gross Dividend Rate</b>	<b>Net Dividend (RM)</b>
31 December 1998	11,800,012	16.95% tax exempt	2,000,000

**6.3** Except as shown above, no dividend has been paid or declared for other years/period under review.

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

**7. SUMMARISED BALANCE SHEETS**

The summarised balance sheets of the companies in FOREMOST Group based on the audited accounts set out below:-

**FOREMOST**

	As at 31 December	
	1998 RM'000	1999 RM'000
Current Assets	*	*
Less : Current Liabilities	(404)	(744)
Net Current Liabilities	(404)	(744)
Expenditure Carried Forward	404	744
	*	*
Financed by :-		
Share Capital	*	*
NTA per share (RM)	(202,000.00)	(223,500.00)

\* This represents RM2

**FMA**

	As at 31 December					
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Fixed Assets	5,629	8,124	8,277	8,282	8,139	8,063
Subsidiary Companies	-	-	-	5,400	10,681	13,760
Quoted Investment	-	-	-	-	35	35
Current Assets	12,324	17,711	16,299	20,303	18,593	21,459
Less : Current Liabilities	(10,248)	(15,230)	(11,471)	(12,261)	(13,627)	(13,707)
Net Current Assets	2,076	2,481	4,828	8,042	4,966	7,752
	7,705	10,605	13,105	21,724	23,821	29,610
Financed by :-						
Share Capital	4,000	6,400	6,400	11,800	11,800	11,800
Unappropriated Profits	2,632	3,540	6,223	9,429	11,668	17,465
Shareholders' Funds	6,632	9,940	12,623	21,229	23,468	29,265
Deferred Taxation	-	259	482	488	284	294
Long Term Liabilities	1,073	406	-	7	70	51
	7,705	10,605	13,105	21,724	23,822	29,610
NTA per share (RM)	1.66	1.55	1.97	1.80	1.99	2.48

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

KKAA	As at 31 December					
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Fixed Assets	745	1,249	6,424	8,930	8,288	8,098
Holding Company	-	-	-	-	(1,036)	(3,176)
Subsidiary Company	-	-	-	27	7,200	10,029
Associated Company	57	57	57	-	-	-
Current Assets	2,307	3,571	6,865	14,518	10,795	9,758
Less : Current Liabilities	(2,653)	(4,329)	(6,076)	(10,445)	(11,104)	(9,692)
Net Current Assets/(Liabilities)	(346)	(758)	789	4,073	(309)	66
	456	548	7,270	13,030	14,143	15,017
Financed by :-						
Share Capital	9	9	3,600	5,388	5,388	5,388
Share Premium Account	-	-	1,500	2,500	2,500	2,500
Unappropriated Profits	447	539	706	3,189	3,799	4,192
Shareholders' Funds	456	548	5,806	11,077	11,687	12,080
Long Term Liabilities	-	-	1,223	1,887	2,367	2,931
Deferred Taxation	-	-	241	66	89	6
	456	548	7,270	13,030	14,143	15,017
NTA per shares (RM)	50.67	60.89	1.61	2.06	2.17	2.24



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

ABC	As at 31 December					
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Fixed Assets	46.9	60.0	154.7	61.4	-	-
Holding Company	-	-	-	-	(6,812.0)	(9,641.3)
Current Assets	316.7	167.7	536.6	900.0	7,703.3	10,527.9
Less : Current Liabilities	(369.7)	(214.0)	(527.7)	(300.3)	(233.9)	(223.6)
Net Current Assets/(Liabilities)	(53.0)	(46.3)	8.9	599.7	7,469.4	10,304.3
Intangible Assets	2.1	2.1	2.1	2.1	-	-
	(4.0)	15.8	165.7	663.2	657.4	663.0
Financed by :-						
Share Capital	0.1	0.1	0.1	0.1	0.1	0.1
Unappropriated Profit/ Accumulated (Loss)	(4.1)	15.7	165.6	660.1	657.3	662.9
Shareholders' Funds	(4.0)	15.8	165.7	660.2	657.4	663.0
Deferred Taxation	-	-	-	3.0	-	-
	(4.0)	15.8	165.7	663.2	657.4	663.0
NTA per shares (RM)	(40.15)	15.79	1,656.55	6,602.49	6,573.90	6,630.28

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

YKS	As at 30 April			As at 31 December		
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1998 RM'000	1999 RM'000
Fixed Assets	2,962	6,523	8,311	8,987	9,485	10,286
Investment	35	35	35	35	35	35
Holding Company	-	-	-	-	137	(1,213)
Current Assets	734	10,125	15,183	23,019	14,951	30,702
Less : Current Liabilities	(1,942)	(12,525)	(19,410)	(26,575)	(16,686)	(28,338)
Net Current Liabilities	(1,208)	(2,400)	(4,227)	(3,556)	(1,735)	2,364
Expenditure Carried Forward	10	8	6	-	-	-
	1,799	4,166	4,125	5,466	7,922	11,472
Financed by :-						
Share Capital	2,000	2,000	4,000	4,000	4,000	4,000
Capital Reserve	-	2,193	193	193	193	193
Unappropriated Profits/ Accumulated (Loss)	(1,323)	(1,319)	(1,059)	540	2,754	6,681
Shareholders' Funds	677	2,874	3,134	4,733	6,947	10,874
Deferred Taxation	-	-	17	50	170	338
Long Term Liabilities	1,122	1,292	974	683	805	260
	1,799	4,166	4,125	5,466	7,922	11,472
NTA per share (RM)	0.33	1.43	0.78	1.18	1.74	2.72

FMSB	As at 31 December	
	1998 RM'000	1999 RM'000
Fixed Assets	27	32
Holdings Company	(527)	(812)
Current Assets	180	433
Less : Current Liabilities	(9)	(9)
Net Current Assets	171	424
	(329)	(356)
Financed by :-		
Share Capital	*	*
Accumulated Loss	(329)	(356)
Shareholders' Funds	(329)	(356)
NTA per shares (RM)	(164,500.00)	(178,000.00)

\* This represents RM2

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

**8. STATEMENT OF ASSETS AND LIABILITIES**

The following is the detailed statement of assets and liabilities of the Proforma Group which have been prepared for illustrative purposes only and is based on the audited accounts of the companies in the FHB Group as at 31 December 1999. The statement of assets and liabilities has been prepared as if the acquisition of FMA, KKAA Group, YKS and FMSB ("Acquisitions"), the Rights Issue of 3,498,450 new ordinary shares of RM1.00 each at an issue price of RM1.05 per share, the Special Bumi Issue of 5,350,000 new ordinary share of RM1.00 each at an issue price of RM1.05 per share, the Public Issue of 7,800,000 new ordinary share of RM1.00 each at an issue price of RM1.70 per share and the estimated listing expenses of RM1,500,000 were effected on 31 December 1999 and should be read in conjunction with the notes thereon.

		As at 31 December 1999	(I) Group after Acquisition	(II) After (I) & Rights Issue	(III) After (II) & Special Bumi Issue	(IV) After (III) & Public Issue
	Notes	RM'000	RM'000	RM'000	RM'000	RM'000
<b>EMPLOYMENT OF CAPITAL</b>						
<b>FIXED ASSETS</b>	8.2	-	26,479	26,479	26,479	26,479
<b>UNQUOTED INVESTMENT</b>		-	70	70	70	70
<b>CURRENT ASSETS</b>						
Stocks	8.4	-	25,917	25,917	25,917	25,917
Trade debtors	8.5	-	33,341	33,341	33,341	33,341
Other debtors, deposits and Prepayments		-	11,238	11,238	11,238	11,238
Fixed deposits	8.6	-	1,526	1,526	1,526	1,526
Cash & bank balances		*	483	4,156	9,774	21,534
		*	72,505	76,178	81,796	93,556
<b>CURRENT LIABILITIES</b>						
Trade creditors		-	21,951	21,951	21,951	21,951
Other creditors and accruals		744	5,168	5,168	5,168	5,168
Bank borrowings	8.7	-	23,371	23,371	23,371	23,371
Amount owing to directors	8.8	-	186	186	186	186
Term Loans	8.9	-	120	120	120	120
Proposed dividend		-	-	-	-	-
Provision for taxation		-	1,544	1,544	1,544	1,544
		744	52,340	52,340	52,340	52,340
<b>NET CURRENT ASSETS</b>		(744)	20,165	23,838	29,456	41,216
<b>INTANGIBLE ASSETS</b>	8.10	744	1,281	1,281	1,281	1,281
		*	47,995	51,668	57,286	69,046
<b>CAPITAL EMPLOYED</b>						
<b>SHARE CAPITAL</b>	8.11	*	27,202	30,700	36,050	43,850
<b>SHARE PREMIUM ACCOUNT</b>	8.11	-	2,500	2,675	2,943	6,903
<b>PROFIT AND LOSS ACCOUNT</b>	8.11	-	9,928	9,928	9,928	9,928
<b>SHAREHOLDERS' FUNDS</b>		-	39,630	43,303	48,921	60,681
<b>HIRE PURCHASE &amp; FINANCE</b>						
<b>LEASE CREDITORS</b>	8.12	-	311	311	311	311
<b>TERM LOANS</b>	8.9	-	2,931	2,931	2,931	2,931
<b>DEFERRED TAXATION</b>	8.13	-	638	638	638	638
<b>MINORITY INTEREST</b>		-	4,485	4,485	4,485	4,485
		*	47,995	51,668	57,286	69,046
NTA per share (RM)		(222,120)	1.41	1.37	1.32	1.35

\* This represents RM2

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

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**8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES**

**8.1. Significant Accounting Policies**

**(a) Accounting Convention**

The accounts have been drawn up under the historical cost convention as modified by the revaluation of certain fixed assets and in compliance with applicable approved accounting standards.

**(b) Basis of Consolidation**

The proforma group accounts incorporate the audited accounts of FOREMOST and its subsidiary companies made up to 31 December 1999.

The results of all the subsidiary companies are consolidated on the following basis:-

<b>Subsidiary Companies</b>	<b>Methods of Consolidation</b>
FMA	Merger accounting
KKAA	Merger accounting
YKS	Acquisition accounting
FMSB	Acquisition accounting

Under the acquisition method, the results of the subsidiary companies acquired during the year are included in the Consolidated Profit and Loss Account from the effective date of acquisition only. The difference between the acquisition cost and the fair value of the net assets of the subsidiary companies is reflected as goodwill or reserve on consolidation, where appropriate.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the companies had been combined throughout the current and previous financial years. The differences between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiary companies acquired is taken to merger reserve. Any merger debit arising is written off against reserves and unappropriated profits.

Inter-company transactions are eliminated on consolidation.

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


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**(c) Depreciation**

Freehold land is not depreciated.

Depreciation of other fixed assets is calculated to write off the cost of each asset on the straight line basis over its estimated useful life at the following annual rates :-

Building under construction	Nil
Freehold buildings	2%
Freehold land	Nil
Fixture, furniture, fittings & equipment	10% - 20%
Forklift & motor vehicles	10% - 20%
Plant, machinery & other equipment	10% - 15%

**(d) Investments**

Investment are stated at cost less provision for diminution in value where such diminution in value is considered by the directors to be of a permanent nature.

