

## 11. ACCOUNTANTS' REPORT

*(Prepared for inclusion in the Prospectus)*



*Ong & Wong*

PUBLIC ACCOUNTANTS  
MALAYSIA  
(AF 0241)

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*(Prepared for inclusion in the Prospectus)*

Date : 28 November 2000

The Board of Directors  
**HAISAN RESOURCES BERHAD**  
*(formerly known as HS Capital Berhad)*  
28A, Lorong Tapah  
Off Jalan Goh Hock Huat  
41400 Klang  
Selangor Darul Ehsan

Dear Sirs,

### 1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus of HAISAN RESOURCES BERHAD *(formerly known as HS Capital Berhad)* (hereinafter referred to as "HRB" or "the Company") to be dated 4 December 2000 in connection with the public issue of 6,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.40 per share and the listing and quotation of its entire enlarged issued and paid-up share capital on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

### 2. GENERAL INFORMATION

#### 2.1 BACKGROUND

The Company was incorporated on 27 December 1999, in Malaysia under the Companies Act, 1965, as a private limited company and was subsequently converted into a public limited company on 21 February 2000.

The Company changed its name from HS Capital Berhad to Haisan Resources Berhad on 25 September 2000 and assumed its present name.

The principal activity of the Company is that of investment holding.

#### 2.2 SHARE CAPITAL

The authorised share capital of HRB is RM50,000,000 comprising of 50,000,000 ordinary share of RM1.00 each.

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

Date of allotment	Number of ordinary shares allotted	Par value RM	Consideration	Cummulative issued and paid up share capital RM
27.12.1999	2	1.00	Subscriber's shares	2
25.09.2000	29,579,346	1.00	Issued as purchase consideration for the acquisition of subsidiary companies and associated company at RM1.40 per ordinary share.	29,579,348

Branch Offices in Ipoh and Kota Kinabalu.  
Member of IA International with associated offices in principal cities worldwide.  
Regional Offices in Bangkok, Ho Chi Minh City, Hong Kong, Johor Bahru, Manila, Phnom Penh, Shenzhen, Singapore and Taipei.

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Date of allotment	Number of ordinary shares allotted	Par value RM	Consideration	Cummulative issued and paid up share capital RM
21.11.2000	4,420,652	1.00	Rights issue at RM1.40 per ordinary share on the basis of approximately 13 new ordinary shares for every 87 ordinary shares held.	34,000,000

Subsequent to the public issue, the issued and paid up capital of HRB would be increased to RM40,000,000 by way of a public issue of 6,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.40 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 HRB on the Second Board of the KLSE, the Company undertook the following restructuring exercise :-

- (a) the incorporation of net revaluation surplus of RM16,958,916 arising from the revaluation of the Group's landed properties.
- (b) the acquisition by HRB of 100,002 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of ABWSB for a purchase consideration of RM631,863 to be satisfied by the issuance of 451,330 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share;
- (c) the acquisition by HRB of 2,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of CNMSB for a purchase consideration of RM7,535,611 to be satisfied by the issuance of 5,382,580 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share;
- (d) the acquisition by HRB of 51,002 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of FMSB for a purchase consideration of RM49,943 to be satisfied by the issuance of 35,673 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share;
- (e) the acquisition by HRB of 1,500,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of HSB for a purchase consideration of RM6,771,644 to be satisfied by the issuance of 4,836,888 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share;
- (f) the acquisition by HRB of 2,500,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of HSIISB for a purchase consideration of RM6,058,445 to be satisfied by the issuance of 4,327,461 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share;
- (g) the acquisition by HRB of 1,320,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of HSSSB for a purchase consideration of RM7,552,147 to be satisfied by the issuance of 5,394,391 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share;
- (h) the acquisition by HRB of 600,003 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of HSHSB for a purchase consideration of RM8,758,014 to be satisfied by the issuance of 6,255,724 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share;

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- (i) the acquisition by HRB of 250,000 ordinary shares of RM1.00 each representing the 50 % of the entire issued and paid-up share capital of IMSB for a purchase consideration of RM195,320 to be satisfied by the issuance of 139,514 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share;
- (j) the acquisition by HRB of 2,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of RCSB for a purchase consideration of RM3,858,099 to be satisfied by the issuance of 2,755,785 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share;
- (k) the consolidation of 17,271,369 ordinary shares of RM1.00 each in the Company by the Ong family via the renunciation of their joint and separate rights in respect of part or all of their respective HRB shares to Able Capital Venture Sdn. Bhd., a family-owned investment holding company, to be effected concurrently with the Acquisitions;
- (l) the rights issue of 4,420,652 ordinary shares of RM1.00 each in HRB at a issue price of RM1.40 per ordinary share after the Acquisitions and Consolidation of Shares and the renunciation of the rights shares by the existing Non-bumiputra shareholders to the existing Bumiputra shareholders;
- (m) the restricted offer of 2,850,000 ordinary shares of RM1.00 each in HRB at a offer price of RM1.40 per ordinary share by the existing main shareholders to the existing Bumiputra shareholders after the Rights Issue;
- (n) the Public Issue of 6,000,000 new ordinary shares of RM1.00 each in HRB at an issue price of RM1.40 per new ordinary share payable in full upon application;

