

## 12. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

**ANDERSEN**

23 October, 2001

The Board of Directors  
**XIAN LENG HOLDINGS BERHAD**  
 35 Jalan Penjaja 3  
 83000 Batu Pahat  
 Johor Darul Takzim

Arthur Andersen & Co  
 Public Accountants

Level 23A Menara Milenium  
 Jalan Damansara  
 Pusat Bandar Damansara  
 50490 Kuala Lumpur  
 P O Box 11040  
 50734 Kuala Lumpur

Tel 603 2577000  
 Fax 603 2555332 (Main)  
 603 2559076 (Div)  
 603 2559078

Dear Sirs,

**1. INTRODUCTION**

This report has been prepared by Arthur Andersen & Co., an approved company auditor, for inclusion in the Prospectus of Xian Leng Holdings Berhad (hereinafter referred to as "XLB" or "the Company") to be dated 31 October, 2001, in connection with the public issue of 7,280,000 new ordinary shares of RM1.00 each at an issue price of RM1.65 per share in XLB and the offer for sale of 4,828,000 ordinary shares of RM1.00 each at an offer price of RM1.65 per share in XLB pursuant to the listing of and quotation for its entire issued and fully paid-up share capital on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

**2. GENERAL INFORMATION****2.1 Background**

XLB was incorporated under the Companies' Act, 1965 on 28 August, 1998 as a private limited company under the name of Kurnia Berkat (M) Sdn. Bhd. On 12 June, 2000, the Company changed its name to Xian Leng Holdings Sdn. Bhd. and was subsequently converted into a public company on 26 September, 2000.

At the date of incorporation, XLB's authorised share capital was RM100,000 divided into 100,000 ordinary shares of RM1.00 each and its issued and paid-up share capital was RM2 divided into 2 ordinary shares of RM1.00 each.

Presently, XLB has an authorised share capital of RM50,000,000 divided into 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM41,000,000 comprising 41,000,000 ordinary shares of RM1.00 each.

Details of changes in the issued and paid-up share capital of XLB since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital RM</u>
28.08.98	2	Subscribers' shares	2
01.09.98	99,998	Cash	100,000
05.10.98	40,000,000	Issued pursuant to the acquisition of Xian Leng Trading Sdn. Bhd. ("XL") at an issue price of RM1.15 per share	40,100,000

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<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u>
05.10.98	900,000	Issued pursuant to the acquisition of Xian Leng Aquatic Merchant Sdn. Bhd. ("XLA") at an issue price of RM1.112 per share	41,000,000

The principal activities of the Company are that of investment holding and provision of management services.

**2.2 Flotation Scheme**

As an integral part of the listing of and quotation for its entire issued and paid-up ordinary share capital on the Second Board of the KLSE, XLB implemented a flotation scheme involving the following which were approved by the Foreign Investment Committee ("FIC"), Ministry of International Trade and Industry ("MITI") and Securities Commission ("SC") on 20 December, 2000, 9 January, 2001, 9 April, 2001 and 6 September, 2001, respectively:

- (a) Public issue of 7,280,000 new ordinary shares of RM1.00 each at RM1.65 per share ("Issue Shares") as follows:
- (i) Malaysian Public
 

1,000,000 of the Issue Shares are to be made available for application by Malaysian Persons, to be allocated via ballot, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.
  - (ii) Private Placement
 

5,780,000 of the Issue Shares will be placed with Malaysian institutional investors and foreign investors by the Placement Agent; and
  - (iii) Eligible Employees of XLB Group
 

500,000 of the Issue Shares are to be reserved for eligible directors and employees of XLB Group and the Malaysian customers and suppliers of the XLB Group.
- (b) Offer for sale of 4,828,000 ordinary shares of RM1.00 each at an offer price of RM1.65 per share.

