
11. ACCOUNTANTS' REPORT

HUAT LAI RESOURCES BERHAD
(Company No. 323273-T)

The Board of Directors
Huat Lai Resources Berhad
Unit 12A, 12th Floor
Bangunan Yayasan Melaka
Jalan Hang Tuah
75300 Melaka

13 May 2002

Dear Sirs,

1. INTRODUCTION

This report has been prepared by us, the approved company's auditors, for inclusion in the Prospectus to be dated 20 May 2002 in connection with the Public Issue of 7,580,000 new ordinary shares of RM1.00 each in Huat Lai Resources Berhad (hereinafter referred to as 'HLRB') at an issue price of RM1.40 per share, and the Offer for Sale of 15,000,000 ordinary shares of RM1.00 each in HLRB at an offer price of RM1.40 per share and the listing of and quotation for its entire enlarged issued and paid-up share capital of 50,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange ('KLSE').

This report has been prepared based on the accounting policies consistent with those adopted in the preparation of the audited financial statements of HLRB and its subsidiaries and in accordance with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board ('MASB').

2. GENERAL INFORMATION

2.1 Background and principal activities

Huat Lai Resources Berhad (HLRB) was incorporated in Malaysia on 12 November 1994 under the Companies Act, 1965 as a private limited company under the name of Huat Lai Agriculture Sdn Bhd. On 27 March 2001, the Company changed its name to Huat Lai Resources Sdn Bhd. It was subsequently converted to a public limited company on 28 April 2001 and assumed its present name of Huat Lai Resources Berhad.

Its principal activity is poultry farming.



11. ACCOUNTANTS' REPORT (cont'd)**2. GENERAL INFORMATION (CONTINUED)****2.2 Share capital****(a) Authorised share capital**

The changes in authorised share capital of HLRB since incorporation date are as follows:

<u>Date of creation</u>	<u>Number of ordinary shares of RM1.00 each created</u>	<u>Resultant total RM</u>
Date of incorporation	500,000	500,000
26 April 1996	9,500,000	10,000,000
26 November 2001	90,000,000	100,000,000

(b) Issued and paid-up share capital

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

<u>Date of allotment</u>	<u>Number of ordinary shares of RM1.00 each issued</u>	<u>Consideration</u>	<u>Resultant total RM</u>
12.11.1994	3	Subscribers' shares	3
21.4.1995	150,000	At par for cash	150,003
21.7.1995	150,000	At par for cash	300,003
28.8.1995	150,000	At par for cash	450,003
26.4.1996	4,000,000	At par for cash	4,450,003
10.3.1997	354,000	At par for cash	4,804,003
18.6.1998	1,320,000	Capitalisation of amount payable to directors	6,124,003

11. ACCOUNTANTS' REPORT (cont'd)**2. GENERAL INFORMATION (CONTINUED)**

(b) Issued and paid-up share capital (continued)

<u>Date of allotment</u>	<u>Number of ordinary shares of RM1.00 each issued</u>	<u>Consideration</u>	<u>Resultant total RM</u>
2.8.2000	2,175,000	Shares issued as consideration for acquisition of land	8,299,003
27.11.2001	30,080,995	Bonus Issue	38,379,998
28.12.2001	4,040,002	Rights Issue	42,420,000

3. FLOTATION SCHEME

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of HLRB on the Second Board of the KLSE, the flotation scheme which was approved by the Securities Commission on 30 August 2001, and the shareholders of HLRB on 16 November 2001 is as follows:

- (a) acquisition by Esprit Unity Sdn Bhd of 4,988,792 ordinary shares of RM1.00 each representing 60.11% of the existing equity interest in HLRB from Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong for a purchase consideration of RM4,988,792 to be satisfied by the issuance of 100,000 new ordinary shares of RM1.00 each in Esprit Unity Sdn Bhd at approximately RM49.89 per share;
- The acquisition of Esprit Unity Sdn Bhd was completed on 26 November 2001.
- (b) revaluation of the landed properties of HLRB and its subsidiary, Green Friend Fertilizer Sdn Bhd ('GFF') and incorporation of the revaluation surplus of RM15,879,582 and RM1,870,396 into the financial statements of HLRB and GFF respectively;
- (c) revaluation of investment in GFF and incorporation of the revaluation surplus of RM1,925,832 into the financial statements of HLRB;
- (d) Bonus Issue of 30,080,995 new ordinary shares of RM1.00 each in HLRB to the shareholders of HLRB on the basis of approximately 3,625 new ordinary shares for every 1,000 ordinary shares held;

The Bonus Issue was completed on 27 November 2001.

11. ACCOUNTANTS' REPORT (cont'd)**3. FLOTATION SCHEME (CONTINUED)**

- (e) Rights Issue of 4,040,002 new ordinary shares of RM1.00 each at par value per new ordinary share to the shareholders of the Company on the basis of approximately 105 new ordinary shares for every 1,000 ordinary shares of RM1.00 each held in the Company after the Bonus Issue;

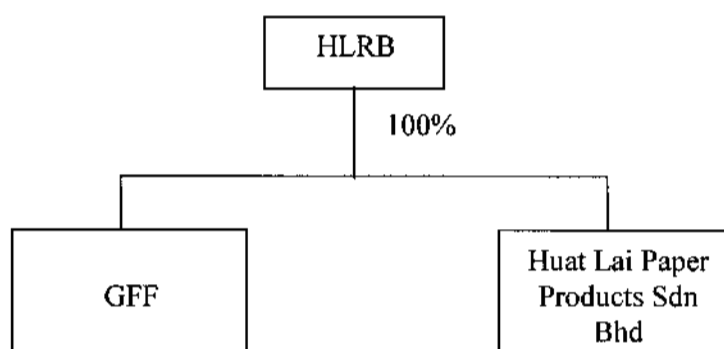
The Rights Issue was completed on 28 December 2001.

- (f) Public Issue of 7,580,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.40 per new ordinary share of RM1.00 each to the Malaysian public, eligible employees, customers, suppliers and directors of HLRB (excluding the promoters, ie Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong and members of their family as defined under Section 122A of the Companies Act, 1965);
- (g) Offer for Sale of 15,000,000 ordinary shares of RM1.00 each in the Company at an offer price of RM1.40 per ordinary share by Esprit Unity Sdn Bhd, Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong to the Bumiputra investors (subject to approval and allocation by the Ministry of International Trade and Industry); and
- (h) The listing of and quotation for the entire enlarged issued and paid up share capital of HLRB of RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE.

4. GROUP STRUCTURE

There is no change in the group structure of HLRB before and after the flotation scheme which is as set out below:

Before and after flotation scheme



11. ACCOUNTANTS' REPORT (cont'd)**4. GROUP STRUCTURE (CONTINUED)**

Details of the subsidiary companies are as follows:

4.1 Green Friend Fertilizer Sdn Bhd

Green Friend Fertilizer Sdn Bhd ('GFF') was incorporated in Malaysia on 26 September 1996 under the Companies Act, 1965 as a private limited company.

The principal activity of GFF consists of the manufacturing of fertilizer.

(a) Authorised share capital

The changes in authorised share capital since incorporation date are as follows:

<u>Date of creation</u>	<u>Number of ordinary shares of RM1.00 each created</u>	<u>Resultant total RM</u>
Date of incorporation	100,000	100,000
9 January 1997	400,000	500,000
18 April 2000	500,000	1,000,000

(b) Issued and paid-up share capital

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

<u>Date of allotment</u>	<u>Number of ordinary shares of RM1.00 each issued</u>	<u>Consideration</u>	<u>Resultant total RM</u>
Date of incorporation	2	Subscribers' shares	2
13 January 1997	200,000	At par for cash	200,002
18 April 2000	500,000	Capitalisation of amount due to holding company	700,002

11. ACCOUNTANTS' REPORT *(cont'd)***4. GROUP STRUCTURE (CONTINUED)****4.2 Huat Lai Paper Products Sdn Bhd**

Huat Lai Paper Products Sdn Bhd ('HLPP') was incorporated in Malaysia on 4 December 2000 under the Companies Act, 1965 as a private limited company.

HLPP has commenced operations in October 2001 in the production of paper egg trays.

(a) Authorised share capital

The authorised share capital of HLPP since the date of incorporation and up to 31 December 2001 is RM1,000,000, comprising 1,000,000 ordinary shares of RM1.00 each.

(b) Issued and paid up share capital

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

<u>Date of allotment</u>	<u>Number of ordinary shares of RM1.00 each issued</u>	<u>Consideration</u>	<u>Resultant total RM</u>
Date of incorporation 7 June 2001	2 999,998	Subscribers' shares At par for cash	2 1,000,000

5. AUDITORS AND AUDIT REPORTSHLRB and GFF

We are the auditors of HLRB and GFF for the years ended 31 December 1999, 2000 and 2001. Prior to 1999, the financial statements were audited by our legacy firm of Price Waterhouse. The financial statements of HLRB and GFF for the financial years relevant to this report were audited and reported on without any qualification.

HLPP

We are the auditors of HLPP for the period 4 December 2000 (date of incorporation) to 31 December 2001. The financial statements of HLPP for the financial period relevant to this report were audited and reported on without any qualification.

11. ACCOUNTANTS' REPORT *(cont'd)*

6. BASIS OF PREPARATION

The financial statements are presented in respect of HLRB and HLRB Group. The directors of HLRB are of the opinion that the financial statements were not significantly affected by transactions and balances between the companies to which they relate, except to the extent stated in the notes to their respective financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements except for the change in accounting policies set out in 7(b) and 7(c) with effect from 1 January 2001.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as reserve or goodwill on consolidation and is dealt with through reserves.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated upon consolidation.