## 3. SUBSIDIARIES AND ASSOCIATED COMPANY

The subsidiaries and associated company of HRB are as follows :-

Name	Date and country of incorporation	Issued and paid up share capital RM	Par value RM	Effective equity interest (%)	Principal Activities
HSB	21.04.1988 Malaysia	1,500,000	1.00	100	Refrigerating, civil, mechanical, electrical and general engineering works.
HSSSB	16.01.1970 Malaysia	1,320,000	1.00	100	Trading of refrigerating equipment, lease of properties
HSBSB	05.06.1989 Malaysia	600,003	1.00	100	Multi temperature controlled facilities and warehousing storage.
HSIISB	08.10.1976 Malaysia	2,500,000	1.00	100	Manufacturing and marketing of ice, cold storage rooms provider
FMSB	25.08.1990 Malaysia	51,002	1.00	100	Ice trading and renting of ice factory
ABWSB	03.02.1995 Malaysia	100,002	1.00	100	Bonded warehousing
CNMSB	08.09.1995 Malaysia	2,000,000	1.00	100	Warehousing

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3. <sup>(AF 0241)</sup> SUBSIDIARIES AND ASSOCIATED COMPANY

Name	Date and country of incorporation	Issued and paid up share capital RM	Par value RM	Effective equity interest (%)	Principal Activities
RCSB	04.03.1996 Malaysia	2,000,000	1.00	100	Warehousing
<b>Subsidiary of HSIISB</b>					
PIFSB	11.12.1998 Malaysia	400,000	1.00	58.95	Ice manufacturing
<b>Associated company of HRB</b>					
IMSB	16.10.1995 Malaysia	500,000	1.00	50	Provide multi temperature controlled facilities, handling, value-added processing and distribution services

## 4. ACCOUNTS AND AUDITORS

- 4.1 HRB was incorporated on 27 December 1999. The accounts of HRB for the 6 months period ended 30 June 2000 were audited by us.

The accounts of RCSB for the years under review were audited by another firm of accountants until financial year 31 March 1998. Thereafter, we have acted as the auditors for RCSB. We were not the auditors for HSB, HSSSB, HSHSB, HSIISB, FMSB, ABWSB, CNMSB, IMSB and PIFSB for all the financial periods / years under review.

The auditors have been reported on the relevant financial periods / years without qualification except for FMSB of which the accounts from financial year 1995 to financial year 1997 were qualified on the basis that the title deed for the leasehold land held under Lot 2918, Mukim of Petaling, District of Petaling State of Selangor is yet to be issued by relevant authorities. Subsequent to the issuance of the land title, the accounts of FMSB for the financial year 1998 and the financial year 1999 were reported on without any qualification.

## 4.2 ACCOUNTING POLICIES AND STANDARDS

This report is prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited accounts of HRB Group.

This report is prepared based on applicable approved accounting standards adopted by MASB.

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## 5. SUMMARISED PROFORMA CONSOLIDATED RESULTS OF HRB GROUP

- 5.1 The summarised proforma consolidated results of the HRB Group for the last five financial years ended 31 December 1995 to 31 December 1999 and 6 months ended 30 June 2000, have been prepared for illustrative purposes only after making such adjustments that we considered necessary and assuming that the HRB Group had been in existence throughout the years/period under review.

	<-----Years ended 31 December----->					6 months ended 30 June
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000
Turnover	10,243	16,605	13,206	18,764	25,768	16,124
Profit before depreciation, interest and amortisation	2,993	3,211	3,812	6,671	10,735	6,977
Amortisation	(2)	(2)	(3)	(4)	(59)	(16)
Depreciation	(842)	(1,180)	(1,129)	(1,221)	(1,630)	(892)
Interest expense	(744)	(880)	(784)	(1,922)	(1,779)	(919)
Interest income	434	412	250	865	497	34
	1,839	1,561	2,146	4,389	7,764	5,184
Share of loss in associated company	-	-	-	(8)	(7)	(11)
Profit before taxation and exceptional items	1,839	1,561	2,146	4,381	7,757	5,173
Exceptional items	-	60	-	-	-	-
Profit before taxation and minority interest	1,839	1,621	2,146	4,381	7,757	5,173
Taxation	(623)	(601)	(652)	(1,175)	(945)	(1,476)
Profit after taxation	1,216	1,020	1,494	3,206	6,812	3,697
Minority interest	-	-	-	-	(41)	(34)
Profit after taxation and minority interest	1,216	1,020	1,494	3,206	6,771	3,663
No. of ordinary shares of RM1.00 each in issue ('000)	34,000	34,000	34,000	34,000	34,000	34,000
Gross earnings per share (sen)	5	5	6	13	23	15
Net earnings per share (sen)	4	3	4	9	20	11

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Notes :

