

9. FINANCIAL INFORMATION (Cont'd)

9.1 Historical Financial Information

9.1.1 Consolidated Profit and Dividend Record

The following is a summary of the proforma audited consolidated results of KRB for the past five FYE 31 December 2002 and seven months financial period ended 31 July 2003, prepared based on the audited financial statements of the companies in the KRB Group, for illustrative purposes, on the assumption that the current structure of the Group had been in existence throughout the financial years/period under review. The proforma audited consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 of this Prospectus.

	←----- FYE 31 December -----→					1.1.2003
	1998	1999	2000	2001	2002	to 31.7.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	26,722	30,243	32,061	46,930	54,676	39,268
EBIDTA	6,245	7,652	8,194	12,384	13,398	9,756
Interest expense	(855)	(863)	(809)	(1,472)	(1,744)	(1,157)
Depreciation	(1,273)	(1,453)	(1,645)	(3,198)	(3,614)	(2,552)
Amortisation	-	-	-	-	(8)	(7)
Operating profit	4,117	5,336	5,740	7,714	8,032	6,040
Exceptional items	-	86	958	-	-	-
PBT	4,117	5,422	6,698	7,714	8,032	6,040
Taxation	(349)	144	(886)	(2,039)	(1,172)	(869)
Profit from ordinary activities	3,768	5,566	5,812	5,675	6,860	5,171
Extraordinary items	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-
Net profit	3,768	5,566	5,812	5,675	6,860	5,171
No. of ordinary shares in issue ('000)	30,155	30,155	30,155	30,155	30,155	30,155
Gross EPS (sen)	13.65	17.98	22.21	25.58	26.64	34.34 *
Net EPS (sen)	12.50	18.46	19.27	18.82	22.75	29.40 *

* Annualised.

Notes:

- (i) The assumed issued and paid-up share capital of 30,155,211 ordinary shares of RM1.00 each is based on the issued and paid-up share capital of KRB after the Acquisitions but prior to the Rights Issue, Share Split and Public Issue. For illustrative purposes only, assuming that the Share Split had been effective throughout the financial years and period under review, the gross EPS and net EPS would be one-half the figures stated.
- (ii) The Proforma Group Income Statements for the FYE 31 December 1998 to 31 December 2000 comprise of KBB only as KBBFM and BBFM became subsidiary companies of KBB only in the FYE 31 December 2001. For the two FYEs 31 December 2002 and seven months financial period ended 31 July 2003, the Proforma Group Income Statements comprise of the KRB Group.
- (iii) The Proforma Group Income Statements have been prepared based on accounting policies consistent with those currently adopted in the preparation of the audited financial statements of the KRB Group.
- (iv) All significant inter-company transactions have been eliminated from the Group results.

9. FINANCIAL INFORMATION (Cont'd)

- (v) *The gross EPS is calculated based on the PBT and on the number of ordinary shares of RM1.00 each assumed in issue.*
- (vi) *The net EPS is calculated based on the PAT and minority interest and on the number of ordinary shares of RM1.00 each assumed in issue.*
- (vii) *The financial statements of all the companies within the Group for all the financial years/period under review have been reported without any audit qualification.*

(viii) Revenue

Revenue increased by 13.18% for the FYE 31 December 1999 to RM30.24 million mainly due to the increase in average selling price arising from the increase in raw material cost.

Revenue increased marginally by 6.01% for the FYE 31 December 2000 to RM32.06 million due to the reduction in selling price as a result of cheaper raw material cost which was passed down to the Group's customers.

Revenue increased by 46.38% for the FYE 31 December 2001 to RM46.93 million due to additional production capacity as a result of the installation and commissioning of 3 additional production lines during the year.

Revenue increased by 16.51% for the FYE 31 December 2002 to RM54.68 million due to the revenue contribution from the commencement of KBBEM's operations in Sibul, and additional production capacity in the Group's Kuala Ketil factory. The increase in revenue was also contributed by an increase in marketing activity by the Group in order to capture more market share.

Annualised revenue increased by 23.12% for the seven months financial period ended 31 July 2003 mainly due to the revenue contribution from KBBEM as it was operating for the full seven months financial period.

