

## 6. INFORMATION ON SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT

### 6.1 Major Shareholders and Promoters

#### 6.1.1 Major Shareholders

Shareholder	Nationality/ Place of Incorporation	No. of HLRB Ordinary Shares Held After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
EUSB	Malaysia	25,500,000	51.00	-	-
Lim Yeow Her	Malaysian	960,116	1.92	26,459,884 <sup>(1)</sup>	52.92
Lim Yeow Kian	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88
Lim Yeow Siong	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88

Notes:

(1) Deemed interested by virtue of his substantial shareholding in EUSB and by virtue of his siblings' direct shareholdings in HLRB.

#### Profile of EUSB

EUSB was incorporated in Malaysia under the Companies Act, 1965 on 2 March 2001. The company is principally an investment holding company.

The authorised and the issued and paid-up share capital of EUSB is RM500,000 and RM100,002 respectively.

EUSB's directors, major shareholders and their respective shareholdings in EUSB are as follows:

Name	Nationality	Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
<b>Directors</b>					
Lim Yeow Her	Malaysian	50,002	50.00	50,000 <sup>(1)</sup>	50.00
Lim Yeow Kian	Malaysian	25,000	25.00	75,002 <sup>(1)</sup>	75.00
Lim Yeow Siong	Malaysian	25,000	25.00	75,002 <sup>(1)</sup>	75.00
<b>Major Shareholders</b>					
Lim Yeow Her	Malaysian	50,002	50.00	50,000 <sup>(1)</sup>	50.00
Lim Yeow Kian	Malaysian	25,000	25.00	75,002 <sup>(1)</sup>	75.00
Lim Yeow Siong	Malaysian	25,000	25.00	75,002 <sup>(1)</sup>	75.00

Notes:

(1) Deemed interested by virtue of his brothers' direct shareholdings in EUSB.

## 6. INFORMATION ON SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

## 6.1.2 Promoters

Name	Nationality	No. of HLRB Ordinary Shares Held After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
Lim Yeow Her	Malaysian	960,116	1.92	26,459,884 <sup>(1)</sup>	52.92
Lim Yeow Kian	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88
Lim Yeow Siong	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88

Notes:

(1) Deemed interested by virtue of his substantial shareholding in EUSB and by virtue of his siblings' direct shareholdings in HLRB.

## 6.1.3 Directorships and Major Shareholding in All Other Public Corporation for the Past 2 Years

None of the major shareholders or promoters has any directorships or major shareholdings in any other public corporations for the past 2 years.

## 6.1.4 Changes in Major Shareholders/Promoters and Their Shareholdings

HLRB was incorporated in Malaysia on 12 November 1994. The changes in the shareholdings of the major shareholders and promoters for the past three (3) years are as follows :

Major Shareholder/ Promoter	Date	Direct Shareholdings in HLRB Before Changes	Addition/ (Disposal)	Direct Shareholdings in HLRB after Changes
Lim Yeow Her	26.11.2001	4,150,001	(2,494,696)	1,655,305
	27.11.2001	1,655,305	5,999,902	7,655,207
	28.12.2001	7,655,207	805,811	8,461,018
Lim Yeow Kian	02.08.2000	987,001	1,087,500	2,074,501
	26.11.2001	2,074,501	(1,247,048)	827,453
	27.11.2001	827,453	2,999,229	3,826,682
	28.12.2001	3,826,682	402,809	4,229,491
Lim Yeow Siong	02.08.2000	987,001	1,087,500	2,074,501
	26.11.2001	2,074,501	(1,247,048)	827,453
	27.11.2001	827,453	2,999,229	3,826,682
	28.12.2001	3,826,682	402,809	4,229,491
EUSB	26.11.2001	-	4,988,792	4,988,792
	27.11.2001	4,988,792	18,082,635	23,071,427
	28.12.2001	23,071,427	2,428,573	25,500,000

## 6. INFORMATION ON SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

## 6.2 Directors

## 6.2.1 Board of Directors

Name of Directors	Nationality	No. of HLRB Ordinary Shares Held After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Lim Yeow Her	Malaysian	960,116	1.92	26,459,884 <sup>(1)</sup>	52.92
Lim Yeow Kian	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88
Lim Yeow Siong	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88
Datuk Wira Abu Seman bin Haji Yusop	Malaysian	540,000 <sup>(2)</sup>	1.08	-	-
Lim Yaw Tin	Malaysian	-	-	27,420,000 <sup>(3)</sup>	54.84
Chin Peck Li	Malaysian	40,000 <sup>(4)</sup>	0.08	-	-

*Notes:*

- (1) Deemed interested by virtue of his substantial shareholding in EUSB and by virtue of his siblings' direct shareholdings in HLRB.
- (2) Based on his entitlement under the employees, suppliers, customers and directors shares allocation pursuant to the Public Issue together with the shares allocated and approved by MITI pursuant to the Offer For Sale
- (3) Deemed interested by virtue of his siblings' substantial shareholdings in EUSB and his siblings' direct shareholdings in HLRB.
- (4) Based on her entitlement under the employees, suppliers, customers and directors shares allocation pursuant to the Public Issue.

## 6.2.2 Profile of the Board of Directors

*Directors*

**Lim Yeow Her**, age 42, has been a director of HLRB since its incorporation on 12 November 1994. He is now the Chairman cum Managing Director of HLRB. He is also the Managing Director of GFF and HLPP. He has 21 years experience in the poultry sector. In 1979, he joined a small poultry farm located in Melaka as a farm assistant. He left in 1989 to start his own family business in poultry farming. He is responsible for the planning and overseeing of the development of the poultry farms since its inception. He is also actively involved in the development of future expansion programmes for the Group.

**Lim Yeow Kian**, age 41, was appointed to the Board of HLRB on 12 November 1994. He is also a director of GFF since its inception on 26 September 1996 and was appointed to the Board of HLPP on 4 December 2000. He has more than 15 years experience in poultry farming. He is currently involved in treasury functions and is principally responsible for all aspects of marketing including development of new market surveys for both the local and overseas markets. With his all-round skills, he plays a major role in formulating customer support activities and strategies of the group.

**Lim Yeow Siong**, age 38, was appointed to the Board of HLRB on 12 November 1994. He is also a director of GFF since its inception on 26 September 1996 and was appointed to the Board of HLPP on 4 December 2000. He has more than 10 years experience in poultry farming. His major responsibility is to build strong rapport among employees in the Group and encourage a highly motivated working environment in the company. He is currently responsible for various aspects of the farm's operations including human resource management.

## 6. INFORMATION ON SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

**Datuk Wira Abu Seman Bin Haji Yusop**, DCSM, DMSM, KMN, JP, BKT, age 58 years, was appointed to the Board of HLRB on 23 November 2001. He currently runs his own legal practice, as well as being the elected Member of Parliament for the Alor Gajah constituency in Melaka.

He began his career in the Royal Malaysian Police Force in 1964 after training as an Inspector of Police at the Royal Malaysian Police Training School. In 1968, he was seconded to the Anti-Corruption Agency and subsequently in 1973 to the National Investigation Bureau. From 1974 to 1977, he read law at Middle Temple, London before subsequently qualifying as a Barrister-At-Law in 1977. He then served as Deputy Public Prosecutor and Assistant Legal Advisor of the Royal Malaysian Customs Department, Malaysia in the Attorney General's Office. In 1981, he joined the Malaysian International Shipping Corporation Berhad as Senior Legal Executive. In 1983, he spent a year practicing as an advocate and solicitor with a firm of Advocates & Solicitors in Kuala Lumpur before setting up his own practice.

