

## 11. FINANCIAL INFORMATION

### 11.1 HISTORICAL FINANCIAL INFORMATION

#### 11.1.1 Profit and Dividend Record

The following sets out a summary of the proforma consolidated audited results of the EKIB Group for the past five (5) financial years ended 31 December 1998 to 2002 and consolidated audited results for the ten (10) month financial period ended 31 October 2003. The proforma consolidated audited results had been prepared on the assumption that the current EKIB Group structure has been in existence throughout the years/period under review. The proforma consolidated audited results should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12.0 of this Prospectus.

	←-----Year ended 31 December----->					Ten (10)- month ended 31 October 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	21,543	33,839	42,206	39,957	56,746	61,879
Profit before interest, tax and depreciation	4,191	6,871	8,449	7,488	13,452	13,939
Interest expense	(2,079)	(2,034)	(1,637)	(1,677)	(1,883)	(1,315)
Depreciation	(1,936)	(2,156)	(2,270)	(2,543)	(3,139)	(2,785)
Profit before taxation and minority interests	176	2,681	4,542	3,268	8,430	9,839
Taxation	(239)	-	(723)	(682)	(2,294)	(3,324)
Profit/(loss) after taxation but before minority interests	(63)	2,681	3,819	2,586	6,136	6,515
Minority interests	45	(38)	41	329	176	(388)
Profit/(loss) after taxation and minority interests	(18)	2,643	3,860	2,915	6,312	6,127
No. of ordinary shares assumed to be in issue ('000)	66,782	66,782	66,782	66,782	66,782	66,782
Gross EPS (sen) <sup>1</sup>	0.3	4.0	6.8	4.9	12.6	14.7
Net (loss per share)/EPS (sen) <sup>2</sup>	*	4.0	5.8	4.4	9.5	9.2

**Notes:**

- The proforma gross EPS is computed based on the profit before taxation and minority interests and the number of ordinary shares assumed in issue of 66,782,000 EKIB Shares after the Share Split, Dividends Declared By EKS B and EKM and Bonus Issue but prior to the Public Issue.
  - The proforma net EPS is computed based on the profit after taxation and minority interests and the number of ordinary shares assumed in issue of 66,782,000 EKIB Shares after the Share Split, Dividends Declared by EKS B and EKM and Bonus Issue but prior to the Public Issue.
- \* Represents minimal amount.

**11. FINANCIAL INFORMATION (cont'd)**

- (i) *There were no extraordinary items and exceptional items for the years under review.*
- (ii) *The results of the following subsidiary companies have been time apportioned in order to be coterminous with the financial year end of the EKIB Group:*

<u>Company</u>	<u>Financial year end</u>
EKSB	30 November 1998 and 1999 and 13-month period ended 31 December 2000
KESB	31 March 1998 to 2000 and 9-month period ended 31 December 2000
ATF	31 March 1998 to 2000 and 9-month period ended 31 December 2000

- (iii) *In 1998, the EKIB Group recorded revenue of RM21.5 million despite the economic downturn arising from the regional financial crisis in 1997. This was significantly contributed by the sale of non-woven geotextiles of which KESB commenced production of non-woven geotextiles in February 1998. However, the EKIB Group registered a loss after taxation and minority interest of RM18,129 due to high depreciation charges and high interest expenses arising from bank borrowings made for the purchase of machinery for the manufacturing of non-woven geotextiles.*
- (iv) *In 1999, the EKIB Group recorded revenue of RM33.8 million, an increase of RM12.3 million or 57.1% as compared to 1998. This was attributable to the Government's economic stimulus package with increased spending on infrastructure development which resulted in significantly higher sales and installations of the EKIB Group's products. Revenue also improved in view of the bulk orders of geotextiles received from its overseas customers in line with the improved economies of the regional countries. The increased revenue resulted in the EKIB Group registering profit after taxation and minority interests of RM2.6 million, representing a significant turnaround from its loss position in 1998. The tax waiver provided by the Income Tax (Amendment) Act, 1999 also contributed to the higher profit after taxation.*
- (v) *In 2000, the EKIB Group recorded revenue of RM42.2 million, an increase of RM8.4 million or 24.7% as compared to 1999. This was attributable to several new major contracts secured during the year, continued supply of geotextiles to on-going Government projects initiated as a result of the Government's stimulus package introduced in the prior year and new EKIB Group's products sold i.e. geogrids. The increase in profit after taxation and minority interests of RM1.2 million to RM3.9 million, represented an increase of 46.0% over the previous year is in view of the increase in revenue and decrease in interest expenses.*
- (vi) *In 2001, the EKIB Group recorded revenue of RM40.0 million, a decrease of RM2.2 million or 5.3% as compared to 2000. This was attributable to the lower selling price on certain products sold and new contracts secured but pending delivery, as well as lower export due to competition in overseas market. The decrease in profit after taxation and minority interests of RM1.0 million to RM2.9 million, represented a decrease of 24.5% was in view of higher installation costs incurred and the provision of doubtful debts.*
- (vii) *In 2002, the EKIB Group recorded revenue of RM56.7 million, an increase of RM16.8 million or 42.0% as compared to 2001. This was largely due to increase in demand for the EKIB Group's products arising from the Government's pump priming measures to stimulate the economy by awarding various projects which were mainly construction based. There was also substantial supply of geotextiles to several major contracts which were secured in 2001. Increased sales to the export market have also contributed to the growth in revenue for the year. The increase in profit after taxation and minority interests of RM3.4 million to RM6.3 million, representing an increase of 116.5% over the previous year was due to the increase in revenue and an improved profit margin.*
- (viii) *In the ten (10)-month period ended 31 October 2003, the EKIB Group recorded revenue of RM61.9 million. The annualised revenue of RM74.3 is an increase of RM17.5 million or 30.9% as compared to 2002. This was largely due to substantial supply of geotextiles to contracts secured in 2001 and 2002 as well as increase in sales of Geomatresses, Industrial Fabrics and Geocells. EKIB Group recorded a profit after taxation and minority interests of RM6.1 million for the ten (10)-month financial period. The annualised profit after taxation and minority interests of RM7.4 million is an increase of RM1.0 million or 16.5% as compared to 2002. The lower percentage increase in annualised profit after taxation and minority interests of 16.5% as compared to annualised revenue increase of 30.9% is due to the full*