- i) *The proforma consolidated results of the HRB Group are prepared for illustrative purposes only and are based on the audited accounts of HSB, HSSSB, HSHSB, HSIISB, FMSB, ABWSB, RCSB, CNMSB, IMSB and PIFSB;*
- ii) *Given the non-coterminous financial accounting dates of the companies in the financial period 1995 to 1997, the financial information of these companies has been prorated to 31 December where appropriate;*
- iii) *In 1998, the following subsidiaries changed its financial year end :*  
*HSSSB from 30 November to 31 December*  
*HSIISB and FMSB from 30 June to 31 December*  
*HSHSB from 31 August to 31 December*  
*ABWSB from 31 May to 31 December*  
*RCSB from 31 March to 31 December*
- iv) *The turnover was on an increasing trend from 1995 to 1999 (with the exception of 1997), reflecting the growth of the Group. The decrease in 1997 was due to lower third-party sales. The substantial increase in turnover for the year of 1999 was due to increase contribution from Engineering division where more contracts were secured and the full years contribution from some of the companies in MTCF / warehousing division;*
- v) *The profit after taxation and minority interest in year 1998 recorded an increase of about 115% as compared to previous year was due mainly to the increased business in Engineering division where the export especially to developing countries recorded substantial increase. In addition the Group's expansion into MTCF / warehousing division also see positive contribution. The drastic jump in profit after taxation and minority interest in 1999 was due to no provision for income tax was made as income earned in basis year 1999 is exempted from income tax in accordance with the provision of the Income Tax (Amendment) Act 1999. The continue growth in engineering and MTCF / warehousing divisions had also resulted the increase. The profit after taxation in year 1996 is lower than 1995 due to lower profit in year 1996 for the Engineering division as substantial amount of the turnover was in relation to the construction of a factory where the profit margin is lower compared to other engineering work;*
- vi) *The exceptional item in 1996 arose from gain on disposal of investment by HSSSB;*
- vii) *There were no extraordinary items in all the financial years / period under review;*
- viii) *The number of ordinary shares assumed in issue is arrived at after the Acquisitions and Rights Issues but before the Public Issue;*
- ix) *The gross EPS is calculated based on the profit before taxation but after minority interests over the number of assumed issued and paid up share capital of HRB of 34,000,000 ordinary shares of RM1.00 each;*
- x) *The net EPS is calculated based on the profit after taxation and minority interests over the number of assumed issued and paid up share capital of HRB of 34,000,000 ordinary shares of RM1.00 each; and*
- xi) *All inter-company transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.*

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- 5.2 The summarised results of the companies in HRB Group based on the audited accounts of HSB, HSSSB, HSHSB, HSIISB, FMSB, ABWSB, RCSB, CNMSB, IMSB and PIFSB are set out as below :-

**HRB**

HRB is principally an investment holding company.

During the financial period 27 December 1999 (date of incorporation) to 30 June 2000, there were no profit and loss account as preliminary expenses incurred have been carried forward to the subsequent year.

**HSB**

	<-----Year ended 31 December----->					6 months ended 30 June
	1995 RM '000	1996 RM '000	1997 RM '000	1998 RM '000	1999 RM '000	2000 RM '000
Turnover	1,936	7,469	7,295	3,932	9,072	6,828
Profit before depreciation, interest and amortisation	677	615	722	1,260	2,941	2,184
Amortisation	-	-	-	-	(1)	(1)
Depreciation	(127)	(133)	(118)	(124)	(120)	(61)
Interest expense	(86)	(74)	(56)	(72)	(28)	(10)
Interest income	-	-	79	187	116	7
Profit before taxation	464	408	627	1,251	2,908	2,119
Taxation	(147)	(136)	(168)	(360)	(44)	(627)
Profit after taxation	317	272	459	891	2,864	1,492
No. of ordinary shares in issue ('000)	500	500	500	500	1,500	1,500
Gross EPS (sen)	93	82	125	250	194	141
Net EPS (sen)	63	54	92	178	191	99
Gross dividend rate (%)	-	-	-	-	-	-

*Notes:-*

- (i) *The turnover registered a drastic jump of about 385% in 1996 as compared to 1995. This was because much of the local sales consist of construction of ice plants, cold room and building for related companies which amounted to about RM4.6 million. In the same year, export sales was recorded at about RM1.4 million and this mainly come from developing countries like Myanmar.*
- (ii) *In 1997, the turnover was consistent with that of previous year and local sales was largely consist of construction of warehouse for a related company of approximately RM5.4million. Sales to outside parties was rather slow due to the slow down of economy in Malaysia. The export sales recorded a slight increase over previous year.*

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- (iii) *The turnover in year 1998 registered a dropped of about RM3.4 million or 46% as compared to previous year. However, the total local sales were all consist of third parties whereas the previous year was in respect of related company sales.*
- (iv) *The continued improved economy in 1999 had resulted substantial increase in local sales. In addition, the success in Research division in fabricating new tube ice machine also contributes the sales in local market.*
- (v) *There were no exceptional items and extraordinary items in respect of the financial years/period under review.*
- (vi) *The effective tax rate for financial years 1995, 1996 and 1998 were marginally higher than statutory rate because certain expenses were disallowed for the taxation purposes. The availability of capital allowance has resulted the effective tax rate to be lower than the statutory rate in financial year 1997.*

*There is no tax provision in the financial year 1999 because the Income Tax (Amendment) Act, 1999 waived such income from tax. However, the deferred taxation for all timing difference was provided for.*

**HSSSB**

	<----Year ended 30 November---->			13 months ended 31 December	Year ended 31 December	6 months ended 30 June
	1995 RM '000	1996 RM '000	1997 RM '000	1998 RM '000	1999 RM '000	2000 RM '000
Turnover	8,048	4,316	3,063	5,219	4,691	2,245
Profit before depreciation and interest	1,081	488	356	1,254	1,223	784
Depreciation	(78)	(107)	(80)	(126)	(121)	(59)
Interest expense	(296)	(230)	(57)	(112)	(61)	(30)
Interest income	213	134	77	315	274	-
Profit before taxation and exceptional item	920	285	296	1,331	1,315	695
Exceptional item	-	60	-	-	-	-
Profit after exceptional item but before taxation	920	345	296	1,331	1,315	695
Taxation	(364)	(195)	(86)	(359)	(265)	(205)
Profit after taxation	556	150	210	972	1,050	490
No. of ordinary shares in issue ('000)	1,320	1,320	1,320	1,320	1,320	1,320
Gross EPS (sen)	70	26	22	101	100	53
Net EPS (sen)	42	11	16	74	80	37
Gross dividend rate (%)	-	-	-	-	83.0	-