Datuk Wira Abu Seman is currently the Chairman of Majlis Amanah Rakyat (MARA) as well as the Chairman of Yayasan Alor Gajah and Institute Yayasan Alor Gajah. He is the Chairman for ICM Industries Corporation Berhad and a few private limited companies.

**Lim Yaw Tin**, age 45, was appointed to the Board of HLRB on 23 November 2001. He is currently in charge of the fertilizer division. He has more than 10 years experience in fertilizer processing and in poultry farming operations having been involved in the family business of poultry farming since its inception. Currently, he is in charge of the overall management of the fertilizer processing operations and also the distribution of eggs to customers.

**Chin Peck Li**, age 31, was appointed to the Board of HLRB on 23 November 2001. She is the owner of BS Secretarial Services and CPL Management and Consultancy Services. Previously, she was employed by the Multimedia University as a lecturer in Accountancy for a period of three (3) years. Prior to that, she worked for four (4) years with Price Waterhouse where she gained experience in tax planning, accountancy research and staff supervision skills. Furthermore, her involvement as a Chief Agency Manager at MCIS Limited has served to enhance her competence in the areas of interpersonal communications and business interaction. She obtained her first Accountancy Degree from the RMIT University in Australia. She is a Registered Accountant from the Malaysian Institute of Accountants (MIA) and a member of the Australian Society of Certified Practising Accountants (ASCPA). She pursued her higher education and obtained her Masters in Finance in 1998 from RMIT University, Australia.

### 6.2.3 Directorships and Major Shareholding in All Other Public Corporation for the Past 2 Years

Save as disclosed below, none of the director has any directorships or major shareholdings in any other public corporation for the past 2 years:

Director	Name of Company	Major Shareholding				Directorship		Principal Activities
		Direct	%	Indirect	%	Appointed	Resigned	
Datuk Wira Abu Seman Bin Haji Yusop	ICM Industries Corporation Berhad	Nil	Nil	Nil	Nil	1.3.2000	-	Investment holding and provision of management services

## 6. INFORMATION ON SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

### 6.2.4 Directors' Remuneration and Benefits

For the financial year ended 31 December 2001, the amount paid to the Directors for services rendered to the Company and its subsidiary companies was RM611,520. For the financial year ending 31 December 2002, the amount payable is forecasted to be RM952,800.

### 6.3 Audit Committee

Name	Designation	Directorship	
Datuk Wira Abu Seman Bin Haji Yusop	Chairman	Independent Director	Non-executive
Lim Yeow Her	Member	Chairman/Managing Director	
Chin Peck Li	Member	Independent Director	Non-executive

### 6.4 Senior Management

#### 6.4.1 Profile of the Senior Management

**Arshad Bin Abdul Aziz**, age 38, is the General Manager. He graduated from University Putra Malaysia (formerly known as University Pertanian Malaysia) in 1988 with a Diploma in Animal Health and Production. Prior to joining the Group in 2000, he was a teacher at Maktab Adabi Maharani, Muar, Johor for two (2) years. From 1991 to April 1999, he was with Leong Hup Poultry Farms Sdn Bhd where his last position held was Veterinary Manager. With his experience in poultry farming, he is in charge of the day-to-day operations of the farm. His other areas of expertise include production, health management of the flock and mortality control.

**Tan Kim Huat**, age 28, is Assistant General Manager and a pioneer staff of the Group. He played a key role in establishing the layer farm operations of the Group since its inception. He is responsible for all aspects of production, mortality control and poultry feed formulation. He has wide experience in the layer industry culled from his active participation in most aspects of the industry. Over the years, he has attended many seminars on poultry production held locally and abroad.

**Lim Chiew Heong**, age 33, is the Feedmill Manager who joined in 1997. Prior to this, she has the experience of working as an Accounts Clerk with Singmarine Dockyard Pte Ltd. She is currently in charge of day-to-day poultry feed & formulation. She has also attended many supervisory and management seminars on feed formulation, feed additives, etc. conducted locally.

**Tey Seek**, age 39, is the Hatchery Manager. He joined in 1999. Prior to joining the Group, he worked with Leong Hup Poultry Farm Sdn Bhd as a breeder farm supervisor for five (5) years. He has extensive experience in poultry farming especially the breeding of day old chicks. He is currently responsible for the operations in the breeder farms.

6. INFORMATION ON SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)

**Ng Heng Bak**, age 33, is the company Sales Manager. He joined in 1999. Prior to joining the Group, he has worked with Leong Hup Holdings Berhad as a marketing executive for three (3) years selling day old chicks (D.O.C). He has also held the position of marketing executive at Sri Medan Duck Farm Sdn Bhd. In all, he has more than eight (8) years of sales experience. His key role in the Group is to develop new markets for day old chicks and has succeeded in establishing a network of loyal customers through his good rapport with them. He holds a London Chamber of Commerce and Industry Third Level Certificate in Business Statistics which he attained in 1990.

**Lim Yew Chua**, age 35, is the Project Manager. He has more than eight (8) years experience in poultry farming having been involved in the family business of poultry farming particularly in the setting up of the new Hi-tech farm houses and is currently responsible for the Group 's various expansion projects. He is actively involved in overseeing the construction of the new Hi-tech farm houses in Selandar and the paper eggs tray factory in Serkam.

**Low Kia Hau**, age 32, is the Financial Controller for the HLRB Group. He holds a Bachelor of Arts in Economics and Social Studies degree from the Victoria University of Manchester, United Kingdom ("UK") obtained in 1992. He has more than eight (8) years of working experience in the areas of auditing, accounting, taxation having been attached to PricewaterhouseCoopers (formerly known as Price Waterhouse) since 1992. His last position held there was as an Assistant Manager. He is a member of the Malaysian Association of Certified Public Accountants and the Malaysian Institute of Accountants. He is currently in charge of financial planning, cash flow management, preparation of the Group's budget as well as overseeing its treasury function.

**Chong Peh Chin**, age 35, is the Accounts Manager. She joined the Group in 1997 and holds a London Chamber of Commerce and Industry Third Level Certificate in Accounting, attained in 1991. Prior to joining the Group in 1997, she was a senior accounts clerk in Price Waterhouse from 1988 to 1997. Currently, she is fully in-charge of the accounts department of the Group.

**Tan Loon Hwa**, age 26, is the Group's Costing Executive. She joined the Group in 1999. She holds a Diploma in Accounting, attained in 1998 at Polytechnic Port Dickson, Port Dickson. Prior to joining the Group in 1999, she has worked as an accounts clerk in PricewaterhouseCoopers (formerly known as Price Waterhouse) from 1998 to 1999. Currently, she is in charge of the stock costing of the Group's operations.

**Eau Tee Lueh**, age 35, is the Technical Manager of HLRB since January 2000. Prior to joining the Group in January 2000, he worked for Kilang Makanan Mamee Sdn Bhd for six (6) years as a Senior Mechanical Supervisor. He is now responsible for the Group's machine installation, maintenance as well as providing technical training and skill development within the Group.

