

## 12. FINANCIAL INFORMATION

### 12.1 Historical Profit and Dividend Record

The following table sets out a summary of the proforma consolidated results of the Protasco Group for the past five (5) financial years ended 31 December 2002 based on the assumption that the Protasco Group had been in existence throughout the years under review. The proforma consolidated results are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 13 of this Prospectus.

	<-----Financial year ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Turnover	81,037	183,237	267,443	445,491	715,609
EBITDA	15,526	29,865	45,515	73,111	96,351
Depreciation	(5,117)	(5,927)	(8,190)	(12,764)	(16,296)
Amortisation	(487)	(532)	(467)	(1,695)	(241)
Interest income	279	237	176	1,165	1,723
Interest expense	(3,125)	(1,957)	(1,465)	(2,030)	(3,430)
PBT	7,076	21,686	35,569	57,787	78,107
Taxation	(2,276)	(808)	(9,795)	(16,739)	(23,127)
PAT	4,800	20,878	25,774	41,048	54,980
MI	(364)	(1,437)	(974)	(10,377)	(11,275)
PATAMI	4,436	19,441	24,800	30,671	43,705
No. of ordinary shares assumed in issue <sup>1</sup> ('000)	248,544	248,544	248,544	248,544	248,544
Gross EPS <sup>2</sup> (sen)	3	9	14	23	31
Net EPS <sup>3</sup> (sen)	2	8	10	12	18
Gross dividend rate <sup>4</sup> (%)	0.3	3	-	2	-

**Notes:**

- \* *There were no extraordinary or exceptional items during the financial years under review.*
- (1) *The number of shares assumed in issue is based on the issued and paid-up share capital of Protasco after the Acquisitions.*
- (2) *The gross EPS are computed based on PBT and divided by the number of shares assumed in issue.*
- (3) *The net EPS are computed based on PATAMI divided by the number of shares assumed in issue.*
- (4) *Based on the dividend divided by the number of shares assumed in issue.*

The accounts of Protasco and its subsidiaries were not subject to any audit qualification and there were no exceptional and extraordinary items for the financial years/period under review.

**12. FINANCIAL INFORMATION (Continued)**

An analysis of the contributions of the different segments of business to the consolidated turnover and profit before taxation of the proforma Protasco Group for the five (5) financial years ended 31 December 2002 is as follows:

	<-----Financial year ended 31 December----->				
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
<b>Turnover Breakdown by Principal Activities</b>					
Road construction, rehabilitation and maintenance	49,202	119,231	156,807	324,386	535,261
Engineering services	25,120	43,399	53,249	50,980	66,402
Training	1,902	1,787	5,611	3,846	7,173
Trading	2,557	14,461	46,085	58,310	99,806
Education	1,218	3,482	4,332	5,930	5,850
Others	1,038	877	1,359	2,039	1,117
	<u>81,037</u>	<u>183,237</u>	<u>267,443</u>	<u>445,491</u>	<u>715,609</u>
<b>Profit Before Taxation by Principal Activities</b>					
Road construction, rehabilitation and maintenance	2,407	12,753	18,429	40,799	60,235
Engineering services	5,450	8,664	13,418	12,288	11,888
Training	207	(460)	1,027	396	971
Trading	8	592	2,444	2,623	2,941
Education	(1,007)	125	136	203	225
Others	11	12	115	1,478	1,847
	<u>7,076</u>	<u>21,686</u>	<u>35,569</u>	<u>57,787</u>	<u>78,107</u>

**12.2 Overview of Revenue and PBT for the Past Five (5) Financial Years Ended 31 December 2002****Financial year ended 31 December 1999**

Turnover for the Group increased by approximately RM102.2 million or 126% to RM183.237 million whilst PBT increased by approximately by RM14.6 million or 206% to RM21.686 million.

During the year, with increased Government spending on infrastructure development, the Group has managed to achieve a significant increase in its turnover from road construction, rehabilitation and maintenance activity by 142%. The main contributor was the on-going Kuala Perlis-Changlun road projects, which contributed approximately RM67 million and the North South Central Link and KLIA Expressway – Package 3D & 3D2, which contributed RM34 million.

