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

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黃福興特許會計公司

YOUR REF:

OUR REF:

Date : 26 June 2000

**Accountants' Report**  
**(Prepared for inclusion in this Prospectus)**

The Board of Directors  
Petra Perdana Berhad  
Lot 3045-3047/3 (Room 1)  
4 ½ Miles, Old Klang Road  
58000 Kuala Lumpur

Gentlemen

**1 INTRODUCTION**

This report has been prepared for inclusion in the Prospectus to be dated 30 June 2000 in connection with the public issue of 6,645,000 new ordinary shares of RM1.00 each at an issue price of RM1.75 per ordinary share in Petra Perdana Berhad (hereinafter referred to as "PPB" or "the Company") and the listing of and quotation for the entire enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

**2 GENERAL INFORMATION**

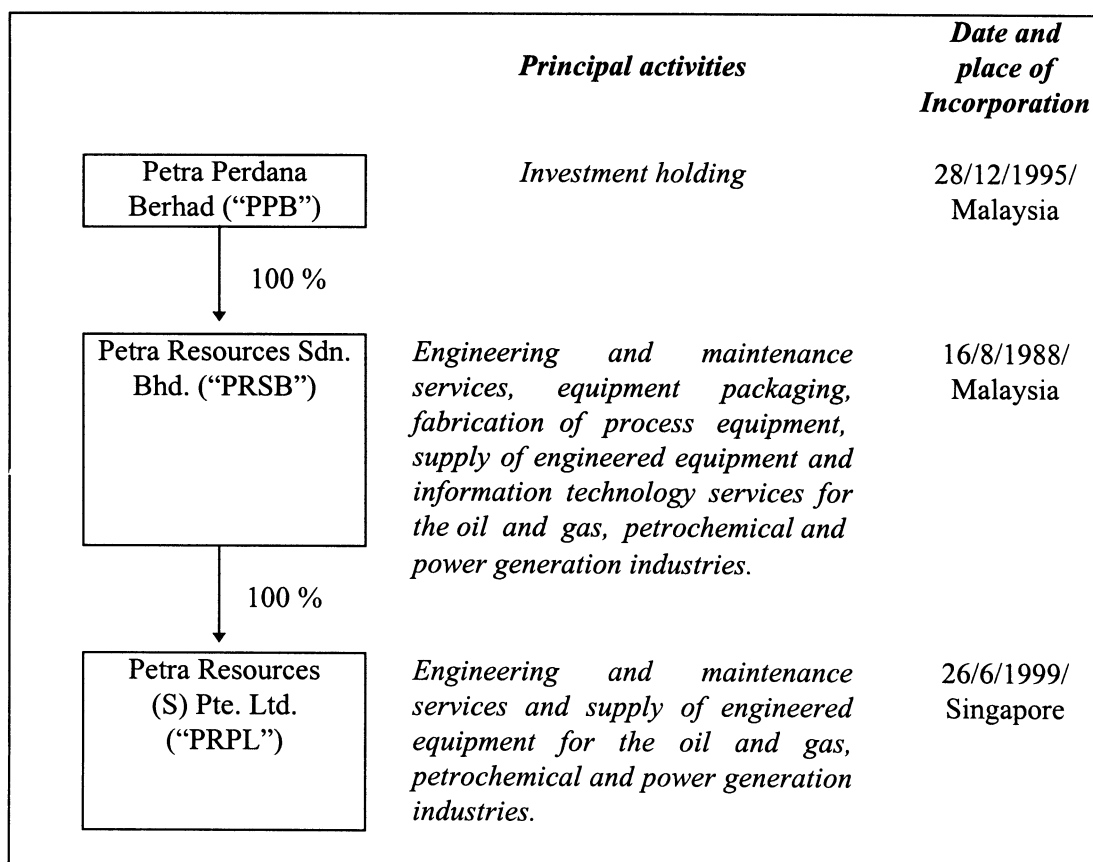
**2.1 Background**

PPB was incorporated in Malaysia as a private limited company on 28 December 1995 and subsequently converted into a public limited company on 1 July 1997 under the Companies Act, 1965. The principal activities of the Company are investment holding and the subsidiary companies are that shown in paragraph 2.4 below.

**2.2 Restructuring Scheme**

In conjunction with the listing of and quotation for its entire enlarged issued and paid-up share capital on the Second Board of the KLSE, the Company undertook the following restructuring scheme which culminated in the PPB Group structure as illustrated below :

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**Stage I**

**Acquisition**

PPB acquired the entire equity interest in PRSB comprising 8,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM16,677,209 which was satisfied by an issue of 16,677,209 new ordinary shares of RM1.00 each in PPB at par credited as fully paid. This was completed on 23 May 2000.

**Stage II**

**Rights Issue**

Upon the completion of stage I above, PPB implemented a rights issue of 16,677,789 new ordinary shares of RM1.00 each in PPB at an issue price of RM1.33 per ordinary share on the basis of approximately one (1) new ordinary share for every one (1) existing share held. This was completed on 16 June 2000.

