

10. FINANCIAL INFORMATION

10.1 Profit and Dividend Record

10.1.1 HRB

HRB was incorporated on 27 December 1999 and was dormant until it became an investment holding company on 21 February 2000 pursuant to the restructuring exercise implemented, as detailed in Section 9.3 of this Prospectus.

10.1.2 HRB Group – Proforma

The following tables, which has been extracted from the Accountant's Report in Section 11 of this Prospectus, is a summary of the proforma consolidated turnover and profit records of the HRB Group for the past 5 years ended 31 December 1999 and six (6) months period ended 30 June 2000. The proforma consolidated financial results are prepared for illustrative purposes and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

| | <----- Year Ended 31 December -----> | | | | | 6 months Period ended |
|---|--------------------------------------|----------------|----------------|----------------|----------------|-----------------------------|
| | 1995 RM'000 | 1996 RM'000 | 1997 RM'000 | 1998 RM'000 | 1999 RM'000 | 30.6.2000 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 of 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 in issue ('000) | 34,000 | 34,000 | 34,000 | 34,000 | 34,000 | 34,000 |
| Gross EPS (sen) | 5.41 | 4.77 | 6.31 | 12.89 | 22.69 | 15.11 |
| Net EPS (sen) | 3.58 | 3.00 | 4.39 | 9.43 | 19.91 | 10.77 |
| Diluted Net EPS (sen) | 3.04 | 2.55 | 3.74 | 8.02 | 16.93 | 9.16 |

10. FINANCIAL INFORMATION (Cont'd)

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 pro-rated 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 in 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 mainly due 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 margin 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 Issue 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.*
- (xii) *The diluted 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 40,000,000 ordinary shares of RM1.00 each.*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

10. FINANCIAL INFORMATION (Cont'd)**10.1.3 Segmental analysis of turnover and profit after tax and MI for the HRB Group for the past 5 years ended 31 December 1999 and six (6) months period ended 30 June 2000****(a) Turnover**

| Financial Year Ended 31 December | | | | | | 6 months ended |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| | 1995 RM'000 | 1996 RM'000 | 1997 RM'000 | 1998 RM'000 | 1999 RM'000 | 30.6.2000 RM'000 |
| Engineering | | | | | | |
| HSB | 1,936 | 7,469 | 7,295 | 3,893 | 9,072 | 6,828 |
| HSSSB | 1,994 | 4,211 | 3,210 | 4,818 | 4,691 | 2,245 |
| | 3,930 | 11,680 | 10,505 | 8,711 | 13,763 | 9,073 |
| <i>Consolidation adjustment</i> | (349) | (3,101) | (6,498) | (2,001) | (1,460) | (741) |
| | 3,581 | 8,579 | 4,007 | 6,710 | 12,303 | 8,332 |
| Ice Manufacturing | | | | | | |
| HSIISB | 5,621 | 5,884 | 6,204 | 6,584 | 6,623 | 3,370 |
| PIFSB | - | - | - | - | 941 | 576 |
| FMSB | 96 | 444 | 794 | 838 | 1,641 | 956 |
| | 5,717 | 6,328 | 6,998 | 7,422 | 9,205 | 4,902 |
| <i>Consolidation adjustment</i> | (29) | (103) | (576) | (973) | (1,230) | (695) |
| | 5,688 | 6,225 | 6,422 | 6,449 | 7,975 | 4,207 |
| MTCF/Warehousing | | | | | | |
| HSHSB | 974 | 1,058 | 1,139 | 1,124 | 1,196 | 1,133 |
| CNMSB | - | - | 1 | 1,769 | 1,848 | 924 |
| RCSB | - | - | - | 653 | 979 | 506 |
| ABWSB | - | 743 | 1,637 | 2,059 | 2,446 | 1,538 |
| | 974 | 1,801 | 2,777 | 5,605 | 6,469 | 4,101 |
| <i>Consolidation adjustment</i> | - | - | - | - | (979) | (516) |
| | 974 | 1,801 | 2,777 | 5,605 | 5,490 | 3,585 |
| Adjusted consolidated turnover | 10,243 | 16,605 | 13,206 | 18,764 | 25,768 | 16,124 |