The increased Government spending has also benefited the Group's engineering services when the turnover from this activity increased by 72% to stand at RM43.4 million as against RM25 million in 1998.

The Group's trading activity has also made a significant increase in turnover of approximately RM12 million or 465% compared to 1998. This is because the Group, through PTSB, concentrated its effort on petroleum-based products and construction materials to meet the increasing demand on the items, which were required for the construction and rehabilitation of roads.

---

**12. FINANCIAL INFORMATION (Continued)**

---

**Financial year ended 31 December 2000**

The turnover and PBT of the Group for the financial year ended 31 December 2000 were approximately RM267.4 million and RM35.6 million respectively.

The increase in turnover and PBT for the road construction, rehabilitation and maintenance activities was mainly due to a new design and build project, the rehabilitation and upgrading of Federal Route 5, Phase A (Kapar – Sabak Bernam & Klang – Banting) that contributed approximately RM64 million in turnover.

In line with the buoyant road construction and rehabilitation industry, the Group's turnover from its trading activity increased by 3 times in the year 2000. This was also due to active marketing and promotion strategies embarked by the Group's trading arm, PTSB, to market its products especially to sub-contractors of in-house projects.

In addition, as the government continued its effort to stimulate the Malaysian economy, the Group's turnover from the engineering services improved. This is mainly due to the work orders from JKR on engineering link data collection and training.

**Financial year ended 31 December 2001**

The turnover and PBT of the Group for the financial year ended 31 December 2001 were approximately RM445.5 million and RM57.8 million respectively.

Turnover from road construction, rehabilitation and maintenance activities was a significant increase of approximately RM167.6 million or 107% as compared to 2000. This was mainly due to the commencement of the operation of a subsidiary company, Roadcare. Roadcare has been awarded the Privatisation Concession for the maintenance of federal roads in Central-Eastern region of Kelantan, Terengganu, Pahang and Selangor by the Government and has generated approximately RM146 million of turnover in 2001. Contribution of turnover from this segment also came from the commencement of several new design and build projects during the year, namely Muar – Melaka – Alor Gajah – Simpang Ampat project, Utan Aji, Perlis – Changlun, Kedah project and Kuching – Serian, Sarawak project.

During the year, the turnover from trading activity increased by approximately RM12 million or 26% contributed partly by the expansion of its activity to the East Coast of Peninsular Malaysia.

**Financial year ended 31 December 2002**

The turnover and PBT for the Group for the financial year ended 31 December 2002 were approximately RM715.6 million and RM78.1 million respectively.

Road construction, rehabilitation and maintenance activities continue to contribute significantly to the increase in the turnover and PBT for the Group. Several design and build projects, such as Federal Route 5 – Phase B (Kapar-Sabak Bernam & Klang-Banting) project, Utan Aji, Perlis-Changlun, Kedah project and Muar-Melaka-Alor Gajah-Simpang Ampat project, were carried out throughout the year and contributed RM328.3 million in turnover. The concession for road maintenance awarded to Roadcare generated almost RM178 million in turnover.

In addition, turnover from trading and engineering services activities increased by 71% and 30% respectively. The higher trading turnover is due to higher demand for the materials used for road construction, rehabilitation and maintenance activities. At the same time, increased government spending on infrastructure projects contributed to higher turnover for engineering services activities.

---

**12. FINANCIAL INFORMATION (Continued)**


---

**12.3 Working Capital, Borrowings, Contingent Liabilities and Capital Commitments****(i) Working Capital**

The Directors of Protasco are of the opinion that, after taking into account the proforma consolidated forecast cashflow and the banking facilities available, the Group will have adequate working capital for its present and foreseeable requirements.

**(ii) Borrowings**

As at 31 May 2003 (being the latest practicable date prior to the printing of this Prospectus), total borrowings of the Group amounted to approximately RM63.289 million. Details of the Group's outstanding bank borrowings including hire purchase facilities which are mainly interest bearing borrowings are as follows:

	<b>As at 31 May 2003</b>
	<b>RM</b>
Long-term borrowings	26,602,000
Short-term borrowings	36,687,000
Total borrowings	<u>63,289,000</u>

**(iii) Contingent Liabilities and Capital Commitments**

As at 31 May 2003, the contingent liabilities of the Group was RM47.143 million. The capital commitments approved and contracted for as at 31 May 2003 amounted to approximately RM1.7 million while the capital commitments approved but not contracted for, amounted to approximately RM12.72 million.