(ix) PBT

PBT increased by 31.70% for the FYE 31 December 1999 to RM5.42 million as a result of the increase in revenue and the reduction in selling expenses. Selling expenses reduced by 19.93% to RM0.79 million due to the reduction in carriage outwards and lower allowance for doubtful debts. Carriage outwards reduced because customers took delivery of the rice vermicelli at their own cost.

PBT increased by 23.53% for the FYE 31 December 2000 to RM6.70 million as a result of the increase in revenue and the exceptional gain during the year. KBB made a net gain of RM0.96 million from the disposal of property, which contributed 14.30% to the PBT for the year.

PBT increased by 15.17% for the FYE 31 December 2001 to RM7.71 million as a result of the increase in revenue.

PBT increased slightly by 4.12% for the FYE 31 December 2002 to RM8.03 million as a result of the increase in revenue. However, the growth rate of the Group's profit is lower than the turnover growth rate mainly due to the increase in overheads and interest expenses.

Annualised PBT increased by 28.91% for the seven months financial period ended 31 July 2003 as a result of the increase in revenue and a reduction in cost of raw materials.

9. FINANCIAL INFORMATION (Cont'd)

(x) Taxation

The disproportionate tax charge for the FYE 31 December 1998, 2001 and 2002 was due to claims for reinvestment allowance.

There was no current taxation charge for the FYE 31 December 1999 as it was a tax waiver year. The credit taxation is in respect of deferred taxation and an over provision in prior year.

The disproportionate tax charge for the FYE 31 December 2000 was due to the claim for reinvestment allowance and the gain on disposal of property by KBB which was not subject to income tax.

The disproportionate tax charge for the seven months financial period ended 31 July 2003 was due to the claim for pioneer income by KBB.

9.1.2 Segmental Analysis of Revenue and PBT

Analysis of Revenue

	←----- FYE 31 December -----→					1.1.2003 to 31.7.2003
	1998	1999	2000	2001	2002	31.7.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
KRB	-	-	-	-	-	-
KBB	26,722	30,243	32,061	46,930	54,272	33,200
KBBEM	-	-	-	-	404	6,068
BBFM	-	-	-	-	-	-
	26,722	30,243	32,061	46,930	54,676	39,268

Analysis of PBT

	←----- FYE 31 December -----→					1.1.2003 to 31.7.2003
	1998	1999	2000	2001	2002	31.7.2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
KRB	-	-	-	-	(5)	(2)
KBB	4,117	5,422	6,698	7,725	8,031	5,058
KBBEM	-	-	-	(7)	8	986
BBFM	-	-	-	(4)	(2)	(2)
	4,117	5,422	6,698	7,714	8,032	6,040

9.1.3 Directors' Declaration on Financial Performance

As at 31 December 2003 (being the latest practicable date prior to the printing of this Prospectus), save as disclosed in this Prospectus (including without limitation Sections 2, 3, 9.1 and 10 of this Prospectus), the Directors of KRB are of the view that the financial conditions and operations of the Group are not affected by any of the following:-

- (i) any 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 KRB Group;

9. FINANCIAL INFORMATION (Cont'd)

- (ii) any material commitments for capital expenditure;
- (iii) any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the KRB Group; and
- (iv) any 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 of the Group.

9.1.4 Working Capital, Borrowings, Contingent Liabilities, Material Commitment and Litigation

(i) Working Capital

The Directors of KRB are of the opinion that after taking into account the cash flow estimate and forecast, banking facilities available and gross proceeds from the Rights Issue and Public Issue, the Group will have adequate working capital for a period not less than 12 months from the date of issue of this Prospectus.

(ii) Borrowings

As at 31 December 2003 (being the last practicable date prior to the printing of this Prospectus) the Group's total borrowings amounted to approximately RM34.53 million. The borrowings can be analysed further as follows: -

Group Borrowings	RM '000	RM '000
Long Term borrowings		
• Term loans	6,107	
• Hire purchase creditors	564	
	<hr/>	6,671
Short Term borrowings		
• Bankers acceptance	22,942	
• Term loans	1,624	
• Islamic acceptance bills	1,482	
• Bank overdraft	1,429	
• Hire purchase creditors	378	
	<hr/>	27,855
Total Borrowings		<hr/> 34,526 <hr/>

As at 31 December 2003, the Group does not have any foreign currency denominated borrowings.

