

XI. FINANCIAL INFORMATION

I. HISTORICAL FINANCIAL INFORMATION

1.1 Proforma Consolidated Income Statements

The table below sets out a summary of the proforma consolidated income statement of the Khib Group for the past 5 financial years ended 30 April 2004, prepared based on the audited financial statements of the Group and on the assumption that the current structure of the Khib Group has been in existence throughout the financial years under review:

	<----- Financial years ended 30 April ----->				
	2000 RM 000	2001 RM 000	2002 RM 000	2003 RM 000	2004 RM 000
Revenue	72,282	83,774	78,018	90,202	98,417
Operating profit	12,027	14,056	16,385	16,567	16,469
Interest income	113	139	95	129	85
Interest expense	(1,541)	(1,637)	(2,440)	(2,335)	(1,775)
Depreciation	(3,253)	(4,003)	(5,359)	(6,109)	(6,833)
Consolidated PBT	7,346	8,555	8,681	8,252	7,946
Taxation	(1,879)	(1,650)	(1,846)	(1,681)	(1,856)
Consolidated PAT	5,467	6,905	6,835	6,571	6,090
MI	-	-	-	6	89
Consolidated profit attributable to shareholders	5,467	6,905	6,835	6,577	6,179
Number of Khib Shares assumed in issue (000) ⁽¹⁾	91,200	91,200	91,200	91,200	91,200
Gross EPS (sen) ⁽²⁾	8.05	9.38	9.52	9.05	8.71
Net EPS (sen) ⁽³⁾	5.99	7.57	7.49	7.21	6.78

Notes:

- (1) The assumed issued and paid-up share capital of 91,200,000 Khib Shares is based on the issued and paid-up share capital of Khib after the Acquisitions but prior to the Issues.
- (2) The gross EPS is computed based on the consolidated PBT divided by the number of Khib Shares assumed in issue.
- (3) The net EPS is computed based on the consolidated PAT and MI divided by the number of Khib Shares assumed in issue.

There were no exceptional or extraordinary items during the financial years under review.

Commentary:

- (i) For the financial year ended 30 April 2000 ("FY2000"), the revenue amounted to RM72.282 million, representing an increase of 16.97% as compared to RM61.793 million in the financial year ended 30 April 1999. The increase in revenue was due to economic recovery in year 2000 following the economic downturn in 1997/1998. Sale of all categories of products grew. The increase in revenue was also as a result of the launch of new products and increase in number of customers. The effective tax rate was 25.58% in FY2000 which was slightly lower than the statutory tax rate due to the availability of reinvestment allowances.
- (ii) For the financial year ended 30 April 2001 ("FY2001"), the revenue amounted to RM83.774 million, representing an increase of 15.90% as compared to RM72.282 million in FY2000. The increase in revenue was due to the increase in demand of products in the home appliances and components and devices categories from existing customers. The effective tax rate was 19.29% in FY2001 which was lower than the statutory tax rate due to the availability of reinvestment allowances.

XI. FINANCIAL INFORMATION (CONT'D)

- (iii) For the financial year ended 30 April 2002 ("FY2002"), the revenue amounted to RM78.018 million, representing a decrease of 6.87% as compared to RM83.774 million in FY2001. The decrease in revenue was due to the terrorist attack in New York on 11 September 2001 which resulted in a negative impact on the global economy. Revenue decreased but the consolidated PBT in FY2002 increased due to higher margins as KHI ventured into development of a new product range for washing machines and changes in the arrangement for the sale of frames products where materials were supplied by KHI's customers in FY2002 and as such KHI only charged for their workmanship. The effective tax rate was 21.26% in FY2002 which was lower than the statutory tax rate due to the availability of reinvestment allowances.
- (iv) For the financial year ended 30 April 2003 ("FY2003"), the revenue amounted to RM90.202 million, representing an increase of 15.62% as compared to RM78.018 million in FY2002. The increase in revenue was mainly due to the increase in sales of spinner shaft unit (washing machine part) and the improved market conditions. Revenue increased but the consolidated PBT in FY2003 decreased as there was an increase in subcontractor charges. The effective tax rate was 20.37% in FY2003 which was lower than the statutory tax rate due to the availability of reinvestment allowances.
- (v) For the financial year ended 30 April 2004 ("FY2004"), the revenue amounted to RM98.417 million, representing an increase of 9.11% as compared to RM90.202 million in FY2003. The increase in revenue was mainly due to increase in demand from existing customers and increase in sales of automotive components. Revenue increased but the consolidated PBT decreased in FY2004 due to a tax penalty of RM0.680 million on the additional tax assessment by the Inland Revenue Board for year of assessment from 1993 to 2000. The effective tax rate was 23.36% in FY2004 which higher than the effective tax rate in FY2003 due to the additional tax assessment of RM0.620 million mainly for back duty tax in relation to the reinvestment allowances available for set off against taxable income for year of assessment from 1993 to 2000. The effective tax rate was, however, lower than the statutory tax rate due to the availability of reinvestment allowances.