**Ong Leng Leng**, aged 31 is the Personnel Executive. She joined in Sept 1999 and holds a Certificate in Secretarial Administration attained in 1994 from Systematic College. Prior to joining the Group, she was a personnel officer in Broadway Packaging Sdn. Bhd., a company involved in the manufacturing of polyfoam from March 1999 to Sept 1999 at Penang and at Pro-Synergy Sports Sdn Bhd in Alor Gajah from March 1996 to February 1999. She has five years of working experience in administrative positions.

**6. INFORMATION ON SHAREHOLDERS/DIRECTORS/KEY MANAGEMENT (Cont'd)****6.4.2 Shareholdings of the Senior Management**

Name	Nationality	No. of HLRB Ordinary Shares Held After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Arshad bin Abdul Aziz	Malaysian	180,000 <sup>(1)</sup>	0.36	-	-
Tan Kim Huat	Malaysian	185,000 <sup>(1)</sup>	0.37	-	-
Lim Chiew Heong	Malaysian	-	-	27,420,000 <sup>(2)</sup>	54.84
Tey Seek	Malaysian	32,000 <sup>(1)</sup>	0.06	-	-
Ng Heng Bak	Malaysian	33,000 <sup>(1)</sup>	0.07	-	-
Lim Yew Chua	Malaysian	-	-	27,420,000 <sup>(2)</sup>	54.84
Low Kia Hau	Malaysian	204,000 <sup>(1)</sup>	0.41	-	-
Chong Peh Chin	Malaysian	208,000 <sup>(1)</sup>	0.42	-	-
Tan Loon Hwa	Malaysian	22,000 <sup>(1)</sup>	0.04	-	-
Eau Tee Lueh	Malaysian	32,000 <sup>(1)</sup>	0.06	-	-
Ong Leng Leng	Malaysian	22,000 <sup>(1)</sup>	0.04	-	-

*Notes:*

- (1) Based on his/her respective entitlement under the employees, customers, suppliers and directors shares allocation pursuant to the Public Issue
- (2) Deemed interested by virtue of his siblings' substantial shareholdings in EUSB and his siblings' direct shareholdings in HLRB.

**6.5 Declaration from the Directors and Senior Management**

No Director, senior executive officer or person nominated to become a director or senior executive officer is or has been involved in any of the following events:-

- (a) a petition under any bankruptcy or insolvency laws filed against such person or any partnership in which he was or is a partner or any corporation of which he was or is a director or senior executive officer;
- (b) a conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- (c) being the subject of any order, judgement or ruling of any court, tribunal or government body of competent jurisdiction permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

**6.6 Relationship between Major Shareholders, Promoters, Directors and Senior Management**

Save as disclosed below, none of the major shareholders, promoters, Directors and senior management of the Group are related to each other:-

- (i) Lim Yeow Her, Lim Yeow Kian, Lim Yeow Siong, Lim Yew Chua, Lim Yaw Tin and Lim Chiew Heong are siblings. Tan Kim Huat is the brother-in-law of Lim Yeow Siong.
- (ii) Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong are directors and substantial shareholders of EUSB.

**6.7 Service Contracts**

None of the Directors or key management personnel of the Company has any existing or proposed service contracts with the Company which are not terminable by notice without payment of compensation.

## 7. APPROVALS, MORATORIUM AND CONDITIONS

## 7.1 Approvals

The MITI, FIC and the SC approved the Public Issue on 11 June 2001, 20 June 2001 and 30 August 2001 respectively. The conditions imposed by all the authorities and the status of compliance are set out as follows:-

Authorities	Date of Approval	Details of Conditions Imposed	Status of Compliance
MITI	11 June 2001	(i) The 15,000,000 new ordinary shares reserved for Bumiputera investors shall be allocated by the MITI after the approval of the SC has been obtained;  (ii) To obtain the approval of the FIC ; and  (iii) To obtain the approval of SC ;	(i) Approval from MITI was obtained on 12 April 2002 and 13 May 2002.  (ii) Approval from FIC was obtained on 20 June 2001.  (iii) Approval of SC was obtained on 30 August 2001.
FIC	20 June 2001	(i) HLRB is to have at least 30% direct Bumiputera equity interest upon listing ; and  (ii) To obtain the approval of the MITI	(i) HLRB will have at least 30% direct Bumiputera equity interest upon listing.  (ii) Approval of MITI was obtained on 11 June 2001.
SC	30 August 2001	(i) HLRB shall inform the SC on the final issue/offer price and any subsequent changes to the original utilization of proceeds. The additional proceeds raised following an increase to the rights issue must be utilized for working capital purposes only;	(i) HLRB has informed SC on 6 February 2002 that the issue/offer price has been fixed at RM1.40 per share as compared to RM1.20 per share previously. The additional proceeds raised following the revision to the issue price and an increase to the rights issue will be utilized for working capital purposes.



## 7. APPROVALS, MORATORIUM AND CONDITIONS (Cont'd)

Authorities	Date of Approval	Details of Conditions Imposed	Status of Compliance
SC (continued)		<p>(ii) HLRB must ensure that premium is paid to the relevant authorities for the conversion of Lot no. 1819 from agriculture land to industrial land before the issuance of prospectus;</p> <p>(iii) A moratorium shall be placed on the disposal of shares by the major shareholder namely, EUSB, on the sale of 22,500,000 ordinary shares of RM1.00 each representing 45% of the enlarged issued and paid-up share capital of HLRB within 1 year from the date of admission to the Second Board of the KLSE.</p> <p>Thereafter, they are allowed to sell, transfer or assign, in every subsequent year, up to a maximum of 1/3 per annum of their shareholdings in HLRB which are placed under moratorium</p> <p>The above restriction is also extended to the ultimate shareholders of EUSB, namely Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong. Each of the ultimate shareholders are required to provide a written undertaking that they will not dispose, transfer or assign of their shareholdings in EUSB as the case may be, during the duration of the moratorium restriction;</p> <p>(iv) HLRB must comply with all the terms and conditions imposed on the Company by other relevant authorities; and</p> <p>(v) HLRB is to fully comply with the requirements in relation to the listing of a company as provided under the SC's Guidelines On issue /Offer of Securities.</p> <p>(vi) The utilisation of proceeds raised from the Public Issue is subject to the following conditions :</p> <ul style="list-style-type: none"> <li>- The SC's approval is required for any changes to the utilisation of proceeds as originally proposed, should the said changes involve the utilisation which is other than for the core business activities of HLRB.</li> <li>- The approval of the shareholders of HLRB is required should the proposed utilisation of proceeds deviate by 25% or more from that originally proposed by HLRB. Should the proposed utilisation of proceeds deviate less than 25%, an appropriate disclosure of such deviation is required to be made to the shareholders of HLRB.</li> </ul>	<p>(ii) HLRB has paid the premium to the relevant authorities for the conversion on 13 September 2001.</p> <p>(iii) Letters of undertaking dated 15 February 2002 have been provided.</p> <p>(iv) Complied.</p> <p>(v) To be complied.</p> <p>(vi) To be complied.</p>

## 7. APPROVALS, MORATORIUM AND CONDITIONS (Cont'd)

Authorities	Date of Approval	Details of Conditions Imposed	Status of Compliance
		<ul style="list-style-type: none"> <li>- any extension of time from time frame set by HLRB for the proposed utilisation of proceeds has to be approved by a Board resolution by the Board of Directors and must be fully disclosed to the KLSE.</li> <li>- appropriate disclosure regarding the status of the utilisation of proceeds has to be made in the quarterly and annual reports of HLRB until full utilization.</li> </ul>	

## 7.2 Moratorium On Sale of Shares

It is a condition of the SC, in approving the floatation of HLRB on the Second Board of the KLSE that the controlling shareholder of HLRB is not allowed to sell, transfer or assign its shares in HLRB amounting to 45% of the enlarged issued and paid-up share capital of HLRB for a period of one (1) year from the date of admission of HLRB to the Second Board of the KLSE. Thereafter, it is permitted to sell, transfer or assign its shares in HLRB placed under moratorium subject to a maximum of one third of the said HLRB shares placed under moratorium per annum on a straight line basis.