**(e) Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost of finished goods and work-in-progress include direct material, direct labour and attributable production overhead. Cost is determined on the first-in, first-out basis.

**(f) Income Recognition**

Interest on fixed deposit with licenced bank is taken up in the account on the accrual basis.

**(g) Deferred Taxation**

Provision is made by using the liability method for tax deferred in respect of all material timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future. Deferred tax benefits are recognised only where there is reasonable expectation of realisation in due course.

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

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**(h) Foreign Currencies Translation**

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates approximating to those ruling at the transaction dates. Assets and liabilities in foreign currencies are translated into Ringgit Malaysia at the approximate exchange rate prevailing at the end of the financial period. All gains and losses on exchange are recognised in the Profit and Loss Account.

**(i) Capitalisation of Borrowing Cost**

Interest incurred on borrowings used to finance the acquisition of shop lots are capitalised until the assets are ready for their intended use.

**(j) Bad debts**

Bad debts are written off as soon as it is established that they are irrecoverable. Specific provision is made for all known doubtful debts.

**(k) Hire Purchase and Finance Lease**

Assets acquired under hire purchase and finance lease arrangements are capitalised as fixed assets based on the principal sum of the hire purchase and finance lease arrangements and the corresponding obligations are taken up as liabilities. The interest element is charged to the Profit and Loss Account over the period of the respective arrangements.

**(l) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand, balance with banks (including bank overdrafts) and fixed deposits.

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

**8.2 Fixed Assets - Proforma Group**

	<b>Valuation/ Cost RM'000</b>	<b>Accumulated Depreciation RM'000</b>	<b>Net Book Value RM'000</b>
<u>At valuation</u>			
Freehold buildings	5,491	430	5,061
Freehold land	1,936	-	1,936
<u>At cost</u>			
Building under construction	2,420	-	2,420
Freehold buildings	8,350	928	7,422
Freehold land	544	-	544
Furniture, fittings & equipment	6,874	2,495	4,379
Forklift & motor vehicles	1,291	671	620
Plant, machinery & other equipment	7,455	3,358	4,097
	<b><u>34,361</u></b>	<b><u>7,882</u></b>	<b><u>26,479</u></b>

Included in the net book value of fixed assets are the following assets acquired by way of hire purchase and finance lease installment plan :-

	<b><u>RM '000</u></b>
Furniture, fittings & equipment	167
Plant & machinery	1,274
Motor vehicles	227
	<b><u>1,668</u></b>

The freehold land and buildings of the Group were revalued by the directors in 1996 based on a valuation exercise carried out by independent professional valuers using an open market value basis.

The freehold land and buildings of the Group are charged to financial institutions for banking facilities granted to subsidiary companies.

Interest on borrowings used to finance the acquisition of building under construction have been capitalised under the fixed assets concerned. The amount of interest capitalised for the current year is RM258,734.

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

**8.3 Subsidiary Companies**

	<b>Name of Company</b>	<b>Incorporation</b>	<b>Effective Interest</b>	<b>Principal Activity</b>
a)	Foremost Audio Sdn Bhd	Malaysia	100%	Manufacture of automobile, home audio and general audio speaker systems.
b)	Kenn Kenn Auto Accessories & Services Sdn Bhd	Malaysia	100%	Retailin of the full range of auto accessories including automobile repairs and maintenance, automobile audio and video installation, tyres and sports rims. Franchisor for the Kenn Kenn Franchise Scheme ("Kenn Kenn AutoNet").
c)	Yaku Shin (Malaysia) Sdn Bhd	Malaysia	58.75%	Manufacture of Hi-Fi Speaker System, home theatre speaker systems, multimedia computer speakers and wooden speaker boxes with/without speakers.
d)	Fomak Marketing Sdn Bhd	Malaysia	100%	Marketing subsidiary of the FOREMOST Group including the Group's in-house brands 'Conqueror', 'Man Audio' and 'Kennway'.
e)	Auto Bargain Centre Sdn Bhd (Subsidiary of Kenn Kenn Auto Accessories & Services Sdn Bhd)	Malaysia	100%	Master franchisee for the Kenn Kenn Franchise scheme ("Kenn Kenn AutoNet"), auto repairs and auto accessories.

The merger method of consolidation is used for consolidating Foremost with FMA as the total consideration given was in the form of equity share capital.

The merger method of consolidation is used for consolidating Foremost with KKAA Group as KKAA was the wholly owned subsidiary of FMA and the merger method of consolidation was used to consolidate FMA with KKAA Group. The total consideration given by FMA when acquiring KKAA Group was in the form of equity share capital.

The acquisition method of consolidation is used for consolidating Foremost with YKS and FMSB as when YKS and FMSB was acquired by FMA, the consideration given was in the form of cash which failed to fulfil the conditions of merger accounting.



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


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**8.4 Stocks - Proforma Group**

	<u>RM '000</u>
Raw materials	13,827
Work-in-progress	3,079
Finished goods	318
Packing materials	8,693
	<u><u>25,917</u></u>

**8.5 Trade Debtors - Proforma Group**

	<u>RM '000</u>
Trade debtors	33,800
Less : Provision for doubtful debts	459
	<u><u>33,341</u></u>

**8.6 Fixed Deposits - Proforma Group**

Certain fixed deposits with licenced banks are pledged to secure banking facilities granted to certain subsidiary companies.

**8.7 Bank Borrowings - Proforma Group**

	<u>RM'000</u>
Bank overdrafts	5,508
Bills payable	17,863
	<u><u>23,371</u></u>

- (a) Bank borrowings are secured by :-
- (i) fixed charges against the subsidiary companies' freehold land & building and leasehold land & building ;
  - (ii) fixed and floating charges against the subsidiary companies' present and future assets ;
  - (iii) a guarantee by the directors
- (b) The bank borrowings bear interest at rates ranging from 1.5% to 2.5% per annum above the respective banks' base lending rates.

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


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**8.8 Amount Owning To Directors - Proforma Group**

The amount owing to directors is interest free, unsecured with no fixed repayment terms.

**8.9 Term Loans - Proforma Group**

Analysis of repayment

	<u>RM'000</u>
- Within 1 year	120
- From 1 to 2 years	141
- From 2 to 5 years	539
- After 5 years	<u>2,251</u>
	3051
Less : Portion repayable within 1 year (included under current liabilities)	<u>(120)</u>
	<u><u>2,931</u></u>

The term loans are secured by legal charges over the landed properties of the Group. Interest rates charged ranged from 0.35% to 2% per annum above the respective banks' base lending rates.

**8.10 Intangible Assets - Proforma Group**

	<u>Company</u>	<u>Proforma</u>
	<u>RM '000</u>	<u>Group</u>
		<u>RM 000</u>
Deferred expenditure	744	744
Goodwill on consolidation	-	<u>537</u>
	<u>744</u>	<u><u>1,281</u></u>

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

**8.11 Share Capital**

	<b>Share Capital RM'000</b>	<b>Share Premium RM '000</b>	<b>Merger Reserve RM '000</b>	<b>Retained Profits RM '000</b>
Balance as per audited balance sheets of FOREMOST as at 31 December 1999	*	-	-	-
Balance as per consolidated audited balance sheets of FMA, KKAA Group, YKS and FMSB	-	2,500	296	25,034
Issurance of 27,201,548 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share in respect of the Acquisitions for RM29,921,703	27,202	-	-	
Set-off against debit merger reserve (Note 8.15)	-	-	(296)	(15,106)
As shown in Proforma I	27,202	2,500	-	9,928
Rights issue of 3,498,450 ordinary shares of RM1.00 each at an issue price of RM1.05 per share	3,498	-	-	-
Premium arising from rights issue	-	175	-	-
As shown in Proforma II	30,700	2,675	-	9,928
Special bumi issue of 5,350,000 ordinary shares of RM1.00 each at an issue price of RM1.05 per share	5,350	-	-	-
Premium arising from special bumi issue	-	268	-	-
As shown in Proforma III	36,050	2,943	-	9,928
Public issue of 7,800,000 ordinary shares of RM1.00 each at an issue price of RM1.70 per share	7,800	-	-	-
Premium arising from public issue	-	5,460	-	-
	43,850	8,403	-	9,928
Estimated listing expenses	-	(1,500)	-	-
As shown in Proforma IV	<b>43,850</b>	<b>6,903</b>	<b>-</b>	<b>9,928</b>

\* Represents RM2.00

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


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**8.12 Hire Purchase And Finance Lease Creditors – Proforma Group**

	<u>RM '000</u>
Hire purchase and finance lease creditors, net of interest in suspense	906
Less : Portion due within 12 months (included in other creditors and accruals)	<u>595</u>
Portion due after 12 months	<u><u>311</u></u>

**8.13 Deferred Taxation - Proforma Group**

	<u>RM '000</u>
As at 1 January	543
Transfer from profit and loss account	<u>95</u>
As at 31 December	<u><u>638</u></u>

**8.14 Capital Commitment - Proforma Group**

	<u>RM '000</u>
As at 31 December 1999, contracted but not provided for	<u><u>784</u></u>

**8.15 Contingent Liabilities - Proforma Group**

KKAA has contingent liability amounting to RM341,897 in respect of a disputed claim against them by Kenn Kenn Auto (SP) Sdn. Bhd.. The amount of RM341,897 has been deposited with the Court.

Further to that, KKAA has contingent liability arising from the above suit in respect of further damages claimed by Kenn Kenn Auto (SP) Sdn. Bhd. The amount of the damages claimed has yet to be ascertained.

**8.16 Profit Guarantee Compensation - Proforma Group**

In accordance with the profit guarantee agreement dated 24 March 1997 entered into between Foremost Audio Sdn. Bhd. ("FMA") and the vendors of Kenn Kenn Auto Accessories & Services Sdn. Bhd. ("KKAA"), the vendors are liable to pay to KKAA a total of RM3,731,926, being the shortfall in the profit before taxation of KKAA for the financial year ended 31 December 1997 and 1998. The directors have proposed that due to the difficult economic conditions experienced in 1997 and 1998, this shortfall in the profit guarantee will be met through a Deed of Settlement between FMA and Kenn Kenn Management Sdn.Bhd. ("KMSB"), whereby KMSB would be required to fulfill the profit guarantee obligation over a two (2) year period from the date of listing on the KLSE. The Deed of Settlement dated 15 November 1999 stated that the total shortfall of the profit guaranteed amount of RM3,731,926 is to be settled by four equal installments of RM932,981.50 on the 6<sup>th</sup>. month, 12<sup>th</sup>. month, 18<sup>th</sup>. month and 24 month after the listing of the Company's shares on the Kuala Lumpur Stock Exchange.

