

## 10. FINANCIAL INFORMATION

## 10.1 PROFORMA CONSOLIDATED INCOME STATEMENT

The following table sets out a summary of the proforma consolidated results of the APB Group for the five (5) financial years ended 31 December 1998 to 2002 and for the period ended 30 September 2003. The proforma consolidated results are presented for illustrative purpose only and have been prepared on the assumption that the current APB Group structure has been in existence throughout the period under review. The table should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

	Financial year ended 31 December					Nine months ended
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	30 September 2003 RM'000
Revenue	62,366	62,562	59,733	59,504	60,078	39,216
<i>Results of operating activities</i>						
EBIDTA	7,957	12,425	11,525	13,197	12,983	6,771
Depreciation	(2,459)	(2,059)	(2,518)	(3,164)	(3,614)	(3,010)
Interest expense	(1,770)	(1,361)	(1,524)	(1,527)	(1,584)	(1,252)
Interest income	527	282	325	157	114	94
Share of profits of associates	69	385	231	316	17	66
Exceptional items	-	(132)	-	(172)	1,042	(698)
PBT	4,324	9,540	8,039	8,807	8,958	1,971
Taxation	(831)	293	(361)	(1,488)	(1,484)	(879)
PAT	3,493	9,833	7,678	7,319	7,474	1,092
Issued and paid-up share capital ('000)	66,873	66,873	66,873	66,873	66,873	66,873
Gross EPS (sen)	6.47	14.27	12.02	13.17	13.40	2.95*
Net EPS (sen)	5.22	14.70	11.48	10.94	11.18	1.63*

*Notes:*

- (i) The number of ordinary shares assumed in issue throughout the financial years under review is the number of ordinary shares in issue after the acquisition of NCK and FJ, transfer of listing status and transfer of NCK to the nominee/nominees of the SA of NCK, but before the Issues, the proposed acquisition of ECSB and the proposed acquisition of KRSB.
- (ii) The proforma consolidated results of APB Group for the past five (5) financial years ended 31 December 1998 to 2002 and for the financial period ended 30 September 2003 have been prepared in compliance with applicable approved accounting standards in Malaysia.
- (iii) The proforma consolidated results of the APB Group for the past five (5) financial years ended 31 December 1998 to 2002 and for the period ended 30 September 2003 have been prepared for illustrative purposes only and are based on the audited financial statements of all companies within the APB Group, where available, after making such adjustments considered necessary and on the assumption that the APB Group had been in existence throughout the relevant years under review.