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**11. FINANCIAL INFORMATION (cont'd)**

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*provision for doubtful debt of RM2.2 million made on trade debtors exceeding six (6) months in compliance with the SC condition as set out in Section 7 of this Prospectus.*

- (ix) *The effective tax rates over the financial years were lower than the statutory tax rate except for the financial years 1998, 1999 and 2003. These lower effective tax rates were due to availability of pioneer status relief and reinvestment tax relief. There was no tax charge for the financial year 1999 as it was a tax waiver year in accordance with the Income Tax (Amendment) Act, 1999. The effective tax rate was higher than the statutory tax rate in 1998 mainly due to the non-availability of group relief where tax losses of certain subsidiary companies cannot be set off against the chargeable income of the other companies. The higher effective tax rate for 2003 was mainly due to the full provision on trade debtors exceeding six (6) months in compliance with the SC condition as set out in Section 7 of this Prospectus where most of it is not allowable for tax deduction.*

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## 11. FINANCIAL INFORMATION *(cont'd)*

### 11.1.2 Segmental Analysis of Revenue and Profit Before Taxation

The segmental analysis of revenue and profit before taxation of the EKIB Group by the individual subsidiary companies are as follows:

#### (i) Analysis of Revenue by Subsidiary Companies

	< ----- Year ended 31 December ----- >					Ten (10) month ended 31 October 2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
<b>Revenue</b>						
EKIB	-	-	-	-	-	-
EKSB	13,309	20,584	20,276	18,735	28,221	25,493
KESB	8,741	13,626	16,467	14,619	16,410	20,445
EKM	14,525	23,925	35,342	33,619	50,474	54,938
ATF	676	1,036	774	494	598	5,294
FIT	135	521	-	-	4,113	6,617
KEX	1,886	5,180	5,464	2,655	3,448	2,406
Less: Intercom pany sales	(17,729)	(31,033)	(36,117)	(30,165)	(46,518)	(53,314)
<b>Consolidated</b>	21,543	33,839	42,206	39,957	56,746	61,879

#### (ii) Analysis of profit before taxation by Subsidiary Companies

	< ----- Year ended 31 December ----- >					Ten (10) month ended 31 October 2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
<b>Profit before taxation</b>						
EKIB	-	(40)	(101)	(429)	(17)	(136)
EKSB	592	1,741	3,381	3,894	7,620	6,247
KESB	(394)	(297)	611	153	771	2,367
EKM	88	1,171	778	246	1,067	433
ATF	20	90	20	(58)	(52)	1,054
FIT	(133)	5	(122)	(764)	(370)	92
KEX	3	11	29	39	15	(167)
Consolidation adjustments	-	-	(54)	187	(604)	(51)
<b>Consolidated</b>	176	2,681	4,542	3,268	8,430	9,839

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**11. FINANCIAL INFORMATION (cont'd)**

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**11.1.3 Factors Affecting Financial Performance, Position and Operations of the EKIB Group**

As at 20 February 2004 (being the latest practicable date prior to the registration of this Prospectus), save as disclosed in Section 3.8, 4.0 and 11.2 of this Prospectus, the financial performance, position and operations of the EKIB Group are not materially affected by any of the following:

- (i) Known trends, demands, commitments, events or uncertainties that have had or that are reasonably likely to have a material favourable or unfavourable impact on financial performance, position and operations of the Company and/or the Group;
- (ii) Material capital expenditure commitments for capital expenditures;
- (iii) Unusual or infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Company and/or the EKIB 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.

**11.2 MATERIAL LITIGATION, MATERIAL COMMITMENT, INDEBTEDNESS, CONTINGENT LIABILITIES AND WORKING CAPITAL****11.2.1 Material Litigation**

Neither EKIB nor its subsidiary companies are engaged in any material litigation either as plaintiff or defendant which has a material effect on the financial position of EKIB or any of its subsidiary companies and the directors of the Company have no knowledge of any proceedings pending or threatened against the Company and its subsidiary companies or of any facts likely to give rise to any proceedings which might materially affect the position and business of the Company and its subsidiary companies.

