

10. FINANCIAL INFORMATION

10.1 Profit and Dividend Record of the Group

10.1.1 PKHB 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 PKHB Group for the past 5 financial years ended 31 July 2003. The consolidated financial results should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

	←-----Audited----->				
	←-----FY Ended 31 July----->				
	1999 (RM'000)	2000 (RM'000)	2001 (RM'000)	2002 (RM'000)	2003 (RM'000)
Revenue	255,812	278,544	290,050	291,799	293,564
EBIDTA	21,957	24,335	20,758	30,817	32,849
Interest Expense	(3,762)	(3,469)	(3,787)	(3,912)	(3,930)
Operating Profit	18,195	20,866	16,971	26,905	28,919
Amortisation of goodwill	(129)	(129)	(129)	(129)	(129)
Depreciation	(3,015)	(3,383)	(3,714)	(3,916)	(3,998)
PBT	15,051	17,354	13,128	22,860	24,792
Taxation	(2,284)	(5,506)	(4,394)	7,429	(6,759)
PAT	12,767	11,848	8,734	15,431	18,033
MI	(239)	(396)	(70)	(439)	(405)
PAT after MI	12,528	11,452	8,664	14,992	17,628
No. of ordinary shares assumed in issue ('000)	64,000	64,000	64,000	64,000	64,000
No. of ordinary shares upon conversion of the ICULS ('000)	117,243	117,243	117,243	117,243	117,243
Basic net EPS (sen)	19.58	17.89	13.54	23.43	27.54
Diluted net EPS (sen)	10.69	9.77	7.39	12.79	15.04
Gross Dividend (%)	-	-	-	-	-

Note:-

- (1) The basic net EPS is calculated based on the proforma PAT and MI divided by enlarged ordinary shares of 64,000,000 of RM1.00 each
- (2) The diluted net EPS is calculated based on the proforma PAT and MI divided by enlarged ordinary shares of 117,243,359 of RM1.00 each upon full conversion of the ICULS
- (3) There were no extraordinary or exceptional items during the period under review

10. FINANCIAL INFORMATION (Cont'd)

10.2 Segmental Analysis of Revenue and Profits

10.2.1 Analysis of Revenue by Products/Activity

	1999	2000	2001	2002	2003
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Products					
999	28,536	33,601	30,842	20,364	17,199
916	279,254	300,179	318,466	350,522	348,812
835	4,145	4,029	4,833	5,480	4,918
Diamond	58,832	65,448	57,700	66,278	69,368
Precious Stone	18,029	19,261	19,093	19,639	19,349
Semi-Precious Stone	10,550	10,642	13,193	15,514	15,560
Platinum	1,284	1,965	1,495	1,574	1,387
White Gold	3,667	6,069	8,779	13,697	20,960
Others	4,066	5,294	6,533	12,375	8,290
Other revenue ^	8,216	6,400	3,429	4,126	-
	416,579	452,888	464,363	509,569	505,843
Interest Received	3,288	3,645	3,283	2,257	2,280
Refinery Income	-	-	-	61	620
Rental Income	244	316	435	249	387
Packing and utilities	-	-	-	-	1,168
Dividend	1,375	-	32	298	-
	421,486	456,849	468,113	512,434	510,298
Less:					
Consolidation Adjustment #	(165,674)	(178,305)	(178,063)	(220,635)	(216,734)
TOTAL	255,812	278,544	290,050	291,799	293,564

Note:-

^ The revenue represents revenue from certain subsidiary companies where breakdown of revenue by products is not available due to absence of historical records.

Consolidation adjustment comprised inter-companies sales, dividends and interests received from subsidiary companies and sub-subsidiary companies.

10.2.2 Analysis of PBT after MI by Products/Activity

	1999	2000	2001	2002	2003
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Products					
999	3,124	4,133	3,384	2,515	2,151
916	26,441	30,889	30,845	40,628	42,080
835	649	544	558	597	601
Diamond	16,084	16,350	14,769	15,906	18,744
Precious Stone	4,896	4,738	4,959	4,734	5,346
Semi-Precious Stone	3,295	3,018	3,944	4,637	4,842
Platinum	396	541	376	360	332
White Gold	1,228	1,784	2,608	4,062	6,949

10. FINANCIAL INFORMATION (Cont'd)

	1999	2000	2001	2002	2003
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Others	1,337	1,333	1,424	2,126	1,670
Other gross profit ^	1,029	555	438	251	-
	58,479	63,885	63,305	75,816	82,715
Interest Received	3,288	3,645	3,283	2,257	2,280
Refinery Income	-	-	-	5	457
Rental Income	244	316	435	249	387
Packing and utilities	-	-	-	-	103
Dividend	1,375	-	32	298	-
Total Gross Profit ^	63,386	67,846	67,055	78,625	85,942
Other operating Income	6,780	2,413	3,497	7,786	5,037
Operating Expenses	(49,756)	(51,909)	(56,951)	(59,494)	(66,187)
	20,410	18,350	13,601	26,917	24,792
Less: Consolidation Adjustment #	(5,598)	(1,392)	(543)	(4,496)	(405)
TOTAL	14,812	16,958	13,058	22,421	24,387

Note:-

^ The gross profit represents gross profit from certain subsidiary companies where breakdown of PBT after MI by products is not available due to absence of historical records.

Consolidation adjustment comprised inter-companies sales, purchases, other income, administrative expenses, selling and distribution expenses, exceptional items and MI.

10.2.3 Analysis of Revenue by Local and Export

	1999	2000	2001	2002	2003
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Local	421,402	454,624	467,275	512,275	510,298
Export	84	2,225	838	159	-
Total	421,486	456,849	468,113	512,434	510,298
Less: Consolidation Adjustment #	(165,674)	(178,305)	(178,063)	(220,635)	(216,734)
TOTAL	255,812	278,544	290,050	291,799	293,564

Note:-

Consolidation adjustment comprised inter-companies sales, dividends and interest received from subsidiary companies and sub-subsidiary companies.

10. FINANCIAL INFORMATION (Cont'd)**10.2.4 Analysis of PBT after MI by Local and Export**

	1999	2000	2001	2002	2003
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Local	20,408	18,326	13,587	26,913	24,792
Export	2	24	14	4	-
Total	20,410	18,350	13,601	26,917	24,792
Less:					
Consolidation Adjustment #	(5,598)	(1,392)	(543)	(4,496)	(405)
TOTAL	14,812	16,958	13,058	22,421	24,387

Note:-

Consolidation adjustment comprised inter-companies sales, purchases, other income, administrative expenses, selling and distribution expenses, exceptional items and MI.