1.2 Segmental Analysis

The following is segmental analysis by companies of the proforma consolidated results of the KHIB Group for the past 5 year financial years ended 30 April 2004. The proforma consolidated results are provided for illustrative purposes only and on the assumption that the current structure of the KHIB Group has been in existence throughout the financial years under review:

Segmental analysis by companies

	<-----Financial years ended 30 April----->				
	2000	2001	2002	2003	2004
	RM 000	RM 000	RM 000	RM 000	RM 000
Revenue					
KHIB	-	-	-	-	-
KHI	72,282	83,774	78,018	88,150	96,547
KHA	-	-	-	2,294	2,052
KHMV	-	-	-	-	-
	72,282	83,774	78,018	90,444	98,599
Less : Consolidation adjustment	-	-	-	(242)	(182)
Total Revenue	72,282	83,774	78,018	90,202	98,417
Consolidated PAT					
KHIB	-	-	-	-	(4)
KHI	5,467	6,905	6,835	6,663	6,163
KHA	-	-	-	(35)	(48)
KHMV	-	-	-	-	(164)
	5,467	6,905	6,835	6,628	5,947
(Less)/add : Consolidation adjustment	-	-	-	(51)	232
	5,467	6,905	6,835	6,577	6,179

XI. FINANCIAL INFORMATION (CONT'D)

Commentary:

- (i) *KHIB was incorporated on 23 May 2003. The loss after taxation of KHIB amounting to RM4,000 in FY2004 is in relation to pre-operating expenses as KHIB had not commenced operations as at 30 April 2004.*
- (ii) *KHA was incorporated on 28 September 2002. The loss after taxation of KHA amounting to RM35,000 and RM48,000 in FY2003 and FY2004 was mainly because KHA has yet to achieve economies of scale to cover its operating costs.*
- (iii) *KHMV was incorporated on 28 August 2003. The loss after taxation of KHMV amounting to RM164,000 in FY2004 was due to pre-operating expenses and the initial set-up costs for the new factory in Vietnam.*

2. WORKING CAPITAL, MATERIAL COMMITMENTS, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL LITIGATION

2.1 Working Capital

The Board of Directors of KHIB is of the opinion that after taking into account the consolidated cashflow position, banking facilities available and the total gross proceeds from the Public Issue, the Group will have adequate working capital for a period of 12 months from the date of printing of this Prospectus.

2.2 Material Commitments

Save as disclosed below, as at 6 September 2004, being the latest practicable date prior to the printing of this Prospectus, the Board of Directors of KHIB is not aware of any material commitments for capital expenditure contracted or known to be contracted by KHIB or its subsidiaries, which upon becoming enforceable, may have a material effect on the financial position of the Group:

	RM 000
Approved and contracted for	(1)2,000
Approved but not contracted for	(2)7,663

Notes:

- (1) *The amount is in relation to the acquisition and construction of factory located at Lot 1866 and 1867, Mukim and District of Petaling, Selangor Darul Ehsan and the factory in Vietnam.*
- (2) *The amount is in relation to the acquisition of plant and machinery.*

2.3 Borrowings

The total outstanding interest-bearing borrowings of the Group as at 6 September 2004 are as follows:

Outstanding interest-bearing borrowings	Payable within 12 months RM 000	Payable after 12 months RM 000
Bank overdrafts, trust receipts, and bankers' acceptances and revolving credit	2,980	-
Term loans	5,348	12,123
Hire-purchase	3,314	2,794
Total	11,642	14,917

XI. FINANCIAL INFORMATION (CONT'D)

The Group has not defaulted in payment of either interest or principal or both sums for any of its borrowings throughout the past one financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

As at 6 September 2004, the Group has USD476,532 included in its revolving credit which is utilised by KHMV as temporary financing for the purchase of plant and machinery and as progressive payment for its factory.