(iii) Contingent Liabilities

As at 31 December 2003, the Directors of KRB confirm that there are no contingent liabilities, which have become enforceable, or are likely to become enforceable, which will affect the ability of the Company or any of its subsidiaries to meet their obligations as and when they fall due.

9. FINANCIAL INFORMATION (Cont'd)

(iv) Capital Commitment

As at 31 December 2003, the KRB Group has authorised and contracted for material capital commitments amounting to RM249,000 for the purchase of machinery.

(v) Material Litigation

As at 31 December 2003, KRB and its subsidiaries are not engaged in any material litigation either as plaintiff or defendant and the Directors of KRB do not have any knowledge of any proceedings pending or threatened against KRB or its subsidiaries or of any facts likely to give rise to any proceedings, which might materially affect the position or business of KRB or its subsidiaries.

9.2 Future Financial Information

9.2.1 Consolidated Profit Estimate and Forecast for the FYE 31 December 2003 and FYE 31 December 2004

FYE 31 December	Estimate 2003 RM'000	Forecast 2004 RM'000
Revenue	67,283	71,515
PBT	10,802	12,146
Taxation	(1,868)	(2,008)
PAT	8,934	10,138
Minority interests	-	-
Profit after taxation and minority interests	8,934	10,138
Pre-acquisition profits ⁽¹⁾	(6,751)	-
Net profit	2,183	10,138
Issued and paid-up Share capital:		
(i) number of Shares in issue ('000)	68,000	80,000
(ii) weighted average number of Shares in issue ('000) ⁽²⁾	15,398	78,500
Based on consolidated PBT/PAT before deducting pre-acquisition profits and on the number of Shares in issue		
Gross EPS (sen)	15.89	15.18
Net EPS (sen)	13.14	12.67
Gross PE Multiple (times) ⁽³⁾	5.66	5.93
Net PE Multiple (times) ⁽³⁾	6.85	7.10

9. FINANCIAL INFORMATION (Cont'd)

FYE 31 December	Estimate 2003 RM'000	Forecast 2004 RM'000
Based on consolidated PBT/PAT before deducting pre-acquisition profits and on the weighted average number of Shares in issue		
Gross EPS (sen)	70.15	15.47
Net EPS (sen)	58.02	12.91
Gross PE Multiple (times) ⁽³⁾	1.28	5.82
Net PE Multiple (times) ⁽³⁾	1.55	6.97
Based on consolidated PBT/PAT after deducting pre-acquisition profits and on the number of Shares in issue		
Gross EPS (sen)	4.38 ⁽⁴⁾	15.18
Net EPS (sen)	3.21	12.67
Gross PE Multiple (times) ⁽³⁾	20.55	5.93
Net PE Multiple (times) ⁽³⁾	28.04	7.10
Based on consolidated PBT/PAT after deducting pre-acquisition profits and on the weighted average number of Shares in issue		
Gross EPS (sen)	19.35 ⁽⁴⁾	15.47
Net EPS (sen)	14.18	12.91
Gross PE Multiple (times) ⁽³⁾	4.65	5.82
Net PE Multiple (times) ⁽³⁾	6.35	6.97

Notes:

1. *The pre-acquisition profits are computed based on the estimated profits for the 9 months period ended 30 September 2003.*
2. *The weighted average number of Shares in issue is computed based on the assumption that the Acquisitions were completed in early October 2003, the Rights Issue and Share Split were completed in mid December 2003 and the Public Issue is completed by mid February 2004.*
3. *The gross/net PE Multiple is computed based on the Issue Price of RM0.90 per Share over the gross/net EPS.*
4. *Computed based on the consolidated PBT after pre-acquisition PBT of approximately RM7.82 million (for 9 months period ended 30 September 2003).*
5. *The profit forecast for the FYE 31 December 2004 reflects the profits for the full year in view that the Acquisitions were completed in early October 2003.*