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


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The Deed of Settlement is enforceable via a Stakeholders Agreement dated 14 January 2000 and as amended by supplemental agreement provides for the procedures in respect of the settlement of the shortfall in the profit guarantee as follows :-

- (i) KMSB is required to place 2,000,000 FOREMOST ordinary shares of RM1.00 each with a stakeholder in the following manner :-
- 1,000,000 shares prior to the listing of FOREMOST;
  - 500,000 shares upon the first anniversary of the upliftment of moratorium shares of FOREMOST held by KMSB; and
  - Balance of 500,000 shares upon the second anniversary of the upliftment of moratorium shares of FOREMOST held by KMSB.
- (ii) If the installments are not settled according to the schedule in the Deed of Settlement, the stakeholder and/or its nominee will upon receipt of instruction from the authorised representative of the Board of KKAA dispose off the FORMOST shares with the stakeholder and the proceeds from the disposal will be deposited in a trust account in order to meet the scheduled payment.

In light of the extension of the payment period for the shortfall in the profit guarantee in the financial years ended 31 December 1997 and 1998, no shortfall in the profit before taxation of KKAA for the financial years ended 31 December 1997 and 1998 has been taken-up in the accounts.

**8.17 Debit Merger Reserve - Proforma Group**

	<b>RM '000</b>
Arising on acquisition of FMA	
Par value of shares issued	27,202
Par value of shares acquired	(11,800)
Debit merger reserve	<u><u>15,402</u></u>
This debit merger reserve has been applied against the following :-	
Merger reserve	296
Retained profits	15,106
	<u><u>15,402</u></u>

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

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**8.18 Net Tangible Assets Per Ordinary Share**

Based on the proforma statement of assets and liabilities of the Proforma Group as at 31 December 1999, the net tangible assets cover per share is calculated as follows :-

	<b>RM'000</b>
Net tangible assets as per the Group's statement of assets and liabilities	<u>59,400</u>
Number of ordinary shares of RM1.00 each in issue	<u>43,850</u>
Net tangible assets cover per ordinary share of RM1.00 each	<u>1.35</u>

**9. ACCOUNTS**

No audited accounts have been made up in respect of any period subsequent to 31 December 1999.

Yours faithfully

**WONG LIU & PARTNERS**  
AF 0182  
Public Accountants

**TANG YIN KHAM**  
1728/3/02 (J)  
Partner  
Public Accountant

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**12. DIRECTORS' REPORT**  
*(Prepared for inclusion in this Prospectus)*

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**Registered Office:-**

3<sup>rd</sup> Floor  
No. 17 Jalan Ipoh Kecil  
50350 Kuala Lumpur  
Wilayah Persekutuan

12 June 2000

**The Shareholders**  
**Foremost Holdings Berhad**  
*(Formerly Known as Foremost Kenn Kenn Berhad)*

Dear Sirs/Madam

On behalf of the Board of Directors of FOREMOST, I wish to report that after due enquiry during the period from 31 December 1999 (being the date to which the last audited accounts of the Company and its subsidiary companies have been made up) to 12 June 2000 (being a date not earlier than fourteen days before the issue of this Prospectus), that:-

- (a) the business of the Company and its subsidiaries has in the opinion of the Directors been satisfactorily maintained;
- (b) in the opinion of the Directors no circumstances have arisen subsequent to the last audited accounts of the Company and its subsidiaries which has adversely affected the trading or the value of the assets of the Company and its subsidiaries;
- (c) the current assets of the Company and its subsidiaries appear in the books at values , which are believed to be realisable in the ordinary course of business;
- (d) no contingent liabilities have arisen by reason of any guarantees given by the Company and its subsidiaries; and
- (e) since the last audited accounts of the Company and its subsidiaries, there have been no changes in published reserves, or any unusual factors affecting the profit of the Company and its subsidiaries.

Yours faithfully,  
For and on behalf of the Board of Directors

**EXECUTIVE CHAIRMAN**  
**DATO' MOHD RADZI BIN MANAN**

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## 13. STATUTORY AND GENERAL INFORMATION

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### A. Share Capital

1. No shares will be allotted or sold on the basis of this Prospectus later than six (6) months after the date of the issue of this Prospectus.
2. There are no founder, management or deferred shares. There is only one class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another.
3. Save for the 1,550,000 ordinary shares of RM1.00 each in the Company reserved for the eligible employees of the Group pursuant to the Public Issue, no other person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of the Company or its subsidiaries.
4. Save as disclosed in Sections 8.2(ii), 8.2(iii), 8.2(iv) and 8.2(v) of this Prospectus, no shares or debentures of the Company and its subsidiaries have been or are proposed to be issued partly or fully paid-up in cash or otherwise than in cash within the two years preceding the date hereof.

### B. Articles of Association

The provisions in the Company's Articles of Association, the Second Board Listing requirements of KLSE, the Companies Act, 1965 and the rules of the MCD in respect of the arrangement for transfer of the securities and restrictions on their free transferability are as follows:-

#### 1. Transfer of Securities

The following provisions are reproduced from the Company's Article of Association ("articles") which have been approved by the KLSE.

##### *Article 23*

- (a) Subject to the Act, Central Depositories Act, the Rules and paragraph (b), the Company may suspend registration of transfers at such time and for such period as the directors may from time to time determine.
- (b) Any such suspension must not exceed thirty (30) days (or such other period permitted under the Act and by the Exchange) in any year.
- (c) The Company must give at least eighteen (18) market days notice (or, subject to the Act, such other period prescribed by the Exchange) of any such suspension to the Exchange stating the period and purpose of such suspension.

##### *Article 24*

The Company shall be entitled to charge a fee not exceeding RM2 on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas or other instruments.



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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**

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**Second Board Listing Requirements**

The provisions of the Second Board Listing Requirements of KLSE on the transferability of securities are as follows:-

***Clause 9.5A (Transfer)***

The transfer of any securities or class of securities of the company, shall be by way of book entry by the Central Depository in accordance with the Rules of the Central Depository and, notwithstanding Sections 103 and 104 of the Companies Act, 1965, but subject to subsection 107C(2) of the Companies Act, 1965 and any exemption that may be made from compliance with subsection 107C(1) of the Companies Act, 1965, the company shall be precluded from registering and effecting any transfer of securities.

***Clause 9.5B (Transmission of securities from foreign register)***

(1) Where:-

- (a) the securities of a company are listed on an Approved Market Place; and
- (b) such company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act, 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,

such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as "the Malaysian Register") subject to the following conditions:-

- (i) there shall be no change in the ownership of such securities; and
  - (ii) the transmission shall be executed by causing such securities to be credited directly into the securities account of such securities holder.
- (2) For the avoidance of doubt, no company which fulfils the requirements of paragraph (a) and (b) of Clause 9.5(B)1 shall allow any transmission of securities from the Malaysian Register into the Foreign Register.

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**13. STATUTORY AND OTHER INFORMATION (Cont'd)**

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**Companies Act, 1965**

The provisions within the Companies Act, 1965 on the transferability of securities are as follows:-

***Section 103 (Instrument of transfer)***

- (1) Notwithstanding anything in its articles a company shall not register a transfer of shares or debentures unless a proper instrument of transfer in the prescribed form has been delivered to the company, but this subsection shall not prejudice any power to register as a shareholder or debenture holder any person to whom the right to any shares in or debentures of the company has been transmitted by operation of law.
- (1A) Nothing in this section shall be construed as affecting the validity of any instrument which would be effective to transfer shares or debentures apart from this section; and any instrument purporting to be made in any form which was common or usual in use, or in any other form authorised or required for that purpose apart from this section before the commencement of this Act, shall be sufficient, whether or not it is completed in accordance with the prescribed form, if it complies with the requirement as to execution and contents which apply to a transfer.

Provided that a company shall be precluded from registering a transfer of shares or debentures, the title of which is evidenced by a certificate that is issued on or after the date of coming into operation of this subsection unless a proper instrument of transfer in the prescribed form has been delivered to the company.

***Section 107C (Transfer of securities is by way of book entry)***

- (1) On or after the coming into operation of this section, the transfer of any securities or class of securities of a company whose securities or any class of whose securities have been deposited with a central depository shall be by way of book entry by the central depository in accordance with the rules of the central depository and, notwithstanding Sections 103 and 104, such company shall be precluded from registering and effecting any transfer of securities.
- (2) Subsection (1) shall not apply to a transfer of securities to a central depository or its nominee company.

**Rules of the MCD**

The rules within MCD on the transferability of securities are as follows:-

***Rule 8.01 (2) (Rejection of transfer)***

The Central Depository may, in its absolute discretion, reject a transfer request made by a depositor thereunder, where the reason for the said transfer does not fall within any of the approved reasons stipulated under Rule 8.03(1)(c).

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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**

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***Rule 8.05A (Transfer from the principal or nominee account)***

Transfer made by the authorised depository agent from the agent's principal or nominee account shall be subject to the Rules in this Chapter.

***Rule 9.03(2) (Documents to lodge)***

It shall be the responsibility of the authorised depository agent, in processing the transfer between two securities accounts belonging to different depositors (hereinafter the transfer is referred to as "the inter-account transfer"), to check and ensure the completeness, accuracy and/or genuineness of the documents lodged as follow:-

- (a) the prescribed Form FTF010 (request for ordinary transfer of securities form) or Form FTF015 (request for express transfer of securities form) fully and properly completed in triplicate;
- (b) the Transferring Depositor has executed the Transferor portion on the said form duly witnessed by another person (other than the Depositor's spouse);
- (c) the Transferring Depositor has stated his reason for the transfer and that the reason is or are amongst any of the approved reasons as stated herein below:-
  - (i) transmission and transfer of securities arising from the provision of any written law or an order of court of competent jurisdiction;
  - (ii) rectification of errors;
  - (iii) pledge, charge or mortgage;
  - (iv) mandatory offer pursuant to the provisions of the Malaysian Code On Takeovers and Mergers 1987;
  - (v) any other circumstances as deemed fit by the Central Depository after consultation with the SC;
- (d) documents to support the reason for the transfer;
- (e) such other accompanying documents duly processed in such manner as the Central Depository may from time to time determine in its Procedures Manual.

**2. Remuneration of Directors**

The provision in the Company's Articles dealing with the remuneration of the Directors is as follows:-

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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**

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*Article 70*

- (a) Subject to these Articles the Directors will be paid such fee as is from time to time determined by Ordinary Resolution of the Company and that fee will be divided among the directors in such proportions and manner as the directors may determine and in default of such determination, equally, except that any directors who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.
- (b) That fee will accrue from day to day.
- (c) The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or otherwise in connection with the business of the Company.
- (d) Subject to these articles, if any director being willing renders or is called upon to perform extra services or to make any special exertions in going or residing abroad or otherwise for any business or purposes of the Company, the directors may arrange with that director for a special remuneration by the payment of a stated sum of money and that special remuneration may be by way of salary, percentage of profits or otherwise as the directors may determine but not a commission on or percentage of turnover.
- (e) Fees payable to non-executive directors must be a fixed sum and not by way of a commission based on, or percentage of, profits or turnover.
- (f) Salaries payable to executive directors must not include a commission based on or percentage of, turnover.
- (g) Fees payable to directors may not be increased except pursuant to a resolution passed in general meeting and where notice of the proposed increase has been given in the notice convening the meeting.
- (h) The directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to or to any person in respect of any director or ex-director who may hold or have held any executive office or any office of profit under the company or any subsidiary company and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**

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**3. Voting and Borrowing Powers of Directors**

The provision in the Company's Articles dealing with the voting powers of the Directors in proposals, arrangements or contracts in which they are interested and the borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:-

*Article 81*

- (a) A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest in accordance with the provision of the Statutes.
- (b) A general notice that a director, alternate director or Managing Director is a member of or interested in any specified firm or corporation with whom any contract is proposed to be entered into in relation to the affairs of the company and is to be regarded as interested in all transactions with such firm or corporation shall be a sufficient disclosure under this article as regards such director and the said transaction and after such general notice it shall not be necessary for such director to give any special notice relating to any particular transaction with such firm or corporation.