(b) Property, plant and equipment

All property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value, based on valuations by external independent valuers every five years, less subsequent amortisation/depreciation. The policy of stating land and buildings at fair value was adopted from 1 January 2001. In prior years, the land and buildings were stated at cost less accumulated depreciation. The change in accounting policy has been applied prospectively as the amount of any resulting adjustment that related to prior periods was not reasonably determinable.

All other property, plant and equipment and additions to land and buildings in the period between valuations are stated at historical cost less accumulated depreciation.

11. ACCOUNTANTS' REPORT (cont'd)**7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Property, plant and equipment (continued)**

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained profits.

Freehold land is not amortised as it has an infinite life. Leasehold land is amortised in equal instalments over the periods of the respective leases ranging from 25 to 61 years.

All other property, plant and equipment are depreciated on the straight line basis to write off the cost or fair value of each asset over their estimated useful lives at the following annual rates:

Buildings	10%
Plant and machinery	10%
Motor vehicles	20%
Electrical installation	10%
Office equipment, furniture and fittings	10%
Road	10%

Depreciation on assets under construction commences when the assets are ready for their intended use.

(c) Investments

Investments in subsidiaries are initially shown at cost. They are subsequently shown at net tangible asset value, based on revaluations every five years, with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued investments differ materially from the underlying net tangible asset values of the subsidiaries. The policy of stating investment in subsidiaries at valuation based on net tangible asset value was adopted from 1 January 2001. The change in accounting policy has been applied prospectively as the amount of any resulting adjustment that related to prior periods was not reasonably determinable.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same investment. In all other cases, a decrease in carrying amount is charged to income statement.

On disposal of revalued investments, amounts in revaluation reserve relating to those investments are transferred to retained profits and the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

11. ACCOUNTANTS' REPORT *(cont'd)*

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Inventories

Inventories are stated at the lower of cost and net realisable value.

Layer and parent poultry inventories are stated at cost adjusted for amortisation (based on their economic egg laying lives less net realisable value). Cost consists of original purchase price of the birds plus growing costs which include poultry feeds, direct labour and a proportion of farm overheads.

Cost of livestock, raw materials and paper egg trays is determined on the weighted average basis. Cost of poultry feeds is determined on the first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less growing cost and selling expenses.

(e) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date. Bad debts are written off when identified.

(f) Hire purchase and finance lease liabilities

Property, plant and equipment acquired under hire purchase and finance lease agreements are capitalised and depreciated in accordance with the policy set out in paragraph 6(b) above. Outstanding obligations due under the hire purchase and finance lease agreements after deducting finance charges are included as liabilities in the financial statements. Finance charges are allocated to the income statement over the hire purchase and finance lease periods so as to achieve a constant rate on the finance balance outstanding.

(g) Deferred taxation

Deferred taxation is recorded using the liability method on all material timing differences between taxable and accounting profits, except when there is reasonable evidence that such timing differences will not reverse in the foreseeable future. Debit balances on the deferred taxation account are not recognised unless there is reasonable expectation of their recovery.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

11. ACCOUNTANTS' REPORT *(cont'd)***7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(i) Foreign currencies**

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling on that date. All foreign exchange differences are taken to the income statement.

The principal closing rates used in the translation of foreign currency amounts were as follows:

	<u>As at 31 December</u>					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
1 SGD	N/A	2.269	2.269	2.259	2.168	2.033

(j) Revenue recognition

Sales are recognised upon delivery of products.

Interest income is recognised on the accrual basis.

11. ACCOUNTANTS' REPORT (cont'd)**8 FINANCIAL STATEMENTS****(1) HLRB****(i) Income statements of HLRB**

The summarised income statements of HLRB based on its audited financial statements for the five (5) years ended 31 December 2001 are set out below:

	Note	Financial year ended 31 December				
		1997	1998	1999	2000	2001
		RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	B	26,234	29,914	39,455	46,265	60,961
Cost of sales		(21,410)	(23,670)	(28,853)	(32,039)	(47,145)
Gross profit		4,824	6,244	10,602	14,226	13,816
Other operating income		16	135	305	78	96
Administrative expenses		(1,113)	(1,344)	(1,790)	(1,972)	(2,878)
Distribution costs		(310)	(432)	(583)	(725)	(779)
Profit from operations	C	3,417	4,603	8,534	11,607	10,255
Finance costs	D	(1,250)	(2,177)	(1,703)	(2,161)	(2,872)
Profit before taxation		2,167	2,426	6,831	9,446	7,383
Taxation	E	(601)	327	74	(573)	65
Profit after taxation		1,566	2,753	6,905	8,873	7,448
Weighted average number of ordinary shares in issue ('000)		17,172	19,985	22,199	25,462	38,408
Earnings per share (sen)						
- basic	F	9	14	31	35	19
Gross dividend rate (%)		-	-	-	-	-

11. ACCOUNTANTS' REPORT (cont'd)**8 FINANCIAL STATEMENTS (CONTINUED)****(I) HLRB****(ii) Balance sheets of HLRB**

The summarised audited balance sheets of HLRB as at 31 December 1996, 1997, 1998, 1999, 2000 and 2001 are as follows:

	Note	As at 31 December					
		1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Non-current assets							
Property, plant and equipment	G	12,917	23,526	22,692	28,058	44,665	73,172
Subsidiaries	H	*	200	200	200	700	3,626
		<u>12,917</u>	<u>23,726</u>	<u>22,892</u>	<u>28,258</u>	<u>45,365</u>	<u>76,798</u>
Current assets							
Inventories	I	4,368	6,814	8,985	8,943	15,067	19,988
Receivables, deposits and prepayments	J	1,037	1,164	1,251	2,505	3,506	5,785
Amounts receivable from subsidiaries	K	234	414	763	1,511	762	1,119
Fixed deposits with licensed banks		50	52	1,097	2,177	2,377	2,409
Cash and bank balances		711	609	540	690	1,194	5,086
		<u>6,400</u>	<u>9,053</u>	<u>12,636</u>	<u>15,826</u>	<u>22,906</u>	<u>34,387</u>
Less: Current liabilities							
Payables	L	5,091	9,502	6,869	3,931	6,640	8,681
Hire purchase and finance lease liabilities	M	573	1,209	1,277	1,653	2,903	3,298
Short term borrowings	N	1,843	4,643	6,216	8,630	11,443	17,315
Current tax liabilities		-	77	59	-	625	672
		<u>7,507</u>	<u>15,431</u>	<u>14,421</u>	<u>14,214</u>	<u>21,611</u>	<u>29,966</u>
Net current (liabilities)/ Assets			<u>(1,107)</u>	<u>(6,378)</u>	<u>(1,785)</u>	<u>1,612</u>	<u>1,295</u>
		<u>11,810</u>	<u>17,348</u>	<u>21,107</u>	<u>29,870</u>	<u>46,660</u>	<u>81,219</u>

11. ACCOUNTANTS' REPORT (cont'd)**8. FINANCIAL STATEMENTS (CONTINUED)****(I) HLRB****(ii) Balance sheets of HLRB (continued)**

		As at 31 December					
	Note	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Capital and reserves							
Share capital	O	4,450	4,804	6,124	6,124	8,299	42,420
Revaluation reserve		-	-	-	-	-	7,927
Retained profits	P	849	2,415	5,168	12,073	20,946	8,191
Shareholders' equity		<u>5,299</u>	<u>7,219</u>	<u>11,292</u>	<u>18,197</u>	<u>29,245</u>	<u>58,538</u>
Non-current liabilities	Q	<u>6,511</u>	<u>10,129</u>	<u>9,815</u>	<u>11,673</u>	<u>17,415</u>	<u>22,681</u>
		<u>11,810</u>	<u>17,348</u>	<u>21,107</u>	<u>29,870</u>	<u>46,660</u>	<u>81,219</u>

* RM 2

11. ACCOUNTANTS' REPORT (cont'd)**8. FINANCIAL STATEMENTS (CONTINUED)****(I) HLRB****(iii) Statements of changes in equity**

The audited summarised statements of changes in equity of HLRB for the past five (5) financial years ended 31 December 1997 to 2001 are as follows:

	Issued and fully paid ordinary shares of RM1.00 each		Non- distributable	Distri- butable	
	Number of shares	Nominal value	Revaluation reserve	Retained profits	Total
	'000	RM'000	RM'000	RM'000	RM'000
At 1 January 1997	4,450	4,450	-	849	5,299
Issue of shares	354	354	-	-	354
Net profit for the financial year	-	-	-	1,566	1,566
At 31 December 1997	4,804	4,804	-	2,415	7,219
Issue of shares	1,320	1,320	-	-	1,320
Net profit for the financial year	-	-	-	2,753	2,753
At 31 December 1998	6,124	6,124	-	5,168	11,292
Net profit for the financial year	-	-	-	6,905	6,905
At 31 December 1999	6,124	6,124	-	12,073	18,197
Issue of shares	2,175	2,175	-	-	2,175
Net profit for the financial year	-	-	-	8,873	8,873
At 31 December 2000	8,299	8,299	-	20,946	29,245
Surplus on revaluation of land and buildings	-	-	15,879	-	15,879
Surplus on revaluation of investments in subsidiaries	-	-	1,926	-	1,926
Net gain not recognised in income statement	-	-	17,805	-	17,805
Issue of shares					
- Bonus issue	30,081	30,081	(9,879)	(20,202)	-
- Rights issue	4,040	4,040	-	-	4,040
Net profit for the financial year	-	-	-	7,448	7,448
At 31 December 2001	42,420	42,420	7,926	8,192	58,538