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

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- (iv) *The proforma consolidated results have been presented on a basis consistent with the accounting policies normally adopted by the APB Group.*
- (v) *As the financial year end of Prescan was non coterminous with APB prior to the financial year ended 31 December 2001, the financial results of Prescan had been prorated to 31 December where appropriate.*
- (vi) *The results of the subsidiary of AMC i.e. Harapan Ceria Sdn Bhd (acquired in 2000 and disposed in 2001) and the subsidiary of Benmarl i.e. Prudent Combination Sdn Bhd (acquired in 1999 and disposed in 2001) were not consolidated in the proforma consolidated results of the APB Group as the results of these subsidiaries were not considered to have a material impact on group results.*
- (vii) *The share of profits of the associates of AMC i.e. Amalgamated Aliran JV Sdn Bhd (disposed in 2001), AMB (disposed in 2002) and Kanon Loading Equipment (M) Sdn Bhd have been incorporated in the proforma consolidated results on the assumption that the APB Group had been in existence throughout the financial years under review.*
- (viii) *The effective tax rates for 1998, 2000, 2001 and 2002 were lower than the applicable statutory tax rate due to the utilisation of reinvestment allowances.*
- (ix) *Income tax was not provided for 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999. The tax credit for 1999 was in respect of the reversal of overprovision of prior years' provision for taxation.*
- (x) *The effective tax rate for 2003 is higher than 28% mainly due to non-deductibility of expenses such as listing expenses written off during the period.*
- (xi) *The revenue and PBT in 1998 was affected by the economic crisis in late 1997. The economic crisis caused a softening demand from the infrastructure, utilities, mechanical and electrical (M&E) engineering and construction industries and sparked a spate of cautious spending behaviour in the domestic economy. The Group had to depress its selling price to secure more projects and maintain its revenue level. In addition, the Group experienced increasing material costs and operating overheads which further dampened its profit margins.*
- (xii) *Although revenue remained fairly consistent in 1999, the surge in pre-tax margin in 1999 was mainly due to the increased revenue from modification, rectification and maintenance works in AMC which contributes a higher gross margin as compared to other works, e.g. fabrication, erection, installation, steel structural work and construction of plants.*
- (xiii) *The decrease in revenue for 2000 was due to a reduction in projects secured by the Group. The marginal drop in pre-tax margin was due mainly to higher steel structure works carried out in AMC, yielding lower margins as compared to modification and rectification work. However, this was compensated by higher margins from Benmarl from its negotiated turnkey projects. The management is of the view that the pre-tax margins in 2000 and 2001 are more reflective of the APB Group's performance.*
- (xiv) *The Group's revenue in 2002 increased marginally as there was delay in commencement of projects which was affected by the war in Iraq. In addition, certain of the major projects undertaken by AMC yielded lower profit margin which resulted in the slight decrease in EBITDA as compared to 2001. The Group generated higher PBT in 2002 mainly due to the gain on disposal of an associate company, AMB.*
- (xv) *The Group's revenue decreased in 2003 as the first half year revenue and overall projects margin was significantly affected by the Iraqi war and the outbreak of Severe Acute Respiratory Syndrome (SARS). The operating conditions have shown marked improvement since mid 2003. However, the pick-up was insufficient to compensate for the slump in the first half year, hence an overall lower result for 2003. The decrease in PBT in 2003 was also affected by the listing expenses written off during the period.*

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

(xvi) Save as disclosed below, there were no other exceptional or extraordinary items during the financial years under review.

	----- Financial year 31 December -----			30 September
	1999	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000
<i>Exceptional items:</i>				
<i>(Gain)/Loss on disposal of quoted investments</i>	(188)	172	-	-
<i>Gain on disposal of associate</i>	-	-	(1,150)	-
<i>Revaluation deficit</i>	-	-	108	-
<i>Deposit written off on unilateral revocation of a sale and purchase agreement</i>	320	-	-	-
<i>Management fees receivable</i>	-	-	-	(500)
<i>Listing expenses written off</i>	-	-	-	1,198
	<u>132</u>	<u>172</u>	<u>(1,042)</u>	<u>698</u>

(xvii) The financial year-end of APB has been changed to 30 September with effect from 27 January 2004

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**10. FINANCIAL INFORMATION (Cont'd)****10.2 SEGMENTAL ANALYSIS**

The management discussion and analysis of the financial conditions and results of operations of the Group have been prepared as if the Group has been in existence for the financial years and period presented. The following discussion and analysis should be read in conjunction with the Group consolidated financial statements included in Section 10.1 of this Prospectus.

**10.2.1 Analysis of revenue by products and services**

	-----Financial year ended 31 December -----					30
	1998	1999	2000	2001	2002	September
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
						RM'000
Design, engineering and fabrication of process equipment	47,316	51,392	48,316	50,057	52,539	33,484
Contractors in air-conditioning and related engineering works	11,283	6,870	7,502	6,070	3,875	3,051
NDT services and other related services	4,049	4,308	3,915	3,501	4,544	3,419
Sub-total	62,648	62,570	59,733	59,628	60,958	39,954
Consolidated adjustments	(282)	(8)	-	(124)	(880)	(738)
<b>TOTAL</b>	<b>62,366</b>	<b>62,562</b>	<b>59,733</b>	<b>59,504</b>	<b>60,078</b>	<b>39,216</b>