[This rest of this page is intentionally left blank]

---

**12. FINANCIAL INFORMATION (Continued)**


---

**12.4 Consolidated Profit Forecast**

The Directors of Protasco forecast that, barring unforeseen circumstances, the consolidated profit forecast for Protasco for the financial years ending 31 December 2003 will be as follows:

Financial year ending 31 December	Forecast 2003 RM'000
Turnover	<u>729,323</u>
Profit before taxation	87,352
Taxation	(24,399)
Profit after taxation	<u>62,953</u>
Minority Interests	(10,910)
Profit after taxation and minority interest	<u>52,043</u>
No. of ordinary shares assumed in issue ('000)	300,000
Gross EPS (sen)	29.12
Net EPS (sen)	17.35
Net PE multiple based on the Retail Price of RM1.15 per Protasco Share (times)	6.63

The accounts of the subsidiaries have been consolidated using the principles of acquisition accounting in accordance with the requirements of Malaysian Accounting Standard Board No. 11 whereby the consolidated results of the Group have been presented as if the Group had always been in existence.

[This rest of this page is intentionally left blank]

## 12. FINANCIAL INFORMATION (Continued)

### 12.5 Reporting Accountants' Letter on the Consolidated Profit Forecast

(Prepared for the inclusion in the Prospectus)



AF: 0039

■ **Chartered Accountants**

Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia

Mail Address:  
P.O. Box 11040  
50734 Kuala Lumpur, Malaysia

■ **Phone** : (03) 2087-7000

**Fax** : (03) 2095-5332  
(General Line)  
(03) 2095-9076  
(03) 2095-9078

[www.ey.com/my](http://www.ey.com/my)

### AUDITORS' LETTER ON THE CONSOLIDATED PROFIT FORECAST

(Prepared for the inclusion in the Prospectus)

20 June 2003

The Board of Directors  
Protasco Berhad  
Level 14, Uptown 1  
1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs,

#### **PROTASCO BERHAD CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2003**

We have reviewed the accounting policies and calculations for the consolidated profit forecast after taxation and minority interest for the year ending 31 December 2003 of Protasco Berhad (the "Company") and its subsidiary companies (collectively referred to as the "Group") for which the Directors are solely responsible, as set out in the accompanying statement which we have stamped for the purpose of identification, in connection with the following: -

(a) Acquisitions of: -

- i) the entire issued and paid-up capital of Kumpulan Ikram Sdn Bhd ("KISB") comprising 30,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM76,515,470 to be satisfied by the issue of 144,368,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share;
- ii) the entire issued and paid-up capital of HCM Engineering Sdn Bhd ("HCM") comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM47,201,116 to be satisfied by the issue of 89,058,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share;
- iii) the entire issued and paid-up capital of Protasco Trading Sdn Bhd ("PTSB") comprising 500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM5,463,027 to be satisfied by the issue of 10,308,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share; and
- iv) 60% of the issued and paid-up capital of Paves Sdn Bhd ("Paves") comprising 300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,548,718 to be satisfied by the issue of 4,810,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share.

(hereinafter referred to as the "Acquisitions")

---

12. FINANCIAL INFORMATION (*Continued*)

---



AF: 0039

**AUDITORS' LETTER ON THE CONSOLIDATED PROFIT FORECAST (CONTD.)**

(Prepared for the inclusion in the Prospectus)

- b) Renounceable Rights Issue of 2,601,994 new ordinary shares of RM0.50 each to the shareholders of Protasco Berhad on the basis of one (1) new Rights Share for approximately every 95.52 existing ordinary shares of RM0.50 each held in Protasco Berhad after the Acquisitions (the "Rights Issue"); and
- c) Public Issue of 48,854,000 new ordinary shares of RM0.50 each comprising:
  - i) 20,000,000 new ordinary shares of RM0.50 each at the Retail Price of RM1.15 per ordinary share; and
  - ii) 28,854,000 new ordinary shares of RM0.50 each to identified investors at the institutional price to be determined by way of bookbuilding.