The restriction, which is fully accepted by EUSB, being the controlling shareholder, is specifically endorsed on the notices of allotment and share certificates representing its shareholding, which are under moratorium to ensure that trading of these shares, are not allowed in compliance with the restriction imposed by the SC.

The moratorium on sale of shares by the controlling shareholder is as follows:-

Shareholder	Shareholding After The Public Issue And Offer for Sale		Shares Placed Under Moratorium	
	No. Of Ordinary Shares Held	% of the issued and paid-up share capital	No. Of Ordinary Shares Held	% of the issued and paid-up share capital
EUSB	25,500,000	51.00	22,500,000	45.00
	25,500,000	51.00	22,500,000	45.00

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**8. RELATED-PARTY TRANSACTIONS/CONFLICT OF INTEREST**

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**8.1 Related-party Transactions**

None of the Directors, major shareholders and /or persons connected to them (as defined under Section 122A of the Companies Act, 1965) are engaged in any existing and potential related-party transactions and conflict of interest in relation to the corporation and its related-parties. Related party transactions which may or may not result in conflicts of interest are transactions entered into by HLRB and its subsidiary companies which involve the interest, direct or indirect, of a related party.

**8.2 Declaration by the Advisers**

Save as disclosed below, Aseambankers acting in the capacity of Adviser to HLRB is of the opinion that it will not give rise to any circumstances which would constitute a material conflict of interest for the Public Issue and Offer for Sale:-

- (a) HLRB has hire-purchase facilities with Aseambankers' subsidiary, Aseam Credit Sdn Bhd of which as at 9 May 2002, the total amount outstanding is RM5,499,787.00 and
- (b) HLRB has term loan and trade line facilities with Malayan Banking Berhad, Aseambankers' holding company for a total outstanding amount of RM20,099,540.87 and hire-purchase facilities with Mayban Finance Berhad, a subsidiary of Malayan Banking Berhad, for a total outstanding amount of RM199,905.00 as at 9 May 2002.

HLRB has proposed to repay certain existing hire-purchase/term loan facilities as provided by or as may be further procured from Aseam Credit Sdn Bhd and Malayan Banking Berhad to finance the purchase of machineries from proceeds raised from the Public Issue as disclosed in Section 3.7 of this prospectus.

Messrs Chee Siah Le Kee & Partners has given its confirmation that there is no conflict of interest in its capacity as the Solicitors for the Public Issue and Offer for Sale.

Messrs. PricewaterhouseCoopers, have given their confirmation that there is no conflict of interest in their capacity as Reporting Accountants in relation to the Public Issue and Offer for Sale.

Messrs. Colliers, Jordan Lee & Jaafar (M'cca) Sdn Bhd has given its confirmation that there is no conflict of interest in its capacity as the Valuers in relation to the Public Issue and Offer for Sale.

ABNER (S.E. ASIA) Sdn Bhd has given its confirmation that there are no existing or potential conflicts of interest in its capacity as the Independent Market Research Consultant in relation to the Public Issue and Offer for Sale.

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## 9. LANDED PROPERTIES

## 9.1 Landed Properties

The following set out details of the properties belonging to the HLRB Group.

Registered and Beneficial owner and Location	Description and Existing Use	Land Area and Tenure	Built-up area (sq.m.)	Approx. Age of Building	Net Book Value/Cost @ 31 December 2000 RM	Market Value as appraised by Valuer RM	Date of valuation	Open Market Value approved by SC RM	Revaluation Surplus# RM
<b>HLRB*</b> Lot No. 16 Mukim of Serkam District of Jasin State of Melaka	Poultry farm land and presently used as a layer poultry farm	10.5937 acres Freehold	13,100.51	5 years	1,151,891	1,595,000	29.03.01	1,595,000	443,109
Lot Nos. 28, 29, 99 & 100 Mukim of Serkam District of Jasin State of Melaka	Poultry farm land and presently used as a breeder chicken farm	5.9230 acres Freehold	6,178.23	1 year	519,226	1,120,000	29.03.01	1,120,000	600,774
Lot Nos. 34, 35, 93 & 94 Mukim of Serkam District of Jasin State of Melaka	Poultry farm land, Lot Nos. 93 & 94 are presently used as breeder chicken farm whilst Lot Nos. 34 & 35 are presently vacant	5.2316 acres Freehold	5,602.05	1 year	817,693	1,020,000	29.03.01	1,020,000	202,307
Lot Nos. 45, 46, 80 & 81 Mukim of Serkam District of Jasin State of Melaka	Poultry farm land and presently used as a breeder chicken farm	3.7619 acres Freehold	3,315.71	1-3 years	399,902	560,000	29.03.01	560,000	160,098
Lot Nos. 60, 61 & 62 Mukim of Serkam District of Jasin State of Melaka	Poultry farm land, presently used as hatchery cum office building	1.006 acres Freehold	1,857.77	3 years	907,324	1,080,000	29.03.01	1,080,000	172,676
Lot Nos. 63, 64 & 65 Mukim of Serkam District of Jasin State of Melaka	Poultry farm land presently used as a breeder chicken farm	3.3690 acres Freehold	4,390.89	0-3 years					