10.3 Overview of Revenue and PBT, for the past five (5) FYs ended 31 July 2003***FY ended 31 July 1999***

The revenue for 1999 decreased by 7.33% or approximately RM20.22 million. The decrease in revenue was mainly due to the closure of five (5) non-performing outlets, namely Ocean Kajang, Ocean in Sungai Petani, Pasaraya Rainbow in Setapak, Econ Jaya in Klang and lastly Orchard Square in Klang. Gross profit margins for 1998 and 1999 had been stable at 23.82% and 24.14% respectively.

Even though revenue decreased by 7.33%, PBT after MI increased slightly by 1.02% from 1998 to 1999. This was caused primarily by lower interest expenses and administrative expenditure which reduced by RM4.44 million. The increase in PBT after MI had increased PBT after MI margin by 6.83%.

The lower effective tax rate of the Group was attributed to the dividend income tax at source and the provision of deferred taxation. No provision for taxation was provided for other sources of income as it was a tax waiver year.

FY ended 31 July 2000

The revenue for 2000 increased by 8.89% or approximately RM22.73 million. The improvement was due to the Group's expansion programme whereby several new outlets were opened in Klang Valley, namely Mid Valley MegaMall, Alam Sentral in Shah Alam, Mutiara in Jalan Ipoh and Pandan Kapital in Cheras, which together contributed to approximately RM9.04 million in revenue whereas the balance of RM13.69 million was due to improvement in revenue by all the existing outlets.

In 2000, the Group's PBT after MI improved by 14.49% or approximately RM2.15 million mainly due to the increase in revenue and decrease in interest expense by 19.36%. The increase in PBT after MI had increased the PBT after MI margin by 5.18%.

The effective tax rate of the Group was higher than the statutory tax rate of 28% due to certain expenses disallowed for tax purposes and the provision of deferred taxation. The fact the losses of certain subsidiary companies were not available for set off against taxable profits of other subsidiary companies also contributed to the higher effective tax rate.

10. FINANCIAL INFORMATION (Cont'd)

FY ended 31 July 2001

In 2001, the Group's revenue increased by 4.13% or approximately RM11.51 million. The increase in revenue was due to the launch of the Group's 25th Anniversary contest for gemset jewellery and opening of a new outlet in Mahkota Parade, Malacca, which retails a large variety of gemset jewellery. This new outlet contributed to an eight months' revenue of approximately RM1.58 million.

Despite increase in revenue, the PBT after MI decreased by approximately 23.00% or RM3.90 million. The decrease in PBT after MI and hence PBT after MI margin by 26.11% was mainly due to the increase in selling expenditure, primarily advertising and promotion expenses during the launch of the Group 25th Anniversary Contest by RM3.45 million. Administrative expenses had also increased by approximately RM1.14 million. The increase in administrative expenses was due to inventory losses from robbery in the three (3) outlets, namely Pearl Point, Bangsar and Mutiara, Kuala Lumpur.

The effective tax rate of the Group was higher than the statutory tax rate of 28% due to certain expenses disallowed for tax purposes and the provision of deferred taxation. The fact the losses of certain subsidiary companies were not available for set off against taxable profits of other subsidiary companies also contributed to the higher effective tax rate.

FY ended 31 July 2002

In 2002, the Group's revenue increased by 0.60% or approximately RM1.75 million due to the opening of a new outlet in Puchong which contributed to two months' revenue amounting to RM0.82 million and increase in revenue by the outlets in Bangsar, Mid Valley Megamall and Ampang Point. The increase in revenue was however offset by the closure of two (2) non performing outlets in Kuala Lumpur and Ipoh, namely Uda Ocean and Xtra Ipoh and decrease in revenue by several outlets.

The Group's PBT after MI improved by approximately 71.70% or RM9.36 million due to the increase in gold price which caused the gross profit margin to improve substantially by 16.55%. The Group's PBT after MI was further enhanced by the closure of the non-performing outlets which in turn reduced losses suffered by the Group.

The effective tax rate of the Group was higher than the statutory tax rate of 28% due to certain expenses disallowed for tax purposes and the provision of deferred taxation. The fact the losses of certain subsidiary companies were not available for set off against taxable profits of other subsidiary companies also contributed to the higher effective tax rate.

FY ended 31 July 2003

In 2003, the Group's revenue increased by 0.60% or approximately RM1.77 million due to the opening of three new outlets, namely Tesco Malacca, Tesco Klang and Tesco Mutiara Damansara. However, the increase in revenue was offset by the closure of one of the branches of Great Wall, which caught fire in May 2003. In addition, the unexpected SARS outbreak in April 2003 had significant impact on the Group's revenue growth.

In 2003, the Group's PBT improved by 8.45% or approximately RM1.93 million due mainly to the cheaper purchases obtained which caused the gross profit margin to improve from 26.76% to 28.75%. Furthermore, the increase in operating income had also pushed up PBT in 2003.

The effective tax rate of the Group was lower than the statutory tax rate of 28% as the corporate tax rate has been reduced to 20% on the first RM100,000 of chargeable income for small-medium industries with a paid-up capital of less than RM2.5 million.

10. FINANCIAL INFORMATION (Cont'd)

10.4 Directors' Declaration on Financial Performance

As at 19 January 2004, being the latest practicable date prior to this Prospectus, the financial conditions and operations of the Company and its subsidiary companies 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 PKHB 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.

10.5 Working Capital, Material Litigations, Material Commitments, Borrowings and Contingent Liabilities

(i) Working Capital

The Directors of PKHB are of the opinion that, after taking into consideration the cashflow, banking facilities available and the net proceeds of the Public Issues, the PKHB Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(ii) Material Litigations

Save as disclosed below, as at 19 January 2004 (being the latest practicable date of which such matter could be determined prior to the printing of this Prospectus), the Company and its subsidiary companies 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:-

PKJ (O. Klang)

By a Writ of Summons dated 22 May 2003, Kerajaan Malaysia instituted a civil action in the High Court of Malaya at Kuala Lumpur against PKJ (O. Klang) claiming for total outstanding income tax of RM1,245,549-68 payable for years of assessment 1996 and 1997 inclusive of increases pursuant to Sections 107B(3), 103(4) and 103(5A) of the Income Tax Act 1967. PKJ (O. Klang) has on 10 June 2003 fully settled the said outstanding amount to the Lembaga Hasil Dalam Negeri ("LHDN"). Kerajaan Malaysia has vide its letter dated 10 June 2003 and the Notice of Discontinuance dated 10 June 2003 notified the High Court to discontinue the matter.