11. ACCOUNTANTS' REPORT (cont'd)**8 FINANCIAL STATEMENTS (CONTINUED)****(I) HLRB****(iv) Cash flow statement of HLRB**

The audited cash flow statement of HLRB for the financial year ended 31 December 2001 is as follows:

	Note	<u>2001</u> RM'000
Operating activities		
Net profit for the financial year		7,448
Adjustments for:		
Depreciation of property, plant and equipment		6,588
Gain on disposal of property, plant and equipment		(212)
Interest expense		2,872
Interest income		(88)
Unrealised exchange loss		25
Taxation credit		(65)
Operating profit before working capital changes		16,568
Increase in inventories		(4,921)
Increase in receivables		(2,661)
Increase in payables		2,040
Cash generated from operations		11,026
Interest received		88
Taxation paid		(425)
Net cash generated from operating activities		10,689
Investing activities		
Purchase of property, plant and equipment	S	(14,861)
Proceeds from disposal of property, plant and equipment		394
Increase in fixed deposits pledged		(33)
Investment in subsidiary		(1,000)
Net cash used in investing activities		(15,500)
Financing activities		
Interest paid		(2,872)
Proceeds from issue of shares		4,040
Short term borrowings raised		4,196
Term loans raised		8,600
Payment of term loans		(1,882)
Payment of hire purchase and finance lease liabilities		(3,379)
Net cash generated from financing activities		8,703

11. ACCOUNTANTS' REPORT (cont'd)**8 (I) HLRB****(iv) Cash flow statement of HLRB (continued)**

	Note	<u>2001</u> RM'000
Net increase in cash and cash equivalents		3,892
Cash and cash equivalents at beginning of the financial year		<u>1,194</u>
Cash and cash equivalents at end of the financial year	T	<u><u>5,086</u></u>

(v) Notes to the financial statements**A General information**

The principal activity of the Company is that of poultry farming.

The number of employees at the end of each financial year in the Company is as follows:

	<u>As at 31 December</u>				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Number of employees	<u>113</u>	<u>140</u>	<u>180</u>	<u>240</u>	<u>336</u>

The Company is a public limited liability company, incorporated and domiciled in Malaysia. On 30 August 2001, the Securities Commission approved the Company's application for listing on the Second Board of the Kuala Lumpur Stock Exchange.

The address of the registered office of the Company is Unit 12A, 12th Floor, Bangunan Yayasan Melaka, Jalan Hang Tuah, 75300 Melaka.

The address of the principal place of business of the Company is PT 1678, Mukim of Serkam, 77300 Merlimau, Melaka.

11. ACCOUNTANTS' REPORT (cont'd)**8 (I) HLRB****(v) Notes to the financial statements (continued)****B Revenue**

	Financial year ended 31 December				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Sale of:					
Eggs	25,151	28,003	36,173	41,864	50,129
Livestock	903	1,306	2,962	3,970	10,076
Chicken manure	180	605	320	431	756
	<u>26,234</u>	<u>29,914</u>	<u>39,455</u>	<u>46,265</u>	<u>60,961</u>

C Profit from operations

The following items have been charged/(credited) in arriving at profit from operations:

	Financial year ended 31 December				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	1,946	2,719	3,047	4,181	6,588
Directors' remuneration					
- fees	60	60	300	120	150
- other emoluments	52	112	208	226	462
Auditors' remuneration					
- current year	11	12	13	15	38
- prior year's underaccrual	-	1	-	2	-
Property, plant and equipment written off	5	3	37	-	-
Rental of land and buildings	-	-	19	33	4
Interest income	(15)	(11)	(145)	(76)	(88)
Gain on disposal of property, plant and equipment	-	-	(117)	-	(212)
Net foreign exchange (gain)/loss					
- realised	(21)	(130)	(238)	(201)	(209)
- unrealised	(3)	10	(8)	(1)	25
Staff cost (excluding directors' remuneration)	<u>979</u>	<u>1,120</u>	<u>1,429</u>	<u>2,143</u>	<u>3,172</u>

11. ACCOUNTANTS' REPORT (cont'd)**8 (I) HLRB****(v) Notes to the financial statements (continued)****D Finance costs**

	Financial year ended 31 December				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense:					
- term loans	811	1,123	852	1,185	1,585
- other borrowings	439	1,054	851	976	1,287
	<u>1,250</u>	<u>2,177</u>	<u>1,703</u>	<u>2,161</u>	<u>2,872</u>

E Taxation

	Financial year ended 31 December				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
In respect of the financial year -					
Malaysian income taxation	77	59	-	640	472
Deferred taxation	523	(386)	-	(67)	(472)
	<u>600</u>	<u>(327)</u>	<u>-</u>	<u>573</u>	<u>-</u>
Adjustment for prior years -					
Malaysian income taxation	1	-	(74)	-	-
Deferred taxation	-	-	-	-	(65)
	<u>601</u>	<u>(327)</u>	<u>(74)</u>	<u>573</u>	<u>(65)</u>

There was no taxation charge on business income for 1999 due to the tax waiver granted pursuant to Section 8 of the Income Tax (Amendment) Act, 1999.

The effective tax rates for 2000 and 2001 were lower than the statutory tax rates due to tax incentives available to HLRB arising from its capital expansion.

F Earnings per share

The earnings per share has been calculated based on the Company's profit after taxation and on the weighted average number of ordinary shares in issue (adjusted for the Bonus Issue of 3,625 new ordinary shares in 2001 as if it had been completed on 1 January 1997) during the relevant financial years.

11. ACCOUNTANTS' REPORT (cont'd)

8 (I) HLRB

(v) Notes to the financial statements (continued)

G Property, plant and equipment

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Building under construction RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<u>Net book value</u>										
At 1.1.1996	-	163	-	5,208	-	2,182	335	121	12	8,021
Additions	114	415	133	69	1,327	3,551	20	220	71	5,920
Depreciation charge	-	(14)	(5)	(586)	-	(288)	(88)	(35)	(8)	(1,024)
At 31.12.1996	114	564	128	4,691	1,327	5,445	267	306	75	12,917
<u>At 31.12.1996</u>										
Cost	114	581	133	5,856	1,327	5,976	439	354	84	14,864
Accumulated depreciation	-	(17)	(5)	(1,165)	-	(531)	(172)	(48)	(9)	(1,947)
Net book value	114	564	128	4,691	1,327	5,445	267	306	75	12,917

II. ACCOUNTANTS' REPORT (cont'd)
8 (I) HLRB
(v) Notes to the financial statements (continued)
G Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Building under construction RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<u>Net book value</u>										
At 1.1.1997	114	564	128	4,691	1,327	5,445	267	306	75	12,917
Additions	1,236	152	185	2,437	-	7,195	1,145	188	22	12,560
Write offs	-	-	-	-	-	-	(4)	-	(1)	(5)
Transfers	-	-	-	1,327	(1,327)	-	-	-	-	-
Depreciation charge	-	(64)	(10)	(839)	-	(769)	(212)	(44)	(8)	(1,946)
At 31.12.1997	1,350	652	303	7,616	-	11,871	1,196	450	88	23,526
<u>At 31.12.1997</u>										
Cost	1,350	733	318	9,620	-	13,171	1,578	542	105	27,417
Accumulated depreciation	-	(81)	(15)	(2,004)	-	(1,300)	(382)	(92)	(17)	(3,891)
Net book value	1,350	652	303	7,616	-	11,871	1,196	450	88	23,526

II. ACCOUNTANTS' REPORT (cont'd)
8. (I) HLRB
(v) Notes to the financial statements (continued)
G Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Road RM'000	Total RM'000
Net book value										
At 1.1.1998	1,350	652	303	7,616	11,871	1,196	450	88	-	23,526
Additions	95	9	7	692	556	-	398	27	104	1,888
Write offs	-	-	-	-	-	-	-	(3)	-	(3)
Depreciation charge	-	(77)	(12)	(1,008)	(1,211)	(316)	(82)	(12)	(1)	(2,719)
At 31.12.1998	1,445	584	298	7,300	11,216	880	766	100	103	22,692
At 31.12.1998										
Cost	1,445	742	325	10,312	13,727	1,578	940	128	104	29,301
Accumulated depreciation	-	(158)	(27)	(3,012)	(2,511)	(698)	(174)	(28)	(1)	(6,609)
Net book value	1,445	584	298	7,300	11,216	880	766	100	103	22,692

II. ACCOUNTANTS' REPORT (cont'd)
8 (I) HLRB
(v) Notes to the financial statements (continued)
G Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Road RM'000	Total RM'000
Net book value										
At 1.1.1999	1,445	584	298	7,300	11,216	880	766	100	103	22,692
Additions	2,029	-	2	1,916	3,343	1,117	192	15	14	8,628
Disposals	-	-	-	-	-	(178)	-	-	-	(178)
Write offs	-	-	-	-	(37)	-	-	-	-	(37)
Depreciation charge	-	(78)	(12)	(1,100)	(1,370)	(361)	(101)	(13)	(12)	(3,047)
At 31.12.1999	3,474	506	288	8,116	13,152	1,458	857	102	105	28,058
At 31.12.1999										
Cost	3,474	742	327	12,228	17,009	2,290	1,132	143	118	37,463
Accumulated depreciation	-	(236)	(39)	(4,112)	(3,857)	(832)	(275)	(41)	(13)	(9,405)
Net book value	3,474	506	288	8,116	13,152	1,458	857	102	105	28,058