## 9. LANDED PROPERTIES (Cont'd)

Registered and Beneficial owner and Location	Description and Existing Use	Land Area and Tenure	Build-up area (sq.m)	Approx. Age of Building	Net Book Value/Cost @ 31 December 2000 RM	Market Value as appraised by Valuer RM	Date of valuation	Open Market Value approved by SC RM	Revaluation Surplus RM
Lot No. 1811 (formerly PT 628) Mukim of Serkam District of Jasin State of Melaka	Poultry farm land, being used as a closed layer poultry farm (Hi-tech)	4.5961 acres 30 year leasehold interest expiring on 17.02.2021	2,952.92	2.5 years	665,211	1,500,000	29.03.01	1,500,000	834,789
Lot PT No. 764 (new lot no. 1813) Mukim of Serkam District of Jasin State of Melaka	Poultry farm land presently used as a closed layer poultry farm (Hi-tech)	5.600 acres 60 year leasehold interest expiring on 22.01.2055	4,493.53	4 years	832,040	1,890,000	29.03.01	1,890,000	1,057,960
Lot No. 1819 (formerly 629) Mukim of Serkam District of Jasin State of Melaka	Agriculture land presently used as a feedmill together with ancillary buildings**	4.70735 acres 30 year leasehold interest expiring on 18.02.2021	2,537.81	0-5 years	736,225	1,125,000	29.03.01	1,125,000	388,775
Lot Nos. 1879 & 1880 Mukim of Serkam District of Jasin State of Melaka	Poultry farm land presently used as a layer poultry farm	14,8875 acres Freehold	26,683.33	4-6 years	1,923,915	2,565,000	29.03.01	2,565,000	641,085
Lot PT No. 1678 Mukim of Serkam District of Jasin State of Melaka	Commercial land presently used as office cum egg grading store	8,636 sq.m 60 year leasehold interest expiring on 22.01.2055	4,111.80	4 years	346,206				
Lot PT No. 1679 Mukim of Serkam District of Jasin State of Melaka	Main road frontage agriculture land presently used as open field	2.1340 acres 60 year leasehold interest expiring on 22.01.2055	-	-		1,575,000	29.03.01	1,575,000	1,228,794
Lot Nos. 751 to 754 & 759 to 762 Mukim of Solandar District of Jasin State of Melaka	Poultry farm land presently used as a closed layer poultry farm (Hi-tech)	40.1510 acres Freehold	24,539.50	0.5 years	7,068,639	13,950,000	29.03.01	13,950,000	6,881,361

## 9. LANDED PROPERTIES (Cont'd)

Registered and Beneficial owner and Location	Description and Existing Use	Land Area and Tenure	Built-up area (sqm)	Approx. Age of Building	Value/ Cost @ 31 December 2000 RM	Net Book Value/ Cost @ 31 December 2000 RM	Market Value as appraised by Valuer RM	Open Market Value approved by SC RM	Date of valuation	Revaluation Surplus/ RM
Lot No. 2148 Mukim of Bukit Lintang District of Melaka Tengah State of Melaka	Main road frontage agricultural land planted with oil-palms of about 2 years old (land to be used solely for poultry farming purposes)	10.2250 acres Freehold	-	-	460,125	460,125	610,000	460,000	29.03.01	(125)
Lot Nos. 2145 & 2149 Mukim of Bukit Lintang District of Melaka Tengah State of Melaka	Agricultural land presently used as a layer poultry farm	15.6370 acres Freehold	19,014.14	2-5 years	1,689,778	1,689,778	1,995,000	1,995,000	29.03.01	305,222
Lot No. 732 Mukim of Ayer Molek District of Melaka Tengah State of Melaka	Agricultural land presently used as a pullet/grower poultry farm	11.2280 acres Freehold	13,659.40	0.5 years	1,371,365	1,371,365	2,530,000	2,530,000	29.03.01	1,158,635
Lot Nos. 427 & 428 Mukim of Chohong District of Jasin State of Melaka	Poultry farm land presently used as a grower poultry farm	Lot 427 6.756 acres 99 year leasehold interest expiring on 31.12.2037	12,951.52	3-4 years	734,412	734,412	1,175,000	1,175,000	29.03.01	440,588
Lot No. 446 Mukim of Chohong District of Jasin State of Melaka	Poultry farm land presently used as a layer chicken farm	Lot 428 6.388 acres 71 year leasehold interest expiring on 31.12.2037	17,661.33	3 years	722,855	722,855	1,840,000	1,840,000	29.03.01	1,117,145

9. LANDED PROPERTIES (Cont'd)

Registered and Beneficial owner and Location	Description and Existing Use	Land Area and Tenure	Built-up area (sq.m.)	Approx. Age of Building	Value/Cost @ 31 December 2009 RM	Net Book Value as at 31 December 2009 RM	Market Value approved by Valuer RM	Open Market Value approved by SC RM	Date of valuation	Revaluation Surplus RM
Lot Nos. 3169 & 3170 Mukim of Kesang District of Jasin State of Melaka	Poultry farm land presently used as a grower poultry farm	10.9888 acres 57 year leasehold interest expiring on 28.02.2023	11,495.72	1-5 years	778,611	1,025,000	1,025,000	1,025,000	29.03.01	246,389
<b>GFF</b>										
Lot No. 2509 & PT No. 1676 Mukim of Serkam District of Jasin State of Melaka	Poultry farm land presently used as a fertilizer plant	7.8246 acres Freehold	11,092.62	3 years	1,429,604	3,300,000	3,300,000	3,300,000	29.03.01	1,870,396
<b>TOTAL</b>					<b>22,555,022</b>	<b>40,455,000</b>	<b>40,455,000</b>	<b>40,305,000</b>		<b>17,749,978</b>

Note:

- \* Land titles bear the name of HLRB's former name, Huat Lai Agriculture Sdn Bhd.
- \*\* The Land Office has approved the conversion to industrial use and the premium has been paid.
- + Where construction of buildings commenced at different times, a range of years is given.
- # The revaluation surplus of RM15,879,582 and RM1,870,396 had been incorporated into the audited financial statements of HLRB and GFF respectively for the financial year ended 31 December 2001.

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## 9. LANDED PROPERTIES (Cont'd)

## 9.2 Acquisition of Landed Properties During the Past Two (2) Years

	Description	Date of Agreement	Purchase Price RM
	<b>HLRB</b>		
1)	Sale and purchase of all that piece of land held under: - Lot 2148, Mukim Bukit Lintang, Daerah Melaka Tengah, Melaka. between Gan Geok Kuan, Gan Kim Hock and Gan E @ Gan Seng Poh as the Vendors and HLRB as the Purchaser	25 May 2000	460,125.00
2)	Sale and purchase of all that piece of land held under: - S.L.G. No. 29705, Holding No. 34 & 94, Mukim Serkam, Daerah Jasin, Melaka. between Daud Bin Taha @ Daud Bin Taya as the Vendor and HLRB as the Purchaser	14 July 2000	111,313.85
3)	Sale and purchase of all that piece of land held under: - No. P.M. 27, Lot No. 427, Mukim Chohong, Daerah Jasin, Melaka; and - No. P.M. 18, Lot No. 428, Mukim Chohong, Daerah Jasin, Melaka between Lim Yaw Hor, Lim Yaw Pah and Lim Yew Kwang as the Vendors and HLRB as the Purchaser	1 August 2000	395,000.00
4)	Sale and purchase of all that piece of land held under: - Geran No. Pendaftaran 16573, Lot No. 16, Mukim Serkam, Daerah Jasin, Melaka between Lim Ycow Kian, Lim Yeow Her and Lim Yew Chua as the Vendors and HLRB as the Purchaser	1 August 2000	720,000.00
5)	Sale and purchase of all that piece of land held under: - No. G.M. 71, Lot No. 2145, Mukim Bukit Lintang, Daerah Melaka Tengah, Melaka; and - Geran No. Pendaftaran 10315, Lot No. 2149, Mukim Bukit Lintang, Daerah Melaka Tengah, Melaka between Lim Yaw Tin, Lim Yeow Kian, Lim Yeow Siong and Tan Lian Eng (t) as the Vendors and HLRB as the Purchaser	2 August 2000	1,060,000.00
6)	Sale and purchase of all that undivided half share over lands held under: - No. G.M. 45, No. Lot 44; - No. G.M. 46, No. Lot 82; between Puah Kim Hock (1/8 share), Puah Kuan Lim (1/8 share), Puah Kim Hee (1/8 share) and Puah Hee Peng (1/8 share) as the Vendors and HLRB as the Purchaser	18 December 2000	87,207.65
7)	Sale and purchase of all that piece of land held under: - Pajakan Negeri No. Pendaftaran 6990, No. Lot 426, Mukim Chohong, Daerah Jasin, Negeri Melaka measuring 3.377 acres together with rubber trees planted thereon between Chan Saik Foo and Chan Sak Leong as the Vendors and HLRB as the Purchaser	10 April 2001	67,540.00