9. FINANCIAL INFORMATION (*Cont'd*)

9.2.2 Principal Bases and Assumptions

The principal assumptions upon which the estimate and forecast have been made are as follows:-

1. The listing will be completed by mid February 2004.
2. There will be no significant changes to the prevailing economic and political environment in Malaysia and elsewhere which will adversely affect the activities or performance of the Group.
3. There will be no significant changes to the present legislations or regulations, bases and rates of duties, levies and corporate tax rate affecting the activities of the Group or the market in which it operates.
4. There will be no significant changes in the principal activities of the Group.
5. There will be no major industrial dispute or any abnormal circumstances which will adversely affect the operations of the Group.
6. The prevailing market conditions for the Group's products will not change materially and the average prices of the Group's products will not fluctuate significantly from the estimated and forecasted levels.
7. The fluctuation of the foreign exchange rates against the Ringgit will have no significant impact on the operations of the Group as the Ringgit has been pegged at RM3.80 to USD1.00.
8. The inflation rate will not fluctuate significantly from the estimated and forecasted levels.
9. There will be no significant changes in management, operating and accounting policies from those presently adopted by the Group.
10. There will be no material changes in sales mix and margin of the Group's products.
11. There will be no significant changes in the prices of raw materials, labour, manufacturing and other operating expenses.
12. The existing financial facilities will remain available with no significant changes in their prevailing interest rates.
13. There will be no material acquisitions or disposal of fixed assets or investments other than those that has been estimated and forecasted.

The consolidated profit estimate and forecast have been prepared on bases and accounting policies consistent with those previously adopted in the preparation of the audited financial statements of KRB and its subsidiary companies.

9. FINANCIAL INFORMATION (Cont'd)

9.2.3 Directors' Comments on the Consolidated Profit Estimate and Forecast

The Directors of KRB have reviewed and analysed the bases and assumptions used in arriving at the consolidated profit estimate and forecast of KRB for the FYE 31 December 2003 and 31 December 2004 and are of the opinion that the consolidated profit estimate and forecast are fair and reasonable in light of the future plans, strategies and prospects of the KRB Group as set out in Section 4.7 of this Prospectus and the prospects of the Malaysian economy, food industry and vermicelli industry as set out in Sections 4.6.1, 4.6.2 and 4.6.3 respectively of this Prospectus and after taking into consideration the estimate and forecast gearing levels and the liquidity and working capital requirements of the Group.

The revenue for the KRB Group is estimated at RM67.3 million for the FYE 31 December 2003, representing a 23.1% increase from the proforma consolidated revenue for the FYE 31 December 2002. The estimated increase in revenue is mainly due to an anticipated increase in sales of sago vermicelli attributable to the estimated increase in the production output of the Group's Kuala Ketil and Sibul factories as a result of a full year of production by the KRB Group.

As a result of the increase in revenue and economies of scale, PBT for the FYE 31 December 2003 is estimated to increase by 34.5% to RM10.8 million compared to the previous financial year. In line with the expected increase in PBT, the KRB Group's PAT is forecast to increase by 30.2% to RM8.9 million in the FYE 31 December 2003.

Revenue is forecasted at RM71.5 million for the FYE 31 December 2004, representing a 6.3% increase from the consolidated revenue for the FYE 31 December 2003. As a result of the increase in revenue, PBT for the FYE 31 December 2004 is forecasted to increase by 12.4% to RM12.1 million compared to the previous financial year. The Group is forecasted to save interest expense of approximately RM0.7 million arising from the repayment of bank borrowings from the Rights Issue and Public Issue proceeds.

9.2.4 Dividend Estimate, Forecast and Policy

Based on the consolidated profit estimate and forecast as set out in Sections 9.2.1 and 9.2.2 of this Prospectus and on the assumption that the present basis for calculating taxation and the taxation rates remain unchanged, the Directors of KRB anticipate that they will be in a position to propose, based on the enlarged issued share capital of 80,000,000 Shares, a final tax exempt dividend of 1.75 sen per Share for the FYE 31 December 2004.

