7. FINANCIAL INFORMATION

7.1 HISTORICAL FINANCIAL INFORMATION

7.1.1 Historical profit record

The following is the of audited financial statements of the Esthetics Group for the past five (5) years ended 31 January 2003 and the seven (7)-month financial period ended 31 August 2003. The table should be read in conjunction with the notes included in the Accountants' Report set out in Section 8 of this Prospectus.

	Financial year ended 31 January					Seven (7)-month financial period ended 31 August
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2003 RM'000
Revenue	24,997	34,006	44,502	56,374	65,575	34,813
Profit before taxation, interest and depreciation	8,336	9,960	14,211	17,206	19,300	9,126
Depreciation	(1,100)	(1,237)	(1,720)	(2,248)	(2,246)	(1,206)
Interest expense	(1,226)	(511)	(118)	(16)	(5)	(5)
Interest income	13	9	28	347	461	145
Operating profit	6,023	8,221	12,401	15,289	17,510	8,060
Share of loss in associated company	-	(52)	(73)	(187)	(215)	(160)
PBT	6,023	8,169	12,328	15,102	17,295	7,900
Taxation	(317)	(2,316)	(4,151)	(4,547)	(5,653)	(2,437)
PAT	5,706	5,853	8,177	10,555	11,642	5,463
MI	(96)	-	-	(18)	(31)	(9)
PAT after MI	5,610	5,853	8,177	10,537	11,611	5,454
No. of ordinary shares of RM1.00 each ('000)	700	700	700	700	700	-
No. of ordinary shares of RM0.50 each ('000)	-	-	-	-	-	1,400
Gross EPS (RM)	8.47	11.67	17.61	21.55	24.66	9.66#
Net EPS (RM)	8.01	8.36	11.68	15.05	16.59	6.68#

\# *The results were annualised to calculate the earnings per share*

Notes:

(i) *There were no exceptional or extraordinary items for the financial years under review. The results in all the financial years under review were not subject to any audit qualification.*

(ii) *Turnover of the Group is mainly contributed by the sales of skin care products and service income of DESB and LDM. The growth rate in turnover has remained consistent throughout the financial years under review.*

(iii) *The interest expense in 1999 was high due to high overdraft and term loan interest expense as a result of the significant increase in the interest rate.*

(iv) *The operating profit margin (before depreciation and interest) in 2000 decreased from 33% to 29% when compared to 1999. The decline was mainly due to lower gross margin contributed by LDM from higher sales of products which has a lower gross margin as compared to gross margin earned from rendering of services.*

(v) *Gross EPS has been calculated based on profit before taxation after minority interest and net EPS has been calculated based on profit attributable to shareholders of the Company over the number of shares in issue.*

(vi) *The Group tax charge was low for the financial year ended 31 January 1999 as business income was not subject to tax in view of the tax waiver year for 1999. The effective tax rates of the Group for financial years 2000 to 2003 and seven (7)-month financial period 31 August 2003 were higher than statutory tax rate due to certain expenses being disallowed for taxation purposes and no group relief available for losses incurred by certain subsidiaries.*

7.1.2 Segmental analysis of consolidated revenue and segmental results

7.1.2.1 Analysis of revenue

Financial year ended 31 January	**1999 RM'000**	**2000 RM'000**	**2001 RM'000**	**2002 RM'000**	**2003 RM'000**	**Seven (7)-month financial period ended 31 August 2003 RM'000**
Professional services	17,198	21,985	25,471	29,174	34,221	18,060
Products/trading	7,771	12,021	19,007	27,176	31,330	16,753
Others*	28	-	24	24	24	-
Total	24,997	34,006	44,502	56,374	65,575	34,813

* *Others includes investment holding and dormant companies*

7.1.2.2 Analysis of segmental results

Financial year ended 31 January	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	Seven (7)-month financial period ended 31 August 2003 RM'000
Professional services	5,008	6,339	7,492	8,876	10,835	4,957
Products/trading	2,591	2,850	5,660	6,936	7,238	3,387
Others*	(2)	(37)	(60)	(56)	(78)	(7)
Total	7,597	9,152	13,092	15,756	17,995	8,337

* *Others includes investment holding and dormant companies*

7.2 OVERVIEW OF THE REVENUE AND PBT FOR THE PAST FIVE (5) FINANCIAL YEARS ENDED 31 JANUARY 2003 AND SEVEN (7)-MONTH FINANCIAL PERIOD ENDED 31 AUGUST 2003

Revenue for the financial year ended 31 January 1999 increased by 52% to RM25.00 million due to the opening of two (2) Professional Skin Care Centres. The increase in PBT of 58% to RM6.02 million was in line with the higher growth in revenue.