## 9. LANDED PROPERTIES (Cont'd)

	Description	Date of Agreement	Purchase Price RM
8)	<p>Sale and purchase of all that piece of land held under:</p> <ul style="list-style-type: none"> <li>- Interim Register Holdings No. 87 (Statutory Grant No. 29725) Mukim Serkam, Daerah Jasin, Melaka measuring 3a.3r.02p.</li> <li>- Interim Register Holdings No. 41 (Statutory Grant No. 29725) Mukim Serkam, Daerah Jasin, Melaka measuring 0a.0r.0.25p.</li> <li>- Interim Register Holdings No. 86 (Statutory Grant No. 29726) Mukim Serkam, Daerah Jasin, Melaka measuring 1a.3r.32.5p.</li> <li>- Interim Register Holdings No. 42 (Statutory Grant No. 29726) Mukim Serkam, Daerah Jasin, Melaka measuring 0a.0r.11.67p.</li> </ul> <p>between Hau Kim Cham as the Vendor and HLRB as the Purchaser</p>	18 May 2001	354,907.50
9)	<p>Sale and purchase of all that piece of land held under:</p> <ul style="list-style-type: none"> <li>- Geran No. Pendaftaran 5012 Lot 315, Mukim Selandar, Daerah Jasin, Melaka measuring 15 acres</li> </ul> <p>between Chan Chee Yeng as the Vendor and HLRB as the Purchaser</p> <p>Transfer of the above property in favour of HLRB was presented for registration at the Land Registry on 6 May 2002 and the registration is still pending</p>	26 October 2001	510,000.00
10)	<p>Sale and purchase of all that piece of land held under:</p> <ul style="list-style-type: none"> <li>- Pajakan Negeri No. Pendaftaran 4231, No. Lot 698, Mukim Kesang, Daerah Jasin, Negeri Melaka measuring 14.348 acres</li> </ul> <p>between Bio-Organic Fertilizer Sdn Bhd as the Vendor and HLRB as the Purchaser</p> <p>HLRB has paid 10% of the purchase price, the balance of the purchase price is payable within 90 days from the date the condition precedent as stated in the Sale and Purchase Agreement with an extension of thirty (30) days subject to payment of interest at the rate of 8% per annum on a daily basis</p>	13 March 2002	286,960.00
1)	<p><b>HLPP</b></p> <p>Sale and purchase of all those pieces of lands held under:</p> <ul style="list-style-type: none"> <li>- Plot Nos. 7 &amp; 8, Kawasan Perindustrian Serkam, Daerah Jasin, Melaka</li> </ul> <p>between Perbadanan Kemajuan Negeri Melaka as the Vendor and HLPP as the Purchaser.</p>	6 February 2001	998,759.03
1)	<p><b>GFF</b></p> <p>Sale and purchase in respect of land held under:</p> <ul style="list-style-type: none"> <li>- No. G.M. 391, No. Lot 321, Mukim Selandar, Daerah Jasin, Negeri Melaka measuring 3.7282 hectares (9a.0r.34p) together with the rubber trees planted thereon</li> </ul> <p>between Dan Boi Yam as the Vendor and GFF as the Purchaser.</p> <p>As at the date hereof, 10% of the purchase price has been paid and the completion date is 7 July 2002.</p>	8 January 2002	313,225.00

## 10. FINANCIAL INFORMATION

### 10.1 Profit and Dividend Record of the Group

#### 10.1.1 HLRB Group

The following tables, which has been extracted from the Accountant's Report in Section 11 of this Prospectus, is a summary of the consolidated revenue and profit records of the HLRB Group for the past 5 financial years ended 31 December 2001. The consolidated financial results should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	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	3,455	4,857	8,840	11,823	10,481
Finance costs	(1,302)	(2,395)	(1,916)	(2,369)	(3,244)
PBT	2,153	2,462	6,924	9,454	7,237
Taxation	(601)	309	50	(599)	15
PAT	1,552	2,771	6,974	8,855	7,252
Weighted average number of ordinary shares in issue ('000 units)	17,172	19,985	22,199	25,462	38,408
Net EPS (sen)	9	14	31	35	19
Gross dividend rate (%)	-	-	-	-	-

*Notes:*

- (1) The net EPS is computed based on the consolidated PAT and on weighted average number of ordinary shares in issue (adjusted for the Bonus Issue as if it had been completed at 1 January 1997) during the relevant financial years.
- (2) There are no exceptional or extraordinary items for any of the above years under review.

**10. FINANCIAL INFORMATION (Cont'd)****10.2 Segmental Analysis of Revenue and Profits****10.2.1 Analysis of Revenue**

	←-----Financial Year Ended 31 December----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
<b>Analysis by Company</b>					
HLRB	26,054	29,309	39,135	46,055	60,751
GFF	407	1,678	1,429	1,221	1,235
HLPP	-	-	-	-	70
Total Group	26,461	30,987	40,564	47,276	62,056
<b>Analysis by Products</b>					
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
Total Group	26,461	30,987	40,564	47,276	62,056
<b>Analysis by Geographical Distribution</b>					
Local	16,401	14,251	13,186	13,283	36,010
Export	10,060	16,736	27,378	33,993	26,046
Total Group	26,461	30,987	40,564	47,276	62,056

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**10. FINANCIAL INFORMATION (Cont'd)****10.2.2 Analysis of Gross Profit**

	<-----Financial Year Ended 31 December----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Analysis by Company</b>					
HLRB	4,824	6,244	10,602	14,227	13,816
GFF	99	374	472	406	263
HLPP	-	-	-	-	125
<b>Total Group</b>	<b>4,923</b>	<b>6,618</b>	<b>11,074</b>	<b>14,633</b>	<b>14,204</b>
<b>Analysis by Products</b>					
Eggs	4,527	5,338	9,438	12,714	8,260
Livestock	117	301	844	1,081	4,908
Fertilizer and chicken manure	279	979	792	838	1,019
Paper egg trays	-	-	-	-	17
<b>Total Group</b>	<b>4,923</b>	<b>6,618</b>	<b>11,074</b>	<b>14,633</b>	<b>14,204</b>
<b>Analysis by Geographical Distribution</b>					
Local	2,754	3,040	3,102	3,493	8,252
Export	2,169	3,578	7,972	11,140	5,952
<b>Total Group</b>	<b>4,923</b>	<b>6,618</b>	<b>11,074</b>	<b>14,633</b>	<b>14,204</b>

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**10. FINANCIAL INFORMATION (Cont'd)**

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**10.3 Overview of Revenue and Gross Profit Margin, for the past five (5) financial years ended 31 December 2001**

***Revenue***

Revenue represents net sale proceeds from eggs, livestock, fertilizer and chicken manure. Livestock comprise starter chicks and end-of-lay chickens.