(b) Profit after tax and MI (before exceptional items)

| Financial Year Ended 31 December | | | | | | 6 months ended |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| | 1995 RM'000 | 1996 RM'000 | 1997 RM'000 | 1998 RM'000 | 1999 RM'000 | 30.6.2000 RM'000 |
| Engineering | | | | | | |
| HSB | 317 | 272 | 459 | 891 | 2,864 | 1,492 |
| HSSSB | 522 | 155 | 268 | 897 | 1,050 | 490 |
| | 839 | 427 | 727 | 1,788 | 3,914 | 1,982 |
| <i>Consolidation adjustment</i> | - | (30) | (174) | - | - | (63) |
| | 839 | 397 | 553 | 1,788 | 3,914 | 1,919 |

10. FINANCIAL INFORMATION (Cont'd)

| Financial Year Ended 31 December | | | | | | 6 months ended |
|--|---------------|---------------|---------------|---------------|---------------|---------------------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 30.6.2000 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Ice Manufacturing | | | | | | |
| HSIISB | 402 | 480 | 714 | 862 | 1,207 | 691 |
| PIFSB | - | - | - | - | 100 | 81 |
| FMSB | (88) | (24) | 56 | 67 | 101 | 42 |
| | 314 | 456 | 770 | 929 | 1,408 | 814 |
| <i>Consolidation adjustment</i> | - | 3 | 3 | 3 | (38) | (59) |
| | 314 | 459 | 773 | 932 | 1,370 | 755 |
| MTCF/Warehousing | | | | | | |
| HSHSB | 63 | 65 | 139 | 327 | 408 | 403 |
| CNMSB | - | (1) | (14) | 112 | 613 | 262 |
| RCSB | - | 6 | (80) | (97) | 234 | 155 |
| ABWSB | - | 34 | 120 | 149 | 235 | 167 |
| IMSB | - | - | - | (8) | (7) | (11) |
| | 63 | 104 | 165 | 483 | 1,483 | 976 |
| <i>Consolidation adjustment</i> | - | - | 3 | 3 | 4 | 13 |
| | 63 | 104 | 168 | 486 | 1,487 | 989 |
| Adjusted consolidated profit after tax and MI | 1,216 | 960 | 1,494 | 3,206 | 6,771 | 3,663 |

Detailed commentary on the turnover, profits, factors contributing thereto, tax matters and exceptional and extraordinary items for the past five years ended 31 December 1999 and six (6) months period ended 30 June 2000 for individual company are set out in the Accountants Report in Section 11 of this Prospectus. The Group is only exposed to foreign exchange fluctuations in HSB and HSSSB as these companies make purchases from overseas. However, the foreign exchange fluctuations did not result in any material effect on the Group's profits after tax.

10.2 Working Capital, Borrowings, Contingent Liabilities And Capital Commitments**(i) Working Capital**

The Directors of HRB are of the opinion that, barring any unforeseen circumstances and after taking into consideration the cashflow projections and the banking facilities available and the net proceeds of the Rights and Public Issues, the HRB Group will have adequate working capital for its present foreseeable requirements.

(ii) Borrowings

As at 31 October 2000 (being the latest practicable date prior to the printing of this Prospectus), the Group's total bank borrowings amounts to RM23,158,740, as follows:

| Type of facility | Amount (RM'000) |
|-------------------------|------------------------|
| Overdraft | 10,405 |
| Term Loan | |
| - Short term | 1,997 |
| - Long term | 10,757 |
| Total | 23,159 |

The Group does not have any non-interest bearing borrowings.

10. FINANCIAL INFORMATION *(Cont'd)*

Saved as disclosed above, the Group does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding.

(iii) Contingent Liabilities

As at 31 October 2000 (being the latest practicable date prior to the printing of this Prospectus), the Group does not have any contingent liabilities.