*Article 82*

- (a) A director shall not vote in respect of any contract or arrangement or proposed contract or arrangement in which he is in any way, whether directly or indirectly, personally interested or in respect of any matter arising out of such a contract or arrangement or proposed contract or arrangement.
- (b) If he should do so his vote should not be counted, nor shall he be counted in the quorum present at the meeting but neither of these prohibitions shall apply to :-
  - (1) Any arrangement for giving any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefits of the company; or
  - (2) To any arrangement for the giving by the company of any security to a third party in respect of a debt or obligation of the company for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by deposit of a security; or
  - (3) Any contract by a director to subscribe for or underwrite shares or debentures of the company in the event of a public issue or offer for sale of the company's shares or debentures; or
  - (4) Any contract or arrangement with any corporation in which he is interested only as an officer of the corporation or as the holder of shares or other securities.

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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**

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*Article 84*

A director may by himself or through his firm act in a professional capacity for the Company (except as auditor of the Company), and the director and his firm are entitled to remuneration for professional services as if the director was not a director.

*Article 85*

- (a) A director of the Company may be or become a director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as a shareholder or otherwise and he will not be accountable to the Company for any remuneration or other benefits received by him as a director or officer of or from his interest in the other corporation.
- (b) The directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the company, or exercisable by them as a director of such other corporation in such manner and in all respect as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them as directors or other officers of such corporation), and any director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be, appointed a director or other officer of such corporation and as such corporation is or may become interested in the exercise of such voting rights in manner aforesaid.

*Article 92*

Without limiting the generality of articles 92 but subject to the Act, the directors may :-

- (a) exercise all the powers of the Company to borrow money, to charge any property or business of the Company or all or any of the uncalled capital and to issue debentures or give any other security for a debt, liability or obligation of the Company.
- (b) exercise all the powers of the company to guarantee payment of money payable under contracts or obligations of any subsidiary company with or without securities.
- (c) not borrow money or mortgage or charge any property or business of the company's or subsidiaries' undertaking property, or all or any of the uncalled capital and to issue debentures or give any other security for a debt, liability or obligation of any other person.

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**13. STATUTORY AND OTHER INFORMATION (Cont'd)**

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**4. Changes in the share capital and variation of rights**

The provisions in the Company's Articles of Association as to the changes in the share capital and variation of rights which are as stringent as those provided in the Companies Act, 1965 are as follows:-

*Article 3(b)*

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject to the act and to these articles, shares in the Company for the time being unissued (whether forming part of the original capital or of any increase in capital) are under the control of the directors who may issue, allot or otherwise dispose of such shares to such persons on such terms and conditions and at such times and with such preferred, deferred or other special rights or such restrictions whether with regard to dividend, voting, return of capital or other matters as the directors determine and with full power to give to any person the call on any shares either at par or at a premium during such time and for such consideration as the directors determine; but the directors shall comply with the following conditions:-

- (i) No shares may be issued at a discount except in compliance with section 59 of the Act;
- (ii) In the case of shares offered to the public for subscription the amount payable on application on each share shall not be less than five percent (5%) of the nominal amount of the shares; and
- (iii) In the case of shares other than ordinary shares no special rights shall be attached unless the same have been expressed in these articles.

*Article 5*

- (a) Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares shall, before issue be offered to such persons as at the date of the offer entitled to receive notices from the company of general meetings in proportion as nearly as circumstances admit, to the amount of the existing shares to which they are entitled.
- (b) The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined.
- (c) The directors may, after the expiration of the time referred to in paragraph (a) or on receipt of an intimation from the member to whom the offer is made that he declines to accept the shares offered, issue those shares, together with any shares that cannot, in the opinion of the directors, be conveniently offered under this articles by reason of the proportion that the shares offered bear to shares already held, in such manner as they think most beneficial to the Company.

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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**

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- (d) The Company shall ensure that all new issue of securities and all other types of securities proposed to be listed on the Exchange, including any additional listing of such security (except where the Company is specifically exempted from compliance with section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this requirement), are made by way of crediting the securities accounts of the allottees with such securities.

*Article 6*

Despite article 5(a), the company may apply to the Exchange to waive the convening of a general meeting to obtain members' approval for further issue of shares (other than by way of bonus or rights issue) where:

- (a) the aggregate of the shares issued in any one financial year (other than by way of bonus or rights issues) does not exceed ten percent (10%) of the issued share capital of the Company;
- (b) there is still in effect a resolution under section 132D of the Act approving the issuance of shares by the Company; or
- (c) the shares are to be issued as consideration or part consideration for the acquisition of shares or assets by the Company and such issuance of shares is made in compliance with section 132D(6A) of the Act.

*Article 7*

No shares in the Company may be issued, where the issue of those shares has the effect of transferring a controlling interest in the Company, without the prior approval of members by resolution passed in general meeting.

*Article 8 (c)*

A director may not participate in an issue of shares to employees unless the members by resolution passed in general meeting, have approved of the specific allotment to be made to the director and unless the director holds office in an executive capacity.



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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**

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*Article 10*

- (a) Subject to the Act and to these articles, any preference shares may, with the sanction of a resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed.
- (b) The total nominal value of issued preference shares must not exceed the total nominal value of the issued ordinary shares at any time.
- (c) Holders of preference shares shall have:
  - i) the same rights as holders of ordinary shares as regards receiving notices, reports and balance sheets, and attending general meetings of the Company; and
  - ii) the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking of, the Company, or where the resolution to be considered at the meeting directly affects the rights and privileges of the holders of preference shares, or when any dividends payable on the preference shares are in arrears for more than six (6) months.

*Article 38*

The Company may by resolution increase its authorised share capital by the creation of new shares of such amount as is specified in the resolution.

*Article 40*

The Company may by resolution : -

- (a) consolidate and divide all or any of its authorised share capital into shares of larger amounts than its existing shares;
- (b) subdivide all or any of its shares into shares of smaller amount than is fixed by the memorandum but so that in the subdivision the proportion between the amount paid and the amount (if any) unpaid on each such share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived; or
- (c) cancel shares that, at the date of passing of the resolution, have not been taken or agreed to be taken by any person or have been forfeited and reduce its authorised share capital by the amount of the shares so cancelled.
- (d) Subject to the Act, convert any class of shares into any other class of shares.

*Article 41*

Subject to the Act, the Company may, by special resolution, reduce its share capital, any capital redemption reserve fund or any share premium account.

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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**

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**C. Directors**

1. The names, addresses and occupations of the Directors of FOREMOST Group are set out on Section 2 of this Prospectus.
2. A Director is not required to hold any qualification share in the Company unless otherwise so fixed by the Company in general meeting.
3. No Director, Senior Executive Officer or person nominated to become a Director or Senior Executive Officer is or was involved in the following events:-
  - (a) a petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer.
  - (b) conviction in a criminal proceeding or is a named subject of a pending criminal proceeding.
  - (c) the subject of an order, judgement or ruling of any court of competent jurisdiction, tribunal or governmental body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution or engaging in any type of business practice or activity.
4. The aggregate remuneration paid to the Directors of the Company for services rendered in all capacities to the Group in the last financial year ended 31 December 1999, amounted to RM1.84 million. For the financial year ending 31 December 2000, the estimated amount payable to the Directors is RM1.9million.
5. None of the Directors or substantial shareholders was interested, directly or indirectly, in the promotion of, or in any asset acquired or disposed of by or leased to FOREMOST or its subsidiaries within the two years preceding the date of this Prospectus or proposed to be acquired or disposed of by or leased to the Company or its subsidiaries.
6. No Director was granted or has any options or had exercised any option to subscribe for securities of the Company and its subsidiaries during the last financial year.
7. There are no existing or proposed service contracts entered into between any of the Directors or proposed Directors of FOREMOST or its subsidiaries which are not determined without payment or compensation other than statutory compensation.

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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**


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8. Save as disclosed below, there are no contracts or arrangements subsisting at the date of this Prospectus in which a Director of the Company is materially interested and which is significant in relation to the business of the Company and its subsidiaries.

<b><u>Spouse of Director of KKAA Victor Siow Geat Min</u></b>	<b><u>Nature of Interest</u></b>
Lean Phoy Tiang (f)	<p>“On 18 september 1992, KKAA entered into a Sale &amp; Purchase Agreement (SPA) and Deed of Mutual Covenants (DMC) with Muda Bahagia Sdn. Bhd. (“the Developer”) to purchase a parcel of residential premises known as Parcel No. J2/1/D, 1<sup>st</sup>. Floor, Building No. J2, Jasmine Towers Condominium for the consideration of RM185,000.</p> <p>On 26 August 1999, KKAA entered into an agreement with Lean Phoy Tian (f) (“LPT”) assigning all its rights and obligations under the SPA and DMC to LPT, whereby the balance consideration of RM184,999 has to be settled by LPT, subject to the Developer’s consent to be obtained by KKAA.”</p>

9. None of the Directors or substantial shareholders have any interest, direct or indirect in any business carrying on a similar trade as the Company and its subsidiary companies which are not quoted on a recognised stock exchange.

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### 13. STATUTORY AND GENERAL INFORMATION (Cont'd)

#### D. Directors' Shareholdings

According to the Register of Directors' shareholdings, the direct and indirect interests of the Directors in the issued and paid-up share capital of the Company as at 12 June 2000 (being the latest practicable date prior to the printing of this Prospectus) are as follows:-

Name of Directors	Before Special Bumiputra Issue				After Special Bumiputra Issue and Before the Public Issue				After the Public Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Dato' Mohd Radzi bin Manan	303		8,523,171 <sup>^</sup>	27.8	1,500,303	4.2	8,523,171 <sup>^</sup>	23.6	1,500,303	3.4	8,523,171 <sup>^</sup>	19.4
Tang Chun Yong*	1,166,374	3.8	5,383,226	17.5	1,166,374	3.2	5,383,226	14.9	1,166,374	2.7	5,383,226	12.3
Tang Chung Hau*	1,076,653	3.5	5,383,226	17.5	1,076,653	3.0	5,383,226	14.9	1,076,653	2.5	5,383,226	12.3
Siow You β	-	-	5,578,252	18.2	-	-	5,578,252	15.5	-	-	5,578,252	12.7
Mohamed Fathil bin Kassim	-	-	-	-	-	-	1,500,000 <sup>@</sup>	4.2	-	-	1,500,000 <sup>@</sup>	3.4
Mohamad Azlan bin Faizul	363		985,661 <sup>^</sup>	3.2	1,500,363	4.2	985,661 <sup>^</sup>	2.7	1,500,363	3.4	985,661 <sup>^</sup>	2.2
Hu Shih- Long (Alternate Director)	1,020,570	3.3	5,383,226	17.5	1,020,570	2.8	5,383,226	14.9	1,020,570	2.3	5,383,226	12.3
Roslan bin Ariffin	-	-	-	-	-	-	-	-	-	-	-	-
Norzita binti Rabaai	-	-	-	-	-	-	-	-	-	-	-	-

*Notes:*

<sup>^</sup> Held through UMB Nominees (Tempatan) Sdn Bhd and through Leasing Corporation Sdn Bhd

<sup>@</sup> Held through MAYFIN Nominees (Tempatan) Sdn. Bhd.