**11.2.2 Material Commitments**

As at 20 February 2004 (being the latest practicable date prior to the registration of this Prospectus), save as disclosed below, there are no other material commitments for capital expenditure incurred or known to be incurred by the EKIB Group which may have a substantial impact on the results or the financial position of the Group:

- Conditional sale and purchase agreement dated 30 April 2003, entered into between ATF and United Chemical Industries Berhad for the acquisition by ATF of all the machinery including all spare parts and lab equipment which are located at the following address, No. 2006, Jalan Jelawat, Bandar Seberang Jaya, Seberang Perai, 13700 Perai, Pulau Pinang for a purchase consideration of RM2,500,000 and to acquire the goodwill of the vendor for a purchase consideration of RM500,000. Pursuant to Clause 4.1.9 of the agreement, the vendor agreed to rent the factory premises to ATF at the monthly rental of RM30,000 to enable ATF to carry out the manufacturing operation by use of the machinery.

The purchase consideration of RM2,500,000 will be financed by the proceeds raised from the Public Issue which is further elaborated in Section 3.8 of this Prospectus. The remaining of the purchase consideration of RM500,000 being goodwill of the vendor will be settled through internally generated funds.

## 11. FINANCIAL INFORMATION *(cont'd)*

### 11.2.3 Indebtedness

As at 20 February 2004 (being the last practicable date prior to the registration of this Prospectus), the total outstanding borrowings of the EKIB Group from financial institutions (all of which are local) comprise the following:

<b>Short term (interest-bearing)</b>	<b>RM'000</b>
Term Loan (due within next 12 months)	2,039,661
Trade Financing – Trust Receipts, Bankers' Acceptance and Letter of Credit	19,359,742
Hire Purchase (due within next 12 months)	1,340,059
Overdraft	965,508
	<u>23,704,970</u>
<b>Long term (interest-bearing)</b>	
Term Loan	5,003,731
Hire Purchase	890,039
	<u>5,893,770</u>
	<u>29,598,740</u>

Save as disclosed above, the EKIB Group has no loan capital outstanding or created but unissued, mortgages or charges outstanding, convertible debts outstanding, guarantees or other borrowings as on that date. Save for late payments by EKSB and KESB, there has been no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past ten (10) month financial period ended 31 October 2003 and the subsequent period immediately preceding the date of this Prospectus. The late payments by EKSB and KESB did not result in any legal action by the respective financial institutions and all such delays in loan repayments have been made up to date as at the date of this Prospectus.

### 11.2.4 Contingent Liabilities

As at 20 February 2004 (being the last practicable date prior to the registration of this Prospectus), save as disclosed below, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net asset value of the EKIB Group:

- EKIB has provided corporate guarantees totalling RM16,232,187 to licensed banks for banking facilities granted to certain of its subsidiary companies. Consequently, EKIB is contingently liable for the amount of banking facilities utilised by these subsidiary companies totalling RM12,158,753 as at 20 February 2004.

### 11.2.5 Working Capital

The directors of EKIB are of the opinion that after taking into account the EKIB Group's cash flow position and banking facilities available to the EKIB Group, the EKIB Group will have adequate working capital for the period of twelve (12) months from the date of this Prospectus.

## 11. FINANCIAL INFORMATION (cont'd)

### 11.3 FUTURE FINANCIAL INFORMATION

#### 11.3.1 Consolidated Profit Estimate and Forecast with the Notes Thereon

The directors of EKIB, estimate and forecast that, the consolidated profit estimate and forecast of EKIB for the financial years ended/ending 31 December 2003 and 2004 respectively, which have been prepared based on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of the EKIB Group, are as follows:

Financial Year Ended/Ending 31 December	Estimate 2003 RM'000	Forecast 2004 RM'000
Revenue	71,899	78,617
Consolidated profit before taxation and minority interests	10,590	14,002
Less: Taxation	(3,584)	(4,047)
Consolidated profit after taxation but before minority interests	7,006	9,955
Less: Minority interests	(314)	(347)
Consolidated profit after taxation and minority interests	6,692	9,608

*Calculated based on the weighted average issued and paid-up share capital of 72,785,391 EKIB Shares after taking into account the Share Split and Bonus Issue which was implemented on 30 January 2004 and the expected completion of the IPO by end March 2004*

- Gross EPS (sen)	14.55	19.24
- Net EPS (sen)	9.19	13.20
- Gross PE multiple based on the issue/offer price of RM0.85 per share (times)	5.84	4.42
- Net PE multiple based on the issue/offer price of RM0.85 per share (times)	9.25	6.44

*Calculated based on the enlarged issued and paid-up share capital of 80,002,000 EKIB Shares*

- Gross EPS (sen)	13.24	17.50
- Net EPS (sen)	8.36	12.01
- Gross PE multiple based on the issue/offer price of RM0.85 per share (times)	6.42	4.86
- Net PE multiple based on the issue/offer price of RM0.85 per share (times)	10.17	7.08

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**11. FINANCIAL INFORMATION (cont'd)**

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The principal bases and assumptions upon which the above consolidated proforma profit estimate and forecast after taxation and minority interests have been prepared are as follows:-