(iv) Capital Commitments

As at 31 October 2000 (being the latest practicable date prior to the printing of this Prospectus), the Group has capital commitments amounting to RM7 million by HSHSB for construction of MTCF.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

10. FINANCIAL INFORMATION (Cont'd)**10.3 Consolidated Profit Estimate and Forecast for the Financial Years Ending 31 December 2000 and 2001**

HAISAN RESOURCES BERHAD
(formerly known as HS CAPITAL BERHAD)
PROFORMA CONSOLIDATED PROFIT ESTIMATE AND FORECAST
FOR THE YEARS ENDING 31 DECEMBER 2000 AND 2001

The Directors of Haisan Resources Berhad (*formerly known as HS Capital Berhad*) ("HRB") estimate and forecast that, barring unforeseen circumstances and on the bases and assumptions set out below, the consolidated profit estimate and forecast after taxation for the years ending 31 December 2000 and 2001 will be as follows :

| Financial year ending 31 December | Estimate 2000 RM '000 | Forecast 2001 RM '000 |
|--|-----------------------------|-----------------------------|
| Turnover | 29,283 | 32,567 |
| Consolidated profit before taxation | 8,672 | 11,801 |
| Less : Taxation | (2,396) | (3,479) |
| Consolidated profit after taxation | 6,276 | 8,322 |
| Minority interest | (69) | (81) |
| Consolidated profit after taxation and minority interest | 6,207 | 8,241 |
| Weighted average number of shares in issue ('000) | 29,948* | 39,500** |
| Enlarged paid up share capital ('000) | 40,000 | 40,000 |
| Gross earnings per share (sen) | 28.73 | 29.67 |
| Diluted gross earnings per share (sen) | 21.51 | 29.30 |
| Net earnings per share (sen) | 20.73 | 20.86 |
| Diluted net earnings per share (sen) | 15.52 | 20.60 |
| Gross PE Multiple based on the indicative issue price of RM1.40 per ordinary share (times) | 4.87 | 4.72 |
| Net PE Multiple based on the indicative issue price of RM1.40 per ordinary share (times) | 6.75 | 6.71 |

* Based on the weighted average number of shares of 29,947,735 which is arrived at after Acquisitions and Rights Issue which were completed by end November 2000 but before the Public Issue.

** Based on the weighted average number of shares of 39,500,000 assuming the listing to be completed by 31 January 2001.

BASES AND ASSUMPTIONS

The principal bases and assumptions upon which the proforma consolidated profit forecast of HRB and its proposed subsidiary companies and associated company ("the Group") have been made are set out below :

- a) The proposed acquisitions of the subsidiary companies had been completed on 25 September 2000.
- b) There will be no significant changes in group structure except as disclosed above.

10. FINANCIAL INFORMATION (Cont'd)

- c) There will be no significant changes in the prevailing market, economic and political conditions in Malaysia and elsewhere which will adversely affect directly or indirectly the activities or performance of the Group.
- d) There will be no significant changes in present legislation or Government regulations including taxation which will adversely affect the activities of the Group.
- e) There will be no significant changes in the principal activities, accounting policies, management policies, operating policies and management of the Group.
- f) Capital expenditure programmes will be implemented and incurred as scheduled and there will be no material investments or disposals other than those planned.
- g) There will be no major industrial disputes, disruption in the engineering and manufacturing process or any abnormal factors both domestic and overseas, which will adversely affect the activities or performance of the Group.
- h) Demand for and supply of products and services rendered by the Group will be in line with estimate and forecast levels.
- i) There will be no significant fluctuations in the exchange rates of foreign currencies against Ringgit Malaysia.
- j) There will be no significant changes in the level of inflation.
- k) Existing financing facilities will remain available with no significant changes in their interest. The Group will also be able to obtain additional financing facilities at interest rates approximating those currently available to the Group.
- l) The gross earning per share is calculated based on the profit before taxation but after minority interests over the weighted average number of issued and paid up share capital of HRB of 29,947,735 and 39,500,000 ordinary shares of RM1.00 each in estimate year 2000 and forecast year 2001 respectively;
- m) The diluted gross earning per share is calculated based on the profit before taxation but after minority interests over the entire enlarged number of issued and paid up share capital of HRB of 40,000,000 ordinary shares of RM1.00 each;
- n) The net earning per share is calculated based on the profit after taxation and minority interests over the weighted average number of issued and paid up share capital of HRB of 29,947,735 and 39,500,000 ordinary shares of RM1.00 each in estimate year 2000 and forecast year 2001 respectively;
- o) The diluted net earning per share is calculated based on the profit after taxation and minority interests over the entire enlarged number of issued and paid up share capital of HRB of 40,000,000 ordinary shares of RM1.00 each;
- p) Proceeds from the right issue and public issue of RM14,589,000 will be received in financial year 2000.
- q) The estimated listing expenses amounting to RM1,500,000 will be set off against the Share Premium Account.