**10.2.2 Analysis of PBT by products and services**

	-----Financial year ended 31 December -----					30
	1998	1999	2000	2001	2002	September
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
						RM'000
Design, engineering and fabrication of process equipment	4,625	8,827	6,491	6,977	7,385	2,571
Contractors in air-conditioning and related engineering works	(787)	(83)	850	970	820	191
NDT services and other related services	417	411	467	544	762	530
Sub-total	4,255	9,155	7,808	8,491	8,967	3,292
Consolidated adjustments	69	385	231	316	(9)	(1,321)
<b>TOTAL</b>	<b>4,324</b>	<b>9,540</b>	<b>8,039</b>	<b>8,807</b>	<b>8,958</b>	<b>1,971</b>

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

### 10.3 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE

Save as disclosed in this Prospectus, the financial performance, position and operations of the APB Group 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 the financial performance, position and operations of the APB or the Group;
- (ii) material capital expenditure commitments;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the APB 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 and position.

### 10.4 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

#### 10.4.1 Working capital

The Directors of APB are of the opinion that, barring any unforeseen circumstances and after taking into account the cashflow, forecast and projections, the banking facilities available and the proceeds raised from the Issues, the APB Group has adequate working capital for a period of twelve (12) months from the date of issue of Prospectus.

#### 10.4.2 Borrowings

As at 28 February 2004, the total bank borrowings (excluding hire purchase and lease, banker's acceptance and trust receipts) of the Group, all of which are interest bearing, amounted to RM12.8 million comprise the following:

	<b>RM'000</b>
Short-term borrowings	2,277
Long term borrowings	10,526
	<u>12,803</u>

There have been and will be no default on payment of either interest nor principal sum in respect of any borrowings throughout the past one (1) financial year ended 30 September 2003 and the subsequent financial year ending 30 September 2004.

#### 10.4.3 Material litigation

Save as disclosed in Section 14.6 of this Prospectus, as at 28 February 2004, neither the Company nor its subsidiary companies are engaged in any litigation either as plaintiff or defendant which has a material effect on the financial position of the Company or its subsidiary companies and the Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which may materially or adversely affect the position or business of the Company or its subsidiary companies.

## 10. FINANCIAL INFORMATION (Cont'd)

### 10.4.4 Contingent liabilities

As at 28 February 2004, the Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

### 10.4.5 Capital commitment

As at 28 February 2004, the Group does not have any capital commitment.

## 10.5 FUTURE FINANCIAL INFORMATION

### 10.5.1 Proforma consolidated profit forecast

Barring unforeseen circumstances and on the bases and assumptions set out below, the Directors of APB forecast that the consolidated profit after taxation of the APB Group for the financial year ending 30 September 2004 will be as follows:

Financial period/year ended/ ending 30 September	Audited* 2003 RM'000	Forecast 2004 RM'000
Consolidated revenue	39,216	71,986
Proforma consolidated operating PBT	3,169	11,297
Less: Listing expenses written off	(1,198)	(802)
Less: Loss on transfer of NCK	-	(15,036)
Less: Taxation	(879)	(2,568)
Proforma consolidated PAT/(LAT)	1,092	(7,109)
Pre-acquisition profits	-	(2,119)
Proforma consolidated profit/(loss) after pre-acquisition profits	1,092	(9,228)

*Based on the enlarged issued and paid-up share capital of 96,475,002 APB Shares*

Gross EPS/(LPS) (sen)	2.04	(4.71)
Net EPS/(LPS) (sen)	1.13	(7.37)
Gross PE Multiple based on the Issue Price of RM1.00 per APB Share (times)	49.02	-
Net PE multiple based on the Issue Price of RM1.00 per APB Share (times)	88.50	-

*Based on the fully diluted issued and paid-up share capital of 121,475,002 APB Shares (after full conversion of ICPS)*