II. ACCOUNTANTS' REPORT (cont'd)
8. (I) HLRB
(v) Notes to the financial statements (continued)
G Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Road RM'000	Total RM'000
<u>Net book value</u>										
At 1.1.2000	3,474	506	288	8,116	13,152	1,458	857	102	105	28,058
Additions	3,191	-	395	5,337	10,217	347	1,177	89	35	20,788
Transfers	-	(346)	346	-	-	-	-	-	-	-
Depreciation charge	-	(5)	(91)	(1,437)	(1,986)	(458)	(172)	(17)	(15)	(4,181)
At 31.12.2000	<u>6,665</u>	<u>155</u>	<u>938</u>	<u>12,016</u>	<u>21,383</u>	<u>1,347</u>	<u>1,862</u>	<u>174</u>	<u>125</u>	<u>44,665</u>
At 31.12.2000										
Cost	6,665	179	1,285	17,565	27,226	2,637	2,309	232	153	58,251
Accumulated depreciation	-	(24)	(347)	(5,549)	(5,843)	(1,290)	(447)	(58)	(28)	(13,586)
Net book value	<u>6,665</u>	<u>155</u>	<u>938</u>	<u>12,016</u>	<u>21,383</u>	<u>1,347</u>	<u>1,862</u>	<u>174</u>	<u>125</u>	<u>44,665</u>

II. ACCOUNTANTS' REPORT (cont'd)
8 (I) HLRB
(v) Notes to the financial statements (continued)
G Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Road RM'000	Total RM'000
<u>Net book value</u>										
At 1.1.2001	6,665	155	938	12,016	21,383	1,347	1,862	174	125	44,665
Revaluation surplus	522	670	527	15,869	-	-	(1,710)	-	-	15,878
Additions	611	-	200	3,383	12,982	1,086	1,058	78	-	19,398
Disposals	-	-	-	-	(152)	(29)	-	-	-	(181)
Depreciation charge	-	(14)	(57)	(2,740)	(3,095)	(573)	(64)	(29)	(15)	(6,588)
At 31.12.2001	7,798	811	1,608	28,528	31,118	1,831	1,146	223	110	73,172
At 31.12.2001										
Cost	673	-	200	3,715	39,770	3,643	1,248	309	153	49,711
Valuation	7,125	825	1,465	27,590	-	-	-	-	-	37,005
Accumulated depreciation	-	(14)	(57)	(2,777)	(8,652)	(1,812)	(102)	(86)	(43)	(13,544)
Net book value	7,798	811	1,608	28,528	31,118	1,831	1,146	223	110	73,172

11. ACCOUNTANTS' REPORT (cont'd)**8 (I) HLRB****(v) Notes to the financial statements (continued)****G Property, plant and equipment (continued)**

The land and buildings were revalued on 1 January 2001 by the following independent qualified valuer using the open market value method to reflect fair value:

- Lee Thiam Sing, a member of the Institution of Surveyors, Malaysia, a director of Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd

The book values of the land and buildings were adjusted to reflect the revaluations and the resultant surpluses were credited to revaluation reserve.

Details of revalued land and buildings had these assets been carried at cost less accumulated depreciation:

	<u>2001</u> RM'000
Net book value	
- freehold land	6,603
- long leasehold land	151
- short leasehold land	983
- buildings	<u>10,633</u>
	<u>18,370</u>

Property, plant and equipment acquired under hire purchase and finance lease agreements:

	<u>As at 31 December</u>					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value	<u>1,254</u>	<u>5,686</u>	<u>5,716</u>	<u>5,321</u>	<u>10,391</u>	<u>12,906</u>

Property, plant and equipment pledged as security for bank borrowings:

	<u>As at 31 December</u>					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value	<u>9,697</u>	<u>9,455</u>	<u>9,005</u>	<u>10,528</u>	<u>16,970</u>	<u>35,223</u>

11. ACCOUNTANTS' REPORT (cont'd)**8. (I) HLRB****(v) Notes to the financial statements (continued)****H Subsidiaries**

	Financial year ended 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Carrying amount</u>						
At 1 January	-	*	200	200	200	700
Revaluation surplus	-	-	-	-	-	1,926
Additions	*	200	-	-	500	1,000
At 31 December	<u>*</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>700</u>	<u>3,626</u>
At 31 December						
Cost	*	200	200	200	700	1,000
Valuation	-	-	-	-	-	2,626
Carrying amount	<u>*</u>	<u>200</u>	<u>200</u>	<u>200</u>	<u>700</u>	<u>3,626</u>

*RM2

The subsidiaries were revalued on 1 January 2001 by the directors to reflect the net tangible asset values of the subsidiaries which had been adjusted for the revaluation of their respective landed properties.

The carrying amounts of the subsidiaries were adjusted to reflect the revaluations and the resultant surpluses were credited to revaluation reserve.

Details of the subsidiaries, which are unquoted and incorporated in Malaysia are as follows:

Name of company

Green Friend Fertilizer Sdn Bhd

Principal activity

Manufacturing of fertilizer

Equity interest

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
% equity interest	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

11. ACCOUNTANTS' REPORT (cont'd)**8. (I) HLRB****(v) Notes to the financial statements (continued)****H Subsidiaries (continued)**Name of company

Huat Lai Paper Products Sdn Bhd

Principal activity

Commenced operations in October 2001 in the production of paper egg trays

Equity interest

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
% equity interest	-	-	-	-	-	100

I Inventories

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>At cost</u>						
Livestocks	4,203	5,659	8,025	7,383	13,213	15,949
Eggs	33	131	56	36	307	488
Poultry feeds	132	1,024	904	1,524	1,547	3,551
	<u>4,368</u>	<u>6,814</u>	<u>8,985</u>	<u>8,943</u>	<u>15,067</u>	<u>19,988</u>

11. ACCOUNTANTS' REPORT (cont'd)**8 (I) HLRB****(v) Notes to the financial statements (continued)****J Receivables, deposits and prepayments**

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	480	892	1,019	2,149	2,804	4,293
Less: Allowance for doubtful debts	-	-	-	-	-	-
	<u>480</u>	<u>892</u>	<u>1,019</u>	<u>2,149</u>	<u>2,804</u>	<u>4,293</u>
Advances to suppliers and staff	205	54	5	50	48	-
Deposits	247	13	24	17	29	233
Prepayments	105	205	203	289	625	1,259
	<u>1,037</u>	<u>1,164</u>	<u>1,251</u>	<u>2,505</u>	<u>3,506</u>	<u>5,785</u>

K Amounts receivable from subsidiaries

The amounts receivable from subsidiaries are unsecured and interest free with no fixed terms of repayment.

L Payables

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	4,887	8,041	6,514	3,543	6,110	8,356
Trade accruals	92	129	155	191	338	325
Amounts payable to directors	112	1,332	200	197	192	-
	<u>5,091</u>	<u>9,502</u>	<u>6,869</u>	<u>3,931</u>	<u>6,640</u>	<u>8,681</u>

The amounts payable to directors are unsecured and interest free with no fixed terms of repayment.

11. ACCOUNTANTS' REPORT (cont'd)**8. (I) HLRB****(v) Notes to the financial statements (continued)****M Hire purchase and finance lease liabilities**

	As at 31 December					
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Minimum payments:						
Not later than one year	629	1,616	1,649	1,988	3,534	3,936
Later than one year and not later than two years	279	1,092	1,367	1,293	2,336	2,345
Later than two years and not later than five years	13	1,915	1,112	490	2,398	3,249
	<u>921</u>	<u>4,623</u>	<u>4,128</u>	<u>3,771</u>	<u>8,268</u>	<u>9,530</u>
Less: Future finance charges	(68)	(931)	(706)	(476)	(1,214)	(1,320)
	<u>853</u>	<u>3,692</u>	<u>3,422</u>	<u>3,295</u>	<u>7,054</u>	<u>8,210</u>
Representing hire purchase and finance lease liabilities:						
Current	573	1,209	1,277	1,653	2,903	3,298
Non-current (Note Q)	280	2,483	2,145	1,642	4,151	4,912
	<u>853</u>	<u>3,692</u>	<u>3,422</u>	<u>3,295</u>	<u>7,054</u>	<u>8,210</u>

**N Short term borrowings
(secured)**

Term loans (Note Q)	943	1,142	1,276	1,848	3,293	4,969
Bankers' acceptances	-	-	1,000	4,283	5,790	9,998
Debt factoring	900	1,000	1,000	-	-	-
Bank overdrafts	-	-	441	-	-	-
Revolving credit	-	2,501	2,499	2,499	2,360	2,348
	<u>1,843</u>	<u>4,643</u>	<u>6,216</u>	<u>8,630</u>	<u>11,443</u>	<u>17,315</u>

The short term borrowings as at 31 December 2001 are secured by a debenture over all fixed and floating assets, charges over certain of the Company's land and buildings, fixed deposits of RM2,202,000 with the banks, and a joint and several guarantee by all the directors of the Company.

11. ACCOUNTANTS' REPORT (cont'd)**8 (I) HLRB****(v) Notes to the financial statements (continued)****N Short term borrowings (secured) (continued)**

Interest on the borrowings was levied at rates ranging as follows:

	Financial year ended 31 December				
	1997	1998	1999	2000	2001
	%	%	%	%	%
Range of interest rates (per annum)	10.7 to 12.3	6.5 to 14.5	3.1 to 11.3	3.1 to 9.5	3.03 to 8.6

O Share capital

	As at 31 December					
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM1.00 each						
Authorised:						
At 1 January	500	10,000	10,000	10,000	10,000	10,000
Created during the financial year	9,500	-	-	-	-	90,000
At 31 December	10,000	10,000	10,000	10,000	10,000	100,000
Issued and fully paid:						
At 1 January	450	4,450	4,804	6,124	6,124	8,299
Issued during the financial year	4,000	354	1,320	-	2,175	34,121
At 31 December	4,450	4,804	6,124	6,124	8,299	42,420

P Retained profits

As at 31 December 2001 subject to agreement by the tax authorities, the Company has the following:

- tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends of approximately RM2,971,000; and
- tax exempt income of approximately RM16,220,000 for the distribution of tax exempt dividends.