Revenue for the financial year ended 31 January 2000 increased by 36% to RM34.00 million. This was attributable to the opening of one (1) Professional Skin Care Centre and the economic recovery which brought a positive impact to the Group's turnover. The PBT increased by 36% to RM8.17 million was in line with the improvement in turnover.

Revenue for the financial year ended 31 January 2001 increased by 31% to RM44.50 million which was mainly due to the establishment of three (3) additional Professional Skin Care Centres. The PBT increased by 51% to RM12.33 million. This was mainly due to the spillover effects of economic recovery as well as the introduction of new products.

Revenue for the financial year ended 31 January 2002 rose by 27% to RM56.38 million. The increase was mainly due to new product launches and introduction of a few new range of skin care services. PBT increased at a lower rate of 23% to RM15.10 million due to a decline in PBT margin which was attributable to higher staff costs and additional rental costs for the Professional Skin Care Centre in Gurney Plaza, Penang.

Revenue for the financial year ended 31 January 2003 increased by 16% to RM65.58 million. The increase was mainly attributed by aggressive promotions, advertisements and other marketing efforts such as the introduction of "Plantinum Elite" membership. PBT increased by 15% to RM17.30 million which is in line with the growth in revenue.

Revenue and PBT for the seven (7) month financial period ended 31 August 2003 was RM34.81 million and RM7.90 million respectively. When compared with the performance of the previous year's corresponding period, the revenue and PBT had only increased by 2% and 7%, respectively, as the growth during the first half of 2003 was affected by the SARS epidemic and the Iraq War. These events have had further worsened the already dampened world and local economy then.

The annualised revenue and PBT for the seven (7) month financial period ended 31 August 2003 decreased by 9% to RM59.69 million and by 22% to RM13.53 million, respectively when compared with the last financial year. However, the annualised revenue and PBT is not reflective of the final results to be achieved for year ended 31 January 2004 as the Group's business trends based on the past three (3) years has shown that the fourth quarter results are generally higher than the average results of the preceding three (3) quarters.

Based on the above, the Group, as in previous years, has planned aggressive marketing and promotions campaign, which will be carried out during the normal peak Quarter 4 period that include the major festivities (that is Hari Raya, Christmas and Lunar New Year) and the school holidays. This is expected to yield the desired effect on the results given the much-improved local and world economy during the second half of 2003 year. The opening of additional professional skin care centers in 2003 will also help boost revenue.

7.3 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE

Save as disclosed in this Prospectus, the financial performance, position and operations of the Group are not affected by any of the following as at 27 January 2004:

(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 the 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 Group;

(iv) substantial increase in revenue; and

(v) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance position.

7.4 WORKING CAPITAL, BORROWINGS, CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND MATERIAL LITIGATION

7.4.1 Working capital

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

7. FINANCIAL INFORMATION *(Cont'd)*

7.4.2 Borrowings

As at 27 January 2004, the total borrowings of the Esthetics Group amounted to approximately RM2,232 all of which are interest-bearing, as follows:

	Domestic	Foreign borrowings		Amount
	RM	RM	HKD	RM
Repayment within 12 months	-	2,232	4,648	2,232
Repayment after 12 months	-	-	-	-
	-	**2,232**	**4,648**	**2,232**

There have been and will be no default on payments of either interest and / or principal sums in respect of any borrowings throughout the seven (7)-month financial period ended 31 August 2003 and the subsequent financial year ended 31 January 2004.