The estimate, forecast and bases and assumptions thereto have been reviewed for reasonableness by the Directors of HRB, who are responsible for the consolidated profit estimate and forecast for the years ending 31 December 2000 and 2001.

10. FINANCIAL INFORMATION (Cont'd)

10.4 Reporting Accountants' Letter on the Profit Estimate and Forecast
(Prepared for inclusion in the Prospectus)



Ong & Wong

PUBLIC ACCOUNTANTS
MALAYSIA
(AF 0241)

3RD FLOOR, WISMA HO WENG KEE,
138-140, JALAN PETALING,
50000 KUALA LUMPUR,
MALAYSIA.

TEL : 2304033, 2301360,
2322975, 2304598
FAX : 60 (3) 2324863

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,

HAISAN RESOURCES BERHAD
(formerly known as *HS CAPITAL BERHAD*)
**PROFORMA CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE
YEARS ENDING 31 DECEMBER 2000 AND 2001**

We, have reviewed the accounting policies and calculations for the proforma consolidated profit estimate and forecast of Haisan Resources Berhad (formerly known as *HS Capital Berhad*) ('HRB') and its subsidiaries and associated company ('the Group') for which the Directors are solely responsible, for the years ending 31 December 2000 and 2001 as set out in the Prospectus 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 ordinary shares and the listing and quotation of the entire enlarged issued and paid up share capital of HRB comprising 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the estimate and 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 set out in the Prospectus, and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,

ONG & WONG
No. AF 0241
Public Accountants

ONG KONG LAI
No. 494/6/02 (J/PH)
Partner of the Firm

10. FINANCIAL INFORMATION (Cont'd)**10.5 Directors' Analysis and Commentary of the Profit Estimate and Forecast**

Consolidated turnover for financial year ending 31 December 2000 is estimated to be approximately RM29.28 million, representing an increase of 13.64% over the turnover for the financial year ended 31 December 1999. The engineering division will be the main contributor at about 46.68% while the ice manufacturing division will contribute about 29.51% and the MTCF/warehousing will contribute the remaining of 23.81%.

The Group is estimated to achieve consolidated profit after tax and after minority interest for financial year ending 31 December 2000 of approximately RM6.21 million, representing a drop of 8.33% from the previous financial year. This is mainly due to financial year 1999 being a tax-free year. The percentage contribution from engineering division is forecast to be about 47.29% while the ice manufacturing and MTCF/warehousing divisions are forecast to contribute about 25.39% and 27.32% respectively.

The Group's profit after taxation and after minority interest for financial year ending 31 December 2001 is forecast to increase to RM8.24 million or approximately 33% over the previous financial year. This is in line with the increase in turnover and also due to the contribution from Phase 3 & 4 of the MTCF which is projected to increase the profits from the MTCF/warehousing division by approximately RM700,000 in financial year 2001. The increase is also attributed to interest savings from the early repayment of existing bank borrowings from the proceeds of the Rights and Public Issues.

MTCF/warehousing will overtake engineering as the main contributor to the profits of the Group with 39.78% while engineering shall contribute 37.23% of the profits. The percentage contribution from ice manufacturing is 22.99%. This is consistent with the utilisation of the proceeds from the Rights and Public Issues where the bulk of the proceeds are used in the MTCF/warehousing division.

10.6 Dividend Estimate and Forecast

Barring unforeseen circumstances, the Directors of HRB intend to declare a gross dividend of 5% for the financial years ending 31 December 2000 and 2001 based on the enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each in HRB. Future dividends may be waived in the event of insufficient retained earnings or cash flows to pay dividends.

| Financial Year Ending 31 December | Estimate | Forecast |
|--|-----------------|-----------------|
| | 2000 | 2001 |
| | RM'000 | RM'000 |
| Consolidated profit before taxation | 8,672 | 11,801 |
| Less: Taxation | (2,396) | (3,479) |
| Consolidated profit after taxation | 6,276 | 8,322 |
| Less: Minority interest | (69) | (81) |
| Consolidated profit after taxation and minority interest | 6,207 | 8,241 |
| Less: Proposed dividend (less 28% tax) | (1,440) | (1,440) |
| Retained profit for the year | 4,767 | 6,801 |
| Gross dividend per ordinary share (sen) | 5 | 5 |
| Gross dividend yield based on the issue price of RM1.40 per ordinary share (%) | 3.57 | 3.57 |
| Net dividend yield (%) | 2.57 | 2.57 |
| Net dividend cover (times) | 5.51 | 5.72 |