<sup>β</sup> Deemed interest by virtue of his shareholdings in Kenn Kenn Management Sdn. Bhd

<sup>\*</sup> Deemed interest by virtue of their shareholdings in Orbitmas Sdn. Bhd.

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### 13. STATUTORY AND GENERAL INFORMATION (Cont'd)

#### E. Substantial Shareholders' Interests

As at the date hereof based on the Register of Substantial Shareholders as at 12 June 2000, being the latest practicable date prior to the printing of this prospectus), the respective beneficial interests of the substantial shareholders (with more than 2% shareholding, direct and indirect) of the Company before and after the Public Issue are set out below:-

Substantial Shareholders	Before Special Bumiputra Issue		After Special Bumiputra Issue and Before the Public Issue				After the Public Issue					
	Direct No. of shares	Indirect No. of shares	Direct No. of shares	Indirect No. of shares	Direct No. of shares	Indirect No. of shares	Direct No. of shares	Indirect No. of shares	Direct No. of shares	Indirect No. of shares		
Dato' Mohd Radzi bin Manan	303	8,523,171 <sup>^</sup>	27.8	1,500,303	4.2	8,523,171 <sup>^</sup>	23.6	1,500,303	3.4	8,523,171 <sup>^</sup>	19.4	
Mohamad Azlan bin Faizul	363	985,661 <sup>^</sup>	3.2	1,500,363	4.1	985,661 <sup>^</sup>	2.7	1,500,363	3.4	985,661 <sup>^</sup>	2.2	
Mohamed Fathil bin Kassim	-	-	-	-	-	1,500,000 <sup>@</sup>	4.2	-	-	1,500,000 <sup>@</sup>	3.4	
Orbitmas Sdn. Bhd	5,383,226	17.5	-	5,383,226	14.9	-	-	5,383,226	12.3	-	-	
Kenn Kenn Management Sdn. Bhd	5,578,252	18.2	-	5,578,252	15.5	-	-	5,578,252	12.7	-	-	
Siow You β	-	-	5,578,252	18.2	-	-	5,578,252	15.5	-	-	5,578,252	12.7
Tan Choon Huat #	2,512,172	8.12	5,383,226	17.5	2,512,172	7.0	5,383,226	14.9	2,512,172	5.7	5,383,226	12.3
Tang Chun Yong*#	1,166,374	3.8	5,383,226	17.5	1,166,374	3.2	5,383,226	14.9	1,166,374	2.7	5,383,226	12.3
Tang Chung Hau* #	1,076,653	3.5	5,383,226	17.5	1,076,653	3.0	5,383,226	14.9	1,076,653	2.5	5,383,226	12.3
Hu Shih-Long*	1,020,570	3.3	5,383,226	17.5	1,020,570	2.8	5,383,226	14.9	1,020,570	2.3	5,383,226	12.3
Hasan bin Buyong <sup>^</sup>	49,563	0.2	1,297,120 <sup>^</sup>	3.6	49,563	1.0	1,597,120 <sup>^@</sup>	3.6	49,563	0.8	1,597,120 <sup>^@</sup>	2.9
Yoshikazu Masayoshi	942,065	3.1	-	942,065	2.6	-	-	942,065	2.2	-	-	

<sup>^</sup> Held through UMB Nominees (Tempatan) Sdn Bhd and through Leasing Corporation Sdn Bhd

<sup>@</sup> Held through MAYFIN Nominees (Tempatan) Sdn. Bhd.

\* Deemed interest by virtue of their shareholdings in Orbitmas Sdn. Bhd.

# Mr. Tan Choon Huat, Mr. Tang Chun Yong and Mr. Tang Chung Hau are deemed connected parties under section 122A of the Companies Act 1965

β Deemed interest by virtue of his shareholdings in Kenn Kenn Management Sdn. Bhd

**13. STATUTORY AND GENERAL INFORMATION (Cont'd)****Information on Orbitmas Sdn. Bhd**(1) **Principal Activity: - Investment Holding**(2) **Directors: -**

<u>Name</u>	<u>No. of Ordinary Shares of RM1.00 Each Held</u>			<u>Shareholding</u>
	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	<u>%</u>
Tang Chun Yong	288,576	-	288,576	35.00
Hu Shih-Long	247,350	-	247,350	30.00
Tang Chung Hau	288,576	-	288,576	35.00

(3) **Substantial Shareholders as at 12 June 2000**

<u>Shareholders</u>	<u>No. of Ordinary Shares of RM1.00 Each Held</u>		<u>%</u>
Tang Chun Yong		288,576	35.00
Tang Chung Hau		288,576	35.00
Hu Shih-Long		247,350	30.00

**Information on Kenn Kenn Management Sdn. Bhd**(1) **Principal Activity: - Investment Holding**(2) **Directors: -**

<u>Name</u>	<u>No. of Ordinary Shares of RM1.00 Each Held</u>			<u>Shareholdings</u>
	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>	<u>%</u>
Siow You	507,511	-	507,511	52.00
Chin Gek Yong	9,771	-	9,771	1.00

(4) **Substantial Shareholders as at 12 June 2000 (more than 2%)**

<u>Shareholders</u>	<u>No. of Ordinary Shares of RM1.00 Each Held</u>		<u>%</u>
Siow You		507,511	52.00
Siow Sin Min		48,800	5.00
Siow Kong Min		48,800	5.00
Siow Yoong Ming		48,800	5.00
Siow Lee Yen		48,800	5.00
Siow Geat Min		48,800	5.00
Siow Leong Min		48,800	5.00

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### 13. STATUTORY AND GENERAL INFORMATION (*Cont'd*)

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#### **F. General**

1. The nature of the Company's business and the names of all the corporations which are deemed to be related to the Company by virtue of Section 6 of the Companies Act, 1965 is disclosed in Section 9 of this Prospectus.
2. The time of the opening of the Application Lists is set out in Section 7.1 of this Prospectus.
3. The amount payable in full on application is RM1.70 per share.
4. As at the date of this Prospectus, the Company and its subsidiaries do not have any convertible debt securities.
5. No amount or benefit has been paid or given within the two (2) years proceeding the date hereof, nor is it intended to be so paid or given, to any promoter.
6. The name and address of the Company's auditors are set out in Section 2 of this Prospectus.
7. The Company has not established a place of business outside Malaysia.
8. Save as disclosed in this Prospectus, the financial conditions and operations of FOREMOST and its subsidiaries are not affected by any of the following:-
  - (a) Known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way;
  - (b) Material commitments for capital expenditure;
  - (c) Unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
  - (d) Known trends or uncertainties that have had, or that the Company or the Group reasonably expects will have, a material, favourable or unfavourable, impact on revenues or operating income.

Save as disclosed in Section 5, as far as the Directors are aware, FOREMOST and its subsidiaries are not vulnerable to any specific factors of a particular nature other than normal commercial risks experienced during the normal course of business.
9. Save for the 1,550,000 ordinary shares reserved for eligible employees of the FOREMOST Group pursuant to this Prospectus, there are at present no schemes involving the staff in the share capital of the Company or its subsidiaries.
10. Save as disclosed in Section 5, the Directors are not aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Company and its subsidiaries.

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**13. STATUTORY AND GENERAL INFORMATION (Cont'd)**

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11. The manner in which copies of this Prospectus together with the official Application Forms and envelopes may be obtained is set out in Section 14 of this Prospectus.

**G. Expenses and Commission**

1. The Company shall bear brokerage, underwriting commission, stamp duty, registration and transfer fees relating to the Public Issue Shares including all other expenses.
2. Underwriting commission is payable by the Company to the Managing Underwriter and Underwriters named in Section 2 of this Prospectus at the rate of 1.25% of the issue price of RM1.70 share on the shares being underwritten which form the subject of this Prospectus.
3. Brokerage will be paid by the Company or at the rate of 1.0% of the Public Issue price of RM1.70 per ordinary share in circumstances specified in Section 7.6 of this Prospectus.
4. The estimated amount of the expenses of the Public Issue relating to the underwriting commission, brokerage, registration and transfer fee of approximately RM1,500,000. The expenses and fees incidental to the listing and quotation for the entire issued and paid-up share capital of FOREMOST on the KLSE Second Board will be borne by FOREMOST.
5. Save as disclosed in items G2, 3 and 4 above, there is no commission, discount, brokerage or other special terms that has been paid or is payable by FOREMOST or its subsidiaries within the two preceding years of the date of this Prospectus for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares in or debentures of FOREMOST or its subsidiaries and in connection with the issue or sale of any capital of the Company and its subsidiaries within the past two years and no Director or proposed Director or promoter or expert is or are entitled to receive any such payment.

**H. Material Contracts**

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiaries within the two years preceding the date of this Prospectus:-

- (i) Underwriting Agreement dated 21 February 2000 entered into between FOREMOST, Managing Underwriter and the underwriters mentioned in Section 2 of this Prospectus for the underwriting of 7,800,000 Public Issue Shares which are available for application by the Malaysian public;
- (ii) Deed of Compromise Agreement dated 22 November 1999 between KMSB and the Shareholders of FMA for the transfer of 695,917 ordinary shares of RM1.00 each in FMA held by KMSB back to the other existing shareholders of FMA as compensation for the NTA shortfall;



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**13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**


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- (iii) Deed of Settlement Agreement dated 15 November 1999 and a Supplemental Agreement dated 16 June 2000 between KMSB and FMA for the settlement of the profit guarantee shortfall of RM3,731,926 by KMSB which will be payable to KKAA in four equal instalments of RM932,981.50 by the end of the 6 month, 12 month, 18 month and 24 month after the listing of the shares on the KLSE;
- (iv) Sale and Purchase Agreement dated 18 April 2000 between FOREMOST and the shareholders of FMA for the acquisition by FOREMOST of the entire issued and paid-up capital of FMA comprising 11,800,012 ordinary shares of RM1.00 each for a total purchase consideration of RM29,921,703 which was fully satisfied by the issuance of 27,201,548 new ordinary shares of RM1.00 each in FOREMOST at an issue price of RM1.10;
- (v) Sale and Purchase Agreement dated 18 April 2000 between FOREMOST and FMA for the acquisition by FOREMOST from FMA of 58.75% of the issued and paid-up share capital of YKS comprising 2,350,002 ordinary shares of RM1.00 each for a total cash consideration of RM4,081,417.