7.4.3 Capital commitments

Save as disclosed below, the Group does not have any material capital commitment as at 27 January 2004:

	RM'000
Approved and contracted for	
Balance of purchase consideration for a purchase of properties in Penang	170

7.4.4 Contingent liabilities

Save as disclosed below, to the best knowledge of the Directors, there are no contingent liabilities that upon materialisation would have a material impact on the profit or net asset of the Group as at 27 January 2004.

	BHT
Stand-by credit issued to financial institutions for facilities granted to associated company	10,500,000

7.4.5 Material litigation

As at 27 January 2004, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors have no knowledge of any proceedings pending or threatened or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and/or its subsidiaries.

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7.5 FUTURE FINANCIAL INFORMATION

The Directors estimate and forecast that the consolidated profit estimate and profit forecast of the Group after taxation and minority interests for the financial years ended/ending 31 January 2004 and 31 January 2005 will be as follows:

Financial year ended/ending 31 January	**Estimate 2004 RM'000**	**Forecast 2005 RM'000**
Revenue	77,851	91,404
Consolidated PBT	17,614	18,800
Less: Taxation	(5,585)	(5,870)
MI	(12)	(15)
Consolidated PAT after MI	12,017	12,915
Based on the enlarged issued and paid-up share capital of 120,000,000 Esthetics Shares		
Gross EPS (sen)	14.68	15.65
Net EPS (sen)	10.01	10.76
Gross PE multiple based on the issue/offer price of RM0.75 per share (times)	5.11	4.79
Net PE multiple based on the issue/offer price of RM0.75 per share (times)	7.49	6.97

For details on the principal bases and assumptions, please refer to Section 7.6 of this Prospectus.

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7.6 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND PROFIT FORECAST

(Prepared for inclusion in this Prospectus)

KPMG

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Chartered Accountants
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The Board of Directors
Esthetics International Group Berhad
(formerly known as Esthetics International Berhad)
No. 58, Jalan SS22/25
Damansara Jaya
47400 Petaling Jaya
Selangor

12 February 2004

Dear Sirs/Madam

Reporting accountants' letter on the consolidated profit estimate and forecast for the years ending 31 January 2004 and 2005 respectively

We have reviewed the consolidated profit estimate and forecast of Esthetics International Group Berhad ("Esthetics") and its subsidiary companies ("the Group") for the years ending 31 January 2004 and 2005 respectively, as set out in the accompanying statement in accordance with the Standard on Auditing (ISA 810) applicable to the review of forecasts. The consolidated profit estimate and forecast have been prepared for the inclusion in the Prospectus to be dated 20 February 2004 in connection with the following and should not be relied on for any other purposes:

i. Bonus issue of 95,259,980 new ordinary shares of RM0.50 each via capitalisation of retained profits to be credited as fully paid-up on the basis of approximately 68.04 new ordinary shares of RM0.50 each for every 1 existing Esthetics share.

ii. Offer for sale of 6,660,000 existing ordinary shares of RM0.50 each at an offer price of RM0.75 per ordinary share to approved Bumiputra investors.

iii. Public issue of 23,340,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per ordinary share to the Malaysian public, approved Bumiputra investors and eligible employees and business associates of Esthetics.

iv. Listing of and quotation for the entire issued and paid-up share capital of Esthetics comprising 120,000,000 ordinary shares of RM0.50 each on the Main Board of the Malaysia Securities Exchange Berhad ("MSEB").

KPMG

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

Forecast, 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 (best-estimate assumptions). While information may be available to support the assumptions on which a forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matter stated in the preceding paragraph:-

(i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit estimate and forecast; and

(ii) in our opinion, the consolidated profit estimate and forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the period ended 31 August 2003.

Yours faithfully

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

KHAW HOCK HOE
Partner
Approval Number: 2229/04/04(J)

APPENDIX I-1

ESTHETICS INTERNATIONAL GROUP BERHAD AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE YEARS ENDING 31 JANUARY 2004 AND 2005 RESPECTIVELY

The Directors estimates and forecast that the consolidated profit after taxation and minority interests for the years ending 31 January 2004 and 2005 will be as follows:

	31.1.2004 RM'000	31.1.2005 RM'000
Consolidated profit after taxation and minority interests	12,017	12,915
Weighted average number of ordinary shares of RM0.50 each in issue ('000 units)	98,605*	120,000
Earnings per share (RM)	0.12	0.11

* *The weighted average number of ordinary shares in issue is calculated taking into consideration of the bonus issue completed in October 2003 and on the assumption that shares for the public issue are issued with effect from 1 January 2004.*

The earnings per share has been calculated based on proforma consolidated profit after taxation and minority interest divided by the weighted average number of ordinary shares in issue during the year.