**2.3 The Subsidiaries**

The information on the subsidiaries, all of which are wholly owned, private limited companies and incorporated in Malaysia, are as follows:

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**(i) Xian Leng Trading Sdn. Bhd. ("XL")**

XL was incorporated on 20 September, 1989. The authorised and issued and paid-up share capital of XL at the date of this report is RM500,000 and RM100,000 respectively comprising 500,000 and 100,000 ordinary shares of RM1.00 each.

Details of changes in the issued and paid-up share capital of XL since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
20.09.89	2	Subscribers' shares	2
16.07.90	9,998	Cash	10,000
27.02.95	42,000	Cash	52,000
15.12.98	48,000	Cash	100,000

The principal activities of XL are commercial captive breeding of Asian Arowana and other aquatic animals and property holding.

**(ii) Xian Leng Aquatic Merchant Sdn. Bhd. ("XLA")**

XLA was incorporated on 3 August, 1995. The authorised and issued and paid-up share capital of XLA at the date of this report is RM100,000 and RM50,002 respectively comprising 100,000 and 50,002 ordinary shares of RM1.00 each.

Details of changes in the issued and paid-up share capital of XLA since its incorporation are as follows:

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each</u>	<u>Consideration</u>	<u>Resultant issued and paid-up share capital</u> RM
03.08.95	2	Subscribers' shares	2
10.10.96	50,000	Cash	50,002

The principal activities of XLA are trading of ornamental fishes and aquarium accessories and property holding.

**2.4 Auditors and Audited Financial Statements**

We have acted as the first auditors of XLB for the financial period ended 31 January, 2000 and the financial statements till to date were reported by us without any qualification.

We have acted as auditors of XL and XLA with effect from the financial years ended 31 January, 1997 and 31 July, 1997 respectively till to date and the financial statements were reported by us without any qualification.

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### 2.5 Accounting Policies and Standards

This report is prepared on a basis consistent with accounting policies normally adopted by the Group and in accordance with Malaysian Accounting Standards Board ("MASB") standards.

### 3. SUMMARISED INCOME STATEMENTS

3.1 The summarised proforma consolidated results of XLB and its subsidiaries (hereinafter referred to as "the Group") for the last five (5) financial years and 6 months ended 31 January, 1997 to 2001 are provided for illustrative purposes only, on the assumption that the Group existed throughout the periods under review.

	<-----Year ended 31 January----->					1.2.01 to
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>31.7.01</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6,146	7,562	15,974	19,616	25,367	15,023
Changes in stocks	44	47	78	1,263	(550)	(10)
Purchases of stocks	(1,952)	(2,298)	(4,831)	(6,976)	(6,791)	(3,910)
Other operating income	14	61	115	50	6	5
Staff costs	(551)	(693)	(793)	(868)	(1,104)	(766)
Depreciation	(857)	(866)	(902)	(1,093)	(2,597)	(1,713)
Other operating expenses	(414)	(489)	(662)	(1,016)	(1,417)	(892)
Profit from operations	2,430	3,324	8,979	10,976	12,914	7,737
Finance costs	(48)	(91)	(120)	(94)	(299)	(225)
Profit before taxation	2,382	3,233	8,859	10,882	12,615	7,512
Taxation	(872)	(1,332)	22	(3,226)	(3,773)	(2,171)
Profit after taxation	1,510	1,901	8,881	7,656	8,842	5,341
Number of ordinary shares assumed to be in issue ('000)	41,000	41,000	41,000	41,000	41,000	41,000
Gross earnings per share (sen)	5.8	7.9	21.6	26.5	30.8	36.6*
Net earnings per share (sen)	3.7	4.6	21.7	18.7	21.6	26.1*

#### Commentaries :

- (1) Revenue for 1999 increased by RM8.412 million or 111% to RM15.974 million mainly due to the increase in sales volume by 37% and the increase in average selling prices of Asian Arowana from RM1,373 per tail in 1998 to RM1,407 per tail in 1999.
- (2) Changes in stocks for 2000 was higher than other years as imported stocks from Indonesia were received shortly before year end and sales were only transacted in the following financial year.
- (3) Taxation has been adjusted to reflect the under/(over) provision in the respective financial years of the Group. The resulting effect of under/(over) provision of taxation on the proforma consolidated results are as follows:

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(Prepared for inclusion in this Prospectus)

	← Year ended 31 January →					1.2.01 to
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>31.7.01</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Taxation as stated in the audited accounts	889	1,145	143	3,233	3,773	2,171
Under/(over) provision of taxation	31	73	(135)	21	-	-
Under/(over) provision of deferred taxation	(48)	114	(30)	(28)	-	-
Adjusted taxation as stated in this report	<u>872</u>	<u>1,332</u>	<u>(22)</u>	<u>3,226</u>	<u>3,773</u>	<u>2,171</u>

(4) The taxation amount of RM22,000 in 1999 was due to the over provision of taxation in prior years. There was no tax charge in 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999.

(5) There were no extraordinary items for all the financial years under review.

Notes :

- (1) The above proforma consolidated financial results have been prepared based on the audited financial statements of the Company and its subsidiaries. The proforma consolidated results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the individual companies.
- (2) The results of XLA with different financial year ends have been apportioned to be co-terminous with the financial year end of XLB.
- (3) The gross/net earnings per share of the Group is calculated based on the profit before/after taxation and on the number of ordinary shares assumed to be in issue of 41,000,000 XLB shares for each year under review.

\* Annualised

3.2 We provide below the audited results of each of the companies within the XLB Group for the relevant financial years/periods as follows:

**XLB**

	28.8.98 to <u>31.1.00</u> RM'000	Year ended <u>31.1.01</u> RM'000	1.2.01 to <u>31.7.01</u> RM'000
Revenue	-	-	144
Operating expenses	(104)	(11)	(80)
Loss before taxation	(104)	(11)	64
Taxation	-	-	(12)
Loss after taxation	<u>(104)</u>	<u>(11)</u>	<u>52</u>
Number of ordinary shares assumed to be in issue ('000)	41,000	41,000	41,000
Gross loss per share (sen)	(0.3)*	-	0.3*

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Net loss per share (sen) (0.3)\* - 0.3\*

*Commentary :*

(1) There were no extraordinary items for the financial period/year under review.

*Notes :*

(1) No income statements were prepared prior to 31 January, 2000 as XLB was incorporated on 28 August, 1998.

(2) The gross/net earnings per share of XLB is calculated based on the profit before/after taxation and on the number of ordinary shares assumed to be in issue of 41,000,000 XLB shares for each year under review.

\* Annualised.

**XL**

	← Year ended 31 January →					1.2.01 to
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>31.7.01</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	5,884	7,212	13,749	16,600	21,205	12,274
Changes in stocks	44	(1)	(19)	808	(744)	(1)
Purchases of stocks	(1,829)	(2,082)	(2,950)	(4,462)	(3,778)	(2,085)
Other operating income	41	61	115	50	6	3
Staff costs	(525)	(629)	(706)	(741)	(926)	(542)
Depreciation	(199)	(208)	(244)	(421)	(1,889)	(1,359)
Other operating expenses	(392)	(445)	(604)	(830)	(1,257)	(840)
Profit from operations	3,024	3,908	9,341	11,004	12,617	7,450
Finance costs	(40)	(61)	(83)	(64)	(246)	(194)
Profit before taxation	2,984	3,847	9,258	10,940	12,371	7,256
Taxation	(854)	(1,316)	30	(3,073)	(3,491)	(2,007)
Profit after taxation	2,130	2,531	9,288	7,867	8,880	5,249
Number of ordinary shares assumed to be in issue ('000)	52	52	100	100	100	100
Gross earnings per share (sen)	5,738.5	7,398.1	9,258.0	10,940.0	12,371.0	14,512.0*
Net earnings per share (sen)	4,096.2	4,867.3	9,288.0	7,867.0	8,880.0	10,498.0*

*Commentaries:*

(1) Revenue for the financial year ended 31 January, 1999 amounted to RM13.749 million, an increase of 91% from 1998. This was attributed to the increase in sales volume by 37% and the increase in average selling prices of Asian Arowana from RM1,373 per tail in 1998 to RM1,407 per tail in 1999.