**I. Material Litigation**

Save as disclosed below, neither FOREMOST nor any of its subsidiaries is engaged in any material litigation either as plaintiff or defendant as at the date of this Prospectus and the Directors do not have any knowledge of any proceedings pending or threatened against FOREMOST or its subsidiaries or of any fact likely to give rise to any proceedings which might materially affect the position of FOREMOST and its subsidiaries:-

- i. **Alor Setar High Court Civil Suit No.22-104-96**  
**Execution No. 37-1-98**  
**Plaintiff: Kenn Kenn Auto Accessories & Services Sdn. Bhd.**  
**Defendant: Kenn Kenn Auto (SP) Sdn. Bhd.**
- ii. **Alor Setar High Court Civil Suit No.22-248-99**  
**Plaintiff: Kenn Kenn Auto (SP) Sdn. Bhd. v.**  
**Defendant: Kenn Kenn Auto Accessories & Services Sdn. Bhd.**

**Preamble to Suit (i) and (ii) above:-**

KKAA had by a Writ dated 10 October 1996 brought a claim against Kenn Kenn Auto (SP) Sdn Bhd (“KKSP”) for the sum of RM339,002 for goods sold and delivered to KKSP. Subsequently, KKAA obtained a court order dated 11 November 1996 from the High Court (“H.C. Order”) to seize the movable assets of KKSP for the amount RM341,897. The assets seized by the bailiff of the High Court were sold on 8 December 1997 for RM30,000.

KKSP then appealed successfully to the Court of Appeal (“the C.O.A.”) against the H.C. Order by an Order dated 23 February 1998 (“Court of Appeal Order”). The C.O.A. allowed the appeal with costs and ordered that the goods seized by KKAA to be returned to KKSP or an equivalent sum be paid to them. Subsequent to the C.O.A. Order, KKSP had served a notice under Section 218 of the Companies Act 1965 dated 27 April 1998 (Winding-Up Notice”) to KKAA, a copy which was sent to the SC. However, on 1 June 1998, KKSP, had executed a Writ of Delivery on one of KKAA’s branch.

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**13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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On 8 June 1998, upon KKAA's application, the Registrar of the High Court had by an Order dated 8 June 1998 granted an interim stay of proceedings and a release of the attachment of the KKAA branch on the condition that KKAA paid into the court the sum of RM341,897 as security ("the Security"). Meanwhile, on 14 June 1998, KKAA'S application to strike out the Writ of Delivery was dismissed and KKAA had on 16 June 1998 refiled a further application to dismiss the Writ of Delivery which has been postponed to 27 June 2000. On 17 June 1998, KKAA's solicitors received an application by KKSP's solicitors to withdraw the Security.

**Status as at 12 June 2000 of the Respective Suits:-**

**Alor Setar High Court Civil Suit No.22-104-96**  
**Execution No. 37-1-98**  
**Kenn Kenn Auto Accessories & Services Sdn. Bhd.**  
**Kenn Kenn Auto (SP) Sdn. Bhd.**

The application to set aside the Writ of Delivery of the Defendant (Kenn Kenn Auto (SP) Sdn. Bhd ) was fixed for Hearing on the 27<sup>th</sup> February 2000. Further to that, the Defendant Kenn Kenn Auto (SP) Sdn. Bhd., has appealed against the decision of the Deputy Registrar of the Alor Setar High Court and the said Appeal to the Judge in Chambers is originally fixed for Hearing on the 27<sup>th</sup> February 2000 but was subsequently postponed to 27 June 2000. Consequently, the application to set aside the Defendant's Writ of Delivery is also adjourned Sine Die, pending the outcome of the decision of the Learned Judge in the said Appeal.

Meanwhile, the Defendant Kenn Kenn Auto (SP) Sdn. Bhd., has appealed to the Court of Appeal against the decision of the Learned Judge of the Kuala Lumpur High Court allowing our appeal that KKAA be allowed to claim the money paid into Court. However, no date has been fixed for the Hearing of this Appeal.

**Alor Setar High Court Civil Suit No.22-248-98**  
**Kenn Kenn Auto (SP) Sdn. Bhd. v.**  
**Kenn Kenn Auto Accessories & Services Sdn. Bhd.**

The Plaintiff Kenn Kenn Auto (SP) Sdn. Bhd, has obtained Judgement in their favour and this case is now fixed for Hearing for the Assessment of Damages on the 27<sup>th</sup> February 2000. The Hearing date for the Assessment of Damages was further postponed to 4 June 2000 and 5 June 2000. On 4 and 5 June 2000, the Plaintiff's Assessment of Damages was heard by the Senior Assistant Registrar and the Plaintiff proceeded to hear the first witness. The said matter is now fixed for hearing on 11 June 2000 to enable KKAA's Application for Stay of Proceedings to be disposed off first. The Plaintiff is also submitting that the damages payable to them is in the region of RM1 million. Further to that, the Application to Stay the proceedings which was fixed on 11 June 2000 was granted by the Learned Judge. Subsequent to that the Court has yet to fix new hearing dates. The solicitors of KKAA at this juncture have opined that the above claim cannot be substantiated as the Plaintiff's witness has not yet been cross-examined by them. Further to that the Plaintiff has yet to furnish conclusive evidence wherein some documents sought to be adduced cannot be substantiated.

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**13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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**J. Public Take-Overs**

None of the following has occurred in the last financial year and during the current financial year up to the date of this Prospectus: -

- (a) public take-over offers by third parties in respect of the Company's shares; or
- (b) public take-over offers by the Company in respect of other companies' shares.

**K. Consents**

1. The consents of the Adviser and Managing Underwriter, Underwriters, Principal Bankers, Issuing House and Registrars, Auditors and Reporting Accountants and Solicitors of the Public Issue to the inclusion in this Prospectus of their names in the form and context in which they appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
2. The consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their Accountants' Report and their letters relating to the Consolidated Profit Forecast and Proforma Consolidated Balance Sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

**L. Documents Available for Inspection**

Copies of the following documents may be inspected at the registered office of the Company during office hours for a period of six (6) months from the date of this Prospectus: -

- (a) Memorandum and Articles of Association of the Company and its subsidiaries;
- (b) Accountants' Report and Directors' Report as included in Section 11 and 12 of this Prospectus respectively;
- (c) Reporting Accountants' letter relating to the Consolidated Profit Forecast and Proforma Consolidated Balance Sheets as included in Section 10.4 and 10.7 of this Prospectus respectively;
- (d) Audited accounts of the Company and its subsidiaries for the past six (6) financial years ended 31 December 1994 to 1999;
- (e) The material contracts referred to in Section 13H of this Prospectus;
- (f) The letter of consent referred to in Section 13K of this Prospectus; and
- (g) The material litigation referred to in Section 13I of this Prospectus.

**M. Responsibility**

1. Utama Merchant Bank Berhad acknowledges that, to the best of its knowledge and belief, this Prospectus constitutes full and true disclosure of all material facts to the public about the Company and its subsidiaries, and has satisfied itself that the Consolidated Profit Forecast (for which the Directors are solely responsible) have been stated by the Directors of the Company after due and careful enquiry.

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**13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**

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**M. Responsibility**

2. This Prospectus has been seen and approved by the Directors of the Company and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

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## 14. PROCEDURES FOR APPLICATION AND ACCEPTANCE

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### 14.1 Application Forms

Application for the Public Issue Shares must be made on the Application Forms provided together with this Prospectus and must be completed in accordance with the Notes and Instructions printed on the reverse side of the Application Forms. In accordance with Section 37(1) of the Companies Act, 1965, the Application Forms together with the Notes Instructions printed thereon shall constitute an integral part of this Prospectus. Applications which do not strictly conform to the terms of this Prospectus or Application Forms or Notes and Instructions printed thereon or which are illegible may not be accepted.

The following Application Forms are enclosed with this Prospectus and are deemed to form part thereof:

- (i) **Pink** Application Forms for application by the eligible employees of the FOREMOST Group; and
- (ii) **White** Application Forms for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, societies, co-operatives and institutions.

**White** Application Forms together with copies of this Prospectus may be obtained, subject to availability, from UMBB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia and MIDFCCS.

### 14.2 Procedure for Application

- (i) **Application by the eligible employees of FOREMOST Group.**

Application for the 1,550,000 Public Issue Share reserved for the eligible employees of the FOREMOST Group must be made on the **Pink** Application Forms provided.

- (ii) **Application by the Malaysian Public**

Application for the 6,250,000 Public Issue Shares made available for application by the Malaysian public must be made on the **White** Application Forms provided.

Only one (1) Application Form from each applicant will be considered and applications must be for 1,000 ordinary shares or multiples thereof. **MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED.** The amount payable in full on application is RM1.70 per ordinary share. Directors and employees of MIDFCCS and their immediate family are strictly prohibited from applying for the Public Issue Shares.

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**14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)**

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EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY A REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE BY EITHER:

- (a) BANKER'S DRAFT OR CASHIER'S ORDER purchased within Malaysia only drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputra applications); OR
- (b) MONEY ORDER OR POSTAL ORDER (for applicants from Sabah and Sarawak only); OR
- (c) GUARANTEED GIRO ORDER ("GGO") from the Bank Simpanan Nasional (differentiated by a special red band for Bumiputra applicants); OR
- (d) ATM STATEMENTS OBTAINED FROM ANY OF THE FOLLOWING:
  - Arab-Malaysian Bank Berhad (295576-U);
  - Arab-Malaysian Finance Berhad (5493-X);
  - Asia Commercial Finance (M) Berhad (6521-U);
  - Ban Hin Lee Bank Berhad (1147-M);
  - BSN Commercial Finance Berhad (23877-T)  
*(formerly known as Bank Buruh (Malaysia) Berhad);*
  - Bumiputera-Commerce Bank Berhad (13491-P);
  - Bank Utama (Malaysia) Berhad (27714-A);
  - Credit Corporation Malaysia Berhad (5023-H);
  - EON Bank Berhad (92351-V);
  - EON Finance Berhad (9692-K);
  - Hock Hua Bank Berhad (111501-D);
  - Hock Hua Finance Corporation Berhad (9010-H);  
*(formerly known as Hock Thai Finance Corporation Berhad);*
  - Hong Leong Bank Berhad (97141-X);
  - Hong Leong Finance Berhad (7797-V);
  - International Bank Malaysia Berhad (22671-V);  
*(formerly known as Hock Hua Bank (Sabah) Berhad);*
  - Malayan Banking Berhad (3813-K);
  - Mayban Finance Berhad (3905-T);
  - MBf Finance Berhad (8515-D);
  - Multi-Purpose Bank Berhad (88103-W);
  - Oriental Bank Berhad (845-W);
  - Oriental Finance Berhad (50555-A);
  - Phileo Allied Bank (Malaysia) Bhd (306350-K);  
*(formerly known as Allied Bank (Malaysia) Berhad);*
  - Public Bank Berhad (6463-H);
  - Public Finance Berhad (6471-V);
  - RHB Bank Berhad (6171-M);  
*(formerly known as DCB Bank Berhad);*
  - Sabah Bank Berhad (45788-D);
  - The Pacific Bank Berhad (5024-T);
  - United Merchant Finance Berhad (3838-T)

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**14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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ARE MADE OUT IN FAVOUR OF

**“MIDF SHARE ISSUE ACCOUNT NO 505**

AND CROSSED “A/C PAYEE ONLY” (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT (AS EXACTLY STATED ON THE APPLICANT FORM).