and Offer for Sale of 19,600,000 ordinary shares of RM0.50 each comprising:

- i) 9,000,000 ordinary shares of RM0.50 each to Bumiputra investors approved by the Ministry of International Trade and Industry at the Retail Price of RM1.15 each per ordinary share; and
- ii) 10,600,000 ordinary shares of RM0.50 each to identified investors at the institutional price to be determined by way of bookbuilding

The Retail Price will be subject to a refund in the event that the final Retail Price is less than RM1.15. The final Retail Price will be the lower of:

- i) The Retail Price of RM1.15; or
- ii) Not less than 90% of the Institutional Price

and the subsequent listing and quotation of its entire issued and paid up capital on the Main Board of the Kuala Lumpur Stock Exchange ("Listing").

12. FINANCIAL INFORMATION (*Continued*)

---

 **ERNST & YOUNG**

AF: 0039

**AUDITORS' LETTER ON THE CONSOLIDATED PROFIT FORECAST (CONTD.)**  
(Prepared for the inclusion in the Prospectus)

In our opinion, the consolidated profit forecast after taxation and minority interest, 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 accompanying statement and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,



ERNST & YOUNG  
AF: 0039  
Chartered Accountants



Tan Soo Yan T307/03/04 (J/PH)  
Partner



## 12. FINANCIAL INFORMATION (Continued)



AF: 0039

**PROTASCO BERHAD**  
**CONSOLIDATED PROFIT FORECAST**  
**FOR THE YEAR ENDING 31 DECEMBER 2003**

The Directors of Protasco Berhad forecast that, barring unforeseen circumstances, the consolidated profit forecast after taxation and minority interest for the year ending 31 December 2003 will be as follows: -

	Pre-Listing RM'000	Post-Listing RM'000
<b>Consolidated profit forecast after taxation and minority interest</b>		
Year ending 31 December 2003	<u>50,565</u>	<u>52,043</u>

The principal bases and assumptions upon which the consolidated profit forecast have been prepared are as follows: -

**Specific Assumptions**

- 1) The Acquisitions were completed on 6 June 2003.
- 2) The Rights Issue was completed on 9 June 2003 and Listing will be completed by August 2003.

The proceeds from the Rights Issue and Listing was/will be received in June 2003 and August 2003 respectively and will be utilised in the following manner:

	<u>RM'000</u>
Repayment of bank borrowings	50,000
Working capital purposes	4,283
Estimated Listing expenses	3,200
	<u>57,483</u>

ERNST & YOUNG  
Chartered Accountants Kuala Lumpur  
For identification purposes only

## 12. FINANCIAL INFORMATION (Continued)



AF: 0039

**PROTASCO BERHAD**  
**CONSOLIDATED PROFIT FORECAST**  
**FOR THE YEAR ENDING 31 DECEMBER 2003**

**Specific Assumptions (Contd.)**

- 3) For the purpose of preparing the consolidated profit forecast, the Directors have assumed the following, based on past trend, for the financial year 2003:

	<b>2003</b>
	<b><u>RM'000</u></b>
Revenue from:	
a) Government of Malaysia	
- Secured contracts	375,764
- Concession	223,995
b) Other - unsecured	<u>129,564</u>
	<u>729,323</u>

It is also assumed that there will be no cancellation or significant changes in the value of existing contracts and the value of new contracts will be secured in line with their forecast levels. There will not be any major delays in the timing of the commencement and completion of the contracts.

- 4) There will be no significant capital expenditure other than those planned capital expenditure which has already been included in the consolidated cash flow statements. All capital expenditure is financed by internal funds and/or bank overdrafts.
- 5) A dividend of 4 sen per share, less tax amounting to RM8,640,000 which will be proposed for the financial year ending 31 December 2003.
- 6) Corporate tax is assumed at 28% on profit before taxation and is payable by 12 equal monthly installments as assessed based on the current year basis.
- 7) There will be no significant changes in the credit periods granted or received by the Group.
- 8) There will be no significant changes in the key personnel and management of the Group, and in operating policies, which may adversely affect the marketing, distribution and technical capabilities and level of activities of the Group.
- 9) Surplus cash, if any, will be placed in short term deposits at the prevailing interest rate.