Revenue has depicted an increasing trend from the year 1997 to 2001 which were mainly attributable to the following factors:

- the continuing expansion of the Group's production and manufacturing facilities; as manifested in the acquisition of land, buildings and machinery for the construction of additional poultry farms; and
- the increasing export sales of eggs to Singapore since 1997 where realised prices in RM are significantly higher than the Malaysian domestic market by 20% on average, mainly due to the foreign currency exchange effect. The value of export sales of eggs to Singapore has increased by 159% from the year 1997 to 2001.

***Gross profit margin***

Gross profit margin has progressively increased for the years 1997 to 2000. This was mainly attributable to:

- cost savings from economics of scale;
- cost savings from the downward integration into poultry feed manufacturing; and
- increasing export sales of eggs to Singapore where prices are significantly higher than the Malaysian domestic market.

From 1997 onwards, sale of livestock included starter chicks which commanded higher margins than previous years.

For the year ended 31 December 2001, gross profit margin has decreased mainly due to lower average selling prices realized in respect of eggs.

**10.4 Directors' Declaration on Financial Performance**

As at 9 May 2002, being the latest practicable date prior to the Prospectus, the financial conditions and operations of the Company and its subsidiaries are not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have, a material favourable or unfavourable impact on financial performance, position and operations of the Group;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the HLRB Group; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

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**10. FINANCIAL INFORMATION (Cont'd)**


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**10.5 Working Capital, Material Litigations, Material Commitments, Borrowings and Contingent Liabilities**
**(i) Working Capital**

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

**(ii) Material Litigations**

As at 9 May 2002 (being the latest practicable date of which such matter could be determined prior to the printing of this Prospectus), the Company and its subsidiaries are not engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Group and the directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and/or adversely affect the position or business of the Group.

**(iii) Material Commitments**

As at 9 May 2002 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group has material commitments amounting to approximately RM11,813,000 as follows:

<b>Type of acquisition :</b>	<b>RM'000</b>
Authorised and not contracted for :	
Purchase of Machinery	10,643
Authorised and contracted for :	
Purchase of Land	540
<b>Total</b>	11,183

**(iv) Borrowings**

As at 9 May 2002 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group's total bank borrowings, overdraft facilities and term loan facilities amounted to approximately RM58,580,583 as follows :

	<b>RM'000</b>
<b>Short term</b>	
Interest bearing	24,167
Non-interest bearing	-
<b>Long term</b>	
Interest bearing	34,413
Non-interest bearing	-
<b>Total outstanding borrowings</b>	58,580

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

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**10. FINANCIAL INFORMATION (Cont'd)**

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**(v) Contingent Liabilities**

As at 9 May 2002 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group has no contingent liabilities.

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**10. FINANCIAL INFORMATION (Cont'd)**


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**10.6 Consolidated Profit Forecast For The Financial Year Ending 31 December 2002****HUAT LAI RESOURCES BERHAD****CONSOLIDATED PROFIT FORECAST  
FOR THE YEAR ENDING 31 DECEMBER 2002**

The Directors of Huat Lai Resources Berhad ('HLRB') forecast that, barring unforeseen circumstances, the consolidated profit after taxation of HLRB and its subsidiaries ('the Group') for the financial year ending 31 December 2002 will be as follows:

	RM'000
Revenue	82,687
Consolidated profit before taxation	10,084
Taxation	(887)
Consolidated profit after taxation	9,197
Enlarged number of ordinary shares in issue ('000)	50,000
Weighted average number of ordinary shares in issue ('000)	46,210
Gross Earnings Per Share (RM)	0.22
Net Earnings Per Share (RM)	0.20
Gross PE Multiple based on issue price of RM1.40 per share (times)	6.36
Net PE Multiple based on issue price of RM1.40 per share (times)	7.00



10. FINANCIAL INFORMATION (Cont'd)

**HUAT LAI RESOURCES BERHAD**

**CONSOLIDATED PROFIT FORECAST  
FOR THE YEAR ENDING 31 DECEMBER 2002 (CONTINUED)**

Principal bases and assumptions

The principal bases and assumptions upon which the above consolidated profit forecast has been made are set out below:

- (a) Proceeds from the Public Issue of RM10,612,000 will be received on 30 June 2002.
- (b) There will be no significant changes in the group structure of the Group during the forecast year.
- (c) There will be no significant changes in present legislation, government regulations, taxes, duties or levies which will adversely affect the activities of the Group or the markets in which it operates.
- (d) There will be no significant changes in the prevailing economic and political conditions in Malaysia and elsewhere which will adversely affect the activities or performance of the Group. The economic condition in Malaysia during the forecast year is expected to improve.
- (e) There will be no significant changes in the principal activities, accounting policies, management and operating policies of the Group.
- (f) There will be no major breakdown or disruptions in the manufacturing process, industrial disputes or any abnormal factors, both domestic or overseas, which will adversely affect the activities or performance of the Group.
- (g) The rate of inflation will not vary significantly from the current level.
- (h) There will be no significant fluctuations in foreign currency exchange rates assumed in the forecast. The principal rates used are as follows:
  - USD 1 : RM3.8
  - SGD 1 : RM2.1
- (i) Average selling prices of the Group's major products will not significantly vary from the forecast level.
- (j) There will be no significant fluctuations in the cost of raw materials, labour and wages and other operating costs.
- (k) The Group will be able to renew its franchise agreement in respect of supply of Lohmann layer parent stock based on existing terms and conditions.

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10. FINANCIAL INFORMATION *(Cont'd)*

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**HUAT LAI RESOURCES BERHAD**

**CONSOLIDATED PROFIT FORECAST  
FOR THE YEAR ENDING 31 DECEMBER 2002 (CONTINUED)**

- (l) Demand for products of the Group will be in line with the forecast level. In addition, the Group will be able to retain its present export quota licences for sale of eggs to Singapore.
- (m) There will be no significant changes in the level of capital expenditure other than the planned increase in line with the expansion of business operations.
- (n) Existing and additional financing facilities will be available over the forecast year at the prevailing interest rates.

10. FINANCIAL INFORMATION (Cont'd)

10.7 Reporting Accountants' Letter On The Consolidated Profit Forecast



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

13 May 2002

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
12th Floor Bangunan Yayasan Melaka  
Jalan Hang Tuah  
P O Box 140  
75720 Melaka, Malaysia  
Telephone +60 (6) 283 6169  
Facsimile +60 (6) 284 4368

**CONSOLIDATED PROFIT FORECAST  
FOR THE YEAR ENDING 31 DECEMBER 2002**

Dear Sirs,

We have reviewed the accounting policies and calculations for the consolidated profit forecast of Huat Lai Resources Berhad ('HLRB') and its subsidiaries ('the Group') for which the Directors are solely responsible, for the year ending 31 December 2002 as set out in the Prospectus to be dated 20 May 2002. The consolidated profit forecast has been prepared for the purpose of inclusion in the Prospectus in connection with the Public Issue of 7,580,000 new ordinary shares of RM1.00 each and the Offer for Sale of 15,000,000 ordinary shares of RM1.00 each in HLRB at an issue/offer price of RM1.40 per share and the listing and quotation of the entire enlarged issued and fully paid-up share capital of 50,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and is presented on a basis consistent with the accounting policies normally adopted by HLRB and its subsidiaries.