10. FINANCIAL INFORMATION (Cont'd)**10.7 Proforma Consolidated Balance Sheets As at 30 June 2000***(Prepared for inclusion in the Prospectus)*

HAIKAN RESOURCES BERHAD
(formerly known as HS CAPITAL BERHAD)
PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2000

The Proforma Consolidated Balance Sheets of Haisan Resources Berhad *(formerly known as HS Capital Berhad)* ("HRB") as at 30 June 2000 as set out below are provided for illustrative purposes only:

| | Audited as at 30 June 2000 RM'000 | -----Proforma----- | |
|---|---|--------------------|----------------|
| | | (I) RM'000 | (II) RM'000 |
| FIXED ASSETS | - | 57,822 | 57,822 |
| INTANGIBLE ASSETS | 288 | 878 | 592 |
| ASSOCIATED COMPANY | - | 195 | 195 |
| INVESTMENT | - | 12 | 12 |
| CURRENT ASSETS | | | |
| Stocks | - | 6,458 | 6,458 |
| Contract work in progress | - | 1,634 | 1,634 |
| Trade debtors | - | 6,089 | 6,089 |
| Other debtors, deposits & prepayments | - | 3,235 | 3,235 |
| Fixed deposits with licensed banks | - | 630 | 630 |
| Cash and bank balances | - | 629 | 14,004 |
| | - | 18,675 | 32,050 |
| CURRENT LIABILITIES | | | |
| Progress payment received and receivable | - | 747 | 747 |
| Trade creditors | - | 2,281 | 2,281 |
| Other creditors and accruals | 288 | 3,423 | 3,423 |
| Hire purchase creditors | - | 92 | 92 |
| Lease creditors | - | 28 | 28 |
| Taxation | - | 886 | 886 |
| Bank overdraft (secured) | - | 10,125 | 10,125 |
| Term loan (current portion) | - | 1,860 | 1,860 |
| | 288 | 19,442 | 19,442 |
| NET CURRENT ASSETS / (LIABILITIES) | (288) | (767) | 12,608 |
| | * | 58,140 | 71,229 |
| FINANCED BY :- | | | |
| SHARE CAPITAL | * | 29,579 | 40,000 |
| SHARE PREMIUM | - | 56 | 2,724 |
| RESERVE | - | 15,870 | 15,870 |
| SHAREHOLDERS' EQUITY | * | 45,505 | 58,594 |
| MINORITY INTEREST | - | 239 | 239 |
| LONG-TERM AND DEFERRED LIABILITIES | | | |
| Hire purchase creditors | - | 163 | 163 |
| Lease creditors | - | 62 | 62 |
| Term loan | - | 11,216 | 11,216 |
| Deferred taxation | - | 955 | 955 |
| | * | 58,140 | 71,229 |
| Proforma Net Tangible Assets per share | (144,000.00) | 1.51 | 1.45 |
| * This represent RM2.00 | | | |

10. FINANCIAL INFORMATION (Cont'd)

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

The Proforma Consolidated Balance Sheets of HRB have been prepared for illustrative purposes only based on accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements and are based on the audited balance sheets of HSB, HSSSB, HSHSB, HSIISB, FMSB, ABWSB, RCSB, CNMSB, IMSB and PIFSB as at 30 June 2000 and have been prepared after implementing in the full proposals and relevant adjustments.

1. Proforma I

HRB was incorporated on 27 December 1999.

Proforma I assumes HRB has paid up capital of RM2.00 and reflects the following acquisitions and adjustments of HSB, HSSSB, HSHSB, HSIISB, FMSB, ABWSB, RCSB, CNMSB, IMSB and PIFSB as if the acquisitions had taken place as at 30 June 2000:

- (a) the incorporation of net revaluation surplus of RM 16,958,916 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 RM 631,863 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 RM 7,535,611 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 RM 49,943 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 RM 6,771,644 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 RM 6,058,445 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 RM 7,552,147 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 RM 8,758,014 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;

10. FINANCIAL INFORMATION (Cont'd)

- (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 RM 3,858,099 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;

PIFSB is subsidiary of HSIISB. The acquisition of entire equity interest in HSIISB by HRB effectively makes HRB the ultimate holding company of PIFS.