10. FINANCIAL INFORMATION (Cont'd)**(iii) Material Commitments**

As at 31 July 2003 (being the latest available audited accounts) and 19 January 2004 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group had/has material commitments amounting to RM3,637,711 and RM2,950,949 respectively, details of which are as follows:-

	As at 31 July 2003 (Audited) RM	As at 19 January 2004 (Unaudited) RM
Authorised and not contracted for	-	-
Authorised and contracted for	3,637,711	2,950,949 ^
Total	3,637,711	2,950,949

Note:-

^ Includes lease payment of RM0.988 million and progress payment for new properties of RM1.963 million

(iv) Borrowings

As at 31 July 2003 (being the latest available audited accounts) and 19 January 2004 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group's total borrowings, amounted to RM51,020,809 and RM54,259,421 respectively, details of which are as follows:-

	As at 31 July 2003 (Audited) RM	As at 19 January 2004 (Unaudited) RM
Short term		
Interest bearing	39,502,327	44,680,120
Long term		
Interest bearing	11,518,482	9,579,301
Total outstanding borrowings	51,020,809	54,259,421

In addition to the above, the Group has obtained two (2) loans from Standard Chartered Bank Malaysia Berhad to part finance the purchase of properties as detailed out in Section 9.2(iii) and (iv) of this Prospectus and are pending the state authority to grant the consent of charge and pending release of redemption sum respectively.

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

(v) Contingent Liabilities

Save as disclosed below, as at 19 January 2004 being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus, the Group does not have any other material contingent liabilities.

- (a) Corporate guarantee extended by Precious for a term loan facility of RM9.0 million granted to PKJ by Malayan Banking Berhad; and
- (b) Corporate guarantee extended by K.E. Likwong for a term loan facility of RM9.0 million to its holding company, PKJ by Malayan Banking Berhad.

10. FINANCIAL INFORMATION (Cont'd)**10.6 Consolidated Profit Forecast For The Financial Year Ending 31 July 2004**

The Directors of PKHB forecast that the consolidated PAT of PKHB and its subsidiary companies ('the Group') for the financial year ending 31 July 2004 respectively will be as follows:-

	Forecast Consolidated Result 2004 RM'000
Revenue	<u>339,470</u>
Consolidated PBT	24,830
Taxation	<u>(6,886)</u>
Consolidated PAT	17,944
MI	<u>(415)</u>
Consolidated PAT after MI	17,529
Pre-acquisition profit	<u>(10,173)</u>
	<u>7,356</u>
Weighted average number of ordinary share in issue ('000)	32,000
Number of ordinary shares in issue ('000)	64,000
Basic gross earnings per share (sen) ¹	44.51
Basic net earnings per share (sen) ²	22.99
Basic gross price earnings multiple based on the Issue or Offer price of RM1.60 per ordinary share (times)	3.59
Basic net price earnings multiple based on the Issue or Offer price of RM1.60 per ordinary share (times)	6.96
Fully diluted gross earnings per share (sen) ³	25.86
Fully diluted net earnings per share (sen) ⁴	14.12
Fully diluted gross price earnings multiple based on the Issue or Offer price of RM1.60 per ordinary share (times)	6.19
Fully diluted net price earnings multiple based on the Issue or Offer price of RM1.60 per ordinary share (times)	11.33

Notes:-

- (1) Calculated based on the consolidated PBT and after accounting for the pre-acquisition profit and MI totaling RM14,241,611 and on the weighted average number of ordinary shares in issue of 32,000,001 ordinary shares on the assumption that the listing will be completed by 31 January 2004.
- (2) Calculated based on the consolidated PAT and after accounting for the pre-acquisition profit and MI totaling RM7,355,849 and on the weighted average number of ordinary shares in issue of 32,000,001 ordinary shares on the assumption that the listing will be completed by 31 January 2004.
- (3) Calculated based on the adjusted consolidated PBT and after accounting for the pre-acquisition profit and MI totaling RM15,161,656 (after incorporating savings in ICULS interest net of tax amounting to RM920,045) and on the adjusted weighted average number of ordinary shares in issue of 58,621,680 ordinary shares (after incorporating weighted average number of ordinary shares issuable on assumed conversion of ICULS totaling to 26,621,679 ordinary shares) on the assumption that the listing will be completed by 31 January 2004.

10. FINANCIAL INFORMATION (Cont'd)

- (4) *Calculated based on the adjusted consolidated PAT and after accounting for the pre-acquisition profit and MI totaling RM8,275,894 (after incorporating savings in ICULS interest net of tax amounting to RM920,045) and on the adjusted weighted average number of ordinary shares in issue of 58,621,680 ordinary shares (after incorporating weighted average number of ordinary shares issuable on assumed conversion of ICULS totaling to 26,621,679 ordinary shares) on the assumption that the listing will be completed by 31 January 2004.*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

10. FINANCIAL INFORMATION (Cont'd)

10.7 Reporting Accountants' Letter On The Consolidated Profit Forecast

GEP GEP ASSOCIATES
CHARTERED ACCOUNTANTS AF 1030
..... A member firm of AGN International

Wisma GEP
Block F2 Dataran Prima
25 Jalan PJU 1/42A
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Telephone
(+603) 7803 3390

Facsimile
(+603) 7803 3603

E-mail
esther@gep.com.my

Other offices
Penang
Johor Bahru

26 JAN 2004

The Board of Directors
Poh Kong Holdings Berhad
10th Floor, Tower Block,
Kompleks Antarabangsa,
Jalan Sultan Ismail,
50250 Kuala Lumpur.

Dear Sirs,

POH KONG HOLDINGS BERHAD
CONSOLIDATED PROFIT FORECAST
FOR THE FINANCIAL YEAR ENDING 31 JULY 2004

We have reviewed the consolidated profit forecast of Poh Kong Holdings Berhad ("PKIIB") and its group of companies ("the Group") for the financial year ending 31 July 2004, as set out in Section 10.6 of the Prospectus, in accordance with the standard applicable to the review of forecast. The consolidated profit forecast has been prepared in connection with the listing of and quotation for the entire enlarged issued and paid-up capital of 117,243,359 ordinary shares of RM1-00 each and RM85,189,374 nominal value of irredeemable convertible unsecured loan stocks of PKIIB on the Main Board of the Malaysia Securities Exchange Berhad ("Listing"), and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast, in all material aspects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the financial year ended 31 July 2003. The Directors of PKIIB are solely responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the consolidated profit forecast is based.