2.4 Contingent Liabilities

As at 6 September 2004, being the latest practicable date prior to the printing of this Prospectus, the Board of Directors of KHIB is not aware of any material contingent liabilities incurred by KHIB or its subsidiaries, which upon becoming enforceable, may have a material impact on the financial position of the Group.

2.5 Material Litigation

As at 6 September 2004, being the latest practicable date prior to the printing of this Prospectus, neither KHIB nor its subsidiaries is engaged in any litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of KHIB or its subsidiaries, and the Board of Directors of KHIB is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of KHIB or its subsidiaries.

3. DEBTORS' AGING ANALYSIS

Based on the unaudited proforma consolidated balance sheets of KHIB as at 31 July 2004, total trade debtors amounted to RM16.585 million. The credit period extended to customers of KHIB is between 30 to 60 days.

The aging analysis for trade debts before provision for doubtful debts as at 31 July 2004 is as follows:

Aging (Days)	0-30	31-60	61-90	91-120	121-150	151-180	>180	Total
Trade debts (RM million)	11.789	3.874	0.521	0.070	0.226	0.105	0.282	16.867
%	69.89	22.97	3.09	0.42	1.34	0.62	1.67	100.00

As at 31 July 2004, KHIB has made a total provision for doubtful debts of RM0.282 million in view that such amounts have fallen overdue for more than 180 days. The Board of Directors of KHIB is of the opinion that the amounts exceeding the credit period are recoverable from the respective trade debtors.

XI. FINANCIAL INFORMATION (CONT'D)

4. REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST

(Prepared for inclusion in this Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

P.O. Box 10047
50702 Kuala Lumpur
Malaysia

Tel + (603) 2095 3388
Fax + (603) 2095 0971
Email: info@kpmg.com.my

www.kpmg.com.my

The Board of Directors
Kein Hing International Berhad
Lot 1863, Jalan Kolej
43300 Seri Kembangan
Selangor Darul Ehsan

13 September 2004

Dear Sirs

Reporting accountants' letter on the consolidated profit forecast for the year ending 30 April 2005

We have reviewed the consolidated profit forecast of Kein Hing International Berhad ("KHIB") and its subsidiaries ("the Group") for the year ending 30 April 2005 as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Standard on Auditing (ISA 810) applicable to the review of forecasts. The consolidated profit forecast has been prepared for inclusion in the Prospectus dated 17 September 2004 in connection with the following proposals and should not be relied on for any other purposes.

- i. Offer for sale of 7,800,000 ordinary shares of RM0.50 each ("KHIB Share") at an offer price of RM0.65 per KHIB Share comprising:
 - 3,800,000 KHIB Shares for application by eligible Directors and employees of KHIB and its subsidiaries; and
 - 4,000,000 KHIB Shares by way of private placement to identified investors.
- ii. Public issue of 7,800,000 new KHIB Shares at an issue price of RM0.65 per KHIB Share comprising:
 - 6,000,000 new KHIB Shares for application by the Malaysian public; and
 - 1,800,000 new KHIB Shares by way of private placement to identified investors.



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

XI. FINANCIAL INFORMATION (CONT'D)



*Kein Hing International Berhad
Reporting accountants' letter on the consolidated
profit forecast for the year ending 30 April 2005
13 September 2004*

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit forecast is, in all material respects, 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 KHIB and its subsidiaries in their audited financial statements for the year ended 30 April 2004. The Directors of KHIB are solely responsible for the preparation and presentation of the consolidated profit forecast and the assumptions on which the consolidated profit forecast is based.

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

Subject to the matter stated in the preceding paragraph:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the attachment, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (ii) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by KHIB and its subsidiaries in their audited financial statements for the year ended 30 April 2004.