The principal bases and assumptions upon which the above consolidated profit estimate and forecast have been made are as follows :

1. There will be no significant changes in the principal activities of the Group and the composition of its existing structure.

2. There will be no significant changes in the prevailing Malaysian and world economic and political conditions that will adversely affect the activities and performance of the Group.

3. There will be no significant changes in the present legislation and government regulations which will adversely affect the operations of the Group in Malaysia or the overseas markets which it operates.

4. There will be no changes in the accounting policies presently adopted by the Group.

5. Existing financing facilities will remain available to the Group and interest rates will not change significantly from those presently prevailing.

6. The inflation rate will not change materially from its current level.

APPENDIX I-2

7. The United States dollar exchange rate assumed for the purpose of the profit forecast will not be materially different from the following:-

Selling & buying	USD1.00	:	RM3.80

8. There will be no significant changes in the rate and basis of taxation.

9. There will be no industrial disputes or any other abnormal factors or changes that will significantly affect the Group's operations or sales at their forecast levels or disrupt their planned operations.

10. Capital expenditure program will be implemented and incurred on schedule and there will be no material acquisitions or disposal of fixed assets other than those planned.

11. There will be no termination of the distributorship agreement dated 1 May 2002 between one of the subsidiary, Dermal Esthetica Sdn. Bhd. and Dermalogica Inc., USA. The subsidiary will also be able to meet the purchasing commitments as stipulated in the agreement.

12. There will be no material change in the purchase prices and import duties of the Group's trading merchandise.

13. There will be no significant changes in the number of skin care centers of the Group, other than those scheduled to be established during the forecasted years.

14. There will be no significant changes in the existing senior management and operational policies of the Group which will adversely affect the Group.

15. There will be no significant changes in the commission rate payable to the dealers and sales personnel. There will be also continued support of the overseas country sub-distributors and local dealers of the Group.

16. The fixed deposit rate will not be materially different from 3% per annum.

17. The Group will achieve the forecasted selling prices and changes in the sales mix of the Group's products. In addition, the Group will also be able to achieve the rates chargeable to customers for rendering of skin care services.

18. There will be no new substitute products and services in the market that will significantly impact the Group's sales.

19. There will be no new competitors of the Group which will significantly impact the Group's sales.

7.7 DIRECTORS' ANALYSIS AND COMMENTARY ON THE CONSOLIDATED PROFIT ESTIMATE AND PROFIT FORECAST

For the financial year ended 31 January 2004, Esthetics' turnover is estimated to increase by 18.71% to RM77.85 million from RM65.58 million for the financial year ended 31 January 2003. For the financial year ended 31 January 2004, the consolidated PAT is estimated to increase by 3.5% from RM11.61 million for the financial year ended 31 January 2003 to RM12.02 million as a result of the higher turnover forecasted. The smaller percentage increase in consolidated PAT as compared to the percentage increase in the Group's turnover is mainly due to higher initial start-up cost of new Professional Skin Care Centres to be opened, the set up costs of the franchising and FMCG division, general increases in inflationary operating costs during the financial year under review. However with the present improved local and global economy and with the aggressive marketing and promotional effort being implemented, the Directors are confident of achieving the consolidated PAT for the financial year ended/ending 31 January 2004 of RM12.02 million.

The turnover for the financial year ending 31 January 2005 is forecasted to be RM91.40 million, an increase of 17.41%. The Group is expected to record a PAT of RM12.93 million for the financial year ended 31 January 2005, an increase of 7.47%. The lower increase of PAT is mainly due to opening of three (3) Professional Skin Care Centres with the exceptional costs increases arising from opening of new Professional Skin Care Centres, refurbishment of existing Professional Skin Care Centres, major marketing, promotions and advertising campaign for the Group's products, construction of corporate office and warehouse and investment in IT facilities.