Fully diluted Gross EPS (sen)	1.62	~
Fully diluted Net EPS (sen)	0.90	~
Fully diluted Gross PE Multiple based on the Issue Price of RM1.00 per APB Share (times)	61.73	-
Fully diluted Net PE Multiple based on the Issue Price of RM1.00 per APB Share (times)	111.11	-



## 10. FINANCIAL INFORMATION (Cont'd)

### Notes:

- \* *Nine-(9) month financial period ended 30 September 2003*
- ~ *The conversion of the ICPS is expected to have an anti-dilutive effect on the EPS for 30 September 2004; accordingly, the fully diluted EPS is not computed.*

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

1. There will be no material changes in the present legislation or Government regulations, inflation rates and duties, levies and taxes which may adversely affect the operations of the APB Group or the markets in which it operates.
2. There will be no significant changes to the prevailing Malaysian and world economic environment and political and market conditions which may directly or indirectly have an adverse effect on the activities or performance of the APB Group and the business of the Group's major customers and suppliers.
3. There will be no major breakdown or disruption in the operational and manufacturing facilities, industrial disputes, disruption on supplies of materials or other abnormal factors both domestic and overseas, which may adversely affect the operations, sales or disrupt the planned operations of the APB Group or that of its suppliers and customers.
4. There will be no material changes in the availability and costs of raw materials normally used by the APB Group, labour costs and other operating costs, which will adversely affect APB Group's profitability. There will also be no significant shortage in the skilled and unskilled labour required.
5. Existing financing facilities will remain available to APB Group; expiring financing facilities will be renewed and interest rates will not change significantly from those presently prevailing. In addition, APB Group will be able to obtain new financing facilities as and when required as forecast at the present prevailing interest rates.
6. There will be no major changes to the proposed composition, structure and principal activities of the APB Group.
7. There will be no significant changes in the existing accounting, management and operational policies of APB Group except for the adoption of MASB 31 and MASB 32 mandated by the Malaysian Accounting Standards Board ("MASB") for the financial period beginning on or after 1 January 2004 respectively.
8. There will be no major changes in the existing key personnel and management of the APB Group which will affect the marketing capability and level of activities of APB Group.
9. There will be no major capital and revenue cost items variations that are beyond the control of the APB Group.
10. Inflation rates will not change materially from its current level. The exchange rates of foreign currencies assumed for the purpose of the consolidated profit and forecast are not materially different from the following: -

1 USD	: RM3.800
1 SGD	: RM2.248
1 JPY	: RM0.036
1 EURO	: RM4.614

## 10. FINANCIAL INFORMATION (Cont'd)

11. There will be no material changes in the value of contracts expected to be awarded, contract prices, costs and timing of projects to be undertaken by the APB Group.
12. All contracts awarded and expected to be obtained will commence and complete according to schedule. There will be no significant deviation or delay from the expected physical completion date for all contracts work-in-progress and no significant liquidated ascertained damages would therefore be levied.
13. There will be no significant changes in the current demand, saleability and pricing of the Group's contract works, products and services and in the prevailing markets in which the Group operates which will adversely affect the performance of the APB Group. The sales of the APB Group's contract works, products and services will materialise as forecast.
14. There will be no major changes in the business proportion mix of APB Group's contract works, products and services and its customers segmentation. The business proportion mix of the individual companies in the APB Group are expected to be as follows: -

	<i>Sales Mix</i>	<i>Gross Profit Margin</i>
<i>Amalgamated Metal Corporation (M) Sdn Bhd</i>		
Fabrication, erection and installation	62%	22%
Modification, rectification and maintenance services	8%	50%
Steel structure works and construction of plants	30%	18%
<i>Benmarl Sdn Bhd</i>		
Contractors in air-conditioning and related engineering services	80%	30%-36%
Maintenance and servicing	20%	30%-36%
<i>Prescan Sdn Bhd</i>		
Non-destructive testing services and other related services	100%	55%-57%
<i>EPIC Constant Sdn Bhd.</i>		
Constructional engineers of hydro power stations and related business activities	100%	40%-50%
<i>Konsep Realiti Sdn Bhd.</i>		
Constructional engineers of hydro power stations and related business activities	100%	40%-50%

15. The principals of contract works awarded to the APB Group will not postpone the commencement or delay the completion of the contracts as scheduled. In addition, the principals will be able to finance the projects according to schedule.
16. There will be no significant delay in the Proposed Acquisition of KRSB and the Proposed Acquisition of KRSB which will materially preclude APB from capitalising on the revenue generated by both ECSB and KRSB.