Yours faithfully

KPMG

Firm Number : AF 0758

Chartered Accountants

Tang Seng Choon

Partner

Approval Number : 2011/12/05(J)

XI. FINANCIAL INFORMATION (CONT'D)

5. CONSOLIDATED PROFIT FORECAST AND PRINCIPAL ASSUMPTIONS*(Prepared for inclusion in this Prospectus)*

Kein Hing International Berhad
Reporting accountants' letter on the consolidated
profit forecast for the year ending 30 April 2005
13 September 2004

Appendix 1

**KEIN HING INTERNATIONAL BERHAD
 AND ITS SUBSIDIARIES**

**CONSOLIDATED PROFIT FORECAST
 FOR THE YEAR ENDING 30 APRIL 2005**

On the principal bases and assumptions set out below, the Directors forecast that the Group's consolidated profit forecast for the year ending 30 April 2005 will be as follows:

	<i>Year ending 30 April 2005 RM'000</i>
Consolidated revenue	105,469
	=====
Consolidated profit after taxation	7,250
Minority interest	451

	7,701
Pre-acquisition profit	(1,813)

Profit attributable to shareholders	5,888
	=====
Number of shares assumed in issue ('000 units)	99,000
Net earnings per ordinary share based on number of shares assumed in issue (sen)	7.78

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

1. There will be no significant changes in the prevailing economic and political conditions that will adversely affect the activities and performance of the Group.
2. There will be no significant changes in the present legislation and governmental regulations which will adversely affect the operations of the Group or the markets in which it operates.
3. Interest and inflation rates will remain at current levels.
4. There will be no material fluctuations in foreign currency exchange rates from prevailing rates, including the exchange rate of RM3.80 to United States Dollar ("USD") 1.00.
5. There will be no significant changes in the rate and basis of taxation.

XI. FINANCIAL INFORMATION (CONT'D)

**5. CONSOLIDATED PROFIT FORECAST AND PRINCIPAL ASSUMPTIONS
(CONT'D)**


*Kein Hing International Berhad
Reporting accountants' letter on the consolidated
profit forecast for the year ending 30 April 2005
13 September 2004*

Appendix 1-1

6. There will be no significant changes in the principal activities, composition and structure of the Group other than the Proposals mentioned at the cover to this letter are assumed to be implemented as planned.
7. There will be no significant changes in the existing senior management and existing accounting, management and operational policies which will adversely affect the Group.
8. Existing financing facilities will remain available to the Group and interest rates will not change significantly from those presently prevailing. In addition, the Group will be able to obtain financing facilities at the present prevailing interest rates.
9. There will be no industrial disputes or any other abnormal factors or changes that will significantly affect the Group's operations or disrupt its planned operations.
10. Capital expenditure will be incurred as planned.
11. There will be no significant changes in the prices of major raw materials, labour and other operating costs other than as planned.
12. There will be no significant changes in the pricing of the Group's products and sales of products other than as planned.
13. There will be no significant disruptions in the operations and supply of raw materials or any unfavorable conditions that will adversely affect the activities of the Group.
14. The gross proceeds of RM5,070,000 from the proposed public issue will be received by October 2004 and utilised as follows :

	<i>RM'000</i>
General working capital	3,070
Listing expenses	2,000
	<hr style="width: 50%; margin: 0 auto;"/> 5,070 =====

XI. FINANCIAL INFORMATION (CONT'D)

6. DIRECTORS' ANALYSIS AND COMMENTARY ON THE CONSOLIDATED PROFIT FORECAST**Profit forecast for the financial year ending 30 April 2005 ("FYE 2005")**

Consolidated turnover for the KHIB Group for FYE2005 is forecast to be RM105.469 million, representing an increase of approximately RM7.052 million or 7.17% compared to RM98.417 million for FYE2004. The increase in KHIB Group's turnover is mainly due to the overall increase in demand from existing customers and the securing of new customers for washing machine and automotive components as well as the contribution from KHIB Group's newly incorporated subsidiary, KHMV of approximately RM3.699 million.

Gross profit margin of the KHIB Group for FYE2005 is forecast to be 20.60% which is slightly lower than the gross profit margin for FYE2004 of 21.19% due to the increase in raw material price during FYE2004.