The final dividend represents a dividend yield of 1.94% based on the Issue Price of RM0.90 per Share.

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the KRB Group.

9. FINANCIAL INFORMATION (Cont'd)

The intended appropriation of the consolidated profit estimate and forecast for the FYE 31 December 2003 and FYE 31 December 2004 will be as follows: -

	Estimate 2003 RM'000	Forecast 2004 RM'000
PBT	10,802	12,146
Less: Taxation	(1,868)	(2,008)
PAT	8,934	10,138
Less: Pre-acquisition profits	(6,751)	-
PAT less pre-acquisition profits	2,183	10,138
Less: Proposed final tax exempt dividend of 3.5% per Share	-	(1,400)
Retained profit for the year	2,183	8,738
Tax exempt dividend per Share (sen)	-	1.75
Tax exempt dividend yield based on the Issue Price of RM0.90 per Share (%)	-	1.94
Net final dividend cover (times)	-	7.24

Investors should note that future dividend may not be declared and paid if:

- a) the Group incurs losses for the financial year; or
- b) the Group has insufficient cash flows to meet any dividend payment.

9.2.5 Sensitivity Analysis

Variation in volume

	Forecast FYE 31 December 2004					
	Revenue	Change %	PBT	Change %	PAT	Change %
As Forecast	71,515		12,146		10,138	
Up 10%	78,669	10.00%	13,490	11.07%	11,368	12.13%
Up 5%	75,092	5.00%	12,818	5.53%	10,754	6.08%
Down 10%	64,365	-10.00%	10,803	-11.06%	8,903	-12.18%
Down 5%	67,940	-5.00%	11,476	-5.52%	9,526	-6.04%

Variation in selling price

	Forecast FYE 31 December 2004					
	Revenue	Change %	PBT	Change %	PAT	Change %
As Forecast	71,515		12,146		10,138	
Up 10%	78,665	10.00%	21,356	75.83%	18,402	81.52%
Up 5%	75,114	5.03%	16,577	36.48%	14,196	40.03%
Down 10%	64,363	-10.00%	4,366	-64.05%	3,396	-66.50%
Down 5%	67,962	-4.97%	8,081	-33.47%	6,504	-35.85%

9. FINANCIAL INFORMATION (Cont'd)

Variation in raw material price

	Cost of sales	Forecast FYE 31 December 2004		PAT	Change %
		Change %	PBT		
As Forecast	53,860		12,146	10,138	
Up 10%	61,011	13.28%	4,995	3,922	-61.31%
Up 5%	57,436	6.64%	8,570	6,913	-31.81%
Down 10%	46,708	-13.28%	19,298	16,596	63.70%
Down 5%	50,284	-6.64%	15,722	13,414	32.31%

Variation in interest rate

	Finance cost	Forecast FYE 31 December 2004		PAT	Change %
		Change %	PBT		
As Forecast	1,706		12,146	10,138	
Up 10%	1,859	8.97%	12,059	10,049	-0.88%
Up 5%	1,783	4.51%	12,103	10,094	-0.43%
Down 10%	1,553	-8.97%	12,235	10,229	0.90%
Down 5%	1,629	-4.51%	12,191	10,185	0.46%

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9. FINANCIAL INFORMATION (Cont'd)

9.2.6 Reporting Accountants' Letter on the Consolidated Profit Estimate and Forecast of KRB for the FYE 31 December 2003 and FYE 31 December 2004

JB LAU & ASSOCIATES
CHARTERED ACCOUNTANTS

■ 51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

■ Phone: (04) 2287828 (6 Lines)
Fax: (04) 2279828
E-mail: enquiry@jblau.com.my

26 January 2004

**The Board of Directors
KBB Resources Berhad
51-8-B Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Malaysia**

Lady/Gentlemen,

CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE FINANCIAL YEARS ENDED/ENDING 31 DECEMBER 2003 AND 31 DECEMBER 2004

We have reviewed the consolidated profit estimate and forecast of KBB Resources Berhad for the financial years ended/ending 31 December 2003 and 31 December 2004 as set out in accordance with the auditing standard, ISA 810, applicable to the review of forecasts. The estimate and forecast have been prepared for inclusion in the Prospectus to be dated 30 January 2004 issued in connection with the public issue of 12,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.90 per ordinary share pursuant to the listing of and quotation for its entire issued and fully paid-up share capital on the Second Board of Malaysia Securities Exchange Berhad 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 estimate and 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 Group in its audited financial statements for the financial period ended 31 July 2003. The Directors of KBB Resources Berhad are solely responsible for the preparation and presentation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

Estimate and 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 the estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variation could be material.