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

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17. APB and Projass Engineering Sdn Bhd ("PESB") who will own 49% and 51% respectively of Konsep Realiti Sdn Bhd ("KRSB"), will be able to secure the contract from Tenaga Nasional Berhad ("TNB") by June 2004 for the operations and maintenance of the existing thirty-five (35) mini hydro generating stations ("MHGS"). This operations and maintenance works will be novated to, or undertaken by KRSB. There will be no material delay in securement of the contract with TNB or the novation of the works to KRSB.
18. All upgrading, repairs and maintenance works required to be carried out by KRSB on the MHGS will be implemented and incurred on schedule in order to enable KRSB to commence production of electricity as forecast. There will be no material upgrading, repairs and maintenance works to be carried out other than those planned.
19. EPIC Constant Sdn Bhd ("ECSB") will be able to obtain a generation licence from the Ministry of Energy, Communications and Multimedia, Malaysia to carry out and complete as scheduled the development, construction and subsequently operation of three (3) mini hydro electric power stations.
20. APB and Musteq Energy Services Sdn Bhd ("MESSB") who will own 49% and 51% respectively of ECSB, will be able to secure the contract from TNB by June 2004 for the purchase of the electricity generated by ECSB from the operation of the 3 mini hydro electric power stations ("Power Purchase Agreement").
21. KRSB and ECSB will be able to meet the agreed electricity production levels as stipulated in the MHGS Agreement and Power Purchase Agreement. TNB will purchase all units of electricity produced by KRSB and ECSB at the rates forecast.
22. The Proposed Debt Restructuring Scheme of PESB will be approved by the creditors of PESB or sanctioned by the court, implemented and completed on schedule and will not affect or delay the implementation of the MHGS Agreement and Power Purchase Agreement and the operations of the MHGS.
23. All trade debts arising from contract billings, sales of products and rendering of services are collectible and those known to be doubtful have been adequately provided for.
24. There will be no material contingent liabilities arising during the forecast period which may materially affect the forecast. The APB Group will not be engaged in any material litigation and there will be no legal proceedings which will affect the APB Group's activities or performance or give rise to additional contingent liabilities which will materially affect the results of the Group.
25. Capital expenditure programmes will be implemented and incurred on schedule and there will be no material acquisitions or disposals of property, plant and equipment other than those planned. The forecast capital expenditure will be sufficient for the operations of APB Group.
26. The Revised Restructuring Scheme is estimated to be completed by June 2004.
27. Goodwill arising on the acquisition of subsidiaries by APB is not amortised and will not be written off/down for impairment during the forecast years.

## 10. FINANCIAL INFORMATION (Cont'd)

28. The gross proceeds arising from the proposed restricted issue, public issue and special issue of shares in APB amounting to a total of RM21,002,000 would be received by the third quarter of the financial year ending 30 September 2004 as follows :

	<i>RM'000</i>
i) Restricted issue	2,802
ii) Public issue	2,000
iii) Special issue	16,200
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	21,002
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and will be utilised in the following manner:-

i) Capital expenditure	4,860
ii) Repayment of bank borrowings	3,481
iii) Repayment of hire purchase liabilities	1,913
iv) Payment of listing expenses*	2,000
v) Working capital requirements	8,748
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	21,002
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\* Listing expenses of RM1,198,000 incurred up to 30 September 2003 has been expensed off to the income statement during the period ended 30 September 2003. The balance of the listing expenses to be incurred of RM802,000 will be expensed to the income statement for the year ending 30 September 2004 upon completion of the listing exercise.