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Notes: -

- (i) *In 1995, besides trading of refrigerating equipment and spare parts, the company also involved in engineering project works. The engineering projects mainly consist of construction of 'block ice' plant, coldroom and freezer plant.*
- (ii) *The turnover reduced substantially in 1996 as compared to previous year as all engineering projects were consolidated under HSB, a related company. Sales of refrigerating equipment and spare parts in local market registered slight increase over 1995. This was mainly due to cost cutting where most of the customers spent more on replacement rather than expansion.*
- (iii) *Despite the slow down in economy in Malaysia, the sales of equipment and spare remained firm in 1997 as again more customers are holding back their expansion but concentrate on replacement. However, the sales of refrigerating equipment and spare part for export market decreased as compared to 1996.*
- (iv) *The company continued to enjoy growth in local market in 1998 and 1999 due to the recovery of economy in the region from the second half of 1998.*
- (v) *The exceptional item in 1996 arose from gain on disposal of investment by HSSSB;*
- (vi) *There were no extraordinary items in respect of the financial years/periods under review.*
- (vii) *For financial year 1995 to 1997 the effective tax rate is higher than the statutory rate applicable as certain expenses are disallowed for taxation purposes.*
- (viii) *The effective tax rate is 20 % higher than the statutory rate in financial year 1996 because the deductibility of interest is restricted under S33 (2) of Income Tax Act, 1999.*
- (ix) *There is no tax provision in financial year 1999 because the Income Tax (Amendment) Act, 1999 waived such income from tax. However, the deferred taxation for material timing differences was provided for.*

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**FMSB**

	<-----Year ended 30 June----->			18 months ended 31 December	Year ended 31 December	6 months ended 30 June
	1995 RM '000	1996 RM '000	1997 RM '000	1998 RM '000	1999 RM '000	2000 RM '000
Turnover	53	139	750	1,258	1,641	956
Profit / (Loss) before depreciation, interest and amortisation	(44)	(17)	125	220	183	132
Amortisation	(2)	(2)	(2)	(2)	(2)	(1)
Depreciation	(15)	(44)	(38)	(59)	(52)	(25)
Interest expense	(22)	(30)	(40)	(61)	(29)	(10)
Interest income	-	*	1	3	1	1
Profit / (Loss) before taxation	(83)	(93)	46	101	101	97
Taxation	-	-	-	(1)	-	(56)
Profit / (Loss) after taxation	(83)	(93)	46	100	101	41
No. of ordinary shares in issue ('000)	51	51	51	51	51	51
Gross EPS / (LPS) (sen)	(163)	(182)	90	198	198	190
Net EPS / (LPS) (sen)	(163)	(182)	90	196	198	80
Gross dividend rate (%)	-	-	-	-	-	-

\* This represent amount less than RM500.00

Notes: -

- (i) *Since the company changed its business activity from general merchant to ice trading in 1995, the turnover has improved substantially in 1997 as compared to previous year. This is because the building with cold room facility set up in Petaling Jaya was in full year operation. The turnover in financial year ended 31 December 1999 recorded further increased as compared with 18 months period ended 31 December 1998 was due to the took over of the entire ice trading business from a partnership business in Kuala Lumpur on 1 January 1999.*
- (ii) *Most of the sales enjoyed by the company are on cash term basis.*
- (iii) *There were no exceptional items and extraordinary items in respect of the financial years/periods under review.*
- (iv) *The effective tax rate for the financial year 1998 is lower than the statutory tax rate applicable, due to the incidence of capital allowances and unabsorbed loss carried forward available to FMSB.*

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- (v) *There is no tax provision in financial year 1999 because the Income Tax (Amendment) Act, 1999 waived such income from tax.*

**HSIISB**

	<-----Year ended 30 June----->			18 months ended 31 December	Year ended 31 December	6 months ended 30 June
	1995 RM '000	1996 RM '000	1997 RM '000	1998 RM '000	1999 RM '000	2000 RM '000
Turnover	5,300	5,943	5,825	9,876	6,623	3,370
Profit before depreciation, interest and amortisation	903	1,294	1,676	3,059	2,332	1,322
Amortisation	-	-	-	-	(45)	(22)
Depreciation	(453)	(661)	(771)	(1,192)	(804)	(393)
Interest expense	(41)	(102)	(187)	(297)	(144)	(47)
Interest income	12	17	21	44	59	19
Profit before taxation	421	548	739	1,614	1,398	879
Taxation	(10)	(155)	(173)	(321)	(191)	(188)
Profit after taxation	411	393	566	1,293	1,207	691
No. of ordinary shares in issue ('000)	1,917	1,917	1,917	1,917	2,500	2,500
Gross EPS (sen)	22	29	39	84	56	35
Net EPS (sen)	21	21	30	67	48	28
Gross dividend rate (%)	-	-	-	-	20.0	-