**Stage III**

**Public Issue**

Following the completion of Stage I and II above, and in conjunction with the listing of PPB on the Second Board of KLSE, the Company is undertaking a public issue of 6,645,000 new ordinary shares of RM1.00 each at an issue price of RM1.75 per share.

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**Stage IV**

**Listing**

Upon completion of the three (3) stages above, the Company will be admitted to the Official List and the entire enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each in PPB will be listed and quoted on the Second Board of KLSE.

The above scheme was approved by the Securities Commission, Foreign Investment Committee and Ministry of Industry and Trade on 21 April 2000, 10 December 1999 and 31 December 1999 respectively.

**2.3 Changes in Share Capital**

2.3.1 At the date of incorporation, the authorised share capital of PPB was 100,000 ordinary shares of RM1.00 each and its issued and paid-up share capital was RM2.00 comprising 2 ordinary shares of RM1.00 each.

2.3.2 In line with the Restructuring Scheme set out in paragraph 2.2, the authorised share capital was increased to RM50,000,000 comprising 50,000,000 shares of RM1.00 each.

2.3.3 The present issued and paid-up share capital of PPB is 33,355,000 ordinary shares of RM1.00 each. The changes in the issued and paid-up share capital of PPB since the date of incorporation are as follows :-

<b>Date</b>	<b>No. of Ordinary shares</b>	<b>Consideration per share RM</b>	<b>Type of issue</b>	<b>Cumulative Issued &amp; paid up capital RM</b>
28/12/95	2	1.00	Subscribers' shares	2
23/5/2000	16,677,209	1.00	Acquisition of the entire equity interest of PRSB with the issue of PPB shares at par.	16,677,211
16/6/2000	16,677,789	1.33	Rights issue of approximately one (1) new ordinary shares for every one (1) existing ordinary held at par.	33,355,000

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2.3.4 Upon completion of the Public Issue detailed in paragraph 2.2 as above, the issued and fully paid-up share capital of PPB will be enlarged to RM40,000,000 comprising 40,000,000 ordinary shares of RM1.00 each.

**2.4 Subsidiary Companies**

Details of the subsidiary companies of PPB as at the date of this report are as follows :

Name of Company	Principal activities	Place of incorporation	Interest in equity %	Date of incorporation	Authorised share capital	Issued and fully paid up share capital
PRSB  Subsidiary of PRSB	Engineering and maintenance services, packaging, fabrication, supply of engineered equipment, and information technology services for the oil, gas, petrochemical, power generation and other heavy industries.	Malaysia	100.0	16.8.1988	RM10,000,000	RM8,000,000
PRPL	Engineering and maintenance services and supply of engineered equipment for the oil, gas, petrochemical, power generation and other heavy industries.	Singapore	100.0	26.6.1999	*SGD200,000	*SGD200,000

\* SGD - Singapore Dollar

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**2.5 Accounts and Auditors**

The accounts of PPB and its subsidiary companies for the financial years under review were audited by another firm of public accountants.

The Auditors' report of all the companies within the PPB Group for the financial years under review were not subject to any qualification.

**2.6 Dividends**

No dividend has been paid or declared by the Company since the date of incorporation.

Details of dividends declared and paid by the subsidiary companies for the past five (5) years are as follows :

Year ended	Issued and paid-up capital RM	Dividend rate (gross)		Net dividend RM	Financial year in which net dividend paid	
		Tax exempt	Less tax			
<b>PRSB</b>						
31.12.1995	2,000,000	-	-	-	-	
31.12.1996	2,000,000	-	-	-	-	
31.12.1997	8,000,000	Interim	-	428.57%	6,000,000	1997
31.12.1998	8,000,000	-	-	-	-	-
31.12.1999	8,000,000	Final	120%	4.5%	9,859,200	2000

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**3 SUMMARISED PROFIT AND LOSS ACCOUNTS**

**3.1 The Group**

The summarised proforma consolidated audited results for the six (6) financial years ended 31 December 1999 set out below have been prepared based on the audited accounts of PPB and its subsidiary companies after making such adjustments as considered appropriate and assuming that the PPB Group has been in existence throughout the financial years under review. The financial results should be read in conjunction with the notes thereto :