1. There will be no significant changes to the prevailing market, economic and political conditions in Malaysia and elsewhere which the EKIB Group operates that will adversely affect the activities or performance of the EKIB Group.
2. There will be no significant changes in legislation or government regulations and policies, including tariffs, duties, levies and other taxes, which will adversely affect the EKIB Group, its operations or the market in which it operates.
3. Inflation and exchange rates of foreign currencies will not change significantly from their present levels.
4. Existing financing facilities will remain available to the EKIB Group at the prevailing effective interest rate. Additional financing facilities will be readily available as and when required.
5. There will be continuity in the existing management and there will be no material changes in the existing accounting, management and operating policies adopted by the EKIB Group.
6. There will be no unfavourable or major disruptions in the manufacturing facilities arising from industrial disputes, labour shortage, or any abnormal circumstances which will adversely affect the development, production and sales of the products of the EKIB Group.
7. There will be no significant changes in the prevailing cost of raw materials, labour or overheads which will adversely affect the operations of the EKIB Group.
8. Capital expenditure programmes will be implemented and incurred as scheduled with no material changes in the expected cost or price and there will be no material acquisitions or disposals of property, plant and equipment and investment other than those planned.
9. There will be no material changes in the structure and present activities of the EKIB Group other than those taken into consideration in the profit estimate and forecast.
10. The existing contracts and licences of the EKIB Group will not be terminated or suspended and there will be no significant changes to terms and conditions of these contracts and licences.
11. The income tax rate for the estimate and forecast year is 28%.
12. The finalisation of tax computations, in particular, the unabsorbed capital and investment allowances and tax losses brought forward will be agreed by the tax authorities without any major revision.
13. There will be no material liabilities arising from any legal action instituted against the EKIB Group in the estimate and forecast year.
14. The Proposed Listing will be completed by March 2004.



## 11. FINANCIAL INFORMATION *(cont'd)*

### 11.3.2 Reporting Accountants' Letter on the Consolidated Profit Estimate and Forecast

*(Prepared for the inclusion in this Prospectus)*



**BDO Binder** (AF 0206)  
Chartered Accountants

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1008 Jalan Sultan Ismail  
50250 Kuala Lumpur Malaysia  
Telephone : (603) 2616 2888  
Telefax : (603) 2616 3190, 2616 3191  
Website : www.bdo-malaysia.com

Our Ref : BDOB/DS/JC/rudy

26 February 2004

**The Board of Directors**  
**Emas Kiara Industries Berhad**  
Suite E-16-D1, Wisma Sunrise  
No. 2, Jalan Kiara, Mont' Kiara  
50480 Kuala Lumpur

Dear Sirs

#### **EMAS KIARA INDUSTRIES BERHAD CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE FINANCIAL YEARS ENDING 31 DECEMBER 2003 AND 2004**

We have reviewed the consolidated profit estimate and forecast of Emas Kiara Industries Berhad ("EKIB") and its subsidiary companies ("EKIB Group") for the financial years ended/ending 31 December 2003 and 2004 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the International Standards of Auditing 810 applicable to the review of forecasts. The estimate and forecast have been prepared for inclusion in the Prospectus to be dated **10 MAR 2004** in connection with the public issue of 13,220,000 ordinary shares of RM0.50 each in EKIB at an issue price of RM0.85 per ordinary share and the offer for sale of 3,580,000 ordinary shares of RM0.50 each in EKIB at an offer price of RM0.85 per ordinary share and the listing of and quotation for the entire issued and fully paid-up share capital of EKIB on the Second Board of the Malaysia Securities Exchange Berhad ("Proposed Listing") and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the estimate and forecast, in all material respects, are properly prepared on the basis of the assumptions made by the Directors of EKIB and is presented on a basis consistent with the accounting policies adopted and disclosed by the EKIB Group in its audited financial statements for the ten (10)-month financial period ended 31 October 2003. The Directors of EKIB 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, mean 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 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.

11. FINANCIAL INFORMATION *(cont'd)*

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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 of EKIB, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit estimate and forecast; and
- (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 of EKIB and is presented on a basis consistent with the accounting policies adopted and disclosed by the EKIB Group in its audited financial statements for the ten (10)-month financial period ended 31 October 2003.

Yours faithfully

*BDO Binder*

**BDO Binder**  
AF : 0206  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Siew Kah Toong'.

**Siew Kah Toong**  
1045/3/04 (J)  
Partner

## 11. FINANCIAL INFORMATION (cont'd)



**EMAS KIARA INDUSTRIES BERHAD GROUP ("EKIB GROUP")  
CONSOLIDATED PROFIT ESTIMATE AND FORECAST  
FOR THE FINANCIAL YEARS ENDED/ENDING 31 DECEMBER 2003 AND 2004  
TOGETHER WITH THE PRINCIPAL ASSUMPTIONS THERETO**

The Directors of EKIB Group estimate and forecast that, barring unforeseen circumstances, the consolidated profit after taxation and minority interests of EKIB Group for the financial years ended/ending 31 December 2003 and 2004 will be as follows :-