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

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**10.5.2 Directors' analysis of consolidated profit forecast**

The revenue for the financial year ending 30 September 2004 is forecasted to increase by approximately 37.7% on an annualised basis due to the following:

- Estimated 39% annualised revenue growth for AMC as a results of :
  - o Expected increase in activities in the oil and gas industry which should drive demand for process equipment
  - o Expansion of AMC production capacity now that the Kuantan and Subang new plant are fully completed and fully operated.
  - o AMC as part of the listed entity with at least 30% Bumiputera content will enhance its competitiveness in securing contracts.
- The increase of revenue of 11% on annualised basis for Benmarl is expected to arise from continuous procurement of contracts for its complimentary products and services such as UPS system, heat pump system, solar and other renewable energy system to various industry.
- The forecasted revenue of Prescan is expected to come from growth in its existing business and from new destructive testing services that would be offered.

The Group's PBT for the financial year ending 30 September 2004 is forecasted at approximately RM11.3 million (before charging the loss of RM15.8 million due to the Acquisition of NCK, the Transfer of NCK and the listing expenses), which is much higher than the financial period ended 30 September 2003 with a PBT of approximately RM3 million. The significant increase in the PBT is mainly due to the following:

- A revenue growth of 39% at AMC and interest savings as a results of the repayment of borrowings from the utilisation of proceeds from the listing;
- The project margins are expected to improve as AMC is more competitive in its business environment;
- The PBT is expected to continue to grow for Benmarl due to the increase in revenue whilst the cost are not expected to increase significantly as the company was previously operating under capacity;
- Prescan is not expected to contribute significant increase in its PBT due to the additional depreciation charges for new destructive testing equipment which are expected to offset against the incremental revenue to be generated by utilising the said new testing equipment.

**10.5.3 Sensitivity analysis**

The results of the APB Group are sensitive in certain key variables such as changes in turnover, cost of sales and operating expenses. The sensitivity analysis of changes in the said key variables to the forecast consolidated PAT (before listing expenses written off and loss on transfer) of the APB Group for the financial year ending 30 September 2004 of RM8.73 million is as follows:

## 10. FINANCIAL INFORMATION (Cont'd)

Percentage changes	Changes in turnover		Changes in cost of sales		Changes in operating expenses	
	Adjusted PAT		Adjusted PAT		Adjusted PAT	
	RM'000	%	RM'000	%	RM'000	%
+15%	10,744	23.1	2,749	(68.5)	7,704	(11.8)
+10%	9,958	14.1	4,744	(45.7)	8,047	(7.9)
+5%	9,171	5.1	6,739	(22.8)	8,391	(3.9)
-5%	7,599	(12.9)	10,729	22.8	9,077	3.9
-10%	6,813	(22.0)	12,724	45.7	9,421	7.9
-15%	6,026	(31.0)	14,719	68.5	9,764	11.8

Based on the above assumptions, the sensitivity analysis shows that the APB Group will still remain profitable over the forecast year despite a 5%, 10% and 15% downward variation in turnover, cost of sales and operating expenses respectively for the financial year ending 30 September 2004.

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10. FINANCIAL INFORMATION (Cont'd)

10.6 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 30 SEPTEMBER 2004

(Prepared for inclusion in this Prospectus)



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The Board of Directors  
APB Resources Berhad  
(formerly known as Lamquest Holdings Berhad)  
D12, Tingkat 1, Plaza Pekeliling  
No. 2 Jalan Tun Razak  
50400 Kuala Lumpur