The Directors of Esthetics have reviewed and analysed the reasonableness, after due and careful enquiry based on the current prevailing economic and operating conditions, of the bases and assumptions used in deriving the profit estimate and the profit forecast for the financial years ended/ending 31 January 2004 and 2005 respectively. The Directors of Esthetics are of the opinion that the profit estimate and profit forecast of Esthetics Group for the financial years ended/ending 31 January 2004 and 2005 respectively are fair and reasonable in light of the assumptions made, future plans and strategies to be adopted by the Esthetics Group, the future prospects of the industry as well as the Group's level of gearing, liquidity and working capital. However, an estimate and forecast by its nature is subject to subjective judgements, inherent uncertainties and unexpected events which occur beyond the control or prediction of the Group or its Board. Accordingly, the Board does not guarantee the achievement of the consolidated profit estimate and profit forecast.

7.8 SENSITIVITY ANALYSIS

The sensitivity analysis is prepared based on the consolidated profit forecast as set out in Section 7.5 herein and assuming all other things remain unchanged except for the variations in the selling price, cost of sales and operating expenses.

7.8.1 Changes in selling price

	<--------Forecast for the financial year ending 31 January 2005-------->				
(RM'000)	**-10%**	**-5%**	**As forecasted**	**+5%**	**+10%**
Profit before tax	9,660	14,230	18,800	23,370	27,941
Profit after tax	6,569	9,676	12,930	15,892	19,000

The principal bases and assumptions upon which the sensitivity analysis above have been made are as follows:

(i) The changes in the forecasted selling price are constant throughout the financial year.

(ii) Tax is calculated based on the forecasted effective tax rate.

7. FINANCIAL INFORMATION *(Cont'd)*

7.8.2 Changes in cost of sales

(RM'000)	<---------Forecast for the financial year ending 31 January 2005---------> -10%	-5%	As forecasted	+5%	+10%
Profit before tax	22,677	20,739	18,800	16,862	14,923
Profit after tax	15,420	14,102	12,930	11,466	10,148

The principal bases and assumptions upon which the sensitivity analysis above have been made are as follows:

(i) The changes in the forecasted cost of sales are constant throughout the financial year.

(ii) Tax is calculated based on the forecasted effective tax rate.

7.8.3 Changes in operating expenses

(RM'000)	<———Forecast for the financial year ending 31 January 2005———> -10%	-5%	As forecasted	+5%	+10%
Profit before tax	22,183	20,492	18,800	17,109	15,417
Profit after tax	15,085	13,935	12,930	11,634	10,483

The principal bases and assumptions upon which the sensitivity analysis above have been made are as follows:

(i) The changes in the forecasted operating expenses are constant throughout the financial year.

(ii) Tax is calculated based on the forecasted effective tax rate.

7.9 DIVIDEND FORECAST AND POLICY

It is the policy of the Company in recommending dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of the Group. The Directors will take into consideration the retained profits, cashflow of the Company as well as the funding requirements of the Company before declaring any future dividends.

Based on the consolidated profit forecast and on the present basis for calculating taxation and the rates of taxation will remain unchanged, the Directors of the Company anticipate that the Company will be in a position to propose a gross dividend of 2.5 sen per Share for the financial year ending 31 January 2005.

7. FINANCIAL INFORMATION *(Cont'd)*

The intended appropriation of the profit forecast for the financial year ending 31 January 2005 would be as follows:

Financial year ending 31 January	**Forecast 2005**
Gross dividend per share (sen)	2.5
Net dividend per share (sen)	1.8
Net dividend cover (times)	5.98
Gross dividend yield based on issue/offer price of RM0.75 per share (%)	3.33
Net dividend yield based on issue/offer price of RM0.75 per share (%)	2.40

Notwithstanding the above, the Directors have full discretion not to propose any future dividend payment as and when deemed necessary, if it is in the best interest of the Company.