	<b>2003 Estimate</b>	<b>2004 Forecast</b>
Consolidated profit after taxation and minority interests (RM'000)	<u>6,692</u>	<u>9,608</u>
Net earnings per share based on weighted average number of ordinary shares after the Proposed Listing of 72,785,391 (RM)	<u>0.09</u>	<u>0.13</u>

The principal bases and assumptions upon which the above consolidated profit estimate and forecast after taxation and minority interests have been prepared are as follows:-

1. There will be no significant changes to the prevailing market, economic and political conditions in Malaysia and elsewhere which the EKIB Group operates that will adversely affect the activities or performance of the EKIB Group.
2. There will be no significant changes in legislation or government regulations and policies, including tariffs, duties, levies and other taxes, which will adversely affect the EKIB Group, its operations or the market in which it operates.
3. Inflation and exchange rates of foreign currencies will not change significantly from their present levels.
4. Existing financing facilities will remain available to the EKIB Group at the prevailing effective interest rate. Additional financing facilities will be readily available as and when required.
5. There will be continuity in the existing management and there will be no material changes in the existing accounting, management and operating policies adopted by the EKIB Group.
6. There will be no unfavourable or major disruptions in the manufacturing facilities arising from industrial disputes, labour shortage, or any abnormal circumstances which will adversely affect the development, production and sales of the products of the EKIB Group.
7. There will be no significant changes in the prevailing cost of raw materials, labour or overheads which will adversely affect the operations of the EKIB Group.

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11. FINANCIAL INFORMATION *(cont'd)*

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8. Capital expenditure programmes will be implemented and incurred as scheduled with no material changes in the expected cost or price and there will be no material acquisitions or disposals of property, plant and equipment and investment other than those planned.
9. There will be no material changes in the structure and present activities of EKIB Group other than those taken into consideration in the profit forecast.
10. The existing contracts and licences of the EKIB Group will not be terminated or suspended and there will be no significant changes to terms and conditions of these contracts and licences.
11. The income tax rate for the estimate and forecast years is 28%.
12. The finalisation of tax computations, in particular, the unabsorbed capital and investment allowances and tax losses brought forward will be agreed by the tax authorities without any major revision.
13. There will be no material liabilities arising from any legal action instituted against the EKIB Group in the estimate and forecast years.
14. The Proposed Listing will be completed by March 2004.

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**11. FINANCIAL INFORMATION (cont'd)**

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**11.4 DIRECTORS' ANALYSIS OF THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST**

The directors of EKIB have reviewed and analysed the reasonableness of the bases and assumptions stated herein after due and careful inquiry in arriving at the consolidated profit estimate and forecast for the financial years ended/ending 31 December 2003 and 2004 respectively. The consolidated profit estimate and forecast for the financial years ended/ending 31 December 2003 and 2004 respectively have been prepared on the bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements. The directors of EKIB are of the opinion that the consolidated profit estimate and forecast are reasonable and fair in the light of future prospects of the geosynthetics industry, future plans and strategies to be adopted by EKIB and after taking into consideration of the estimate and forecast level of gearing, liquidity and working capital requirements of the EKIB Group.

**11.4.1 Consolidated profit estimate for the financial year ended 31 December 2003**

For the financial year ended 31 December 2003, the EKIB Group's revenue is estimated at RM71.9 million representing an increase of 27% from the consolidated revenue for the financial year ended 31 December 2002 of RM56.75 million. The estimated increase in revenue is mainly due to the introduction of new product range and expected increase in demand from local and international markets. Despite the significant increase in revenue, the profit after taxation and minority interests is estimated to register a minimal increase by 6% to RM6.69 million as compared to RM6.31 million for the financial year ended 31 December 2002 due to the full provision for doubtful debt of RM2.2 million made on trade debtors exceeding six (6) months in compliance with the SC condition as set out in Section 7 of this Prospectus.

**11.4.2 Consolidated profit forecast for the financial year ending 31 December 2004**

The EKIB Group's revenue is forecasted to grow by 9% or RM6.72 million for the financial year ending 31 December 2004 to RM78.62 million. The forecasted increase in revenue is due to the increase in product range and its market expansion to other Asian countries and forecasted increase in local market demand. As a result of the increase in revenue and continuous cost saving strategy and the provision for doubtful debts made in the financial year ended 31 December 2003 in compliance with the SC condition as set out in Section 7 of this Prospectus, the consolidated profit after taxation after minority interests is estimated to increase by 44% to RM9.61 million as compared to RM6.69 million estimated for the financial year ended 31 December 2003.