THE NAME AND ADDRESS OF THE APPLICANT MUST BE EXACTLY THE SAME AS THAT IN THE APPLICANT’S IDENTITY CARD (TOGETHER WITH THE CHANGE OF ADDRESS CARD OR “RESIT PENUKARAN KAD PENGENALAN JPN 1/22” WHERE APPLICABLE) OR “RESIT PENGENALAN SEMENTARA JPN 1/9” IN THE CASE OF AN INDIVIDUAL APPLICANT EXCEPT ARMED FORCES/POLICE PERSONNEL WHICH SHOULD BE BASED ON THE ADDRESS OF THEIR RESPECTIVE CAMP/BASE/STATION. IN THE CASE OF CORPORATE/INSTITUTIONAL APPLICANTS, THE NAME MUST ALSO BE EXACTLY THE SAME AS IN THE CERTIFICATE OF INCORPORATION AND THE ADDRESS MUST BE EXACTLY THE SAME AS THE REGISTERED ADDRESS.

APPLICATIONS ACCOMPANIED BY ANY MODE OF PAYMENT OTHER THAN THOSE STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCE WILL NOT BE ACCEPTED. DETAILS OF THE REMITTANCE MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED ON THE APPLICATION FORM.

Each completed Application Form must be despatched by ORDINARY POST or DELIVERED BY HAND in the official envelopes provided, to the following address:

**MIDF Consultancy and Corporate Services Sendirian Berhad**  
195A, Jalan Tun Razak  
P.O. Box 11122  
50736 Kuala Lumpur

**so as to arrive not later than 8.00 p.m. on 10 July 2000.**

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#### 14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

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Application may also be delivered by hand to Oriental Bank Berhad branches at the following addresses :

- |                                                                                                              |                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| 1. <b>Klang Branch</b><br>No 2 jalan kapar<br>41400 Klang                                                    | 7. <b>Wangsa Maju Branch</b><br>No 10 Jalan 1/27B<br>Bandar Baru Wangsa Maju<br>53300 Kuala Lumpur                            |
| 2. <b>Kepong Branch</b><br>No 60 Jalan 2<br>52100 Kuala Lumpur                                               | 8. <b>Balakong Branch</b><br>No S-7 Jalan 1/6<br>Taman Indah, Batu 11 Jalan Balakong<br>43200 Cheras                          |
| 3. <b>KL Main Branch</b><br>Bangunan Oriental Bank<br>No 1 Jalan Hang Lekiu<br>50100 Kuala Lumpur            | 9. <b>Segambut Branch</b><br>No 36-38 Jalan Segambut Utara<br>51200 Kuala Lumpur                                              |
| 4. <b>Selayang Branch</b><br>No 141-143, Jalan 2/3 A<br>Kompleks Pasar Borong Selayang<br>68100 Kuala Lumpur | 10. <b>SS2 Branch</b><br>No 2 Jalan SS2/61<br>47300 Kuala Lumpur                                                              |
| 5. <b>Taman Sungai Besi Branch</b><br>No 38 Jalan 7/108C<br>Jalan Sungai Besi<br>68100 Kuala Lumpur          | 11. <b>Bandar Park Branch</b><br>No 152 Jalan Mega Mendung<br>Komplek Bandar<br>Batu 5 Jalan Klang Lama<br>58000 Kuala Lumpur |
| 6. <b>Bukit Bintang Branch</b><br>Ground Floor, Wisma KLIH<br>126 Jalan Bukit Bintang<br>55100 Kuala Lumpur  |                                                                                                                               |

**during banking hours** (9.30 a.m. to 4.00 p.m. from Monday to Friday and 9.30 a.m. to 12.00 noon on Saturday).

No acknowledgement of the receipt of Application Forms or application monies will be made by the Company.

Copies of this Prospectus together with the Application Forms, and the official envelopes may be obtained, subject to availability from:

**Utama Merchant Bank Berhad**  
26<sup>th</sup> Floor, Central Plaza  
Jalan Sultan Ismail  
50250 Kuala Lumpur

or from member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.



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## **14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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### **14.3 Application and Acceptances**

The Directors of Foremost Holdings Berhad reserve the right not to accept any application or to accept any application in part only without assigning any reason therefor.

THE SUBMISSION OF AN APPLICATION FORM DOES NOT NECESSARILY MEAN THAT THE APPLICATION WILL BE SUCCESSFUL.

In the event of an over-subscription, acceptance of applications by the Malaysian public shall be subject to ballot to be conducted in a manner as approved by the Directors. The basis of allocation shall be in such manner as to spread the shareholding base in Foremost Holdings Berhad over a reasonable number of applicants with a view to establishing an adequate market in Foremost Holdings Berhad Shares. In compliance with SC's revised shareholding spread requirement as at April 1999, the Company should at least have 25% of the issued and paid-up capital in the hands of the public shareholders and a minimum number of 750 public shareholders holding no less than 1,000 shares each of which at least 500 shareholders are members of the public who are not employees of the Group upon completion of the Public Issue. Applications will be selected in a manner to be determined by the Directors.

In the event of an under-subscription by the Malaysian public, all the Public Issue Shares not applied for will be made available for subscription by the Underwriters in proportions specified in the Underwriting Agreement dated 21 February 2000.

WHERE AN APPLICATION IS REJECTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST TO THE APPLICANT WITHIN TWENTY-ONE (21) DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS BY ORDINARY POST OR REGISTERED POST, RESPECTIVELY, TO THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICATION'S OWN RISK.

THE ISSUING HOUSE RESERVES THE RIGHT TO BANK IN ALL APPLICATION MONIES FROM UNSUCCESSFUL BUMIPUTRA APPLICANTS AND PARTIALLY SUCCESSFUL APPLICANTS WHICH WOULD SUBSEQUENTLY BE REFUNDED WITHOUT INTEREST TO THE APPLICANT WITHIN TWENTY-ONE (21) DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS BY REGISTERED POST TO THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICANT'S OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

### **14.4 CDS Accounts**

Pursuant to Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in the shares of Foremost Holdings Berhad including the Public Issue Share will be book entries through CDS accounts. No Share certificates will be issued to successful applicants.

An applicant should state his CDS account number in the space provided on the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code. A list of the ADA Codes is set out in Section 15 of this Prospectus. Where an applicant already has a CDS account, he SHOULD NOT complete the preferred ADA Code.

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**14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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If a successful applicant fails to state either his CDS accounts number or his preferred ADA Code, the Company may, in the exercise of its absolute discretion, instruct the Issuing House to insert a preferred ADA Code on the Application Form and further instruct MCD to open a CDS account on his behalf at the specified ADA and credit the shares allotted to him into his CDS account.

Failure to comply with these specific instruction or inaccuracy in the CDS account number or the preferred ADA Code may result in the application being rejected. The Directors of the Company reserve the right to reject any incomplete or inaccurate application.

**14.5 Notice of Allotment**

Shares allotted to all successful applicants will be credited to their respective CDS accounts. Notice of successful allotment will be despatched to the successful applications at their addresses shown in the Application Form at the applicant's own risk within thirty (30) days after the final ballot of the application. This is the only acknowledgement of acceptance of the application.

**14.6 Formalising of CDS Accounts**

Successful applicants whose CDS accounts have been opened by MCD at their preferred ADA or the ADA caused to be inserted by, are required to formally open their accounts in person by submitting to the ADA the necessary documents and the account opening fee. No transaction of shares credited to the accounts can be effected until the accounts have been formally opened.

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**15. LIST OF ADA's****List of Authorised Depository Agents**

The list of the ADAs and their respective Broker codes are as follows:-

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KUALA LUMPUR</b>		
AFFIN-UOB SECURITIES SDN BHD (431338-P)	Level 3, Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-243 8668	028-001
ARAB-MALAYSIAN SECURITIES SDN BHD (92977-U)	15 <sup>th</sup> Floor, Bangunan Arab-Malaysian 55 Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2382788	086-001
BBMB SECURITIES SDN BHD (16453-K)	Level 2&3, 4&17 Letter Box No 2 Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2019900	099-001
BIMB SECURITIES SDN BHD (290163-X)	1 <sup>st</sup> & 2 <sup>nd</sup> Floor Podium Block Bangunan AMDB 1 Jalan Lumit 50350 Kuala Lumpur Tel No : 03-4433533	024-001
FIMA SECURITIES SDN BHD (210959-K) <i>(formerly known as Capital Corp Securities Sdn Bhd)</i>	No 45-14, Plaza Level and Level One Jalan Medan Setia 1 Damansara Heights 50490 Kuala Lumpur Tel No : 03-2549966	018-001
CIMB SECURITIES SDN BHD (163712-V)	9 <sup>th</sup> Floor, Commerce Square Jalan Semantan Damansara Height 50490 Kuala Lumpur Tel No : 03-253228	065-001
HLG SECURITIES SDN BHD (12855-D)	21 <sup>st</sup> Floor Wisma HLA Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2452998	066-001
INTER-PACIFIC SECURITIES SDN BHD (12738-U)	Level 7 Shahzan Insas Tower 30 Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03- 2441888	054-001

**15. LIST OF ADA's (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>KUALA LUMPUR (Cont'd)</b>		
JUPITER SECURITIES SDN BHD (48703-W)	7 <sup>th</sup> – 9 <sup>th</sup> Floor Menara Olympia 8 Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2041888	055-001
K & N KENANGA BERHAD (15678-H)	8 <sup>th</sup> Floor, Pernas International Building 801 Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-2649080	073-001
KUALA LUMPUR CITY SECURITIES SDN BHD (126994-W)	Lot 3.07 Level 3 Bangunan Angkasaraya Jalan Ampang 50450 Kuala Lumpur Tel No : 2449322	076-001
LEONG & COMPANY SDN BHD (8789-P)	Level 18 Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur P.O. Box 10943 Tel No : 03-2928899	061-001
MAYBAN SECURITIES SDN BHD (165630-M)	30 <sup>th</sup> Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel No : 03-2323822	098-001
MGI SECURITIES SDN BHD (682-X)	1 <sup>st</sup> & 2 <sup>nd</sup> Floor Wisma MGIC 38 Jalan Dang Wangi 50100 Kuala Lumpur Tel No : 03-2911889	052-001
MIDF SISMA SECURITIES SDN BHD (423833-U)	17 <sup>th</sup> & 18 <sup>th</sup> Floor Empire Tower 182 Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-2668888	026-001
OSK SECURITIES BERHAD (14152-V)	10 <sup>th</sup> Floor Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No : 03-2624388	056-001
PB SECURITIES SDN BHD (20027-W)	27 <sup>th</sup> Floor Bangunan Public Bank No 6 Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-2013011	051-001