Forecasts, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared. While information may be available to support the assumptions on which forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since the anticipated events frequently do not occur as expected and the variation could be material.

10. FINANCIAL INFORMATION (Cont'd)

Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the principal bases and assumptions of the consolidated profit forecast in Section 10.7 of the Prospectus, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the financial year ended 31 July 2003.

Yours faithfully,



.....
GEP ASSOCIATES
No : AF 1030
Chartered Accountants



.....
ESTHER TAN CHOON HWA
No : 1023 / 03 / 04 (J)
Partner

10. FINANCIAL INFORMATION (Cont'd)**CONSOLIDATED PROFIT FORECAST OF THE GROUP
FOR THE FINANCIAL YEAR ENDING 31 JULY 2004**

1. The Directors of Poh Kong Holdings Berhad ("PKHB") and its group of companies ("the Group") forecast that, the Group's consolidated profit after taxation, pre-acquisition profit and minority interest for the financial year ending 31 July 2004 will be as follows:-

	Forecast Consolidated Result 2004 RM'000
Revenue	<u>339,470</u>
Consolidated profit before taxation	24,830
Taxation	<u>(6,886)</u>
Consolidated profit after taxation	17,944
Pre-acquisition profit	(10,173)
Minority interest	<u>(415)</u>
	<u>7,356</u>
Weighted average number of ordinary shares in issue ('000)	32,000
Number of ordinary shares in issue ('000)	64,000
Basic gross earnings per share (sen) ¹	44.51
Basic net earnings per share (sen) ²	22.99
Basic gross price earnings multiple based on the Issue or Offer price of RM1-60 per ordinary share (times)	3.59
Basic net price earnings multiple based on the Issue or Offer price of RM1-60 per ordinary share (times)	6.96
Fully diluted gross earnings per share (sen) ³	25.86
Fully diluted net earnings per share (sen) ⁴	14.12
Fully diluted gross price earnings multiple based on the Issue or Offer price of RM1-60 per ordinary share (times)	6.19
Fully diluted net price earnings multiple based on the Issue or Offer price of RM1-60 per ordinary share (times)	11.33

10. FINANCIAL INFORMATION (Cont'd)

Notes:-

1. Calculated based on the consolidated profit before taxation and after accounting for the pre-acquisition profit and minority interest totaling RM14,241,611 and on the weighted average number of ordinary shares in issue of 32,000,001 ordinary shares on the assumption that the Listing will be completed by 31 January 2004.
 2. Calculated based on the consolidated profit after taxation and after accounting for the pre-acquisition profit and minority interest totaling RM7,355,849 and on the weighted average number of ordinary shares in issue of 32,000,001 ordinary shares on the assumption that the Listing will be completed by 31 January 2004.
 3. Calculated based on the adjusted consolidated profit before taxation and after accounting for the pre-acquisition profit and minority interest totaling RM15,161,656 (after incorporating savings in ICULS interest net of tax amounting to RM920,045) and on the adjusted weighted average number of ordinary shares in issue of 58,621,680 ordinary shares (after incorporating weighted average number of ordinary shares issuable on assumed conversion of ICULS totaling to 26,621,679 ordinary shares) on the assumption that the Listing will be completed by 31 January 2004.
 4. Calculated based on the adjusted consolidated profit after taxation and after accounting for the pre-acquisition profit and minority interest totaling RM8,275,894 (after incorporating savings in ICULS interest net of tax amounting to RM920,045) and on the adjusted weighted average number of ordinary shares in issue of 58,621,680 ordinary shares (after incorporating weighted average number of ordinary shares issuable on assumed conversion of ICULS totaling to 26,621,679 ordinary shares) on the assumption that the Listing will be completed by 31 January 2004.
2. The principal bases and assumptions upon which the Group's consolidated profit forecast have been made are :-
- 2.1 There will be no material changes in the principal activities, management structure, accounting and business policies adopted by the Group.
 - 2.2 The existing terms and conditions of contracts and agreements entered into by the Group will remain in force.
 - 2.3 There will be no abnormal factors or changes which may materially affect the operations of the Group at the forecasted levels.
 - 2.4 There will be no material changes to the present legislations, bases of corporate tax, levies and duties, which will adversely affect the operations of the Group, or the markets in which it operates.
 - 2.5 There will be no material setback in the growth of the Malaysian economy which will adversely affect the operations of the Group.
 - 2.6 There will be no material changes in the sales mix and margins of the Group's product.
 - 2.7 The forecasted sales and related costs are based on forecast of the Directors after taking into consideration the present conditions of selling prices and related costs of the Group.
 - 2.8 There will be no significant changes to the current pricing of the Group's products.
 - 2.9 There will be no major capital and revenue cost items variations that are beyond the control of the Group.

10. FINANCIAL INFORMATION (Cont'd)

- 2.10 The prevailing market conditions for the Group's operations will not change materially.
- 2.11 The prevailing economic and political environment in Malaysia and in the markets in which the Group operate will continue and will not have significant adverse effects on the activities of the Group to be conducted at forecasted level.
- 2.12 The rates and bases of taxation applicable to the Group will not deviate substantially from the present level of 28%.
- 2.13 The Group will continue to enjoy the existing financing facilities at current conditions and rates. These financing facilities are subject to annual review by the licensed banks. It is assumed that they will be renewed with no changes to existing terms and conditions. The Group will also be able to obtain additional financing facilities as and when necessary at interest rates approximating those currently available to the Group.
- 2.14 Exchange rates of foreign currencies will not fluctuate significantly from the prevailing rates.
- 2.15 There will be no material changes to the present inflation rate.
- 2.16 There will be no limitations on the availability of labour supply and raw materials.
- 2.17 There will be no unforeseen abnormal or extraordinary items.
- 2.18 There will be no material fluctuations in manufacturing costs (including labour, cost of materials, and other production overheads).
- 2.19 There will be no unexpected problems that may affect the Group's various manufacturing programs.
- 2.20 Production and processing costs will not be adversely affected by any abnormal circumstances or events.
- 2.21 There will be no material acquisition or disposal of property, plant and equipment, other than those that have been budgeted for.
- 2.22 The Group will have adequate manpower resources to support the forecasted growth in the business.
- 2.23 There will be no major industrial disputes, economic or political changes or any abnormal circumstances, which will adversely affect the operations of the Group.