**11.5 SENSITIVITY ANALYSIS**

The following sensitivity analysis is prepared by the management of the EKIB Group and has been verified by the Reporting Accountants. The sensitivity analysis is prepared based on the profit estimate and forecast assumptions as set out in Section 11.3.1 herein and assuming all other things remain unchanged except for the 5% and 10% upward and downward variations in the selling price, sales volume and cost of raw materials of geosynthetic products. Notwithstanding the impact of the variations in selling price, sales volume and cost of raw material, there may exist other factors which have not been taken into account, which variations may have a significant impact, either positively or negatively, on the financials of the EKIB Group. The sensitivity analysis is as follows:

**11. FINANCIAL INFORMATION (cont'd)****11.5.1 Variation in Revenue (due to variation in selling price of geosynthetic products)***Estimate for the financial year ended 31 December 2003*

Variation in Selling Price	Revenue		Profit Before Taxation and Minority Interests		Profit After Taxation but before Minority Interests	
	RM'000	%	RM'000	%	RM'000	%
As estimated	71,899		10,590		7,006	
Up 10%	79,089	10	17,780	68	12,183	74
Up 5%	75,494	5	14,185	34	9,594	37
Down 5%	68,304	(5)	6,995	(34)	4,418	(37)
Down 10%	64,709	(10)	3,400	(68)	1,829	(74)

All other factors remaining equal, an increase in selling price by 5% and 10% will result in an increase in revenue by 5% and 10%, profit before taxation by 34% and 68% and profit after taxation by 37% and 74% respectively. Similarly, a decrease in selling prices by 5% and 10% will result in a decrease in revenue by 5% and 10%, profit before taxation by 34% and 68% and profit after taxation by 37% and 74% respectively.

*Forecast for the financial year ending 31 December 2004*

Variation in Selling Price	Revenue		Profit Before Taxation and Minority Interests		Profit After Taxation but before Minority Interests	
	RM'000	%	RM'000	%	RM'000	%
As forecasted	78,617		14,002		9,955	
Up 10%	86,479	10	21,864	56	15,616	57
Up 5%	82,548	5	17,933	28	12,785	28
Down 5%	74,686	(5)	10,071	(28)	7,125	(28)
Down 10%	70,755	(10)	6,141	(56)	4,295	(57)

All other factors remaining equal, an increase in selling price by 5% and 10% will result in an increase in revenue by 5% and 10%, profit before taxation by 28% and 56% and profit after taxation by 28% and 57% respectively. Similarly, a decrease in selling prices by 5% and 10% will result in a decrease in revenue by 5% and 10%, profit before taxation by 28% and 56% and profit after taxation by 28% and 57% respectively.

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**11. FINANCIAL INFORMATION (cont'd)****11.5.2 Variation in Revenue (due to variation in sales volume of geosynthetic products)***Estimate for the financial year ended 31 December 2003*

Variation in Sales Volume	Revenue		Profit Before Taxation and Minority Interests		Profit After Taxation but before Minority Interests	
	RM'000	%	RM'000	%	RM'000	%
As estimated	71,899		10,590		7,006	
Up 10%	79,089	10	12,700	20	8,525	22
Up 5%	75,494	5	11,645	10	7,766	11
Down 5%	68,304	(5)	9,535	(10)	6,246	(11)
Down 10%	64,709	(10)	8,480	(20)	5,487	(22)

All other factors remaining equal, an increase in sales volume by 5% and 10% will result in an increase in revenue by 5% and 10%, profit before taxation by 10% and 20% and profit after taxation by 11% and 22% respectively. Similarly, a decrease in selling prices by 5% and 10% will result in a decrease in revenue by 5% and 10%, profit before taxation by 10% and 20% and profit after taxation by 11% and 22% respectively.

*Forecast for the financial year ending 31 December 2004*

Variation in Sales Volume	Revenue		Profit Before Taxation and Minority Interests		Profit After Taxation but before Minority Interests	
	RM'000	%	RM'000	%	RM'000	%
As forecasted	78,617		14,002		9,955	
Up 10%	86,479	10	16,303	16	11,612	17
Up 5%	82,548	5	15,153	8	10,783	8
Down 5%	74,686	(5)	12,852	(8)	9,127	(8)
Down 10%	70,756	(10)	11,702	(16)	8,299	(17)

All other factors remaining equal, an increase in sales volume by 5% and 10% will result in an increase in revenue by 5% and 10%, profit before taxation by 8% and 16% and profit after taxation by 8% and 17% respectively. Similarly, a decrease in sales volume by 5% and 10% will result in a decrease in revenue by 5% and 10%, profit before taxation by 8% and 16% and profit after taxation by 8% and 17% respectively.

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## 11. FINANCIAL INFORMATION (cont'd)

### 11.5.3 Variations in Cost of Raw Materials

*Estimate for the financial year ended 31 December 2003*

Variation in Cost	Cost of sales		Profit before taxation and Minority Interests		Profit after Taxation but before Minority Interests	
	RM'000	%	RM'000	%	RM'000	%
As estimated	50,801		10,590		7,006	
Up 10%	54,288	7	7,104	(33)	4,496	(36)
Up 5%	52,544	3	8,847	(16)	5,751	(18)
Down 5%	49,058	(3)	12,334	16	8,261	18
Down 10%	47,314	(7)	14,077	33	9,516	36

All other factors remaining equal, an increase in the cost of raw materials by 5% and 10% will result in a decrease in profit before taxation by 16% and 33% and profit after taxation by 18% and 36% respectively. Similarly, a decrease in the cost of raw materials by 5% and 10% will result in an increase in profit before taxation by 16% and 33% and profit after taxation by 18% and 36% respectively.