## 15. LIST OF ADA's (Cont'd)

Name	Address and telephone number	Broker code
<b>KUALA LUMPUR (Cont'd)</b>		
PM SECURITIES SDN BHD (66299-A)	1 <sup>st</sup> Floor Menara Pengkalen No 2 Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03-2448055	064-001
RASHID HUSSAIN SECURITIES SDN BHD (95060-A)	Level 9 Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-9852233	087-001
KAF-SEAGROATT & CAMPBELL SDN BHD (134631-U) <i>(formerly known as Seagroatt &amp; Campbell Sdn Bhd)</i>	26 <sup>th</sup> – 30 <sup>th</sup> Floor, The Weld Tower 76 Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-2081600	053-001
SIME SECURITIES SDN BHD (165878-V)	21 <sup>st</sup> Floor Bangunan Sime Bank Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-2749288	097-001
TA SECURITIES BERHAD (16029-V)	13 <sup>th</sup> Floor Menara TA One Tower 22 Jalan P.Ramlee 50250 Kuala Lumpur Tel No : 03-2321277	074-001
<b>SELANGOR DARUL EHSAN</b>		
AMSTEEL SECURITIES (M) SDN BHD (51253-A) <i>(formerly known as Klang Securities Sdn Bhd)</i>	No 1, Lintang Pekan Baru (2, 3 & 4 <sup>th</sup> Floors) Wisma Amsteel Securities Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-3439999	080-001
HALIM SECURITIES SDN BHD (107442-X)	68 Jalan 52/4 New Town Centre P.O. Box 561 46770 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7555777	091-001
HWANG-DBS SECURITIES BERHAD (14389-U)	16 <sup>th</sup> – 20 <sup>th</sup> Floor, Plaza Masalam 2 Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No : 03-5533288	068-002

**15. LIST OF ADA's (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>SELANGOR DARUL EHSAN (Cont'd)</b>		
JF APEX SECURITIES BERHAD (47680-X)	3 <sup>rd</sup> Floor Wisma Apex 145A-C Jalan Bukit 43007 Kajang Selangor Darul Ehsan Tel No : 03-8361118	079-001
MOHAIYANI SECURITIES BERHAD (140238-A)	1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Floor Plaza Damansara Utama No 2 Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7197345	095-001
SJ SECURITIES SDN BHD (141671-T)	Level 3, Holiday Villa No 9 Jalan SS 12/1 Subang Jaya 47500 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7340202	096-001
<b>MELAKA</b>		
MALACCA SECURITIES SDN BHD (16121-H)	No 1, 3 & 5 Jalan PPM 9 Plaza Pandan Malim (Business Park) Balai Panjang P.O. Box 248 75250 Melaka Tel No : 06-3371533	012-001
OCBC SECURITIES (MELAKA) SDN BHD (18884-P)	579, 580- & 581 A&B Taman Melaka Raya 75000 Melaka Tel No : 06-2825211	072-001
STRAITS SECURITIES SDN BHD (774040-T)	Lot 9 & 10 1 <sup>st</sup> Floor Bangunan Tabong Haji Jalan Bandar Kaba P.O. Box 209 75250 Melaka Tel No : 06-2833622	011-001
<b>PERAK DARUL RIDZUAN</b>		
BOTLY SECURITIES SDN BHD (14948-M)	1 <sup>st</sup> Floor Plaza Teh Teng Seng 227 Jalan Kampar 30250 Ipoh Perak darul Ridzuan Tel No : 05-2531313	058-001

**15. LIST OF ADA's (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>PERAK DARUL RIDZUAN (Cont'd)</b>		
KIN KHOON & CO. SDN BHD (17816-P)	A23 & A29 Wisma Kota Emas Jalan Dato' Tahwil Azhar P.O. Box 421 30910 Ipoh Perak Darul Ridzuan Tel No : 05-2543311	017-001
MBf NORTHERN SECURITIES SDN BHD (14782-V)	No 71, Jalan Lim Bo Seng 30300 Ipoh Perak Darul Ridzuan Tel No : 05-2548999	067-001
M & A SECURITIES SDN BHD (15017-H)	M&A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-2419800	057-001
PHILEO ALLIED SECURITIES SDN BHD (25397-M)	Wisma Phileo No 63, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2558233	071-001
SBB SECURITIES SDN BHD (100518-M)	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2530888	090-001
TAIPING SECURITIES SDN BHD (113521-K) <i>(formerly known as Nadzri &amp; Ng Securities Sdn Bhd)</i>	21 Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No : 05-8060888	092-001
OSK SECURITIES BERHAD (64149-M)	21-25 Jalan Seenivasagam 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2415100	056-002
<b>PULAU PINANG</b>		
A.A ANTHONY & COMPANY SDN BHD (13622-K)	No. 41-1-1 & 41-2-1 Jalan Cantonment 10250 Pulau Pinang Tel No : 04-2299318	014-001

**15. LIST OF ADA's (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
HWANG-DBS SECURITIES BHD (14389-U)	Level 2,3,4,7 & 8 Wisma Sri Pinang 60 Green Hall 10200 Pulau Pinang Tel No : 04-2636996	068-001
KE-ZAN SECURITIES SDN BHD (89986-P)	1 <sup>st</sup> – 4 <sup>th</sup> Floor Wisma Ke-Zan 64 Bishop Street 10200 Pulau Pinang Tel No : 04-2634222	085-001
MERCURY SECURITIES SDN BHD (113193-W)	1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Seberang Perai Pulau Pinang Tel No : 04-3322123	093-001
SMITH ZAIN SECURITIES SDN BHD (13901-H)	7 <sup>th</sup> & 8 <sup>th</sup> Floor PSCI Tower 39 Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2283355	016-001
SOON THEAM SECURITIES SDN BHD (14147-K)	No 111 Jalan Macalister 10400 Pulau Pinang Tel No : 04-2281868	060-001
THONG & KAY HIAN SECURITIES SDN BHD (14592-P)	Level 5 & 6 Wisma Sri Pinang 60 Green Hall 10200 Pulau Pinang Tel No : 04-2635481	070-001
UT SECURITIES SDN BHD (20710-W) <i>(formerly known as United Traders Securities Sdn Bhd)</i>	12 <sup>th</sup> Floor Bangunan Mayban Trust 3 Penang Street 10200 Pulau Pinang Tel No : 04-2626644	059-001
<b>KEDAH DARUL AMAN</b>		
ALOR SETAR SECURITIES SDN BHD (123654-H)	Lot T-30 2 <sup>nd</sup> Floor Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-7317088	094-001



**15. LIST OF ADA's (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>NEGERI SEMBILAN DARUL KHUSUS</b>		
PAN MALAYSIA EQUITIES SDN BHD (228587-U)	2 <sup>nd</sup> , 9 <sup>th</sup> & 10 <sup>th</sup> Floors Bangunan Yayasan Negeri Sembilan Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7638999	084-001
MALPAC SECURITIES SDN BHD (159143-V) <i>(formerly knowm as Seremban Securities Sdn Bhd)</i>	1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Floors 19, 20, 21 Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7623131	063-001
<b>JOHOR DARUL TAKZIM</b>		
ENG SECURITIES SDN BHD (53333-T)	95 Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2231211	081-001
JB SECURITIES SDN BHD (17812-U)	8.2, Level 18 Menara Sarawak Enterprise No 5 Jalan Bukit Meldrum 80300 Johor Bharu Johor Darul Takzim Tel No : 07-3332000 / 3332800	078-001
KESTREL SECURITIES SDN BHD (97150-A)	No 57, 59 & 61 Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9532222	088-001
PENINSULA SECURITIES SDN BHD (57258-V) <i>(formerly known as Hamid &amp; Chua Securities Sdn Bhd)</i>	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bharu Johor Darul Takzim Tel No : 07-3333600	077-001
PJB PACIFIC SECURITIES SDN BHD (430550-H)	Podium 2A & 3, Menara Ansar 65 Jalan Trus 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2222692	027-001
SOUTH JOHOR SECURITIES SDN BHD (53647-D)	3 <sup>rd</sup> Floor, Penggaram Complex 1 Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4342282	069-001

**15. LIST OF ADA's (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>PAHANG DARUL MAKMUR</b>		
WK SECURITIES SDN BHD (70978-V)	A 397, A-399 & A-401 Taman Sri Kuantan III Jalan Beserah 25300 Kuantan Pahang Darul Makmur	083-001
<b>KELANTAN DARUL NAIM</b>		
KOTA BHARU SECURITIES SDN BHD (15629-M) <i>(formerly known as Lee &amp; Kee Securities Sdn Bhd)</i>	298, Jalan Tok Hakim 15000 Kota Bahru Kelantan Darul Naim Tel No : 09-7432288	075-001
<b>PERLIS INDRA KAYANGAN</b>		
UPEN SECURITIES SDN BHD (254920-D)	2 <sup>nd</sup> Floor, Podium Block Bangunan KWSP 01000 Kangar Perlis Indra Kayangan Tel No : 04-9766315	023-001
<b>TERENGGANU DARUL IMAN</b>		
FA SECURITIES SDN BHD (251711-V)	3 <sup>rd</sup> Floor Wisma UMNO Jalan Masjid Abidin 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6238128	021-001
PTB SECURITIES SDN BHD (425317-T)	1 <sup>st</sup> Floor, 2 <sup>nd</sup> & 3 <sup>rd</sup> Floors 61 Jalan Sultan Ismail P.O. Box 151 Pejabat Pos Besar 20700 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6235546	025-001
<b>SABAH</b>		
INNOSABAH SECURITIES SDN BHD (194990-K)	11 Equity House, Block K Sadong Jaya Karamunsing 88100 Kota Kinabalu Sabah Tel No : 6088-234099	020-001

**15. LIST OF ADA's (Cont'd)**

<b>Name</b>	<b>Address and telephone number</b>	<b>Broker code</b>
<b>WILAYAH PERSEKUTUAN LABUAN</b>		
LABUAN SECURITIES SDN BHD (239683-W)	Level 2, Wisma Oceanic Jalan O K K Awang Besar 87007 Wilayah Persekutuan Labuan Tel No : 087-410621	022-001
<b>SARAWAK</b>		
SARAWAK SECURITIES SDN BHD (219322-W)	Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No : 082-338000	019-001
SARAWAK SECURITIES SDN BHD (432200-A) (MIRI BRANCH)	Lot 2465, Jalan Boulevard Boulevard Commercial Centre 98000 Miri Sarawak Tel No : 085-435577	019-002
BORNEO SECURITIES SDN BHD	12G, Jalan Kampung Datu 96000 Sibu Sarawak Tel No. : 084-319998	030-001