11. ACCOUNTANTS' REPORT (cont'd)**8 (I) HLRB****(v) Notes to the financial statements (continued)****Q Non-current liabilities**

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Hire purchase and finance lease liabilities (Note M)	280	2,483	2,145	1,642	4,151	4,912
Deferred tax liabilities (Note R)	605	1,128	742	742	675	138
	<u>885</u>	<u>3,611</u>	<u>2,887</u>	<u>2,384</u>	<u>4,826</u>	<u>5,050</u>
Term loans (secured)	6,569	7,660	8,204	11,137	15,882	22,600
Less: Amount repayable within 12 months (Note N)	(943)	(1,142)	(1,276)	(1,848)	(3,293)	(4,969)
	<u>5,626</u>	<u>6,518</u>	<u>6,928</u>	<u>9,289</u>	<u>12,589</u>	<u>17,631</u>
Total	<u>6,511</u>	<u>10,129</u>	<u>9,815</u>	<u>11,673</u>	<u>17,415</u>	<u>22,681</u>

The term loans as at 31 December 2001 are secured by debentures over all fixed and floating assets, charges over certain of the Company's land and buildings, fixed deposits of RM46,100 with the banks, and joint and several guarantees by certain directors of the Company.

The maturity periods of the term loans as at 31 December 2001 are as follows:

	<u>2001</u>
	RM'000
Not later than one year	4,969
Later than one year and not later than two years	4,078
Later than two years and not later than five years	7,767
Later than five years	5,786
	<u>22,600</u>

Interest on the borrowings was levied at rates ranging as follows:

	Financial year ended 31 December				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	%	%	%	%	%
Range of interest rates (per annum)	4.0 to 10.8	4.0 to 15.5	4.0 to 12.25	4.0 to 9.95	4.0 to 9.1

11. ACCOUNTANTS' REPORT (cont'd)**8. (I) HLRB****(v) Notes to the financial statements (continued)****R Deferred tax liabilities**

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tax effects of timing differences between depreciation and capital allowances:						
At 1 January	-	605	1,128	742	742	675
Debited/(credited) to income statement	605	523	(386)	-	(67)	(537)
At 31 December	<u>605</u>	<u>1,128</u>	<u>742</u>	<u>742</u>	<u>675</u>	<u>138</u>

The deferred tax effects of revalued assets are not disclosed because the Company has no intention to dispose of these assets in the foreseeable future.

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unutilised reinvestment allowance carried forward						
- arising in current financial year	-	-	4,628	1,147	2,400	5,984
- as at financial year end	<u>-</u>	<u>-</u>	<u>4,628</u>	<u>5,775</u>	<u>8,175</u>	<u>14,159</u>

11. ACCOUNTANTS' REPORT *(cont'd)***8 (I) HLRB****(v) Notes to the financial statements (continued)****S Purchase of property, plant and equipment**

During the financial year ended 31 December 2001, the Company purchased property, plant and equipment with an aggregate cost of RM19,398,000 of which RM4,537,000 was acquired by means of hire purchase and finance lease agreements. Cash payment of RM14,861,000 was made to purchase these property plant and equipment.

T Cash and cash equivalents

	Year ended 31 December 2001 RM'000
Cash and bank balances	5,086
Fixed deposits with licensed banks	2,409
	<u>7,495</u>
Less: Fixed deposits pledged	(2,409)
	<u><u>5,086</u></u>

The fixed deposits were pledged as security for bank borrowings and guarantee facilities granted to the Company.

11. ACCOUNTANTS' REPORT (cont'd)**8 (I) HLRB****(v) Notes to the financial statements (continued)****U Significant related party disclosures**

In addition to related party disclosures mentioned elsewhere in this report, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

	Financial year ended 31 December				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Sales of chicken manure to Green Friend Fertilizer Sdn Bhd, a subsidiary	180	605	320	210	211
Purchase of paper egg trays from Huat Lai Paper Products Sdn Bhd, a subsidiary	-	-	-	-	431
Purchases of land from:					
- Lim Yaw Hor, Lim Yaw Pah and Lim Yew Kwang	-	-	-	395	-
- Lim Yeow Kian, Lim Yeow Her and Lim Yew Chua	-	-	-	720	-
- Lim Yaw Tin, Lim Yeow Kian, Lim Yeow Siong and Tan Lian Eng	-	-	-	1,060	-
- Lim Yeow Siong	607	-	-	-	-
- Lim Yaw Tin	255	-	-	-	-

Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong are directors and substantial shareholders of HLRB. Lim Yaw Tin is a director of HLRB.

Lim Yeow Her, Lim Yeow Kian, Lim Yeow Siong, Lim Yaw Tin, Lim Yaw Hor, Lim Yaw Pah, Lim Yew Kwang and Lim Yew Chua are siblings. Tan Lian Eng is the wife of Lim Yeow Her.

The purchases of land as described above were based on market valuations carried out by an independent firm of valuers.

11. ACCOUNTANTS' REPORT *(cont'd)***8 (I) HLRB****(v) Notes to the financial statements (continued)****V Capital commitments**

Capital expenditure not provided for in the financial statements in respect of property, plant and equipment are as follows:

	<u>As at 31 December</u>					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Authorised and contracted	643	81	180	5,726	-	344
Authorised but not contracted	-	-	-	-	-	12,895
	<u>643</u>	<u>81</u>	<u>180</u>	<u>5,726</u>	<u>-</u>	<u>13,239</u>

W Contingent liabilities (unsecured)

As at 31 December 2001, the Company issued guarantees to a licensed bank amounting to RM6,000,000 for banking facilities extended to a subsidiary.

11. ACCOUNTANTS' REPORT (cont'd)**8 FINANCIAL STATEMENTS (CONTINUED)****(II) HLRB Group****(i) Income statements of HLRB Group**

The summarised audited consolidated income statements of HLRB Group for the past five (5) years ended 31 December 1996 to 2001 are as follows:

	Note	Financial year ended 31 December				
		1997	1998	1999	2000	2001
		RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	B	26,461	30,987	40,564	47,276	62,056
Cost of sales		(21,538)	(24,369)	(29,490)	(32,643)	(47,852)
Gross profit		4,923	6,618	11,074	14,633	14,204
Other operating income		16	135	305	78	105
Administrative expenses		(1,155)	(1,453)	(1,951)	(2,153)	(3,049)
Distribution costs		(329)	(443)	(588)	(735)	(779)
Profit from operations	C	3,455	4,857	8,840	11,823	10,481
Finance costs	D	(1,302)	(2,395)	(1,916)	(2,369)	(3,244)
Profit before taxation		2,153	2,462	6,924	9,454	7,237
Taxation	E	(601)	309	50	(599)	15
Profit after taxation		1,552	2,771	6,974	8,855	7,252
Weighted average number of ordinary shares in issue ('000)		17,172	19,985	22,199	25,462	38,408
Earnings per share (sen)						
- basic	F	9	14	31	35	19
Gross dividend rate (%)		-	-	-	-	-

11. ACCOUNTANTS' REPORT (cont'd)**8 FINANCIAL STATEMENTS (CONTINUED)****(II) HLRB Group****(ii) Balance sheets of HLRB Group**

The summarised audited consolidated balance sheets of HLRB Group as at 31 December 1996, 1997, 1998, 1999, 2000 and 2001 are as follows:

	Note	As at 31 December					
		1996	1997	1998	1999	2000	2001
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets							
Property, plant and equipment	G	13,126	26,019	24,959	31,638	48,333	84,496
Preliminary and pre-operating expenses	H	5	53	40	27	-	-
		<u>13,131</u>	<u>26,072</u>	<u>24,999</u>	<u>31,665</u>	<u>48,333</u>	<u>84,496</u>
Current assets							
Inventories	I	4,368	6,921	9,032	8,995	15,159	20,300
Receivables, deposits and prepayments	J	1,037	1,538	1,646	3,168	3,943	6,365
Fixed deposits with licensed banks		50	66	1,116	2,196	2,468	2,521
Cash and bank balances		737	664	733	717	1,478	5,417
		<u>6,192</u>	<u>9,189</u>	<u>12,527</u>	<u>15,076</u>	<u>23,048</u>	<u>34,603</u>
Less: Current liabilities							
Payables	K	5,097	9,951	7,284	4,787	6,724	9,512
Hire purchase and finance lease liabilities	L	573	1,639	1,714	1,994	3,336	3,580
Short term borrowings	M	1,843	4,748	6,467	8,881	12,192	18,161
Current tax liabilities		-	78	59	-	625	676
		<u>7,513</u>	<u>16,416</u>	<u>15,524</u>	<u>15,662</u>	<u>22,877</u>	<u>31,929</u>
Net current (liabilities)/ assets		<u>(1,321)</u>	<u>(7,227)</u>	<u>(2,997)</u>	<u>(586)</u>	<u>171</u>	<u>2,674</u>
		<u>11,810</u>	<u>18,845</u>	<u>22,002</u>	<u>31,079</u>	<u>48,504</u>	<u>87,170</u>