10. FINANCIAL INFORMATION (Cont'd)

2.24 In conjunction with the listing of and quotation for the entire issued and paid-up share capital of PKIIB on the Main Board of the Malaysia Securities Exchange Berhad ("MSEB"), PKHB undertook the following exercises:-

- 2.24.1 Declaration of net dividend by certain subsidiary companies within the Group on 7 January 2004 amounting to RM8,705,888 in aggregate, from their respective retained earnings based on the retained earnings for the financial year ended 31 July 2003, of which RM3,336,912 is from dividend receipts from subsidiary companies within the Group.
- 2.24.2 Revaluation of land and buildings and investments of the subsidiary companies acquired be revalued to arrive at the adjusted proforma net tangible assets as the basis for purchase consideration for the acquisitions.
- 2.24.3 Acquisition of 2,000,000 ordinary shares of RM1-00 each representing the entire equity interest in Poh Kong Jewellers Manufacturer Sdn Bhd ("PKJM"), which was completed on 13 January 2004, were as follows:-
- a) acquisition of 55% equity interest in PKJM by PKHB from Precious Jewellery Sdn Bhd ("Precious") for a cash consideration of RM12,680,970; and
 - b) acquisition of 45% equity interest in PKJM by PKHB from the existing individual shareholders of PKJM for a purchase consideration of RM10,375,339 satisfied via the following:-
 - i) 38% of the purchase consideration of RM3,942,629 satisfied by the issuance of 3,285,524 new ordinary shares of RM1-00 each in PKHB at an issue price of RM1-20 per ordinary share; and
 - ii) 62% of the purchase consideration of RM6,432,710 satisfied by the issuance of RM6,432,710 nominal value of ICULS of RM1-00 each in PKHB.
- 2.24.4 Acquisition of 13,000,000 ordinary shares of RM1-00 each representing the entire equity interest in Poh Kong Jewellers Sdn Bhd ("PKJ") by PKHB from the existing shareholders, which was completed on 13 January 2004, for a purchase consideration of RM35,422,410, satisfied via the following:-
- a) 38% of the purchase consideration or RM13,460,516 satisfied by the issuance of 11,217,097 new ordinary shares of RM1-00 each in PKHB at an issue price of RM1-20 per ordinary share; and
 - b) 62% of the purchase consideration or RM21,961,894 satisfied by the issuance of RM21,961,894 nominal value of ICULS of RM1-00 each in PKHB.

10. FINANCIAL INFORMATION (Cont'd)

- 2.24.5 Acquisition of 300,000 ordinary shares of RM1-00 each representing the entire equity interest in Precious by PKHB from the existing shareholders, which was completed on 13 January 2004, for a purchase consideration of RM48,518,495, satisfied via the following:-
- a) 38% of the purchase consideration or RM18,437,028 satisfied by the issuance of 15,364,190 new ordinary shares of RM1-00 each in PKHB at an issue price of RM1-20 per ordinary share; and
 - b) 62% of the purchase consideration or RM30,081,467 satisfied by the issuance of RM30,081,467 nominal value of ICULS of RM1-00 each in PKIIB.
- 2.24.6 Acquisition of the equity interest held by certain existing individual shareholders in the subsidiary companies and associated companies of PKJ and its subsidiary companies and associated companies ("PKJ Group") and Precious and its subsidiary companies and associated companies ("Precious Group") which was completed on 13 January 2004. The total purchase consideration for the acquisitions by PKHB of RM44,176,884 was satisfied via the following:-
- a) acquisitions of Poh Kong Jewellers (Tmn Universiti J.B.) Sdn Bhd and Poh Kong Jewellers (Peringgit) Sdn Bhd with a total purchase consideration of RM1,090,912 satisfied by the issuance of an aggregate of 909,094 new ordinary shares of RM1-00 each in PKHB at an issue price of RM1-20 per ordinary share;
 - b) acquisitions of the remaining subsidiary companies and associated companies of PKJ Group and Precious Group with a total purchase consideration of RM43,085,969 satisfied via the following:-
 - i) 38% of the purchase consideration or RM16,372,666 satisfied by the issuance of 13,643,890 new ordinary shares of RM1-00 each in PKIIB at an issue price of RM1-20 per ordinary share; and
 - ii) 62% of the purchase consideration or RM26,713,303 satisfied by the issuance of RM26,713,303 nominal value of ICULS of RM1-00 each in PKHB; and
 - c) acquisitions of Poh Kong Jewellers (Franchise) Sdn Bhd, Gold Boutique (Klang) Sdn Bhd and Poh Kong Jewellers (Terminal 1, Seremban) Sdn Bhd with a total cash purchase consideration of RM3-00 at RM1-00 for each company.
- 2.24.7 Consolidation of 36,404,198 ordinary shares of RM1-00 each and RM85,187,300 nominal value of ICULS of RM1-00 each of PKHB after the acquisitions by certain individual shareholders into Poh Kong Sdn Bhd ("PKSB"), an investment holding company.

10. FINANCIAL INFORMATION (Cont'd)

2.25 In conjunction with the listing of and quotation for the entire issued and paid-up share capital of PKHB on the Main Board of the MSEB, PKHB will undertake the following proposals, which are to be completed by 31 January 2004 :-

2.25.1 Public issue of 19,580,203 new ordinary shares of RM1-00 each representing 30.59% of the enlarged issued and paid-up share capital of PKHB upon listing at an issue price of RM1-60 per ordinary share.

2.25.2 Offer for sale by PKSB, a substantial shareholder of PKIIB, as follows:-

a) 3,764,200 ordinary shares of RM1-00 each in PKHB to bumiputra investors to be approved by Ministry of International Trade and Industry at an offer price of RM1-60 per ordinary share; and

b) RM12,778,400 nominal value of ICULS of RM1-00 each in PKHB, of which RM11,778,400 for private placement to identified investors and RM1,000,000 to the Malaysian public at an offer price of 100% of the nominal value.

2.25.3 Listing of and quotation for the entire enlarged issued and paid-up share capital of PKHB comprising up to 117,243,359 ordinary shares of RM1-00 each and RM85,189,374 nominal value of ICULS on the Main Board of the MSEB.

2.26 ICULS is to be issued by 31 January 2004. Interest on ICULS is at 3% per annum. A total of six (6) months interest is forecasted for financial year ending 31 July 2004.