*Forecast for the financial year ending 31 December 2004*

Variation in Cost	Cost of Sales		Profit Before Taxation and Minority Interests		Profit After Taxation but before Minority Interests	
	RM'000	%	RM'000	%	RM'000	%
As forecasted	55,609		14,002		9,955	
Up 10%	59,304	7	10,307	(26)	7,295	(27)
Up 5%	57,457	3	12,155	(13)	8,625	(13)
Down 5%	53,762	(3)	15,850	13	11,285	13
Down 10%	51,915	(7)	17,697	26	12,615	27

All other factors remaining equal, an increase in the cost of raw materials by 5% and 10% will result in a decrease in profit before taxation by 13% and 26% and profit after taxation by 13% and 27% respectively. Similarly, a decrease in the cost of raw materials by 5% and 10% will result in an increase in profit before taxation by 13% and 26% and profit after taxation by 13% and 27% respectively.

### 11.6 DIVIDEND ESTIMATE AND FORECAST AND POLICY

It is the policy of the directors of EKIB 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 EKIB Group.

The directors of EKIB will not be declaring any dividend for the financial year ended 31 December 2003. However, EKIB anticipates that barring any unforeseen circumstances, the Company will be in a position to propose a tax-exempt dividend of 1.5 sen or 3.0% per ordinary share for the financial year ending 31 December 2004 based on the issued and paid-up share capital of RM40,001,000 comprising 80,002,000 EKIB Shares.



**11. FINANCIAL INFORMATION (cont'd)**

The intended appropriation of the profit estimate and forecast for the financial year ending 31 December 2003 and 2004 respectively would be as follows:

<b>Financial Year ended/ending 31 December</b>	<b>Estimate 2003 RM'000</b>	<b>Forecast 2004 RM'000</b>
Consolidated profit after taxation and minority interests	6,692	9,608
Less: Proposed final tax-exempt dividend	-	(1,200)
Retained profit for the year	<u>6,692</u>	<u>8,408</u>
Tax-exempt dividend per share (sen)	-	1.5
Tax-exempt dividend per share (%)	-	3.0
Tax-exempt dividend yield based on the Issue/Offer Price of RM0.85 per share (%)	-	1.76
Net dividend cover (times)	-	8.01

The directors of EKIB will take into consideration the retained profits, cash flow as well as the funding requirements of the EKIB Group before recommending any future dividends.

Future dividends may be waived in the event of the following circumstances:

- (i) The Group has insufficient retained profits to declare as dividends;
- (ii) The Group has insufficient tax exempt profits to declare as dividends and/or insufficient tax credits to frank its dividends; or
- (iii) The Group has insufficient cashflows to pay dividends.

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## 11. FINANCIAL INFORMATION (cont'd)

## 11.7 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 OCTOBER 2003 AND THE REPORTING ACCOUNTANTS' LETTER THEREON

*(Prepared for the inclusion in this Prospectus)*

The proforma consolidated balance sheets of EKIB as at 31 October 2003 as set out below are prepared for illustrative purposes only.

	Audited as at 31 October 2003 RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000	Proforma IV RM'000
<b>ASSETS EMPLOYED</b>					
PROPERTY, PLANT AND EQUIPMENT	37,375	37,375	37,375	37,375	41,375
GOODWILL ON CONSOLIDATION	3,610	3,610	3,610	3,610	3,610
DEFERRED TAX ASSETS	1,466	1,466	1,466	1,466	1,466
<b>CURRENT ASSETS</b>					
Inventories	15,005	15,005	15,005	15,005	15,005
Trade and other receivables	35,348	35,348	35,348	35,348	35,348
Cash and bank balances	5,264	5,264	5,264	5,264	5,264
	55,617	55,617	55,617	55,617	55,617
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17,918	17,918	17,918	17,918	17,918
Bank borrowings	21,725	21,725	21,725	21,725	16,288
Taxation	1,379	1,379	1,379	1,379	1,379
	41,022	41,022	41,022	41,022	35,585
<b>NET CURRENT ASSETS</b>	14,595	14,595	14,595	14,595	20,032
	57,046	57,046	57,046	57,046	66,483
<b>FINANCED BY</b>					
SHARE CAPITAL	19,081	19,081	19,081	33,391	40,001
SHARE PREMIUM	5,702	5,702	5,702	-	2,827
CAPITAL RESERVE	4	4	4	4	4
FOREIGN EXCHANGE FLUCTUATION RESERVE	-	-	-	-	-
RETAINED PROFITS	15,985	15,985	15,985	7,377	7,377
SHAREHOLDERS' EQUITY	40,772	40,772	40,772	40,772	50,209
RESERVE ON CONSOLIDATION	3,290	3,290	3,290	3,290	3,290
MINORITY INTERESTS	4,059	4,059	4,059	4,059	4,059
<b>LONG TERM AND DEFERRED LIABILITIES</b>					
Bank borrowings	6,026	6,026	6,026	6,026	6,026
Deferred tax liabilities	2,899	2,899	2,899	2,899	2,899
	57,046	57,046	57,046	57,046	66,483
	1.95	0.97	0.97	0.56	0.58
Net tangible asset per ordinary share of RM1.00 each (RM)					
Net tangible asset per ordinary share of RM0.50 each (RM)					

11. FINANCIAL INFORMATION *(cont'd)*



**NOTES TO PROFORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 OCTOBER 2003**

**(A) BASIS OF PREPARATION**

The proforma consolidated balance sheets are presented for illustrative purposes only and have been prepared:-

- i) Based on the audited consolidated balance sheet of the EKIB Group as at 31 October 2003;
- ii) Based on the accounting principles and bases consistent with those previously adopted in the preparation of the audited financial statements of the EKIB Group;
- iii) After incorporating the transactions referred to in (B) to (E) as though they were affected on 31 October 2003.