11. ACCOUNTANTS' REPORT (cont'd)**8. FINANCIAL STATEMENTS (CONTINUED)****(II) HLRB Group****(ii) Balance sheets of HLRB Group (continued)**

		As at 31 December					
	Note	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Capital and reserves							
Share capital	N	4,450	4,804	6,124	6,124	8,299	42,420
Revaluation reserve		-	-	-	-	-	7,871
Retained profits		849	2,401	5,172	12,146	21,001	8,051
Shareholders' equity		<u>5,299</u>	<u>7,205</u>	<u>11,296</u>	<u>18,270</u>	<u>29,300</u>	<u>58,342</u>
Non-current liabilities							
	O	<u>6,511</u>	<u>11,640</u>	<u>10,706</u>	<u>12,809</u>	<u>19,204</u>	<u>28,828</u>
		<u>11,810</u>	<u>18,845</u>	<u>22,002</u>	<u>31,079</u>	<u>48,504</u>	<u>87,170</u>

11. ACCOUNTANTS' REPORT (cont'd)**8 FINANCIAL STATEMENTS (CONTINUED)****(II) HLRB Group****(iii) Consolidated statements of changes in equity**

The summarised audited consolidated statements of changes in equity of HLRB Group for the past five (5) financial years ended 31 December 1997 to 2001 are as follows:

	Issued and fully paid ordinary shares of RM1.00 each		Non- distributable	Distri- butable	Total
	Number of shares	Nominal value	Revaluation reserve	Retained profits	
	'000	RM'000	RM'000	RM'000	RM'000
At 1 January 1997	4,450	4,450	-	849	5,299
Issue of shares	354	354	-	-	354
Net profit for the financial year	-	-	-	1,552	1,552
At 31 December 1997	4,804	4,804	-	2,401	7,205
Issue of shares	1,320	1,320	-	-	1,320
Net profit for the financial year	-	-	-	2,771	2,771
At 31 December 1998	6,124	6,124	-	5,172	11,296
Net profit for the financial year	-	-	-	6,974	6,974
At 31 December 1999	6,124	6,124	-	12,146	18,270
Issue of shares	2,175	2,175	-	-	2,175
Net profit for the financial year	-	-	-	8,855	8,855
At 31 December 2000	8,299	8,299	-	21,001	29,300
Surplus on revaluation of land and buildings	-	-	17,750	-	17,750
Net gain not recognised in income statement	-	-	17,750	-	17,750
Issue of shares					
- Bonus issue	30,081	30,081	(9,879)	(20,202)	-
- Rights issue	4,040	4,040	-	-	4,040
Net profit for the financial year	-	-	-	7,252	7,252
At 31 December 2001	42,420	42,420	7,871	8,051	58,342

11. ACCOUNTANTS' REPORT (cont'd)**8 FINANCIAL STATEMENTS (CONTINUED)****(II) HLRB Group****(iv) Cash flow statement of HLRB Group**

The audited consolidated cash flow statement of HLRB Group for the financial year ended 31 December 2001 is as follows:

	Note	<u>2001</u> RM'000
Operating activities		
Net profit for the financial year		7,252
Adjustments for :		
Depreciation of property, plant and equipment		7,352
Gain on disposal of property, plant and equipment		(212)
Interest expense		3,244
Interest income		(97)
Unrealised exchange loss		25
Taxation credit		(15)
Operating profit before working capital changes		17,549
Increase in inventories		(5,141)
Increase in receivables		(2,447)
Increase in payables		2,788
Cash generated from operations		12,749
Interest received		97
Taxation paid		(424)
Net cash generated from operating activities		12,422
Investing activities		
Purchase of property, plant and equipment	Q	(21,221)
Proceeds from disposal of property, plant and equipment		395
Increase in fixed deposits pledged		(55)
Net cash used in investing activities		(20,881)
Financing activities		
Interest paid		(3,244)
Proceeds from issue of shares		4,040
Short term borrowings raised		4,196
Term loans raised		13,633
Payment of term loans		(2,387)
Payment of hire purchase and finance lease liabilities		(3,842)
Net cash generated from financing activities		12,396
Net increase in cash and cash equivalents		3,937
Cash and cash equivalents at beginning of the financial year		1,500
Cash and cash equivalents at end of the financial year	R	5,437

11. ACCOUNTANTS' REPORT *(cont'd)***8. (II) HLRB Group****(v) Notes to the financial statements****A General information**

The principal activity of the Company is that of poultry farming. The principal activities of its subsidiaries are as follows:

<u>Name of company</u>	<u>Principal activity</u>
Green Friend Fertilizer Sdn Bhd	Manufacturing of fertilizers
Huat Lai Paper Products Sdn Bhd	Commenced operations in October 2001 in the production of paper egg trays

The number of employees at the end of each financial year/period in the Group is as follows:

	<u>As at 31 December</u>				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Number of employees	<u>115</u>	<u>142</u>	<u>187</u>	<u>243</u>	<u>351</u>

The Company is a public limited liability company, incorporated and domiciled in Malaysia. On 30 August 2001, the Securities Commission approved the Company's application for listing on the Second Board of the Kuala Lumpur Stock Exchange.

The address of the registered office of the Company is Unit 12A, 12th Floor, Bangunan Yayasan Melaka, Jalan Hang Tuah, 75300 Melaka.

The address of the principal place of business of the Company is PT 1678, Mukim of Serkam, 77300 Merlimau, Melaka.

11. ACCOUNTANTS' REPORT (cont'd)**8. (II) HLRB Group****(v) Notes to the financial statements (continued)****B Revenue**

	Financial year ended 31 December				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Sale of:					
Eggs	25,151	28,003	36,173	41,864	50,129
Livestock	903	1,306	2,962	3,970	10,076
Fertilizer and chicken manure	407	1,678	1,429	1,442	1,781
Paper egg trays	-	-	-	-	70
	<u>26,461</u>	<u>30,987</u>	<u>40,564</u>	<u>47,276</u>	<u>62,056</u>

C Profit from operations

The following items have been charged/(credited) in arriving at profit from operations:

	Financial year ended 31 December				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	2,043	2,962	3,398	4,639	7,352
Directors' remuneration					
- fees	60	60	300	120	150
- other emoluments	52	148	242	248	462
Auditors' remuneration					
- current year	15	15	15	18	51
- prior year's underaccrual	-	2	-	3	-
Property, plant and equipment written off	5	3	37	-	-
Rental of land and buildings	-	-	19	33	5
Preliminary and pre-operating expenses amortised/written off	14	13	13	27	-
Interest income	(15)	(12)	(146)	(76)	(97)
Gain on disposal of property, plant and equipment	-	-	(117)	-	(212)
Net foreign exchange (gain)/loss					
- realised	(21)	(130)	(238)	(201)	(209)
- unrealised	(3)	10	(8)	(1)	25
Staff cost (excluding directors' remuneration)	<u>988</u>	<u>1,208</u>	<u>1,522</u>	<u>2,211</u>	<u>3,236</u>

11. ACCOUNTANTS' REPORT (cont'd)**8. (II) HLRB Group****(v) Notes to the financial statements (continued)****D Finance costs**

	Financial year ended 31 December				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense:					
- term loans	823	1,264	960	1,296	1,903
- other borrowings	479	1,131	956	1,073	1,341
	<u>1,302</u>	<u>2,395</u>	<u>1,916</u>	<u>2,369</u>	<u>3,244</u>

E Taxation

In respect of the financial year -

Malaysian income taxation	77	59	-	640	475
Deferred taxation	523	(368)	24	(41)	(388)
	<u>600</u>	<u>(309)</u>	<u>24</u>	<u>599</u>	<u>87</u>
Adjustment for prior years -					
Malaysian income taxation	1	-	(74)	-	-
Deferred taxation	-	-	-	-	(102)
	<u>601</u>	<u>(309)</u>	<u>(50)</u>	<u>599</u>	<u>(15)</u>

There was no taxation charge on business income for 1999 due to the tax waiver granted pursuant to Section 8 of the Income Tax (Amendment) Act, 1999.

The effective tax rates for 2000 and 2001 were lower than the statutory tax rates due to tax incentives available to the Group arising from its capital expansion.

	Financial year ended 31 December				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Tax saving as a result of the utilisation of current year tax losses for which credit is recognised during the year	<u>119</u>	<u>33</u>	<u>5</u>	<u>-</u>	<u>-</u>

11. ACCOUNTANTS' REPORT *(cont'd)*

8 (II) HLRB Group

(v) Notes to the financial statements (continued)

F Earnings per share

The earnings per share has been calculated based on HLRB Group's profit after taxation and on the weighted average number of ordinary shares in issue (adjusted for the Bonus Issue of 3,625 new ordinary shares in 2001 as if it had been completed on 1 January 1997) during the relevant financial years.