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- (2) Taxation has been adjusted to reflect the under/(over) provision in the respective financial years of XL. The resulting effect of under/(over) provision of taxation on the proforma consolidated results are as follows:

	← Year ended 31 January →					1.2.01 to
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>31.7.01</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Taxation as stated in the audited accounts	872	1,129	134	3,101	3,491	2,007
Under/(over) provision of taxation	30	73	(134)	-	-	-
Under/(over) provision of deferred taxation	(48)	114	(30)	(28)	-	-
Adjusted taxation as stated in this report	<u>854</u>	<u>1,316</u>	<u>(30)</u>	<u>3,073</u>	<u>3,491</u>	<u>2,007</u>

- (3) The taxation amount of RM30,000 in 1999 was due to the overprovision of taxation in prior years. There was no tax charge in 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999.

- (4) There were no extraordinary items for the financial years under review.

Notes :

- (1) The gross/net earnings per share of XL is calculated based on the profit before/after taxation and on the number of ordinary shares assumed to be in issue of 100,000 XL shares for each year under review.

\* Annualised

## XLA

	← Year ended 31 July →			1.8.99 to	Year ended	1.2.01 to
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>31.1.00</u>	<u>31.1.01</u>	<u>31.7.01</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,207	1,767	2,966	2,088	5,198	3,319
Changes in stocks	-	96	98	406	194	(9)
Purchases of stocks	(1,053)	(1,653)	(2,392)	(1,873)	(4,048)	(2,395)
Other operating income	-	-	-	-	-	2
Staff costs	(52)	(75)	(99)	(77)	(178)	(223)
Depreciation	-	**-	**-	(14)	(51)	(26)
Other operating expenses	(36)	(52)	(64)	(50)	(149)	(116)
Profit from operations	<u>66</u>	<u>83</u>	<u>509</u>	<u>480</u>	<u>966</u>	<u>552</u>
Finance costs	(14)	(46)	(29)	(15)	(53)	(30)
Profit before taxation	52	37	480	465	913	522
Taxation	(15)	(17)	-	(153)	(282)	(152)
Profit after taxation	<u>37</u>	<u>20</u>	<u>480</u>	<u>312</u>	<u>631</u>	<u>370</u>

Number of ordinary shares assumed to be in issue	50,002	50,002	50,002	50,002	50,002	50,002
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Gross earnings per share (sen)	104.0	74.0	960.0	930.0*	1,825.9	2,087.9*
Net earnings per share (sen)	74.0	40.0	960.0	624.0*	1,261.9	1,479.9*

**Commentaries:**

- (1) Taxation has been adjusted to reflect the under/(over) provision in the respective financial years of XLA. The resulting effect of under/(over) provision of taxation on the proforma consolidated results are as follows:

	←Year ended 31 July→			1.8.99 to 31.1.00	Year ended 31.1.01	1.2.01 to 31.7.01
	1997	1998	1999	RM'000	RM'000	RM'000
Taxation as stated in the audited accounts	14	17	1	132	282	152
Under/(over) provision of taxation	1	-	(1)	21	-	-
Adjusted taxation as stated in this report	15	17	-	153	282	152

- (2) There is no tax charge for the financial year 1999 as the amount payable has been waived in accordance with the Income Tax (Amendment) Act, 1999.
- (3) There were no extraordinary items for the financial years/period under review.

**Note :**

- (1) The gross/net earnings per share of XLA is calculated based on the profit before/after taxation and on the number of ordinary shares assumed to be in issue of 50,000 XLA shares for each year under review.

\* Annualised.

\*\* Negligible

**4. DIVIDENDS**

The Company and its subsidiaries have neither declared nor paid any dividends in respect of the financial years under review.