**(B) PROFORMA I**

Sub-division of ordinary shares

Proforma I incorporates the sub-division of 19,080,572 ordinary shares of RM1.00 each to 38,161,144 ordinary shares of RM0.50 each.

**(C) PROFORMA II**

Declaration of special dividend

The proforma II incorporates the effects of proforma I and the declaration of special dividend by:-

- (a) EKSB of 190% tax exempt and 152.78% less tax at 28% based on its entire issued and paid-up share capital comprising 4,500,000 ordinary shares of RM1.00 each; and
- (b) EKM of 80% tax exempt and 74.08% less tax at 28% based on its entire issued and paid-up share capital comprising 1,500,000 ordinary shares of RM1.00 each.

**(D) PROFORMA III**

Bonus issue

The proforma III incorporates the effects of proforma II and the bonus issue of new ordinary shares on the basis of three (3) new EKIB ordinary shares for every four (4) EKIB ordinary shares held to be capitalised from its share premium account and retained profits.

## 11. FINANCIAL INFORMATION (cont'd)



**NOTES TO PROFORMA CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2002 (Continued)**

**(E) PROFORMA IV**

The proforma IV incorporates the effects of proforma III and public issue of 13,220,000 ordinary shares of RM0.50 each in EKIB at an issue price of RM0.85 per ordinary share and the offer for sale of 3,580,000 ordinary shares of RM0.50 each in EKIB at an offer price of RM0.85 per ordinary share.

Estimated incidental expenses relating to the listing exercise of RM1.8 million that have been written off against share premium account.

The proceeds from the public issue will be utilised as follows:-

	<b>RM'000</b>
Working capital	5,437
Capital expenditure – purchase and upgrading of machinery	4,000
Estimated listing expenses	1,800
	11,237

**(F) SHARE CAPITAL AND RESERVES**

The movements of the issued and paid-up share capital and reserves of EKIB Group are as follows:-

	<b>Ordinary share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Capital reserve RM'000</b>	<b>Foreign exchange fluctuation reserve RM'000</b>	<b>Retained profits RM'000</b>
As at 31 October 2003	19,081	5,702	4	-	15,985
Bonus issue	14,310	(5,702)	-	-	(8,608)
Proforma I, II and III	33,391	-	4	-	7,377
Public issue	6,610	4,627	-	-	-
Estimated listing expenses	-	(1,800)	-	-	-
Proforma IV	40,001	2,827	4	-	7,377

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11. FINANCIAL INFORMATION (*cont'd*)

11.7.1 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets as at 31 October 2003

(Prepared for the inclusion in this Prospectus)



**BDO Binder** (IAF 0206)  
Chartered Accountants

12th Floor Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur Malaysia  
Telephone : (603) 2616 2888  
Telefax : (603) 2616 3190, 2616 3191  
Website : www.bdo-malaysia.com

Our Ref : BDOB/DS/JC/rudy

26 February 2004

**The Board of Directors**  
**Emas Kiara Industries Berhad**  
Suite E-16-D1  
Wisma Sunrise, Plaza Mont' Kiara  
No. 2, Jalan Kiara, Mont' Kiara  
50480 Kuala Lumpur

Dear Sirs

**EMAS KIARA INDUSTRIES BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 2003**

We have reviewed the presentation of the proforma consolidated balance sheets of Emas Kiara Industries Berhad ("EKIB") and its subsidiary companies ("EKIB Group") as at 31 October 2003, together with the notes thereon as set out in the accompanying statement, for which the Directors of EKIB are solely responsible, for the purpose of inclusion in the Prospectus of EKIB to be dated **10 MAR 2004** which we have stamped for the purpose of identification in connection with the public issue of 13,220,000 ordinary shares of RM0.50 each in EKIB at an issue price of RM0.85 per ordinary share and the offer for sale of 3,580,000 ordinary shares of RM0.50 each in EKIB at an offer price of RM0.85 per ordinary share and the listing of and quotation for the entire issued and fully paid-up share capital of EKIB on the Second Board of the Malaysia Securities Exchange Berhad.

In our opinion:-

- (i) the proforma consolidated balance sheets of EKIB as at 31 October 2003, which are prepared for illustrative purposes only, have been properly compiled on the basis set out in the notes to the proforma consolidated balance sheets and such basis is consistent with the accounting policies adopted and disclosed by the EKIB Group in its audited financial statements for the ten (10)-month financial period ended 31 October 2003; and
- (ii) the adjustments to the consolidated balance sheets of EKIB as at 31 October 2003 are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully,

**BDO Binder**  
AF : 0206  
Chartered Accountants

**Siew Kah Toong**  
1045/3/04 (J)  
Partner