II. ACCOUNTANTS' REPORT (cont'd)

8 (II) HLRB Group

(v) Notes to the financial statements (continued)

G Property, plant and equipment

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Building under construction RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<u>Net book value</u>										
At 1.1.1996	-	163	-	5,208	-	2,183	335	121	12	8,021
Additions	323	415	133	69	1,327	3,551	20	220	71	6,129
Depreciation charge	-	(14)	(5)	(586)	-	(288)	(88)	(35)	(8)	(1,024)
At 31.12.1996	<u>323</u>	<u>564</u>	<u>128</u>	<u>4,691</u>	<u>1,327</u>	<u>5,445</u>	<u>267</u>	<u>306</u>	<u>75</u>	<u>13,126</u>
<u>At 31.12.1996</u>										
Cost	323	581	133	5,856	1,327	5,976	439	354	84	15,073
Accumulated depreciation	-	(17)	(5)	(1,165)	-	(531)	(172)	(48)	(9)	(1,947)
Net book value	<u>323</u>	<u>564</u>	<u>128</u>	<u>4,691</u>	<u>1,327</u>	<u>5,445</u>	<u>267</u>	<u>306</u>	<u>75</u>	<u>13,126</u>

II. ACCOUNTANTS' REPORT (cont'd)

8 (II) HLRB Group

(v) Notes to the financial statements (continued)

G Property, plant and equipment

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Building under construction RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Net book value										
At 1.1.1997	323	564	128	4,691	1,327	5,445	267	306	75	13,126
Additions	1,276	152	185	3,236	-	8,623	1,234	213	22	14,941
Write offs	-	-	-	-	-	-	(4)	-	(1)	(5)
Transfers	-	-	-	1,327	(1,327)	-	-	-	-	-
Depreciation charge	-	(64)	(10)	(870)	-	(827)	(219)	(45)	(8)	(2,043)
At 31.12.1997	1,599	652	303	8,384	-	13,241	1,278	474	88	26,019

At 31.12.1997

Cost	1,599	733	318	10,419	-	14,599	1,667	567	105	30,007
Accumulated depreciation	-	(81)	(15)	(2,035)	-	(1,358)	(389)	(93)	(17)	(3,988)
Net book value	1,599	652	303	8,384	-	13,241	1,278	474	88	26,019

II. ACCOUNTANTS' REPORT (cont'd)

8 (II) HLRB Group

(v) Notes to the financial statements (continued)

G Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Road RM'000	Total RM'000
<u>Net book value</u>										
At 1.1.1998	1,599	652	303	8,384	13,241	1,278	474	88	-	26,019
Additions	95	9	7	692	561	-	398	39	104	1,905
Write offs	-	-	-	-	-	-	-	(3)	-	(3)
Depreciation charge	-	(77)	(12)	(1,088)	(1,354)	(333)	(85)	(12)	(1)	(2,962)
At 31.12.1998	<u>1,694</u>	<u>584</u>	<u>298</u>	<u>7,988</u>	<u>12,448</u>	<u>945</u>	<u>787</u>	<u>112</u>	<u>103</u>	<u>24,959</u>
At 31.12.1998										
Cost	1,694	742	325	11,111	15,160	1,667	965	140	104	31,908
Accumulated depreciation	-	(158)	(27)	(3,123)	(2,712)	(722)	(178)	(28)	(1)	(6,949)
Net book value	<u>1,694</u>	<u>584</u>	<u>298</u>	<u>7,988</u>	<u>12,448</u>	<u>945</u>	<u>787</u>	<u>112</u>	<u>103</u>	<u>24,959</u>



II. ACCOUNTANTS' REPORT (cont'd)

8 (II) HLRB Group

(v) Notes to the financial statements (continued)

G Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Road RM'000	Total RM'000
<u>Net book value</u>										
At 1.1.1999	1,694	584	298	7,988	12,448	945	787	112	103	24,959
Additions	2,042	-	2	2,280	4,388	1,354	197	15	14	10,292
Disposals	-	-	-	-	-	(178)	-	-	-	(178)
Write offs	-	-	-	-	(37)	-	-	-	-	(37)
Depreciation charge	-	(78)	(12)	(1,198)	(1,566)	(414)	(104)	(14)	(12)	(3,398)
At 31.12.1999	<u>3,736</u>	<u>506</u>	<u>288</u>	<u>9,070</u>	<u>15,233</u>	<u>1,707</u>	<u>880</u>	<u>113</u>	<u>105</u>	<u>31,638</u>
<u>At 31.12.1999</u>										
Cost	3,736	742	327	13,391	19,487	2,616	1,162	155	118	41,734
Accumulated depreciation	-	(236)	(39)	(4,321)	(4,254)	(909)	(282)	(42)	(13)	(10,096)
Net book value	<u>3,736</u>	<u>506</u>	<u>288</u>	<u>9,070</u>	<u>15,233</u>	<u>1,707</u>	<u>880</u>	<u>113</u>	<u>105</u>	<u>31,638</u>



II. ACCOUNTANTS' REPORT (cont'd)
8 (II) HLRB Group
(v) Notes to the financial statements (continued)
G Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Road RM'000	Total RM'000
<u>Net book value</u>										
At 1.1.2000	3,736	506	288	9,070	15,233	1,707	880	113	105	31,638
Additions	3,392	-	395	5,399	10,377	421	1,226	89	35	21,334
Transfers	-	(346)	346	-	-	-	-	-	-	-
Depreciation charge	-	(5)	(91)	(1,558)	(2,243)	(532)	(176)	(19)	(15)	(4,639)
At 31.12.2000	7,128	155	938	12,911	23,367	1,596	1,930	183	125	48,333
<u>At 31.12.2000</u>										
Cost	7,128	179	1,285	18,790	29,864	3,037	2,388	244	153	63,068
Accumulated depreciation	-	(24)	(347)	(5,879)	(6,497)	(1,441)	(458)	(61)	(28)	(14,735)
Net book value	7,128	155	938	12,911	23,367	1,596	1,930	183	125	48,333

II. ACCOUNTANTS' REPORT (cont'd)

8 (II) HLRB Group

(v) Notes to the financial statements (continued)

G Property, plant and equipment (continued)

	Freehold land RM'000	Long leasehold land RM'000	Short leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Electrical installation RM'000	Office equipment, furniture and fittings RM'000	Road RM'000	Total RM'000
<u>Net book value</u>										
At 1.1.2001	7,128	155	938	12,911	23,367	1,596	1,930	183	125	48,333
Revaluation surplus	579	670	527	17,753	-	-	(1,780)	-	-	17,749
Additions	1,484	-	200	4,470	17,221	1,153	1,331	89	-	25,948
Disposals	-	-	-	-	(152)	(30)	-	-	-	(182)
Depreciation charge	-	(14)	(57)	(3,045)	(3,465)	(656)	(70)	(30)	(15)	(7,352)
At 30.9.2001	9,191	811	1,608	32,089	36,971	2,063	1,411	242	110	84,496
<u>At 31.12.2001</u>										
Cost	1,546	-	200	4,802	46,648	4,109	1,521	333	153	59,312
Valuation	7,645	825	1,465	30,370	-	-	-	-	-	40,305
Accumulated depreciation	-	(14)	(57)	(3,083)	(9,677)	(2,046)	(110)	(91)	(43)	(15,121)
Net book value	9,191	811	1,608	32,089	36,971	2,063	1,411	242	110	84,496



11. ACCOUNTANTS' REPORT (cont'd)**8 (II) HLRB Group****(v) Notes to the financial statements (continued)****G Property, plant and equipment (continued)**

The land and buildings were revalued on 1 January 2001 by the following independent qualified valuer using the open market value method to reflect fair value:

- Lee Thiam Sing, a member of the Institution of Surveyors, Malaysia, a director of Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd

The book values of the land and buildings were adjusted to reflect the revaluations and the resultant surpluses were credited to revaluation reserve.

Details of revalued land and buildings had these assets been carried at cost less accumulated depreciation:

	<u>2001</u> RM'000
Net book value	
- freehold land	7,066
- long leasehold land	151
- short leasehold land	983
- buildings	11,497
	<u>19,697</u>

Property, plant and equipment acquired under hire purchase and finance lease agreements:

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value	1,254	7,119	6,993	6,502	11,609	14,057

Property, plant and equipment pledged as security for bank borrowings:

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value	9,697	9,704	9,253	10,791	18,400	40,178

11. ACCOUNTANTS' REPORT (cont'd)**8 (II) HLRB Group****(v) Notes to the financial statements (continued)****H Preliminary and pre-operating expenses**

In the previous years 1996 to 1999, HLRB Group adopted the policy whereby preliminary and pre-operating expenses were deferred and amortised over a period of 5 years. Under MASB No.1 – Presentation of Financial Statements and HLRB Group's current accounting policies, preliminary and pre-operating expenses are charged to the income statement when incurred. No adjustment has been made to the financial figures for 1996 to 1999 in this Accountants' Report as the change in accounting policy has no material effect on the current period or any prior periods presented.

I Inventories

	As at 31 December					
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>At cost</u>						
Livestocks	4,203	5,659	8,025	7,383	13,213	15,949
Eggs	33	131	56	36	307	488
Poultry feeds	132	1,024	904	1,524	1,547	3,551
Fertilizer	-	107	47	52	92	122
Raw materials	-	-	-	-	-	77
Paper egg trays	-	-	-	-	-	113
	<u>4,368</u>	<u>6,921</u>	<u>9,032</u>	<u>8,995</u>	<u>15,159</u>	<u>20,300</u>

J Receivables, deposits and prepayments

Trade receivables	480	1,161	1,310	2,619	3,144	4,709
Less: Allowance for doubtful debts	-	-	-	-	-	-
	<u>480</u>	<u>1,161</u>	<u>1,310</u>	<u>2,619</u>	<u>3,144</u>	<u>4,709</u>
Advances to suppliers and staff	205	54	5	50	48	6
Deposits	247	65	77	143	30	273
Prepayments	105	258	254	356	721	1,377
	<u>1,037</u>	<u>1,538</u>	<u>1,646</u>	<u>3,168</u>	<u>3,943</u>	<u>6,365</u>

11. ACCOUNTANTS' REPORT (cont'd)**8 (II) HLRB Group****(v) Notes to the financial statements (continued)****K Payables**

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	4,892	8,188	6,616	4,094	6,179	9,161
Trade accruals	93	131	172	200	353	351
Amounts payable to directors	112	1,632	496	493	192	-
	<u>5,097</u>	<u>9,951</u>	<u>7,284</u>	<u>4,787</u>	<u>6,724</u>	<u>9,512</u>

The amounts payable to directors are unsecured and interest free with no fixed terms of repayment.