	<b>Audited</b>					
	←————— Year ended 31 December —————→					
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Turnover	25,359	26,959	28,004	34,769	40,359	67,006
Profit before depreciation, interest and taxation	1,853	2,231	6,821	5,946	7,751	11,043
Depreciation	(226)	(228)	(478)	(744)	(824)	(981)
Interest expenses	(52)	(17)	(10)	(20)	(160)	(150)
Interest income	9	17	23	50	105	138
Profit before taxation	1,584	2,003	6,356	5,232	6,872	10,050
Taxation	(335)	(637)	(1,803)	(1,686)	(2,040)	(140)
Profit after taxation	1,249	1,366	4,553	3,546	4,832	9,910
Extraordinary items	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-
Profit attributable to shareholders	1,249	1,366	4,553	3,546	4,832	9,910
No. of ordinary shares of RM1.00 each in issue after the Flotation Exercise	40,000	40,000	40,000	40,000	40,000	40,000
Net earnings per share (sen)						
- Gross	3.96	5.01	15.89	13.08	17.18	25.13
- Net	3.12	3.42	11.38	8.87	12.08	24.78

**Notes to the summary of results**

**3.1.1 Basis of Consolidation**

The proforma consolidated results of the PPB Group are based on the audited accounts of PPB, PRSB and PRPL respectively for the financial years under review. The proforma consolidated financial results have been prepared on a basis consistent with the accounting policies normally adopted by the Group.

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**3.1.2 Commentaries on Turnover and Results**

- (i) The increase of RM26.6 million or 66.0% in the turnover for the financial year ended 31 December 1999 as compared to 31 December 1998 was mainly due to the new Fabrication Division and higher turnover contribution from the Engineering and Maintenance Services Division in 1999. Accordingly, the profit before tax has increased by RM3.18 million or 46% from the previous financial year. Furthermore, there was no provision for tax for the financial year ended 31 December 1999 due to tax waived, which has been gazetted in the Income Tax (Amendment) Act, 1999.
- (ii) The increase of RM3.2 million or 233.3% in the profit after taxation and minority interest for the financial year ended 31 December 1996 as compared to 31 December 1995 was mainly due to increase in turnover from Engineering and Maintenance Services Division with increased contracts being secured.
- (iii) The decline of RM1.0 million or 22.1% in the profit after taxation and minority interest for the financial year ended 31 December 1997 as compared to 31 December 1996 was mainly due to the lower gross profit margin of Engineering and Maintenance Services Division, higher depreciation charges and write-off of bad debts.
- (iv) No exceptional or extraordinary items were recorded for the financial years ended 31 December 1995 to 1999.

**3.1.3 Taxation**

	Audited					
	←————— Year ended 31 December —————→					
	1994	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year tax	349	636	1,803	1,478	1,954	-
Under/(Over) provision in prior year	(14)	1	-	8	12	(6)
Deferred taxation	-	-	-	200	74	146
	<u>335</u>	<u>637</u>	<u>1,803</u>	<u>1,686</u>	<u>2,040</u>	<u>140</u>
Effective tax rate (%)	22.03	31.75	28.37	28.25	28.43	-
Standard tax rate (%)	30.00	30.00	30.00	28.00	28.00	-

The effective rate for the year ended 31 December 1994 was lower than the statutory tax rate due to the unabsorbed business losses and unabsorbed capital allowances brought forward from previous year whereas, for the year ended 31 December 1996 the effective rate was lower due to the initial capital allowance claimed on the substantial capital expenditure incurred on plant and machinery.

The effective tax rate for the years ended 31 December 1995, 1997 and 1998 were higher than the statutory tax rate due to certain expenses which were disallowed for tax purposes.

No taxation charges is provided for the year ended 31 December 1999 due to the waiver granted pursuant to the Income Tax (Amendment) Act, 1999.

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**3.1.4 Earnings per share**

The net earnings per share is calculated based on the profit after taxation and minority interest but before extraordinary items divided by the number of shares in issue after the Flotation Exercise.

**3.1.5 Dividend**

No dividend was declared by PPB since the date of incorporation.

**3.2 The Company and its subsidiary companies**

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

**The Company**

The Company has not commenced commercial operations as at 31 December 1999. Accordingly, no profit and loss account has been drawn up.

**PRSB**

The summary of the financial results for the six (6) financial years ended 31 December 1999 are as follow :-

	Audited					
	<----- Year ended 31 December ----->					
	1994	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	25,359	26,959	28,004	34,769	40,359	66,375
Profit before depreciation, interest and taxation	1,853	2,231	6,821	5,946	7,751	11,280
Depreciation	(226)	(228)	(478)	(744)	(824)	(923)
Interest Expense	(52)	(17)	(10)	(20)	(160)	(148)
Interest Income	9	17	23	50	105	138
Profit before taxation	1,584	2,003	6,356	5,232	6,872	10,347
Taxation	(335)	(637)	(1,803)	(1,686)	(2,040)	(140)
Profit after taxation	1,249	1,366	4,553	3,546	4,832	10,207
No. of ordinary shares of RM1.00 each ('000)	1,500	1,500	2,000	8,000	8,000	8,000
Gross earnings per share (sen)	792	748	352	109	86	129.3
Net earnings per share (sen)	625	510	252	74	60	128.6

**Notes :**

**(1) Turnover**

Turnover represents sales net of returns and the commentaries on the Company's performance are as follows :