2. Proforma II

Proforma II incorporates the transactions in Proforma I and the following :

- (a) the rights issue of 4,420,652 ordinary shares of RM 1.00 each in HRB at a issue price of RM 1.40 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;
- (b) 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;
- (c) 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;

The estimated listing expenses of RM1,500,000 has been set off against the share premium account.

3. The movements in the share capital and share premium account of HRB are as follows:

| | Share Capital RM '000 | Share Premium RM '000 |
|---|--------------------------------------|--------------------------------------|
| Proforma I – Share Capital at incorporation and shares issued as consideration for acquisitions of HSB, HSSSB, HSHSB, HSIISB, FMSB, ABWSB, RCSB, CNMSB, IMSB and PIFS | 29,579 | 56 |
| Proforma II – Rights issue and Proposed public issue | 10,421 | 4,168 |
| Listing expenses | - | (1,500) |
| | <u>40,000</u> | <u>2,724</u> |

10. FINANCIAL INFORMATION (Cont'd)**4. Subsidiary Companies and Basis of Consolidation**

A company is considered as a subsidiary when the Company owns directly or indirectly more than one half of the voting power of the subsidiary or the Company has power to cast the majority of votes at meetings of the board of directors or equivalent governing body.

The proforma consolidated accounts incorporate the accounts of the Company and its subsidiary companies for the financial period ended 30 June 2000. All inter-company balances and transactions are eliminated on consolidation and the consolidated accounts reflect external transaction only.

Except for PIFSB, the accounts of the other subsidiaries have been consolidated in accordance with the principles of merger accounting. The accounts of PIFSB have been consolidated using the acquisition accounting method.

Under the acquisition method, the results of the subsidiary acquired during the period are included in the consolidated profit and loss account from the date of their acquisition.

Under the merger method, the results of the subsidiaries for the entire year have been included without any adjustment in respect of the part of the year prior to merger.

The net balance from the reserves or goodwill arising from consolidation and merger deficit arising from merger accounting are charged to the profit and loss account.

5. Associated Companies

Associated companies are those companies in which the Group has a long term equity interest of between 20% to 50% and/or where it exercise significant influence over the financial and operating policies through board representation.

The Group's share of profits or losses of associated company is included in the proforma consolidated profit and loss account and the Group's interest in associated company is stated at cost plus adjustment to reflect changes in the Group's share of the net asset of the associated company.

6. The gross proceeds arising from the Rights and Public issue estimated to be approximately RM14.6 million will be utilised by the Group in the following manner :

| | RM '000 |
|---|----------------|
| Construction of Temperature Controlled Facilities | 7,000 |
| Repayment of existing term loans | 5,000 |
| Working capital | 1,100 |
| Estimated listing expenses | 1,500 |
| Total | <u>14,600</u> |

10. FINANCIAL INFORMATION (Cont'd)

10.8 Reporting Accountants' Letter On Proforma Consolidated Balance Sheets

(Prepared for inclusion in the Prospectus)



Ong & Wong

PUBLIC ACCOUNTANTS
MALAYSIA
(AF 0241)

3RD FLOOR, WISMA HO WENG KEE,
138-140, JALAN PETALING,
50000 KUALA LUMPUR,
MALAYSIA.

TEL : 2304033, 2301360,
2322975, 2304598
FAX : 60 (3) 2324863

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,

HAISAN RESOURCES BERHAD
(formerly known as *HS CAPITAL BERHAD*)
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30TH JUNE 2000

We have examined the presentation of the Proforma Consolidated Balance Sheets of Haisan Resources Berhad (formerly known as *HS Capital Berhad*) and its subsidiaries and associated company as at 30 June 2000, together with the notes thereon, for which the directors are solely responsible, as set out in the Prospectus 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 ordinary shares and the listing and quotation of the entire enlarged issued and paid up share capital of HRB comprising 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Consolidated Balance Sheets have been prepared incorporating the effects of the proposals as set out in the accompanying statement.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Ong & Wong'.

ONG & WONG
No. AF 0241
Public Accountants

A handwritten signature in black ink, appearing to be 'Ong Kong Lai'.

ONG KONG LAI
No. 494/6/02 (J/PH)
Partner of the Firm