---

12. FINANCIAL INFORMATION *(Continued)*

---

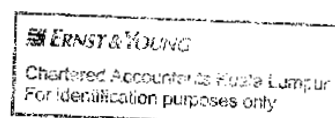


AF: 0039

**PROTASCO BERHAD  
CONSOLIDATED PROFIT FORECAST  
FOR THE YEAR ENDING 31 DECEMBER 2003**

**General Assumptions**

- 1) There will be no material changes in the existing structure and principal activities of the Group.
- 2) There will be no material changes in the accounting policies from those currently adopted by the Group.
- 3) There will be no material changes in the present legislation or regulations, rates and bases of duties, levies and taxes affecting the operations of the Group.
- 4) There will be no major industrial disputes, economic and political changes or any abnormal circumstances, which will adversely affect the operations of the Group.
- 5) Existing and future financing facilities will be available to the Group and at the prevailing interest rates.
- 6) The inflation rate and exchange rates of foreign currencies will not change significantly from their present levels.
- 7) The current economic and/or political crisis surrounding certain neighbouring countries is unlikely to worsen during the forecast period, barring any disruptions that may be brought about by external volatilities.



## 12. FINANCIAL INFORMATION (Continued)

### 12.6 Directors' Commentary on the Consolidated Profit Forecast

#### Financial year ending 31 December 2003

For the financial year ending 31 December 2003, the Group forecasts to achieve a higher turnover of RM729.323 million compared to RM715.6 million achieved in the financial year ended 31 December 2002. The increase is mainly due to higher contribution from the road construction, rehabilitation and maintenance works.

The Protasco Group is expected to record a higher PATAMI of RM52.043 million during the financial year ending 31 December 2003 as compared to RM43.7 million in financial year ended 31 December 2002 corresponding to the higher turnover forecast.

The Directors of Protasco have reviewed the bases and assumptions used in arriving at the profit forecast and are of the view that the profit forecast are true and fair in light of the future prospects, plans and strategies of the Protasco Group as set out in Section 6 of this Prospectus as well as the Group's level of gearing, liquidity and working capital.

### 12.7 Sensitivity Analysis

The principal bases and assumptions upon which the sensitivity analysis on the Group's consolidated profit forecast after taxation has been made as follows:

- (i) The selected variable will vary  $\pm 5\%$ ,  $\pm 10\%$  and  $\pm 15\%$  from the base case;
- (ii) The Group's gross profit margin will be maintained at the same percentage as in the base case (for the scenario showing the impact of the changes in turnover only); and
- (iii) except for the selected sensitised items, the same assumptions for the other items in the base case shall apply.

The following scenario attempts to show the impact on profit resulting from changes in turnover and cost of sales.

#### (A) Change in Turnover After the Proposals

Year ending 31 December	Forecast 2003	
	RM'000	%
Base case PATAMI	52,043	
PATAMI resulting from the change in turnover by:		
+5%	60,864	17
+10%	69,686	34
+15%	78,507	51
-5%	43,641	(16)
-10%	36,004	(31)
-15%	29,031	(44)

**12. FINANCIAL INFORMATION (Continued)****Comments**

The sensitivity analysis is prepared based on the following assumptions:

- (i) Movement in both directions in sales volume by 5%, 10% and 15%;
- (ii) The turnover fluctuation affect the following components by the same percentages:
  - (a) Sub-contractors' cost;
  - (b) Raw materials consumed;
  - (c) Direct labour;
  - (d) Rental of plant & machinery; and
  - (e) Other direct costs.
- (iii) All other components assumed to remain constant/unchanged.