2.27 The gross proceeds arising from the public issue is forecasted to be approximately RM31,328,326 and will be utilised by the Group in the following manner:-

Purpose	Amount RM'000	Expected time frame for utilisation of proceeds
Purchase of plant and machinery	2,000	12 months
Working capital	10,647	1 month
Acquisition of PKJM	12,681	1 month
Expansion	3,000	18 months
Estimated listing expenses	3,000	1 month
	31,328	

10. FINANCIAL INFORMATION (Cont'd)**10.8 Directors' Analysis and Commentary on the Consolidated Profit Forecast For the Financial Year Ending 31 July 2004**

PKHB Group plans to expand its retailing network by opening new outlets in various locations throughout Malaysia in order to provide ease of accessibility and convenience to the customer. Currently, PKHB Group has fifty five (55) retail outlets throughout Peninsula Malaysia. The Group also intends to capitalise on its established track record in the operation and management of gold jewellery retail outlets by franchising its total retailing concept to potential entrepreneurs locally. The new franchising system will be marketed under its own brand name "Poh Kong". In FY2004, the Group plans to establish a total of two (2) franchise outlets.

In view of the above, together with full year contribution of revenue from Tesco Klang, Tesco Damansara Mutiara and Jusco Taman University, Johor Bahru outlets in FY2004, the Group's revenue is forecasted to increase to RM339,470 million. In addition, the existing outlets is expected to grow by approximately 3.00%.

The Group's PBT after MI is forecasted to be RM24.415 million or at a PBT after MI margin of 7.19%. The Group is expected to achieve a PAT, pre-acquisition profit and MI of RM7.356 million in FY2004.

The Directors of PKHB have reviewed and analysed the reasonableness of the bases and assumptions used in arriving at the consolidated profit forecast for the financial year ending 31 July 2004 to be true and fair in the light of the future prospects of the industry, future plans and strategies, level of gearing, liquidity and working capital requirements to be adopted by the Group.

10.9 Dividend Forecast

Barring unforeseen circumstances, the Directors of PKHB intend to declare a gross dividend of 5% for the financial year ending 31 July 2004 based on the enlarged issued and paid-up share capital of 64,000,000 ordinary shares of RM1.00 each in PKHB.

PKHB 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 profit forecast after taxation for the financial year ending 31 July 2004 would be as follows:-

	Forecast 2004 RM'000
Consolidated PBT	24,830
Taxation	(6,886)
Consolidated PAT	<u>17,944</u>
Less: Pre-acquisition profit	(10,173)
MI	(415)
	<u>7,356</u>
Less: Proposed dividend	(2,304)
Retained profit for the year	<u>5,052</u>
Gross dividend per ordinary share (sen)	5.00
Net dividend per ordinary share (sen)	3.60
Gross dividend yield based on the issue price of RM1.60 per ordinary share (%)	3.13
Net dividend yield based on the issue price of RM1.60 per ordinary share (%)	2.25

10. FINANCIAL INFORMATION (Cont'd)

	Forecast 2004 RM'000
Gross dividend cover (times)	8.90
Net dividend cover (times)	6.39

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.

10.10 Sensitivity Analysis**(i) Variation in Revenue and PBT
(Due to variations in Operating Costs)**

A sensitivity analysis on PKHB's consolidated forecast revenue and PBT for the financial year ending 31 July 2004 based on deviation of 5% to 10% on the Group's revenue for the financial year is set out below:-

2004	Revenue (RM'000)	Variation (%)	Profit forecast before tax (RM'000)	Variation (%)
As forecasted	339,470		24,830	
Up 10%	339,470	-	18,359	-26.06%
Up 5%	339,470	-	21,595	-13.03%
Down 5%	339,470	-	28,065	+13.06%
Down 10%	339,470	-	31,301	+26.06%

**(ii) Variation in Revenue and PBT
(Due to variations in product pricing)**

A sensitivity analysis on PKHB's consolidated forecast revenue and PBT for the financial year ending 31 July 2004 based on deviation of 5% to 10% on the Group's cost of sales for the financial years is set out below:-

2004	Revenue (RM'000)	Variation (%)	Profit forecast before tax (RM'000)	Variation (%)
As forecasted	339,470	-	24,830	-
Up 10%	373,417	+10.00%	58,777	+136.72%
Up 5%	356,444	+5.00%	41,804	+68.36%
Down 5%	322,497	-5.00%	7,857	-68.36%
Down 10%	305,523	-10.00%	(9,117)	-136.72%

10. FINANCIAL INFORMATION (Cont'd)**(iii) Variation in Revenue and PBT
(Due to variations of cost of sales)**

A sensitivity analysis on PKHB's consolidated forecast revenue and PBT for the financial year ending 31 July 2004 based on deviation of 5% to 10% on the Group's cost of sales for the financial years is set out below:-

2004	Revenue (RM'000)	Variation	Profit forecast before tax (RM'000)	Variation
As forecasted	339,470	-	24,830	-
Up 10%	339,470	-	384	-98.45%
Up 5%	339,470	-	12,607	-49.23%
Down 5%	339,470	-	37,053	+49.23%
Down 10%	339,470	-	49,276	+98.45%

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

10. FINANCIAL INFORMATION (Cont'd)

10.11 Proforma Consolidated Balance Sheet As at 31 July 2003

GEP GEP ASSOCIATES
CHARTERED ACCOUNTANTS AF 1030
A member firm of AGN International

Wisma GEP
Block F2 Dataran Prima
25 Jalan PJU 1/42A
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Telephone
(+603) 7803 3390

Facsimile
(+603) 7803 3603

E-mail
esther@gep.com.my

Other offices
Penang
Johor Bahru

26 JAN 2004

The Board of Directors
Poh Kong Holdings Berhad
10th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sirs,

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

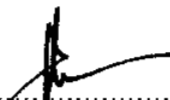
We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Poh Kong Holdings Berhad ("PKHB") and its subsidiary companies ("PKHB Group" or "the Group") as at 31 July 2003 together with the accompanying notes, assumptions and adjustments as considered appropriate for the purpose of presenting the Proforma Consolidated Balance Sheets, for which the Directors are solely responsible, as set out in the Prospectus of PKHB dated **30 JAN 2004** in connection with the listing of and quotation for the entire enlarged issued and paid-up capital of 117,243,359 ordinary shares of RM1.00 each and RM85,189,374 nominal value of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of PKHB on the Main Board of the Malaysia Securities Exchange Berhad.

In our opinion, the Proforma Consolidated Balance Sheets together with accompanying notes thereon, which are provided for illustrative purposes only, have been properly compiled on a basis consistent with the accounting principles adopted by the Group, the adjustments are appropriate for the purposes of the Proforma Consolidated Balance Sheets and are presented in a form suitable for inclusion in the said Prospectus.