The PBT margin of the KHIB Group for FYE2005 is forecast to be 7.97% which is lower than the PBT margin of the KHIB Group for FYE2004 of 8.07% mainly due to the forecast loss before taxation in KHMV for FYE2005 which is expected to be RM0.922 million compared to a loss before taxation in KHMV for FYE2004 of RM0.164 million and the tax penalty of RM0.680 million as additional operating expenses paid in FYE2004 following the tax audit conducted by the Inland Revenue Board ("IRB") in FYE2004.

The PAT margin of the KHIB Group for FYE 2005 is forecast to be 6.87% which is higher than the PAT margin of the KHIB Group for FYE2004 of 6.19% as there was an additional tax assessment of RM0.620 million in FYE2004 following the tax audit conducted by the IRB in FYE2004.

The effective tax rate for FYE2005 is 13.79% which is lower than the statutory tax rate mainly as a result of utilisation of reinvestment allowances.

The Directors of the Company do not expect any exceptional items or extraordinary items during the FYE 2005 which will materially have any impact on the financial results for FYE 2005.

The accounting policies consistent with those adopted in previous financial years have been applied in preparing the forecast for FYE 2005.

As the proceeds arising from the Public Issue is only expected to be received in October 2004, there will be no material difference in PBT and PAT for before and after Issues for FYE 2005.

The Directors of KHIB accept full responsibility for the profit forecast included in this Prospectus and confirm that, the profit forecast has been prepared based on estimates and assumptions made after due and careful enquiry.

7. SENSITIVITY ANALYSIS

The principal bases and assumptions upon which the sensitivity analysis on the Group's profit forecast have been made as follows:

- (i) The selected variable items will vary +5% and +10%;
- (ii) For changes in selling price scenario, all costs of sales remains at the same amount as in the base case;
- (iii) For changes in the volume scenario, the gross profit margin of its operations (in relation to all variable costs) will be maintained at the same percentage as in the base case;

XI. FINANCIAL INFORMATION (CONT'D)

- (iv) For changes in material costs, all costs (except material costs) remains at the same amount as the base case; and
- (v) Except for the selected variable items, the same assumptions for the other items in the base case shall apply.

The following scenario attempts to show the impact on the forecast consolidated PBT for the financial year ending 30 April 2005 resulting from changes in selling price, changes in volume and changes in material costs.

(a) Changes in selling price

	RM 000	%
Consolidated PBT	8,410	
Deviation		
Up 10%	18,128	+116
Up 5%	13,269	+58
Down 5%	3,551	-58
Down 10%	(1,308)	-116

All other factors remaining equal, an increase in the selling prices by 5% and 10% will result in an increase in the PBT of the Group by 58% and 116% and similarly a decrease in selling price by 5% and 10% will result in a decrease in the PBT of the Group by 58% and 116%.

(b) Changes in volume

	RM 000	%
Consolidated PBT	8,410	
Deviation		
Up 10%	11,073	+32
Up 5%	9,741	+16
Down 5%	7,079	-16
Down 10%	5,747	-32

All other factors remaining equal, an increase in volume by 5% and 10% will result in an increase in the PBT of the Group by 16% and 32% and similarly a decrease in volume by 5% and 10% will result in a decrease in the PBT of the Group by 16% and 32%.

XI. FINANCIAL INFORMATION (CONT'D)**(c) Changes in material costs**

	RM 000	%
Consolidated PBT	8,410	
Deviation		
Up 10%	3,588	-57
Up 5%	5,999	-29
Down 5%	10,821	+29
Down 10%	13,232	+57

All other factors remaining equal, an increase in the material costs by 5% and 10% will result in a decrease in the PBT of the Group by 29% and 57% and similarly a decrease in material costs by 5% and 10% will result in an increase in the PBT of the Group by 29% and 57%.

8. DIVIDEND FORECAST AND POLICY

The Company expects to declare a tax-exempt dividend of 2 sen per KHIB Share for the financial year ending 30 April 2005.