**(B) Change in Cost of Sales After the Proposals**

Year ending 31 December	Forecast	
	2003 RM'000	%
Base case PATAMI	52,043	
PATAMI resulting from the change in cost of sales by:		
+5%	24,398	(53)
+10%	(3,246)	(106)
+15%	(30,891)	(156)
-5%	78,371	48
-10%	102,306	93
-15%	124,160	134

**Comments**

The sensitivity analysis is prepared based on the following assumptions:

- (i) Movement in both directions in cost of sales by 5%, 10% and 15%; and
- (ii) All other components assumed to remain constant/unchanged.

## 12. FINANCIAL INFORMATION *(Continued)*

### 12.8 Dividend Forecast and Policy

It is the policy of the Directors of Protasco in recommending dividends to allow shareholders to participate in the profits of the Protasco Group as well as retaining adequate reserves for the future growth of the Group.

Based on the forecast consolidated profit after taxation for the financial year ending 31 December 2003, the Directors of the Company anticipate that in the absence of unforeseen circumstances, the Company will be able to be in the position to propose a final gross dividend of four (4) sen per ordinary share based on the issued and paid-up share capital of 300,000,000 ordinary shares of RM0.50 each.

The intended appropriation of the forecast consolidated profit after taxation is as follows:

Financial year ending 31 December 2003	Forecast RM'000
Consolidated profit before taxation	87,352
Taxation	<u>(24,399)</u>
Consolidated profit after taxation	62,953
Minority interests	<u>(10,910)</u> 52,043
Proposed final net dividend*	<u>(8,640)</u>
Profit retained for the financial year	<u>43,403</u>
Gross dividend per ordinary share (sen)	4.00
Net dividend per ordinary share (sen)	2.88
Net dividend yield (%) <i>(based on the Retail Price of RM1.15 per ordinary share)</i>	2.50
Net dividend cover (times)	6.02

**Note:**

\* Based on 8% less tax at 28%.

Notwithstanding the above, the Directors have full discretion to propose the waiver of any future dividend payment as and when deemed necessary, if it is in the best interests of the Company.

Future dividends will be waived if:

- (i) The Group is in a loss position for the relevant financial period; or
- (ii) The Group has insufficient cashflow to meet any dividend payments.

12. FINANCIAL INFORMATION (Continued)

12.9 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets

(Prepared for the inclusion in the Prospectus)



AF: 0039

■ Chartered Accountants

Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia

■ Phone : (03) 2087-7000

Fax : (03) 2095-5332

(General Line)

(03) 2095-9076

(03) 2095-9078

www.ey.com/my

Mail Address:

P.O. Box 11040

50734 Kuala Lumpur, Malaysia

31 DECEMBER 2002

(Prepared for the inclusion in the Prospectus)

20 June 2003

The Board of Directors  
Protasco Berhad  
Level 14, Uptown 1  
1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs,

**PROTASCO BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002**

We have reviewed the Proforma Consolidated Balance Sheets of Protasco Berhad as at 31 December 2002, together with the accompanying notes for which the Directors are solely responsible, as set out in the accompanying statement which we have stamped for the purpose of identification, in connection with the following:

(a) Acquisitions of:-

- i) the entire issued and paid-up capital of Kumpulan Ikram Sdn Bhd ("KISB") comprising 30,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM76,515,470 to be satisfied by the issue of 144,368,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share;
- ii) the entire issued and paid-up capital of HCM Engineering Sdn Bhd ("HCM") comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM47,201,116 to be satisfied by the issue of 89,058,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share;
- iii) the entire issued and paid-up capital of Protasco Trading Sdn Bhd ("PTSB") comprising 500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM5,463,027 to be satisfied by the issue of 10,308,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share; and
- iv) 60% of the issued and paid-up capital of Paves Sdn Bhd ("Paves") comprising 300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,548,718 to be satisfied by the issue of 4,810,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share.