L Hire purchase and finance lease liabilities

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Minimum payments:						
Not later than one year	629	2,122	2,116	2,412	4,016	4,233
Later than one year and not later than two years	279	1,559	1,445	1,642	2,530	2,414
Later than two years and not later than five years	13	1,994	1,112	629	2,398	3,249
	<u>921</u>	<u>5,675</u>	<u>4,673</u>	<u>4,683</u>	<u>8,944</u>	<u>9,896</u>
Less: Future finance charges	(68)	(1,039)	(737)	(601)	(1,269)	(1,336)
	<u>853</u>	<u>4,636</u>	<u>3,936</u>	<u>4,082</u>	<u>7,675</u>	<u>8,560</u>
Representing hire purchase and finance lease liabilities:						
Current	573	1,639	1,714	1,994	3,336	3,580
Non-current (Note O)	280	2,997	2,222	2,088	4,339	4,980
	<u>853</u>	<u>4,636</u>	<u>3,936</u>	<u>4,082</u>	<u>7,675</u>	<u>8,560</u>

11. ACCOUNTANTS' REPORT (cont'd)**8 (II) HLRB Group****(v) Notes to the financial statements (continued)****M Short term borrowings (secured)**

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans (Note O)	943	1,247	1,527	2,099	4,042	5,815
Bankers' acceptances	-	-	1,000	4,283	5,790	9,998
Debt factoring	900	1,000	1,000	-	-	-
Bank overdrafts	-	-	441	-	-	-
Revolving credit	-	2,501	2,499	2,499	2,360	2,348
	<u>1,843</u>	<u>4,748</u>	<u>6,467</u>	<u>8,881</u>	<u>12,192</u>	<u>18,161</u>

The short term borrowings as at 31 December 2001 are secured by a debenture over all fixed and floating assets, charges over certain of the Group's land and buildings, fixed deposits of RM2,202,000 with the banks, and a joint and several guarantee by all the directors of the Company.

Interest on the borrowings was levied at rates ranging as follows:

	Financial year ended 31 December				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	%	%	%	%	%
Range of interest rates (per annum)	10.7 to <u>12.3</u>	6.5 to <u>14.5</u>	3.1 to <u>11.3</u>	3.1 to <u>9.5</u>	3.03 to <u>9.5</u>

11. ACCOUNTANTS' REPORT (cont'd)**8 (II) HLRB Group****(v) Notes to the financial statements (continued)****N Share capital**

	As at 31 December					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Ordinary shares of RM1.00 each						
Authorised:						
At 1 January	500	10,000	10,000	10,000	10,000	10,000
Created during the financial year	9,500	-	-	-	-	90,000
At 31 December	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>100,000</u>
Issued and fully paid:						
At 1 January	450	4,450	4,804	6,124	6,124	8,299
Issued during the financial year	4,000	354	1,320	-	2,175	34,121
At 31 December	<u>4,450</u>	<u>4,804</u>	<u>6,124</u>	<u>6,124</u>	<u>8,299</u>	<u>42,420</u>

O Non-current liabilities

	As at 31 December					
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Hire purchase and finance lease liabilities (Note L)	280	2,997	2,222	2,088	4,339	4,980
Deferred tax liabilities (Note P)	605	1,128	760	784	743	254
	<u>885</u>	<u>4,125</u>	<u>2,982</u>	<u>2,872</u>	<u>5,082</u>	<u>5,234</u>
Term loans (secured)	6,569	8,762	9,251	12,036	18,164	29,409
Less: Amount repayable within 12 months (Note M)	(943)	(1,247)	(1,527)	(2,099)	(4,042)	(5,815)
	<u>5,626</u>	<u>7,515</u>	<u>7,724</u>	<u>9,937</u>	<u>14,122</u>	<u>23,594</u>
Total	<u>6,511</u>	<u>11,640</u>	<u>10,706</u>	<u>12,809</u>	<u>19,204</u>	<u>28,828</u>

11. ACCOUNTANTS' REPORT (cont'd)**8 (II) HLRB Group****(v) Notes to the financial statements (continued)****O Non-current liabilities (continued)**

The term loans as at 31 December 2001 are secured by debentures over all fixed and floating assets, charges over certain of the Group's land and buildings, fixed deposits of RM115,200 with the banks, and joint and several guarantees by all the directors of the Group.

The maturity periods of the term loans as at 31 December 2001 are as follows:

	<u>2001</u> RM'000
Not later than one year	5,815
Later than one year and not later than two years	5,009
Later than two years and not later than five years	10,728
Later than five years	7,857
	<u>29,409</u>

Interest on the borrowings was levied at rates ranging as follows:

	<u>Financial year ended 31 December</u>				
	<u>1997</u> %	<u>1998</u> %	<u>1999</u> %	<u>2000</u> %	<u>2001</u> %
Range of interest rates (per annum)	4.0 to 10.8	4.0 to 15.5	4.0 to 12.25	4.0 to 9.95	4.0 to 9.1

P Deferred tax liabilities

	<u>As at 31 December</u>					
	<u>1996</u> RM'000	<u>1997</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>2000</u> RM'000	<u>2001</u> RM'000
Tax effects of timing differences between depreciation and capital allowances:						
At 1 January	-	605	1,128	760	784	744
Debited/(credited) to income statement	605	523	(368)	24	(41)	(490)
At 31 December	<u>605</u>	<u>1,128</u>	<u>760</u>	<u>784</u>	<u>743</u>	<u>254</u>

11. ACCOUNTANTS' REPORT (cont'd)**8. (II) HLRB Group****(v) Notes to the financial statements (continued)****P Deferred tax liabilities (continued)**

The deferred tax effects of revalued assets are not disclosed because the Group has no intention to dispose of these assets in the foreseeable future.

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unutilised reinvestment allowance carried forward						
- arising in current financial year	-	-	4,628	1,147	2,400	5,984
- as at financial year end	-	-	4,628	5,775	8,175	14,159

Q Purchase of property, plant & equipment

During the financial year ended 31 December 2001, the Group purchased property, plant and equipment with an aggregate cost of RM25,948,000 of which RM4,727,000 was acquired by means of hire purchase and finance lease agreements. Cash payment of RM21,221,000 was made to purchase these property plant and equipment.

R Cash and cash equivalents

	<u>2001</u>
	RM'000
Cash and bank balances	5,417
Fixed deposits with licensed banks	2,521
	<u>7,938</u>
Less: Fixed deposits pledged	(2,501)
	<u>5,437</u>

The fixed deposits were pledged as security for bank borrowings and guarantee facilities granted to the Group.

11. ACCOUNTANTS' REPORT (cont'd)**8. (II) HLRB Group****(v) Notes to the financial statements (continued)****S Significant related party disclosures**

In addition to related party disclosures mentioned elsewhere in this report, set out below are other significant related party transactions.

	Financial year ended 31 December				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Purchases of land from:					
- Lim Yaw Hor, Lim Yaw Pah and Lim Yew Kwang	-	-	-	395	-
- Lim Yeow Kian, Lim Yeow Her and Lim Yew Chua	-	-	-	720	-
- Lim Yaw Tin, Lim Yeow Kian, Lim Yeow Siong and Tan Lian Eng	-	-	-	1,060	-
- Lim Yeow Siong	607	-	-	-	-
- Lim Yaw Tin	255	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong are directors and substantial shareholders of HLRB. Lim Yaw Tin is a director of HLRB.

Lim Yeow Her, Lim Yeow Kian, Lim Yeow Siong, Lim Yaw Tin, Lim Yaw Hor, Lim Yaw Pah, Lim Yew Kwang and Lim Yew Chua are siblings. Tan Lian Eng is the wife of Lim Yeow Her.

The purchases of land as described above were based on market valuations carried out by an independent firm of valuers.

T Capital commitments

Capital expenditure not provided for in the financial statements in respect of property, plant and equipment are as follows:

	As at 31 December					
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Authorised and contracted	1,893	81	360	5,800	-	344
Authorised but not contracted	-	-	-	-	-	16,815
	<u>1,893</u>	<u>81</u>	<u>360</u>	<u>5,800</u>	<u>-</u>	<u>17,159</u>

11. ACCOUNTANTS' REPORT (cont'd)**9 DIVIDENDS**

Except as described below, no dividend has been paid, declared or proposed by HLRB and its subsidiaries in respect of the years covered in this report:-

Year ended <u>31 December</u>	Issued and paid-up share <u>capital</u> RM'000	Gross dividend <u>rate</u> %	Net dividend <u>paid/declared</u> RM'000	Tax <u>rate</u> %
<u>HLRB</u>				
2001 - Final	42,420	5	2,121	Tax exempt

10. STATEMENTS OF ASSETS AND LIABILITIES

The audited statements of assets and liabilities for HLRB and HLRB Group as at 31 December 2001 are set out in Sections 8(I) (ii) and 8(II) (ii) wherein the balance sheets of HLRB and HLRB Group are presented and these should be read in conjunction with the underlying notes to the financial statements.

Yours faithfully,



PRICEWATERHOUSECOOPERS
(No. AF-1146)
Chartered Accountants



MOHD. DARUIS BIN ZAINUDDIN
(No. 969/3/03(J/PH))
Partner of the firm