Yours faithfully,

GEP Associates

GEP ASSOCIATES
No: AF 1030
Chartered Accountants



ESTHER TAN CHOON HWA
No: 1023 / 03 / 04 (J)
Partner

10. FINANCIAL INFORMATION (Cont'd)**POH KONG HOLDINGS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS**

The Proforma Consolidated Balance Sheets of PKHB set out below have been prepared solely for illustrative purposes to show the effects of the acquisition of subsidiary companies, public issue and conversion of ICULS on the assumption that these transactions were completed on 31 July 2003 and should be read in conjunction with the notes thereon.

	Note	PKHB 31/07/2003 RM'000	Proforma (I) RM'000	Proforma (II) RM'000	Proforma (III) RM'000	Proforma (IV) RM'000	Proforma (V) RM'000	Proforma (VI) RM'000
Property:								
plant and equipment		-	18,683	33,424	47,674	47,674	47,674	47,674
Investment properties		-	-	3,534	3,734	3,734	3,734	3,734
Interest in Associated Companies		-	-	27,450	-	-	-	-
Investments		-	749	4,155	383	383	383	383
Intangible assets		670	670	670	670	670	670	670
Goodwill		-	-	2,241	4,270	4,270	4,270	4,270
Negative goodwill		-	(4,556)	(4,556)	(19,091)	(19,091)	(19,091)	(19,091)
Deferred tax assets		-	-	1	418	418	418	418
		670	15,546	66,919	38,058	38,058	38,058	38,058
CURRENT ASSETS								
Inventories		-	11,913	71,377	205,683	205,683	205,683	205,683
Trade receivables		-	12,339	23,651	1,371	1,371	1,371	1,371
Other receivables, deposits and prepayments		-	1,097	3,114	5,893	5,893	5,893	5,893
Amounts due by Related Companies		-	-	1,285	-	-	-	-
Tax recoverable		-	-	88	910	910	910	910
Fixed deposits with licensed banks		-	-	260	2,210	2,210	2,210	2,210
Cash and bank balances		*	(10,995)	3,493	6,040	6,040	34,368	34,368
		*	14,354	103,268	222,107	222,107	250,435	250,435
CURRENT LIABILITIES								
Trade payables		-	417	20,547	36,107	36,107	36,107	36,107
Other payables and accruals		725	1,768	6,650	15,470	15,470	15,470	15,470
Amounts due to Related Companies		-	-	3,637	-	-	-	-
Amounts due to Directors		-	4,013	7,793	10,676	10,676	10,676	10,676
Hire purchase creditors		-	222	464	1,067	1,067	1,067	1,067
Finance lease creditor		-	-	30	30	30	30	30
Customers' Deposits		-	-	293	1,091	1,091	1,091	1,091
Bank and other borrowings		-	6,722	21,154	38,405	38,405	38,405	38,405
Provision for taxation		-	1,228	1,874	2,882	2,882	2,882	2,882
		725	14,370	62,442	105,728	105,728	105,728	105,728
NET CURRENT (LIABILITIES) / ASSETS		(725)	(16)	40,826	116,379	116,379	144,707	144,707
		(55)	15,530	107,745	154,437	154,437	182,765	182,765

10. FINANCIAL INFORMATION (Cont'd)

	Note	PKHB 31/07/2003 RM'000	Proforma (I) RM'000	Proforma (II) RM'000	Proforma (III) RM'000	Proforma (IV) RM'000	Proforma (V) RM'000	Proforma (VI) RM'000
CAPITAL AND RESERVE								
Share capital	2	*	3,286	29,867	44,420	44,420	64,000	117,243
Share premium	3	-	657	5,973	8,884	8,884	17,632	49,578
Accumulated losses		(55)	(55)	(55)	(55)	(55)	(55)	(55)
SHAREHOLDERS' EQUITY		(55)	3,888	35,785	53,249	53,249	81,577	166,766
Minority Interest		-	-	2,796	3,080	3,080	3,080	3,080
LONG TERM AND DEFERRED LIABILITIES								
ICCLS		-	6,433	58,476	85,189	85,189	85,189	-
Hire purchase creditors		-	773	1,443	2,486	2,486	2,486	2,486
Finance lease creditor		-	-	28	28	28	28	28
Term loan		-	3,782	8,319	9,004	9,004	9,004	9,004
Deferred tax liabilities		-	654	898	1,401	1,401	1,401	1,401
		-	11,642	69,164	98,108	98,108	98,108	12,919
		(55)	15,530	107,745	154,437	154,437	182,765	182,765
Net Tangible Assets ("NTA")		(725)	7,774	37,430	67,400	67,400	95,728	180,917
NTA per share (RM)		(362,500.00)	2.37	1.25	1.52	1.52	1.50	1.54

*represents RM2.00

1. NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**Basis of preparation of proforma consolidated balance sheets**

- i) The proforma consolidated balance sheets have been prepared based on the audited balance sheets of PKHB and its subsidiary companies as at 31 July 2003, after making necessary adjustments for the shortfall in NTA amounting to RM477,798 of certain subsidiary companies as mentioned in Section 5.5.7 of the Prospectus. The shortfall in NTA has been made good by way of cash on 12 January 2004.
- ii) The proforma consolidated balance sheets of PKHB are arrived at using the acquisition method of accounting for its subsidiary companies. Under the acquisition method of accounting, the results of the subsidiary companies are included in the balance sheets from the date of acquisition. Inter-company balances have been eliminated in arriving at the proforma consolidated balance sheets.
- iii) The estimated restructuring expenses of RM3,000,000 are written off against the share premium account.
- iv) The NTA per share is calculated by dividing the NTA by the ordinary shares of PKHB in issue at the relevant stages. In arriving at the NTA, negative goodwill has been added to the net assets while intangible assets and goodwill have been deducted from the net assets.
- v) The proforma consolidated balance sheets have been prepared based on the accounting principles and bases consistent with those adopted in the preparation of audited financial statements of PKHB and its subsidiary companies.
- vi) The proforma consolidated balance sheets incorporate on a proforma basis the following transactions as though they were effected on 31 July 2003.

10. FINANCIAL INFORMATION (Cont'd)

Proforma I

Proforma I incorporates the effects of the following events: -

Acquisition of 2,000,000 ordinary shares of RM1.00 each representing the entire equity interest of Poh Kong Jewellery Manufacturer Sdn Bhd ("PKJM") as follows: -

- i) Acquisition of 55% equity interest in PKJM by PKHB from Precious Jewellery Sdn Bhd ("Precious") for a cash consideration of RM12,680,970; and
- ii) Acquisition of 45% equity interest in PKJM by PKHB from the existing individual shareholders of PKJM for a purchase consideration of RM10,375,339, satisfied via the following: -
 - a) 38% of the purchase consideration or RM3,942,629 was satisfied by the issuance of 3,285,524 new ordinary shares of RM1.00 each in PKIIB at an issue price of RM1.20 per ordinary share; and
 - b) 62% of the purchase consideration or RM6,432,710 was satisfied by the issuance of RM6,432,710 nominal value of ICULS of RM1.00 each in PKHB.