(hereinafter referred to as the "Acquisitions")

12. FINANCIAL INFORMATION (Continued)



AF: 0039

**AUDITORS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002 (CONTD.)**

(Prepared for the inclusion in the Prospectus)

- b) Renounceable Rights Issue of 2,601,994 new ordinary shares of RM0.50 each to the shareholders of Protasco Berhad on the basis of one (1) new Rights Share for approximately every 95.52 existing ordinary shares of RM0.50 each held in Protasco Berhad after the Acquisitions (the "Rights Issue"); and
- c) Public Issue of 48,854,000 new ordinary shares of RM0.50 each comprising:
  - i) 20,000,000 new ordinary shares of RM0.50 each at the Retail Price of RM1.15 per ordinary share; and
  - ii) 28,854,000 new ordinary shares of RM0.50 each to identified investors at the institutional price to be determined by way of bookbuilding.

and Offer for Sale of 19,600,000 ordinary shares of RM0.50 each comprising:

- i) 9,000,000 ordinary shares of RM0.50 each to Bumiputra investors approved by the Ministry of International Trade and Industry at the Retail Price of RM1.15 each per ordinary share; and
- ii) 10,600,000 ordinary shares of RM0.50 each to identified investors at the institutional price to be determined by way of bookbuilding

The Retail Price will be subject to a refund in the event that the final Retail Price is less than RM1.15. The final Retail Price will be the lower of:

- i) The Retail Price of RM1.15; or
- ii) Not less than 90% of the Institutional Price

and the subsequent listing and quotation of its entire issued and paid up capital on the Main Board of the Kuala Lumpur Stock Exchange ("Listing").



12. FINANCIAL INFORMATION *(Continued)*

---



AF: 0039

**AUDITORS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002 (CONTD.)**

(Prepared for the inclusion in the Prospectus)

In our opinion, the Proforma Consolidated Balance Sheets, which are provided for illustrative purposes only, have been properly compiled on the basis set out in the notes to the Proforma Consolidated Balance Sheets and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive script.

ERNST & YOUNG  
AF: 0039  
Chartered Accountants

A handwritten signature in black ink that reads 'Tan Soo Yan' in a cursive script.

Tan Soo Yan 1307/03/04 (J/PH)  
Partner

## 12. FINANCIAL INFORMATION *(Continued)*



AF: 0039

### **PROTASCO BERHAD NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**

The Proforma Consolidated Balance Sheets of Protasco Berhad, for which the Directors are solely responsible, have been prepared based on the proforma consolidated balance sheet of Protasco Berhad as at 31 December 2002 and are provided for illustrative purposes only, to show the effects of the following events on the assumption that they occurred on 31 December 2002.

#### **PROFORMA 1**

The Proforma Consolidated Balance Sheet is stated after incorporating the effects of the Acquisitions of:

- i) the entire issued and paid-up capital of Kumpulan Ikram Sdn Bhd ("KISB") comprising 30,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM76,515,470 to be satisfied by the issue of 144,368,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share;
- ii) the entire issued and paid-up capital of HCM Engineering Sdn Bhd ("HCM") comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM47,201,116 to be satisfied by the issue of 89,058,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share;
- iii) the entire issued and paid-up capital of Protasco Trading Sdn Bhd ("PTSB") comprising 500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM5,463,027 to be satisfied by the issue of 10,308,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share; and
- iv) 60% of the issued and paid-up capital of Paves Sdn Bhd ("Paves") comprising 300,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,548,718 to be satisfied by the issue of 4,810,000 new ordinary shares of RM0.50 each at an issue price of approximately RM0.53 per share.

(hereinafter referred to as the "Acquisitions").

The Proforma Consolidated Balance Sheet of Protasco Berhad is prepared based on the respective audited financial statements of Protasco Berhad, HCM Engineering Sdn Bhd, Protasco Trading Sdn Bhd and Paves Sdn Bhd except for Kumpulan Ikram Sdn Bhd which have been adjusted to include the effects of the revaluation of landed properties carried out by the Directors based on open market valuation performed by independent professional valuers in financial year 2002. The revaluation was carried out for the purpose of determining the purchase consideration of the acquisition of Kumpulan Ikram Sdn Bhd.

Upon completion of the Acquisitions, the issued and paid-up capital of Protasco Berhad has been increased to RM124,272,003, giving rise to a share premium of RM7,456,000.

12. FINANCIAL INFORMATION *(Continued)*



AF: 0039

**PROTASCO BERHAD**  
**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS (CONTD.)**

**PROFORMA 2**

The Proforma Consolidated Balance Sheet is stated after incorporating the effects of Proforma 1 and the Rights Issue of 2,601,994 new ordinary shares of RM0.50 each to the shareholders of Protasco Berhad on the basis of one (1) new Rights Share for approximately every 95.52 existing ordinary shares of RM0.50 each held in Protasco Berhad after the Acquisitions.