Yours faithfully,

PRICEWATERHOUSECOOPERS  
(No. AF-1146)  
Chartered Accountants

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

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**10. FINANCIAL INFORMATION (Cont'd)**


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**10.8 Directors' Analysis and Commentary on the Consolidated Profit Forecast**

In the financial year 2002, the Group expects revenue to increase substantially by 33% from the financial year 2001 as it optimizes its production capacity, which will result in higher sale of pullets and also the export of eggs to Singapore. These will be the key factors in contributing to the increase in profit before taxation by 39% to RM10.084 million. In addition, there will be a full year contribution expected from the production of paper egg trays with the set up of the production line towards end of the year 2001. The proceeds from the Public Issue will be mainly utilised to finance and re-finance its purchase of plant and machinery of RM10 million.

**10.9 Dividend Forecast**

Barring unforeseen circumstances, the Directors of HLRB intend to declare a gross tax-exempt dividend of 5% for the financial year ending 31 December 2002 based on the enlarged issued and paid-up share capital of 50,000,000 ordinary shares of RM1.00 each in HLRB.

HLRB intends to pursue a dividend policy in-line with its profitability, which would allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for its future growth and expansion.

The intended appropriation of the consolidated forecast profit after taxation for the financial year ending 31 December 2002 would be as follows:-

<b>Financial Year Ending 31 December</b>	<b>Forecast 2002 RM'000</b>
Profit before taxation	10,084
Taxation	(887)
Profit after taxation	9,197
Less: Proposed dividend	2,500
Retained profit for the year	<u>6,697</u>
Gross dividend per ordinary share (sen)	5.0
Net dividend per ordinary share (tax-exempt) (sen)	5.0
Gross dividend yield based on the issue price of RM1.40 per ordinary share (%)	3.57
Net dividend yield based on the issue price of RM1.40 per ordinary share (%)	3.57
Gross dividend cover (times)	4.03
Net dividend cover (times)	3.68

Future dividends may be waived in the event of the following circumstances:

- (i) insufficient retained profits to declare as dividends;
- (ii) insufficient tax exempt profits to declare as dividends and/or insufficient tax credits to frank its dividends; or
- (iii) insufficient cashflows to pay dividends.

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**10. FINANCIAL INFORMATION (Cont'd)**


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**10.10 Sensitivity Analysis**
**(i) Variation in Revenue**  
 (Selling prices of the Group's products)

A sensitivity analysis on HLRB's forecast consolidated profit before tax for the financial year ending 31 December 2002 based on deviation of 5% to 10% on the Group's revenue for the financial year is as set out below:-

	<b>Forecast profit before taxation RM'000</b>
As forecasted	10,084
Up 10%	18,353
Up 5%	14,219
Down 5%	5,950
Down 10%	1,816

**(ii) Variation in Cost of sales**

A sensitivity analysis on HLRB's forecast consolidated profit before tax for the financial year ending 31 December 2002 based on deviation of 5% to 10% on the Group's cost of sales for the financial years is as set out below:-

	<b>Forecast profit before taxation RM'000</b>
As forecasted	10,084
Up 10%	3,624
Up 5%	6,854
Down 5%	13,314
Down 10%	16,545

**10. FINANCIAL INFORMATION (Cont'd)****10.11 Proforma Consolidated Balance Sheet As at 31 December 2001****HUAT LAI RESOURCES BERHAD****PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2001**

The Pro forma Consolidated Balance Sheet of Huat Lai Resources Berhad ('HLRB') as set out below are provided solely for illustrative purposes only to show the effects of the Public Issue of HLRB on the assumption that this transaction was completed on 31 December 2001.

	<b>Audited HLRB Group as at 31.12.2001 RM'000</b>	<b>Pro forma After Public Issue RM'000</b>
PROPERTY, PLANT AND EQUIPMENT	84,496	89,549
CURRENT ASSETS	34,603	33,715
LESS: CURRENT LIABILITIES	(31,929)	(31,039)
NET CURRENT ASSETS	2,674	2,676
LESS: NON CURRENT LIABILITIES	(28,828)	(24,771)
	<u>58,342</u>	<u>67,454</u>
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital (note 2)	42,420	50,000
Share premium (note 2)	-	1,532
Revaluation reserve (note 2)	7,871	7,871
Retained profits (note 2)	8,051	8,051
Shareholders' equity	<u>58,342</u>	<u>67,454</u>
Net tangible assets per share(RM)	<u>1.38</u>	<u>1.35</u>

## 10. FINANCIAL INFORMATION (Cont'd)

**HUAT LAI RESOURCES BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2001**

## 1. BASIS OF PREPARATION

## 1.1 BALANCE SHEET OF HLRB GROUP

The Pro forma Consolidated Balance Sheet has been prepared based on the audited financial statements for the year ended 31 December 2001 which were reported on without qualification by the auditors.

- 1.2 The Pro forma Consolidated Balance Sheet incorporate, on a Pro forma basis, the effects of the Public Issue of 7,580,000 new ordinary shares of RM1.00 each in HLRB at an issue price of RM1.40 per share and the utilisation of the proceeds from the Public Issue as though it was effected on 31 December 2001:-

The proceeds from the Public Issue will be utilised as follows:

	RM'000
Repayment of hire purchase liabilities	4,947
Purchase of property, plant and equipment	5,053
Share issue expenses	612
	<u>10,612</u>

- 1.3 The Pro forma Consolidated Balance Sheets are presented on a basis consistent with the accounting policies normally adopted by HLRB and its subsidiaries.
2. The movements in share capital, share premium, revaluation reserve and retained profits of HLRB are as follows:

	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Revaluation reserve</u> RM'000	<u>Retained profits</u> RM'000
As at 31.12.2001	42,420	-	7,871	8,051
Public Issue	7,580	3,032	-	-
Estimated share issue expenses written off *	-	(1,500)	-	-
As shown in Pro forma I	<u>50,000</u>	<u>1,532</u>	<u>7,871</u>	<u>8,051</u>

\* Estimated share issue expenses comprise RM888,000 relating to Rights Issue and RM612,000 relating to Public Issue.

10. FINANCIAL INFORMATION (Cont'd)

10.12 Reporting Accountants' Letter On Proforma Consolidated Balance Sheet



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

13 May 2002

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants  
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**PRO FORMA CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2001**

Dear Sirs,

We have reviewed the Pro forma Consolidated Balance Sheet of Huat Lai Resources Berhad ('HLRB') and its subsidiaries ('the Group') as at 31 December 2001, together with the notes thereon, for which the Directors of HLRB are solely responsible, as set out 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 and the Offer for Sale of 15,000,000 ordinary shares of RM1.00 each in HLRB at an issue/offer price of RM1.40 per share and the listing and quotation of the entire enlarged issued and fully paid-up share capital of 50,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

Based on the results of our review, we confirm that the Pro forma Consolidated Balance Sheet of HLRB as at 31 December 2001, which are provided for illustrative purposes only has been properly compiled on the bases set out in the notes to the Pro forma Consolidated Balance Sheet.

Yours faithfully,

PRICEWATERHOUSECOOPERS  
(No. AF-1146)  
Chartered Accountants

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