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7.10 PROFORMA CONSOLIDATED BALANCE SHEETS

The detailed assumptions underlying the preparation of the Proforma Consolidated Balance Sheet are set out in Section 7.11 of this Prospectus. The Proforma Consolidated Balance Sheets of Esthetics set out below, have been prepared for illustrative purposes only to show the effects on the proforma consolidated balance sheet at 31 August 2003 after making adjustments and on the assumption that the Flotation Scheme had been effected on that date and the proceeds arising from the Public Issue being utilised in the manner as set out in Section 3.7 of this Prospectus:

		I	**II**
	Audited as at 31.08.03	**After Bonus Issue**	**After I and Offer for Sale and Public Issue[i]**
	RM'000	**RM'000**	**RM'000**
Property, plant and equipment	21,995	21,995	30,995
Investment in an associate	26	26	26
CURRENT ASSETS			
Inventories	7,418	7,418	7,418
Deferred tax	30	30	30
Trade and other receivables	23,381	23,381	23,381
Cash and bank balances	11,404	11,404	17,409
	42,233	42,233	48,238
CURRENT LIABILITIES			
Trade and other creditors	3,470	3,470	3,470
Borrowings	30	30	30
Deferred revenue	717	717	717
Taxation	761	761	761
	4,978	4,978	4,978
Net current assets	37,255	37,255	43,260
	59,276	59,276	74,281
Financed by:			
Share capital	700	48,330	60,000
Share premium	-	-	3,335
Reserves	58,273	10,643	10,643
Shareholders' funds	58,973	58,973	73,978
Minority interest	114	114	114
Borrowings	189	189	189

7. FINANCIAL INFORMATION *(Cont'd)*

	Audited as at 31.08.03	I After Bonus Issue	II After I and Offer for Sale and Public Issue[(i)]
	RM'000	RM'000	RM'000
	59,276	59,276	74,281
Net tangible assets per share (RM)	42.12	0.61	0.62
Number of shares in issue ('000)	1,400	96,660	120,000

Note:
(i) The effects of proceeds utilisation for capital expenditure have been incorporated in Proforma II.

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7.11 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)

KPMG (Firm No. AF 0758)
Chartered Accountants
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The Board of Directors
Esthetics International Group Berhad
(formerly known as Esthetics International Berhad)
No. 58, Jalan SS22/25
Damansara Jaya
47400 Petaling Jaya
Selangor

12 February 2004

Dear Sirs/Madam

Reporting accountants' letter on the proforma consolidated balance sheets as at 31 August 2003

We have reviewed the presentation of the proforma consolidated balance sheets of Esthetics International Group Berhad ("Esthetics") and its subsidiary companies ("the Group") as at 31 August 2003 for which the Directors are solely responsible, together with the notes thereon, as set out in the Prospectus to be dated 20 February 2004 in connection with the following and should not be relied on for any other purposes.

i. Bonus issue of 95,259,980 new ordinary shares of RM0.50 each via capitalisation of retained profits to be credited as fully paid-up on the basis of approximately 68.04 new ordinary shares of RM0.50 each for every 1 existing Esthetics share.

ii. Offer for sale of 6,660,000 existing ordinary shares of RM0.50 each at an offer price of RM0.75 per ordinary share to approved Bumiputra investors.

iii. Public issue of 23,340,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per ordinary share to the Malaysian public, approved Bumiputra investors and eligible employees and business associates of Esthetics.

iv. The listing of and quotation for the entire issued and paid-up share capital of Esthetics comprising 120,000,000 ordinary shares of RM0.50 each on the Main Board of the Malaysia Securities Exchange Berhad ("MSEB").