Upon completion of Proforma 2, the issued and paid-up capital has been increased to RM125,573,000.

**PROFORMA 3**

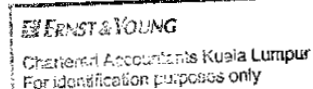
The Proforma Consolidated Balance Sheet is stated after incorporating the effects of Proforma 2 and the Public Issue of 48,854,000 new ordinary shares of RM0.50 each at an illustrative Retail Price of RM1.15 per share. The proceeds from the Rights Issue and Public Issue net of the estimated Listing expenses is assumed to be utilised to partially repay the bank borrowings and for working capital purposes. The estimated Listing expenses of RM3,200,000 has been set off against share premium.

Upon completion of Proforma 3, the issued and paid-up capital will be increased to RM150,000,000, giving rise to a share premium of RM36,011,000.

## 12. FINANCIAL INFORMATION (Continued)



AF: 0039



**PROTASCO BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS**  
**AS AT 31 DECEMBER 2002**

	Audited as at 31/12/02	Proforma 1	Proforma 2	Proforma 3
	RM ' 000	RM ' 000	RM ' 000	RM ' 000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	-	181,421	181,421	181,421
<b>INVESTMENT</b>	-	330	330	330
<b>DEFERRED EXPENDITURE</b>	742	742	742	-
<b>CURRENT ASSETS</b>				
Inventories	-	2,253	2,253	2,253
Trade debtors	-	184,210	184,210	184,210
Other debtors, prepayments and deposits	-	8,130	8,130	8,130
Tax recoverable	-	657	657	657
Amount due from a corporate shareholder	-	24	24	24
Fixed deposits with financial institutions	-	16,073	16,073	16,073
Cash and bank balances	-	62,794	64,095	67,077
	-	274,141	275,442	278,424
<b>CURRENT LIABILITIES</b>				
Trade creditors	-	148,243	148,243	148,243
Other creditors and accruals	747	18,992	18,992	18,250
Amount due to a corporate shareholder	-	486	486	486
Lease and hire purchase creditors	-	3,351	3,351	3,351
Bank borrowings	-	41,797	41,797	11,797
Taxation	-	2,171	2,171	2,171
Dividend payable	-	980	980	980
	747	216,020	216,020	185,278
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	(747)	58,121	59,422	93,146
	(5)	240,614	241,915	274,897

## 12. FINANCIAL INFORMATION (Continued)



AF: 0039

**PROTASCO BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS**  
**AS AT 31 DECEMBER 2002**

	Audited as at 31/12/02	Proforma 1	Proforma 2	Proforma 3
	RM ' 000	RM ' 000	RM ' 000	RM ' 000
<b>FINANCED BY: -</b>				
<b>SHARE CAPITAL</b>	*	124,272	125,573	150,000
<b>SHARE PREMIUM</b>	-	7,456	7,456	36,011
<b>ACCUMULATED LOSS</b>	(5)	(5)	(5)	(5)
<b>CAPITAL RESERVE ON CONSOLIDATION</b>	-	44,182	44,182	44,182
	(5)	175,905	177,206	230,188
<b>MINORITY INTERESTS</b>	-	27,751	27,751	27,751
<b>LONG TERM LIABILITIES</b>	-	28,361	28,361	8,361
<b>DEFERRED TAXATION</b>	-	8,597	8,597	8,597
	(5)	240,614	241,915	274,897

\* The issued and paid-up capital of Protasco Berhad is 3 ordinary shares at RM1.00 each. On 8 April 2003, the existing ordinary shares of RM1.00 each fully paid up in the capital of the Company were divided into 2 ordinary shares of RM0.50 each and the authorised share capital of the Company which was RM100,000 divided into 100,000 ordinary shares of RM1.00 each were altered by subdividing the 100,000 ordinary shares of RM1.00 each into 200,000 ordinary shares of RM0.50 each.