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 accompanying statement, do not provide a reasonable basis for the preparation of the profit estimate and forecast; and

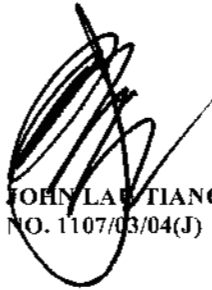
9. FINANCIAL INFORMATION (Cont'd)

- (ii) in our opinion, the profit estimate and 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 the Group in its audited financial statements for the financial period ended 31 July 2003.

Yours faithfully,



JB LAU & ASSOCIATES
NO. AT : 0042
CHARTERED ACCOUNTANTS



JOHN LAU TIANG HUA
NO. 1107/03/04(J)

9. FINANCIAL INFORMATION (Cont'd)

9.3 Proforma Consolidated Balance Sheets of KRB together with the Notes and Assumptions Thereon

The proforma consolidated balance sheets of KRB as at 31 July 2003 have been prepared for illustrative purposes only, to show the effects of the Acquisitions, Rights Issue, Share Split and Public Issue in conjunction with the Listing, on the assumption that these transactions were completed on 31 July 2003:-

	Audited KRB as at 31.7.2003 RM'000	Proforma (I) After the Acquisitions RM'000	Proforma (II) After Proforma (I), Share Split and the Rights Issue RM'000	Proforma (III) After Proforma (II), the Public Issue and utilisation of proceeds RM'000
PROPERTY, PLANT AND EQUIPMENT	-	51,197	51,197	51,197
INVESTMENTS	-	500	500	500
TRADE MARKS	-	234	234	234
CURRENT ASSETS				
Inventories	-	11,372	11,372	11,372
Trade debtors	-	13,329	13,329	13,329
Other debtors, deposits and prepayments	-	1,010	1,010	1,010
Fixed deposits with licensed banks	-	5,696	5,696	5,696
Cash and bank balances	**	537	4,382	537
	**	31,944	35,789	31,944
CURRENT LIABILITIES				
Trade creditors	-	983	983	983
Other creditors and accruals	7	1,892	1,892	1,892
Bank borrowings	-	24,691	24,691	16,894
Provision for taxation	-	672	672	672
	7	28,238	28,238	20,441
NET CURRENT (LIABILITIES)/ASSETS	(7)	3,706	7,551	11,503
	(7)	55,637	59,482	63,434
FINANCED BY :				
SHARE CAPITAL	*	30,155	34,000	40,000
SHARE PREMIUM	-	1,505	1,505	4,805
RESERVE ON CONSOLIDATION	-	12,034	12,034	12,034
ACCUMULATED LOSSES	(7)	(7)	(7)	(7)
SHAREHOLDERS' FUNDS	(7)	43,687	47,532	56,832
DEFERRED TAXATION	-	4,159	4,159	4,159
LONG TERM LIABILITIES	-	7,791	7,791	2,443
	(7)	55,637	59,482	63,434
NET TANGIBLE (LIABILITIES)/ASSETS PER ORDINARY SHARE (RM)	(3,500.00)	1.44 ⁽¹⁾	0.70 ⁽²⁾	0.71 ⁽²⁾

* Represents RM2 comprising 2 ordinary shares of RM1.00 each.

** Represents RM2.

(1) Per ordinary share of RM1.

(2) Per ordinary share of RM0.50.

9. FINANCIAL INFORMATION (Cont'd)

Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets

JB LAU & ASSOCIATES
CHARTERED ACCOUNTANTS

■ 51-8-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia.