*Notes: -*

- (i) *The block ice sales have been registering gradual drop in turnover since 1996 due to the introduction of tube ice in the market. The tube ice is particularly popular in the food service operators like restaurant, hotels, food outlets and hawker stalls as they are more hygienic.*
- (ii) *Seeing the emergence of the popularity of tube ice, the company diversify into tube ice manufacturing in the financial period ended 31 December 1998 and since then has shown improvement in its sales performance.*
- (iii) *There were no exceptional items and extraordinary items in respect of the financial years/periods under review.*

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- (iv) *The effective tax rate is lower than the statutory tax rate in financial year 1995 – 1998 due to the following reasons:-*
- a) *Unabsorbed capital allowance available to HSIISB to offset against its profit in financial year 1995 ;*
  - b) *The Company is eligible to claim Reinvestment Allowance in financial period 1998; and*
  - c) *There is no tax provision in financial year 1999 because the income Tax (Amendment) Act, 1999 waived such income from tax. However, deferred taxation was provided for material timing differences.*

**PIFSB**

	<b>Year ended 31 December</b>	<b>6 months ended 30 June</b>
	<b>1999</b>	<b>2000</b>
	<b>RM '000</b>	<b>RM '000</b>
Turnover	941	576
Profit before depreciation, interest and preliminary expenses	119	101
Depreciation	(16)	(20)
Interest income	2	1
Preliminary expenses written off	(5)	-
Profit before taxation	100	82
Taxation	-	(1)
Profit after taxation	100	81
No. of ordinary shares in issue ('000)	400	400
Gross EPS (sen)	25	21
Net EPS (sen)	25	20
Gross dividend rate (%)	-	-

Notes: -

- (i) *There were no exceptional items and extraordinary items in respect of the financial years/periods under review.*
- (ii) *There is no tax provision in financial year 1999 because the income Tax (Amendment) Act, 1999 waived such income from tax.*

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**ABWSB**

	<-----Year ended 31 May----->			7 months ended 31 December	Year ended 31 December	6 months ended 30 June
	1996 RM '000	1997 RM '000	1998 RM '000	1998 RM '000	1999 RM '000	2000 RM '000
Turnover	-	1,274	1,896	1,269	2,446	1,538
Profit before depreciation, interest and amortisation	-	116	249	121	293	287
Amortisation	-	-	(3)	(3)	(3)	(1)
Depreciation	-	(29)	(35)	(22)	(42)	(29)
Interest expense	-	*	(5)	(5)	(36)	(16)
Interest income	-	-	13	12	23	6
Profit before taxation	-	87	219	103	235	247
Taxation	-	(27)	(55)	(22)	-	(80)
Profit after taxation	-	60	164	81	235	167
No. of ordinary shares in issue ('000)	100	100	100	100	100	100
Gross EPS (sen)	-	87	219	103	235	247
Net EPS (sen)	-	60	164	81	235	167
Gross dividend rate (%)	-	-	-	-	-	-

\* This represents amount less than RM500.00

Notes: -

- (i) *The turnover was on an increasing trend since commencement of business activity, reflecting the growth of the company.*
- (ii) *There were no exceptional items and extraordinary items in respect of the financial years/periods under review.*
- (iii) *For financial year 1997 the effective tax rate is higher than the statutory rate applicable as certain expenses are disallowed for taxation purposes. The effective tax rate is lower than the statutory tax rate in financial year/ period 1998 is due to the incidence of capital allowance available to the Company.*
- (iv) *There is no tax provision in financial year 1999 because the Income Tax (Amendment) Act, 1999 waived such income from tax.*

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



*Ong & Wong*  
PUBLIC ACCOUNTANTS  
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(AF 0241)

## CNMSB

	<-----Year ended 31 December----->					6 months ended 30 June
	1995 RM '000	1996 RM '000	1997 RM '000	1998 RM '000	1999 RM '000	2000 RM '000
Turnover	-	-	2	1,769	1,848	924
Profit / (Loss) before depreciation, interest and amortisation	(*)	(1)	(15)	1,707	1,761	830
Amortisation	-	-	-	-	-	(2)
Depreciation	-	-	-	(145)	(146)	(73)
Interest expense	-	-	-	(1,411)	(787)	(370)
Interest income	-	-	-	-	-	-
Profit / (Loss) before taxation	(*)	(1)	(15)	151	828	385
Taxation	-	-	-	(40)	(214)	(123)
Profit / (Loss) after taxation	(*)	(1)	(15)	111	614	262
No. of ordinary shares in issue ('000)	**	80	2,000	2,000	2,000	2,000
Gross EPS / (LPS)(sen)	(24,400)	(1)	(1)	8	41	19
Net EPS / (LPS) (sen)	(24,400)	(1)	(1)	6	31	13
Gross dividend rate (%)	-	-	-	-	5.0	-

\* This represents amount less than RM500.00

\*\* This represents 2 subscribers' shares of RM1.00 each

Notes: -

- (i) No revenue was recorded in financial years 1995 and 1996 as the company was dormant.
- (ii) The small revenue in financial year 1997 was due to renting out of a small piece of open space.
- (iii) The drastic increase in revenue in the financial year 1998 was because the company's warehouse was fully completed and rented out since February, 1998.
- (iv) There were no exceptional items and extraordinary items in respect of the financial years/period under review.
- (v) The taxation provision for financial year 1998 is in respect of deferred taxation. The Company do not have any chargeable income despite recorded with pre-tax profit, this was due to the capital allowances claimed during the year.