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**5. SUMMARISED BALANCE SHEETS**

5.1 The summarised audited consolidated balance sheets of the Group at the end of the relevant financial periods/year are set out below:

	← Audited →		
	As at 31 January		As at
	<u>2000</u>	<u>2001</u>	<u>31.7.01</u>
	RM'000	RM'000	RM'000
Current assets	4,128	2,361	2,294
Current liabilities	4,504	5,293	8,976
Net current liabilities	(376)	(2,932)	(6,682)
Fixed assets	57,348	69,879	79,505
Deferred expenditure	-	1,078	1,295
Hire purchase creditors	(25)	(45)	(992)
Term loans	(1,554)	(3,261)	(2,983)
Deferred taxation	(644)	(1,135)	(1,218)
	<u>54,749</u>	<u>63,584</u>	<u>68,925</u>
Shareholders' funds:			
Share capital	41,000	41,000	41,000
Reserves	13,749	22,584	27,925
	<u>54,749</u>	<u>63,584</u>	<u>68,925</u>
Net tangible assets per share (RM)	1.3	1.5	1.7

5.2 We set out below the summarised audited balance sheets of the Company and its subsidiaries for the relevant financial years/periods:

**XLB**

	← Audited →		
	As at 31 January		As at
	<u>2000</u>	<u>2001</u>	<u>31.7.01</u>
	RM'000	RM'000	RM'000
Current assets	97	-	24
Current liabilities	101	1,093	1,282
Net current liabilities	(4)	(1,093)	(1,258)
Investment in subsidiaries	47,000	47,000	47,000
Deferred expenditure	-	1,078	1,295
	<u>46,996</u>	<u>46,985</u>	<u>47,037</u>
Shareholders' funds:			
Share capital	41,000	41,000	41,000
Reserves	5,996	5,985	6,037
	<u>46,996</u>	<u>46,985</u>	<u>47,037</u>
Net tangible assets per share (RM)	1.2	1.1	1.1

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	As at 31 January					As at
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	31.7.01 RM'000
Current assets	740	1,335	2,209	2,565	2,198	1,668
Current liabilities	1,792	1,945	1,919	3,364	4,101	7,512
Net current (liabilities)/assets	(1,052)	(610)	290	(799)	(1,903)	(5,844)
Fixed assets	4,011	6,802	15,028	25,066	38,066	48,036
Due to a fellow subsidiary	-	-	-	-	(2,859)	(2,593)
Hire purchase creditors	(17)	(46)	(27)	(25)	(45)	(992)
Term loans	(170)	(488)	(327)	(1,230)	(924)	(939)
Deferred taxation	(119)	(473)	(443)	(624)	(1,096)	(1,180)
	2,653	5,185	14,521	22,388	31,239	36,488
Shareholders' funds:						
Share capital	52	52	100	100	100	100
Reserves	2,601	5,133	14,421	22,288	31,139	36,388
	2,653	5,185	14,521	22,388	31,239	36,488
Net tangible assets per share (RM)	51.0	99.7	145.2	223.9	312.4	364.9

## XLA

	Year ended 31 July			1.8.99 to	Year ended	As at
	1997 RM'000	1998 RM'000	1999 RM'000	31.1.00 RM'000	31.1.01 RM'000	31.7.01 RM'000
Current assets	355	378	940	1,794	1,341	1,835
Current liabilities	526	662	795	1,367	1,278	1,415
Net current (liabilities)/assets	(171)	(284)	145	427	63	420
Fixed assets	360	579	579	837	1,025	1,012
Due from a fellow subsidiary	-	-	-	-	2,859	2,593
Deferred taxation	-	-	-	(20)	(39)	(39)
Term loans	(81)	(168)	(116)	(324)	(2,336)	(2,044)
	108	127	608	920	1,572	1,942
Shareholders' funds:						
Share capital	50	50	50	50	50	50
Reserves	58	77	558	870	1,522	1,892
	108	127	608	920	1,572	1,942
Net tangible assets per share (RM)	2.2	2.5	12.2	18.4	31.4	38.8