30 March 2004

Dear Sirs

**Reporting Accountants' Letter On The Proforma Consolidated Profit Forecast For The Year Ending 30 September 2004**

We have reviewed the proforma consolidated profit forecast of APB Resources Berhad ("APB") and its subsidiaries and associates (hereinafter referred to as the "APB Group") for the financial year ending 30 September 2004 in accordance with the Standard on Auditing, ISA 810, applicable to the review of forecasts. The proforma consolidated profit forecast have been prepared for the purpose of inclusion in the Prospectus to dated 31 March 2004 in connection with the following and should not be relied on for any other purposes:-

- i) restricted issue of 2,802,000 new ordinary shares of RM1.00 each in APB to the existing shareholders of NCK Corporation Berhad ("NCK") on the basis of three (3) new ordinary shares of RM1.00 each in APB for each APB Share held at an issue price of RM1.00 per share;
- ii) public issue of 2,000,000 new ordinary shares of RM1.00 each in APB to the Malaysian public at an issue price of RM1.00 per share;
- iii) special issue of 16,200,000 new ordinary shares of RM1.00 each in APB to Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI") at an issue price of RM1.00 per share; and
- iv) the listing of and quotation for the entire enlarged issued and paid-up share capital of APB comprising 87,875,002 ordinary shares of RM1.00 each on the Main Board of the Malaysia Securities Exchange Berhad ("MSEB").

Our review has been undertaken to enable us to form an opinion as to whether the proforma consolidated profit forecast, in all material respects, 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 APB Group in its respective companies' audited financial statements for the nine (9) months period ended 30 September 2003. The Directors of APB are solely responsible for the preparation and presentation of the proforma consolidated profit forecast and the assumptions on which the proforma consolidated profit forecast is based.



KPMG, a partnership established under the  
Malaysian law is the Malaysian member  
firm of KPMG International, a Swiss cooperative.

10. FINANCIAL INFORMATION (Cont'd)

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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 (best-estimate assumptions). While information may be available to support the assumptions on which the 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 matters 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 Prospectus, do not provide a reasonable basis for the preparation of the proforma consolidated profit forecast; and
- ii) in our opinion, the proforma consolidated profit forecast, so far as the calculations are concerned, 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 APB Group in its respective companies' audited financial statements for the nine (9) months period ended 30 September 2003.

Yours faithfully

  
**KPMG**  
Firm Number : AF 0758  
Chartered Accountants

  
**Lim Hun Soon @ David Lim**  
Partner  
Approval Number : 1514/05/04(J)



## 10. FINANCIAL INFORMATION (Cont'd)

## APPENDIX I-1

**APB Resources Berhad And Its Subsidiaries and Associates**  
**Proforma Consolidated Profit Forecast**  
**For The Year Ending 30 September 2004**

The Directors forecast that, barring unforeseen circumstances, the proforma consolidated profit forecast of the APB Group for the year ending 30 September 2004 will be as follows:

	<i>Forecast Year ending 30.9.2004 RM'000</i>
Revenue	71,986 <u>          </u>
Proforma consolidated operating profit before taxation	11,297
Listing expenses written off	(802)
Loss on transfer of NCK	(15,036)
Taxation	(2,568) <u>          </u>
Proforma consolidated loss after taxation	(7,109)
Pre-acquisition profits	(2,119) <u>          </u>
Proforma consolidated loss after pre-acquisition profits	(9,228) <u>          </u>
Enlarged number of shares in issue ('000)	96,475
Net LPS (sen) - (i)	(7.37)
Net Price Earnings Multiple (times) - (ii)	-

LPS . . . Loss Per Share

Notes:-

- i) Net LPS is calculated based on the enlarged issued and paid up share capital of 96,475,002 ordinary shares of RM1.00 each assumed in issue after the completion of the restructuring exercise as set out in Appendix II.
- ii) The Price Earnings Multiple is computed based on the issue price of RM1.00 per share.
- iii) Fully diluted LPS would arise due to the enlarged issued and paid up capital of 121,475,002 ordinary shares of RM1.00 each assumed in issue after the full conversion of the Irredeemable Convertible Preference Shares ("ICPS").