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



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- (vi) *There is no corporate tax provision being made in financial year 1999 because the Income Tax (Amendment) Act, 1999 waived such income from tax. However, the deferred taxation was provided on those material timing differences.*

**HSHSB**

	<----Year ended 31 August---->			16 months	Year	6 months
	1995	1996	1997	ended 31	ended 31	ended 30
	RM '000	RM '000	RM '000	December	December	June
	1998	1999	2000	1999	2000	2000
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	955	1,014	1,146	1,499	1,196	1,133
Profit before depreciation, interest and amortisation	455	566	718	1,225	960	971
Amortisation	-	-	-	-	(1)	(1)
Depreciation	(154)	(146)	(138)	(167)	(211)	(173)
Interest expense	(221)	(262)	(572)	(421)	(214)	(198)
Interest income	-	3	154	43	23	-
Profit before taxation	80	161	162	680	557	599
Taxation	(23)	(86)	(116)	(245)	(150)	(196)
Profit after taxation	57	75	46	435	407	403
No. of ordinary shares in issue ('000)	600	600	600	600	600	600
Gross EPS (sen)	13	27	27	113	93	100
Net EPS (sen)	10	13	8	73	68	67
Gross dividend rate (%)	-	-	-	-	33.3	-

*Notes: -*

- (i) *The turnover has remained consistent throughout the periods under review as the facilities were fully rented out.*
- (ii) *There were no exceptional items and extraordinary items in respect of the financial years/periods under review.*
- (iii) *For financial year 1995, 1996, 1997 and 1998, the effective tax rate is higher than the statutory rate applicable as certain expenses especially on interest restriction, are disallowed for taxation purposes.*
- (iv) *There is no corporate tax provision being made in financial year 1999 because the Income Tax (Amendment) Act, 1999 waived such income from tax. However, the deferred taxation was provided on those material timing differences.*

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



*Ong & Wong*  
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(AF 0241)

## RCSB

	Year ended 31 March		9 months ended 31 December	Year ended 31 December	6 months ended 30 June
	1997 RM '000	1998 RM '000	1998 RM '000	1999 RM '000	2000 RM '000
Turnover	-	-	653	979	506
Profit / (Loss) before depreciation, interest and amortisation	*	(28)	635	923	455
Amortisation	-	-	(1)	(2)	(1)
Depreciation	-	(86)	(93)	(125)	(62)
Interest expense	-	-	(611)	(481)	(237)
Interest income	11	7	-	-	-
Profit / (Loss) before taxation	11	(107)	(70)	315	155
Taxation	(3)	(2)	-	(81)	-
Profit / (Loss) after taxation	8	(109)	(70)	234	155
No. of ordinary shares in issue ( '000)	100	1,000	1,000	2,000	2,000
Gross EPS / (LPS) (sen)	11	(11)	(7)	16	8
Net EPS / (LPS) (sen)	8	(11)	(7)	12	8
Gross dividend rate (%)	-	-	-	-	-

\* This represents amount less than RM500.00

Notes: -

- (i) No revenue was recorded in financial year ended 31 March 1997 to 1998 because the Company was dormant.
- (ii) The Company commenced its warehousing business activity on May 1998.
- (iii) The increase in revenue in financial year 1999 was due mainly to the 12 months effect as compared to only 8 months in 1998.
- (iv) There were no exceptional items and extraordinary items in respect of the financial years/periods under review.
- (v) The tax provision for the financial year 31 March 1997 and 1998 was due to fixed deposits interest income earned during the respective financial year.
- (vi) There is no tax provision in financial year 1999 because the Income Tax (Amendment) Act, 1999 waived such income from tax.



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



**Ong & Wong**  
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## IMS B

	<-----Year ended 31 December----->				6 months ended 30 June
	1996 RM '000	1997 RM '000	1998 RM '000	1999 RM '000	2000 RM '000
Turnover	-	-	47	1,272	2,134
Profit / (Loss) before depreciation, interest and amortisation	-	-	(14)	60	159
Amortisation	-	-	-	-	(1)
Depreciation	-	-	(1)	(57)	(126)
Interest expense	-	-	-	(17)	(55)
Interest income	-	-	-	-	-
Loss before taxation	-	-	(15)	(14)	(23)
Taxation	-	-	-	-	-
Loss after taxation	-	-	(15)	(14)	(23)
No. of ordinary shares in issue ('000)	10	10	10	500	500
Gross LPS (sen)	-	-	(150)	(3)	(5)
Net LPS (sen)	-	-	(150)	(3)	(5)
Gross dividend rate (%)	-	-	-	-	-

## Notes: -

- (i) No turnover were recorded for financial years ended 31 December 1996 to 1997 as the company commenced its business operation only on October 1998.
- (ii) The substantial increased in turnover for financial year 1999 was due to the full 12 months effect of operation as compared to only about 2 months in 1998.
- (iii) There were no exceptional items and extraordinary items in respect of the financial years/periods under review.
- (iv) There were no provision for taxation for all financial years under review as the company do not registered any pre-tax profit.