■ Phone: (04) 2287828 (6 Lines)
Fax: (04) 2279828
E-mail: enquiry@jblau.com.my

26 January 2004

The Board of Directors
KBB Resources Berhad
51-8-B Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

Lady/Gentlemen,

PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 JULY 2003

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of KBB Resources Berhad ("KRB") as at 31 July 2003, together with the accompanying notes thereon, for which the Directors are solely responsible, as set out in the accompanying statement prepared for purposes of inclusion in the Prospectus to be dated 30 January 2004 issued in connection with the public issue of 12,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.90 per ordinary share pursuant to the listing of and quotation for its entire issued and fully paid-up share capital on the Second Board of Malaysia Securities Exchange Berhad.

In our opinion, the Proforma Consolidated Balance Sheets of KRB as at 31 July 2003 together with the notes thereto, which are provided for illustrative purposes only, have been properly compiled on a basis consistent with the accounting policies normally adopted by the Group and after taking into account adjustments appropriate for the purposes of the proforma consolidated balance sheets and are presented in a form suitable for inclusion in the Prospectus.

Yours faithfully,



JB LAU & ASSOCIATES
NO. AT : 0042
CHARTERED ACCOUNTANTS



JOHN LAU TIANG HUA
NO. 1107/03/04(J)

9. FINANCIAL INFORMATION (Cont'd)

**NOTES AND ASSUMPTIONS TO THE PROFORMA
CONSOLIDATED BALANCE SHEETS AS AT 31 JULY 2003**

1. The Proforma Consolidated Balance Sheets of KRB have been prepared for illustrative purposes based on the audited consolidated financial statements of KBB as at 31 July 2003 and on the assumption that the following were effected on that date :

- (a) (i) The acquisition of 100% equity interest in KBB based on its adjusted audited consolidated net tangible assets ("NTA") at 31 December 2001 after adjusting for issuance of shares at a premium and loss on disposal of KBBEM, satisfied by the issuance of new KRB ordinary shares of RM1.00 each valued at approximately RM1.05 per share.

	Adjusted audited NTA at 31.12.2001 RM'000	New KRB shares issued '000
KBB	31,661	30,155

	<u>NTA</u> RM'000
Audited NTA as at 31 December 2001	26,982
Add / (Less) :	
Issuance of shares at a premium	4,686
Loss on disposal of KBBEM	(7)
Adjusted audited NTA	31,661

- (ii) Subsequent to the Acquisition of KBB, KBB disposed of its 100% equity interest in the issued and paid-up share capital of KBBEM to KRB for a total cash consideration of RM292,955. The purchase consideration was arrived at based on the audited NTA as at 31 December 2001.
- (iii) Subsequent to the Acquisition of KBB, KBB disposed of its 100% equity interest in the issued and paid-up share capital of Bersatu Bihun & Food Manufacturing Sdn. Bhd. ("BBFM") to KRB for a nominal cash consideration of RM2.00 as BBFM had negative shareholders funds as at 31 December 2001.

9. FINANCIAL INFORMATION (Cont'd)

- (b) Rights Issue of 3,844,789 new ordinary shares of RM1.00 each on the basis of approximately 1,275 shares for every 10,000 shares held at an issue price of RM1.00 per share.
- (c) A split of the par value of ordinary shares of KRB from RM1.00 to RM0.50 per ordinary share, which accordingly increases the number of ordinary shares in issue from 34,000,000 ordinary shares of RM1.00 each to 68,000,000 ordinary shares of RM0.50 each.
- (d) Public Issue of 12,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.90 per share.
- (e) The gross proceeds from the Rights Issue and Public Issue will be utilised as follows :

	RM'000
Repayment of bank borrowings	13,145
Payment of listing expenses	1,500
	14,645
	14,645

- (f) Listing expenses of RM1,500,000 will be written off against the share premium account.

	RM'000
Share premium from :	
Issue of shares to KBB	
at a premium of approximately	
- RM0.05 x 30,155,209	1,505
Public Issue	
- RM0.40 x 12,000,000	4,800
Listing expenses	(1,500)
	4,805
	4,805

2. The Proforma Consolidated Balance Sheets of KRB have been prepared under the acquisition method of consolidation.