The conversion of the ICPS is expected to have an anti-dilutive effect on the LPS for 30 September 2004; accordingly the fully diluted LPS is not computed.

10. FINANCIAL INFORMATION (Cont'd)

APPENDIX I-2

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

1. There will be no material changes in the present legislation or Government regulations, inflation rates and duties, levies and taxes which may adversely affect the operations of the APB Group or the markets in which it operates.
2. There will be no significant changes to the prevailing Malaysian and world economic environment and political and market conditions which may directly or indirectly have an adverse effect on the activities or performance of the APB Group and the business of the Group's major customers and suppliers.
3. There will be no major breakdown or disruption in the operational and manufacturing facilities, industrial disputes, disruption on supplies of materials or other abnormal factors both domestic and overseas, which may adversely affect the operations, sales or disrupt the planned operations of the APB Group or that of its suppliers and customers.
4. There will be no material changes in the availability and costs of raw materials normally used by the APB Group, labour costs and other operating costs, which will adversely affect APB Group's profitability. There will also be no significant shortage in the skilled and unskilled labour required.
5. Existing financing facilities will remain available to APB Group; expiring financing facilities will be renewed and interest rates will not change significantly from those presently prevailing. In addition, APB Group will be able to obtain new financing facilities as and when required as forecast at the present prevailing interest rates.
6. There will be no major changes to the current composition, structure and principal activities of the APB Group.
7. There will be no significant changes in the existing accounting, management and operational policies of APB Group except for the adoption of MASB 31 and MASB 32 mandated by the Malaysian Accounting Standards Board ("MASB") for the financial period beginning on or after 1 January 2004.
8. There will be no major changes in the existing key personnel and management of the APB Group which will affect the marketing capability and level of activities of APB Group.
9. There will be no major capital and revenue cost items variations that are beyond the control of the APB Group.
10. Inflation rates will not change materially from its current level. The exchange rates of foreign currencies assumed for the purpose of the consolidated profit forecast are not materially different from the following: -

1 USD	: RM3.800
1 SGD	: RM2.248
1 JPY	: RM0.036
1 EURO	: RM4.614

## 10. FINANCIAL INFORMATION (Cont'd)

## APPENDIX I-3

11. There will be no material changes in the value of contracts expected to be awarded, contract prices, costs and timing of projects to be undertaken by the APB Group.
12. All contracts awarded and expected to be obtained will commence and complete according to schedule. There will be no significant deviation or delay from the expected physical completion date for all contracts work-in-progress and no significant liquidated ascertained damages would therefore be levied.
13. There will be no significant changes in the current demand, saleability and pricing of the Group's contract works, products and services and in the prevailing markets in which the Group operates which will adversely affect the performance of the APB Group. The sales of the APB Group's contract works, products and services will materialise as forecast.
14. There will be no major changes in the business proportion mix of APB Group's contract works, products and services and its customers segmentation. The business proportion mix of the individual companies in the APB Group are expected to be as follows: -

	<i>Sales Mix</i>	<i>Gross Profit Margin</i>
<i>Amalgamated Metal Corporation</i>		
<i>(M) Sdn Bhd</i>		
Fabrication, erection and installation	62%	22%
Modification, rectification and maintenance services	8%	50%
Steel structure works and construction of plants	30%	18%
<i>Benmarl Sdn Bhd</i>		
Contractors in air-conditioning and related engineering services	80%	30%-36%
Maintenance and servicing	20%	30%-36%
<i>Prescan Sdn Bhd</i>		
Non-destructive testing services and other related services	100%	55%-57%
<i>EPIC Constant Sdn Bhd.</i>		
Constructional engineers of hydro power stations and related business activities	100%	40%-50%
<i>Konsep Realiti Sdn Bhd.</i>		
Constructional engineers of hydro power stations and related business activities	100%	40%-50%

15. The principals of contract works awarded to the APB Group will not postpone the commencement or delay the completion of the contracts as scheduled. In addition, the principals will be able to finance the projects according to schedule.