11. ACCOUNTANTS' REPORT (Cont'd)



*Ong & Wong*  
PUBLIC ACCOUNTANTS  
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6. DIVIDENDS

Except as described below, the Company and its subsidiaries have not paid or declared any dividend during the financial years/period under review:-

Year ended 31 December	Issued and paid up share capital RM '000	Gross dividend rate %	Net dividends paid / declared RM '000	Tax rate
<b>HSSSB</b>				
1999 – Interim	1,320	83.0	1,100	Tax exempt
<b>HSIISB</b>				
1999 – Interim	2,500	20.0	500	Tax exempt
<b>CNMSB</b>				
1999 – Interim	2,000	5.0	100	Tax exempt
<b>HSHSB</b>				
1999 – Interim	600	33.3	200	Tax exempt

11. ACCOUNTANTS' REPORT (Cont'd)



*Ong & Wong*  
PUBLIC ACCOUNTANTS  
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(AF 0241)

7. SUMMARISED BALANCE SHEETS

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

**HRB**

	<u>As at 30 June 2000</u> RM'000
Intangible Assets	288
Current Asset	-
Less: Current Liabilities	(288)
Net Current Liabilities	(288)
	<u>*</u>
Financed by:	
Share Capital	<u>**</u>
NTA per share (RM)	(144,000.00)

\* This represents an amount of RM2.00

\*\* This represents 2 subscribers' shares of RM1.00 each

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



*Ong & Wong*  
PUBLIC ACCOUNTANTS  
MALAYSIA  
(AF 02/11)

## HSB

	<-----As at 31 December----->					As at 30
	1995	1996	1997	1998	1999	June
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed Assets	653	586	600	565	531	623
Intangible Assets	7	7	7	7	6	5
Current Assets	2,144	3,774	4,432	9,040	8,999	10,743
Less : Current Liabilities	(1,013)	(2,304)	(2,517)	(6,191)	(2,701)	(3,012)
Net Current Assets	1,131	1,470	1,915	2,849	6,298	7,731
	<b>1,791</b>	<b>2,063</b>	<b>2,522</b>	<b>3,421</b>	<b>6,835</b>	<b>8,359</b>
Financed by :-						
Share Capital	500	500	500	500	1,500	1,500
Retained Profit	1,291	1,563	2,022	2,913	5,277	6,770
Shareholders' Funds	1,791	2,063	2,522	3,413	6,777	8,270
Long Term And Deferred Liabilities	-	-	-	8	58	89
	<b>1,791</b>	<b>2,063</b>	<b>2,522</b>	<b>3,421</b>	<b>6,835</b>	<b>8,359</b>
NTA per share (RM)	3.57	4.11	5.03	6.81	4.51	5.51

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



*Ong & Wong*  
PUBLIC ACCOUNTANTS  
MALAYSIA  
(AF 0221)

## HSSSB

	<-----As at 30 November----->			As at 31 December		As at 30
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	June 2000 RM'000
Fixed Assets	1,960	2,060	1,927	2,036	1,620	1,561
Investment	183	63	63	64	12	12
Current Assets	6,788	4,726	7,053	8,574	8,206	8,992
Less : Current Liabilities	(6,427)	(4,135)	(6,119)	(6,691)	(5,738)	(5,981)
Net Current Assets	361	591	934	1,883	2,468	3,011
	<u>2,504</u>	<u>2,714</u>	<u>2,924</u>	<u>3,983</u>	<u>4,100</u>	<u>4,584</u>
Financed by :-						
Share Capital	1,320	1,320	1,320	1,320	1,320	1,320
Capital Reserve	622	622	622	622	622	622
Retained Profit	562	772	982	2,041	1,992	2,481
Shareholders' Funds	<u>2,504</u>	<u>2,714</u>	<u>2,924</u>	<u>3,983</u>	<u>3,934</u>	<u>4,423</u>
Long Term And Deferred Liabilities	-	-	-	-	166	161
	<u>2,504</u>	<u>2,714</u>	<u>2,924</u>	<u>3,983</u>	<u>4,100</u>	<u>4,584</u>
NTA per share (RM)	1.90	2.06	2.22	3.02	2.98	3.35

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



*Ong & Wong*  
PUBLIC ACCOUNTANTS  
MALAYSIA  
(AT 0241)

## FMSB

	<-----As at 30 June----->			As at 31 December		As at 30
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	June 2000 RM'000
Fixed Assets	574	1,611	1,593	1,540	1,564	1,540
Intangible Assets	28	26	25	22	21	20
Current Assets	68	124	109	125	165	171
Less : Current Liabilities	(601)	(1,707)	(1,644)	(1,537)	(1,514)	(1,429)
Net Current Liabilities	(533)	(1,583)	(1,535)	(1,412)	(1,349)	(1,258)
	<u>69</u>	<u>54</u>	<u>83</u>	<u>150</u>	<u>236</u>	<u>302</u>
Financed by :-						
Share Capital	51	51	51	51	51	51
Retained Profit / (Accumulated Loss)	(134)	(228)	(181)	(82)	20	61
Shareholders' Funds	<u>(83)</u>	<u>(177)</u>	<u>(130)</u>	<u>(31)</u>	<u>71</u>	<u>112</u>
Long Term And Deferred Liabilities	152	231	213	181	165	190
	<u>69</u>	<u>54</u>	<u>83</u>	<u>150</u>	<u>236</u>	<u>302</u>
NTA per share (RM)	(2.18)	(3.98)	(3.04)	(1.04)	0.98	1.80