Proforma II

Proforma II incorporates the effects of proforma I and the following events: -

- i) Acquisition by PKHB from the vendors of Poh Kong Jewellers Sdn Bhd and its subsidiary and associated companies ("PKJ Group") 13,000,000 ordinary shares of RM1.00 each representing the entire equity interest of Poh Kong Jewellers Sdn Bhd ("PKJ") for a purchase consideration of RM35,422,410, satisfied via the following: -
 - a) 38% of the purchase consideration or RM13,460,516 was satisfied by the issuance of 11,217,097 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per ordinary share; and
 - b) 62% of the purchase consideration or RM21,961,894 was satisfied by the issuance of RM21,961,894 nominal value of ICULS of RM1.00 each in PKHB.
- ii) Acquisition by PKHB from the vendors of Precious Jewellery Sdn Bhd and its subsidiary and associated companies ("Precious Group") 300,000 ordinary shares of RM1.00 each representing the entire equity interest of Precious Jewellery Sdn Bhd ("Precious") for a purchase consideration of RM48,518,495, satisfied via the following: -
 - a) 38% of the purchase consideration or RM18,437,028 was satisfied by the issuance of 15,364,190 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per ordinary share; and
 - b) 62% of the purchase consideration or RM30,081,467 was satisfied by the issuance of RM30,081,467 nominal value of ICULS of RM1.00 each in PKHB.

10. FINANCIAL INFORMATION (Cont'd)

Proforma III

Proforma III incorporates the effects of proforma II and the following events: -

Acquisition by PKHB of the equity interest held by certain existing individual vendors in subsidiaries and associated companies of PKJ Group and Precious Group.

The total purchase consideration for the acquisition by PKIIB of RM44,176,881 was satisfied via the following: -

- i) The acquisition of Poh Kong Jewellers (Tmn Universiti J.B.) Sdn Bhd ("PKJ (Tmn Uni. JB)") and Poh Kong Jewellers (Peringgit) Sdn Bhd ("PKJ (Peringgit)") with a total purchase consideration of RM1,090,912 was satisfied by the issuance of an aggregate of 909,094 new ordinary shares of RM1.00 each in PKIIB at an issue price of RM1.20 per ordinary share;
- ii) The acquisitions of the remaining subsidiaries and associated companies of PKJ Group and Precious Group with a total purchase consideration of RM43,085,969 was satisfied via the following: -
 - a) 38% of the purchase consideration or RM16,372,666 was satisfied by the issuance of an aggregate of 13,643,890 new ordinary shares of RM1.00 each in PKHB at an issue price of RM1.20 per ordinary share; and
 - b) 62% of the purchase consideration or RM26,713,303 was satisfied by the issuance of RM26,713,303 nominal value of ICULS of RM1.00 each in PKHB.
- iii) The acquisitions of Poh Kong Jewellers (Franchise) Sdn Bhd ("PKJ (Franchise)"), Gold Boutique (Klang) Sdn Bhd ("GB (Klang)") and Poh Kong Jewellers (Terminal 1, Seremban) Sdn Bhd ("PKJ (T1, Seremban)") with a total cash consideration of RM3.00 at RM1.00 for each company;

Proforma IV

Proforma IV incorporates the effects of proforma III and the consolidation of shares whereby certain shareholders of PKHB transferred 36,404,198 ordinary shares of RM1.00 each and RM85,187,300 nominal value of ICULS in PKIIB to Poh Kong Sdn Bhd ("PKSB"), an investment holding company, and in consideration thereof, PKSB issued 128,872,338 ordinary shares of RM1.00 each to the shareholders in the proportions provided in the Consolidation Agreement in order to consolidate their shareholdings under PKSB.

Proforma V

Proforma V incorporates the effects of proforma IV and the following events: -

- i) Public issue of 19,580,203 new ordinary shares of RM1.00 each, representing 30.59% of the enlarged issued and paid-up share capital of PKHB upon listing at an issue price of RM1.60 per new ordinary share; and
- ii) Offer for sale of 3,764,200 ordinary shares of RM1.00 each in PKHB by PKSB to Bumiputera investors to be approved by the Ministry of International Trade and Industry ("MITI") at an offer price of RM1.60 per ordinary share and RM12,778,400 nominal value of ICULS in PKHB by PKSB to the Malaysian public at an offer price of 100% of the nominal value.

Proforma VI

Proforma VI incorporates the effects of proforma V and the full conversion of 85,189,374 nominal value of ICULS of RM1.00 each into 53,243,358 ordinary shares of RM1.00 each at a basis of 1 for 1.60.

10. FINANCIAL INFORMATION (Cont'd)**2. SHARE CAPITAL**

	RM'000
Authorised: -	
Ordinary shares of RM1.00 each	<u>500,000</u>
Issue and fully paid-up:-	
Paid-up share capital upon incorporation	*
Issued pursuant to acquisition of PKJM	<u>3,286</u>
As shown in Proforma I	3,286
Issued pursuant to acquisition of PKJ Group and Precious Group	<u>26,581</u>
As shown in Proforma II	29,867
Issued pursuant to acquisition of equity interest held by certain existing individual vendors in companies in PKJ Group and Precious Group	<u>14,553</u>
As shown in Proforma III and IV	44,420
To be issued pursuant to public issue	<u>19,580</u>
As shown in Proforma V	64,000
To be issued pursuant to full conversion of ICULS	<u>53,243</u>
As shown in Proforma VI	<u>117,243</u>

*The issued and paid-up share capital upon incorporation is RM2.00.

3. SHARE PREMIUM

	RM'000
Arising from acquisition of PKJM - Proforma I	657
Arising from acquisition of PKJ Group and Precious Group	<u>5,316</u>
As shown in Proforma II	5,973
Arising from acquisition of the equity interest held by certain existing individual vendors in companies in PKJ Group and Precious Group	<u>2,911</u>
As shown in Proforma III and IV	8,884
Arising from public issue and after deducting listing expenses	<u>8,748</u>
As shown in Proforma V	17,632
Arising from full conversion of ICULS	<u>31,946</u>
As shown in Proforma VI	<u>49,578</u>