KPMG

In our opinion,

- the proforma consolidated balance sheets have been properly compiled on the basis of preparation stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

KHAW HOCK HOE
Partner
Approval Number: 2229/04/04(J)

APPENDIX I-1

ESTHETICS INTERNATIONAL GROUP BERHAD AND ITS SUBSIDIARY COMPANIES

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2003

	Note	Audited As at 31.8.2003 RM'000	Proforma I RM'000	Proforma II RM'000
Property, plant and equipment		21,995	21,995	30,995
Investment in associate		26	26	26
Current Assets				
Inventories		7,418	7,418	7,418
Deferred tax		30	30	30
Trade and other receivables		23,381	23,381	23,381
Cash and cash equivalents	5	11,404	11,404	17,409
		42,233	42,233	48,238
Current Liabilities				
Trade and other payables		3,470	3,470	3,470
Borrowings		30	30	30
Deferred revenue		717	717	717
Taxation		761	761	761
		4,978	4,978	4,978
Net Current Assets		37,255	37,255	43,260
		59,276	59,276	74,281
Financed by:				
Share Capital	4	700	48,330	60,000
Share Premium	4	-	-	3,335
Reserves	4	58,273	10,643	10,643
Shareholders' Funds		58,973	58,973	73,978
Minority Interest		114	114	114
Borrowings		189	189	189
		59,276	59,276	74,281
Net Tangible Assets per share (RM)		42.12	0.61	0.62
Number of shares in issue ('000)		1,400	96,660	120,000

APPENDIX I-2

ESTHETICS INTERNATIONAL GROUP BERHAD AND ITS SUBSIDIARY COMPANIES

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 AUGUST 2003

1. The Proforma Consolidated Balance Sheets of the Group have been prepared based on the audited financial statements of Esthetics International Berhad and its subsidiary companies as at 31 August 2003.

2. The Proforma Consolidated Balance Sheets of the Group have been prepared using accounting principles and bases consistent with those normally adopted in the preparation of the Group's audited financial statements.

3. The Proforma Consolidated Balance Sheets are for illustrative purposes only and incorporates the following transactions as though they were effected on 31 August 2003.

Proforma I

- Bonus issue of 95,259,980 new ordinary shares of RM0.50 each via capitalisation of retained profits to be credited as fully paid-up on the basis of approximately 68.04 new ordinary shares of RM0.50 each for every 1 existing Esthetics share.

Proforma II

- Offer for sale of 6,660,000 existing ordinary shares of RM0.50 each at an offer price of RM0.75 per ordinary share to approved Bumiputra investors. As this is a transaction by the shareholders, this has no effect on the proforma consolidated balance sheets.

- Public issue of 23,340,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per ordinary share to the Malaysian public, approved Bumiputra investors and eligible employees and business associates of Esthetics. The gross proceeds from this issue will amount to RM17.505 million and estimated listing expenses of RM2.5 million will be set off against the Share Premium Account.

  The details of the utilisation of the total gross proceeds of RM17.505 million arising from the Public issue are set out below:

Utilisation	**Amount RM'000**
Capital expenditure	
■ Establishment of six (6) new Corporate-owned skin care centres ("Corporate Centres")	2,500
■ Refurbishment of twelve (12) existing Corporate Centres	1,000
■ Investment in information technology facilities	1,500
■ Establishment of skin care centers in Hong Kong	1,500
■ Construction of corporate office and warehouse building	2,500
	9,000

APPENDIX I-3

	Amount RM'000
Launching of the fast moving consumer goods ("FMCG") products	2,000
Overseas business expansion – Hong Kong	500
Advertising and promotional expenses for Esthetics Group's products	1,500
Working capital	2,005
Estimated listing expenses	2,500
Total	**17,505**

For the purposes of the proforma consolidated balance sheet, the effects of proceeds utilisation for capital expenditure have been incorporated in Proforma II.

4. The movements of the issued and paid up share capital, share premium account and reserves of the Group after taking into account the above transactions are as follows:

	Share capital RM'000	Share premium RM'000	Reserves RM'000
Audited balance as at 31 August 2003	700	-	58,273
Bonus issue	47,630	-	(47,630)
Proforma I	48,330	-	10,643
Public issue	11,670	5,835	-
Estimated listing expenses	-	(2,500)	-
Proforma II	60,000	3,335	10,643

5. The movements in the cash and cash equivalents balance as a result of the above transactions are as follows:

	RM'000
Audited balance at 31 August 2003 and Proforma I	11,404
Proceeds from Public issue	17,505
Estimated listing expenses	(2,500)
Amounts earmarked for capital expenditure	(9,000)
Balance as per Proforma II	17,409