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



## HSIISB

	<-----As at 30 June----->			As at 31 December		As at 30 June
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000
Fixed Assets	2,775	4,230	4,279	4,571	3,802	3,713
Investment In Subsidiary	-	-	-	-	96	526
Intangible Assets	599	599	599	599	555	532
Current Assets	2,055	2,226	2,086	3,233	5,175	5,019
Less : Current Liabilities	(2,266)	(2,893)	(2,286)	(3,012)	(2,315)	(1,822)
Net Current Assets/ (Liabilities)	(211)	(667)	(200)	221	2,860	3,197
	<u>3,163</u>	<u>4,162</u>	<u>4,678</u>	<u>5,391</u>	<u>7,313</u>	<u>7,968</u>
Financed by :-						
Share Capital	1,917	1,917	1,917	1,917	2,500	2,500
Retained Profit	1,094	1,487	2,054	3,347	4,054	4,745
Shareholders' Funds	<u>3,011</u>	<u>3,404</u>	<u>3,971</u>	<u>5,264</u>	<u>6,554</u>	<u>7,245</u>
Long Term And Deferred Liabilities	152	758	707	127	759	723
	<u>3,163</u>	<u>4,162</u>	<u>4,678</u>	<u>5,391</u>	<u>7,313</u>	<u>7,968</u>
NTA per share (RM)	1.26	1.46	1.76	2.43	2.40	2.69

11. ACCOUNTANTS' REPORT (Cont'd)



*Ong & Wong*

PUBLIC ACCOUNTANTS  
MALAYSIA  
(AF 0241)

PIFSB

	<b>As at 31 December 1999 RM'000</b>	<b>As at 30 June 2000 RM'000</b>
Fixed Assets	103	669
Current Assets	508	341
Less : Current Liabilities	(111)	(429)
Net Current Assets / (Liabilities)	397	(88)
	<u>500</u>	<u>581</u>
Financed by:		
Share Capital	400	400
Retained Profit	100	181
Shareholders' Fund	<u>500</u>	<u>581</u>
NTA per share (RM)	1.25	1.45



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



*Ong & Wong*  
PUBLIC ACCOUNTANTS  
MALAYSIA  
(AF 0241)

## ABWSB

	<---As at 31 May--->		As at 31 December		As at 30
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	June 2000 RM'000
Fixed Assets	8	153	159	201	303
Intangible Assets	15	15	10	7	6
Current Assets	79	553	1,199	1,426	1,681
Less : Current Liabilities	(2)	(562)	(955)	(618)	(848)
Net Current Assets / (Liabilities)	77	(9)	244	808	833
	<u>100</u>	<u>159</u>	<u>413</u>	<u>1,016</u>	<u>1,142</u>
Financed by :-					
Share Capital	100	100	100	100	100
Retained Profit	-	59	304	539	706
Shareholders' Funds	<u>100</u>	<u>159</u>	<u>404</u>	<u>639</u>	<u>806</u>
Long Term And Deferred Liabilities	-	-	9	377	336
	<u>100</u>	<u>159</u>	<u>413</u>	<u>1,016</u>	<u>1,142</u>
NTA per share (RM)	0.85	1.44	3.94	6.32	8.00

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



*Ong & Wong*  
PUBLIC ACCOUNTANTS  
MALAYSIA  
(AF 0241)

## CNMSB

	<-----As at 31 December----->					As at 30
	1995	1996	1997	1998	1999	June
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed Assets	-	-	14,336	14,223	14,082	14,009
Intangible Assets	2	2	2	2	2	18
Current Assets	29	78	114	318	457	1,399
Less : Current Liabilities	(31)	(2)	(7,090)	(7,647)	(7,520)	(8,451)
Net Current Assets / (Liabilities)	(2)	76	(6,976)	(7,329)	(7,063)	(7,052)
	*	78	7,362	6,896	7,021	6,975
Financed by :-						
Share Capital	**	80	2,000	2,000	2,000	2,000
Retained Profit / (Accumulated Loss)	*	(2)	(16)	95	609	871
Shareholders' Funds	*	78	1,984	2,095	2,609	2,871
Long Term And Deferred Liabilities	-	-	5,378	4,801	4,412	4,104
	*	78	7,362	6,896	7,021	6,975
NTA per share (RM)	(244.00)	0.95	0.99	1.05	1.30	1.43

\* This represents amount less than RM500.00

\*\* This represents 2 subscriber' shares of RM1.00 each

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



## HSHSB

	<-----As at 31 August----->			As at 31 December		As at 30
	1995	1996	1997	1998	1999	June
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed Assets	5,004	4,863	4,726	4,531	9,798	10,475
Intangible Assets	7	7	7	7	5	5
Current Assets	125	584	2,520	2,946	1,624	2,317
Less : Current Liabilities	(3,821)	(4,063)	(5,790)	(5,625)	(7,052)	(6,858)
Net Current Liabilities	(3,696)	(3,479)	(3,270)	(2,679)	(5,428)	(4,541)
	<u>1,315</u>	<u>1,391</u>	<u>1,463</u>	<u>1,859</u>	<u>4,375</u>	<u>5,939</u>
Financed by:						
Share Capital	600	600	600	600	600	600
Retained Profit	715	791	863	1,259	1,467	1,869
Shareholders' Funds	<u>1,315</u>	<u>1,391</u>	<u>1,463</u>	<u>1,859</u>	<u>2,067</u>	<u>2,469</u>
Long Term And Deferred Liabilities	-	-	-	-	2,308	3,470
	<u>1,315</u>	<u>1,391</u>	<u>1,463</u>	<u>1,859</u>	<u>4,375</u>	<u>5,939</u>
NTA per share (RM)	2.19	2.31	2.43	3.09	3.44	4.11