The intended appropriation of the forecast consolidated PAT for the financial year ending 30 April 2005 will be as follows:

	RM 000
Consolidated PBT	8,410
Taxation	(1,160)
Consolidated PAT but before MI	<u>7,250</u>
MI	451
Consolidated PAT and MI	<u>7,701</u>
Less pre-acquisition profit	(1,813)
Consolidated profit attributable to shareholders	<u>5,888</u>
Less: Proposed tax-exempt dividend of 2 sen per KHIB Share	(1,980)
Unappropriated profit carried forward	<u>3,908</u>
Tax-exempt dividend per ordinary share (sen)	2.00
Tax-exempt dividend yield	3.08%
<i>(based on the offer/issue price of RM0.65 per Offer/Public Issue Share)</i>	
Net dividend cover (times)	3.89

XI. FINANCIAL INFORMATION (CONT'D)

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

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

[The remainder of this page is intentionally left blank]

XI. FINANCIAL INFORMATION (CONT'D)

9. REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

P.O. Box 10047
50702 Kuala Lumpur
Malaysia

Tel + (603) 2095 3388
Fax + (603) 2095 0971
Email: info@kpmg.com.my

www.kpmg.com.my

The Board of Directors
Kein Hing International Berhad
Lot 1863, Jalan Kolej
43300 Seri Kembangan
Selangor Darul Ehsan

13 September 2004

Dear Sirs

Reporting accountants' letter on the proforma consolidated balance sheet as at 30 April 2004

We have reviewed the presentation of the proforma consolidated balance sheet of Kein Hing International Berhad ("KHIB") and its subsidiaries ("the Group") as at 30 April 2004 which has been prepared for illustrative purposes only, for which the Directors are solely responsible, as set out in the accompanying statement the Prospectus dated 17 September 2004 in connection with the following proposals and should not be relied on for any other purposes.

- i. Offer for sale of 7,800,000 ordinary shares of RM0.50 each ("KHIB Share") at an offer price of RM0.65 per KHIB Share comprising:
 - 3,800,000 KHIB Shares for application by eligible Directors and employees of KHIB and its subsidiaries; and
 - 4,000,000 KHIB Shares by way of private placement to identified investors.
- ii. Public issue of 7,800,000 new KHIB Shares at an issue price of RM0.65 per KHIB Share comprising:
 - 6,000,000 new KHIB Shares for application by the Malaysian public; and
 - 1,800,000 new KHIB Shares by way of private placement to identified investors.



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

XI. FINANCIAL INFORMATION (*CONT'D*)



Kein Hing International Berhad
Reporting accountants' letter on the proforma consolidated
balance sheet as at 30 April 2004
13 September 2004

In our opinion,

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

Yours faithfully

KPMG

Firm Number : AF 0758

Chartered Accountants

Tang Seng Choon

Partner

Approval Number : 2011/12/05(J)

XI. FINANCIAL INFORMATION (CONT'D)

10. PROFORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)



APPENDIX I-1

**KEIN HING INTERNATIONAL BERHAD
AND ITS SUBSIDIARY COMPANIES
PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 30 APRIL 2004**

	Note	Audited balance sheet At 30.04.2004 RM'000	Proforma balance sheet after Stage 1 RM'000	Proforma balance sheet after Stage 2 RM'000
Property, plant and equipment		-	71,969	71,969
Investment in associates		-	725	725
Other investments		-	616	616
Current assets				
Inventories		-	11,515	11,515
Trade receivables		-	14,706	14,706
Other receivables and prepayments		586	3,522	2,936
Cash and cash equivalents	5	*	2,805	6,461
		586	32,548	35,618
Current liabilities				
Trade payables		-	9,701	9,701
Other payables and accruals		590	3,317	3,317
Borrowings		-	15,086	15,086
Provision for taxation		-	841	841
		590	28,945	28,945
Net current (liabilities)/assets		(4)	3,603	6,673
		(4)	76,913	79,983
Financed by:				
Share capital	6	*	45,600	49,500
Share premium	7	-	3,072	2,242
Retained profit		(4)	679	679
(Deficit in)/Shareholders' funds		(4)	49,351	52,421
Minority shareholders' interests		-	2,180	2,180
Borrowings		-	17,235	17,235
Deferred taxation		-	8,147	8,147
		(4)	76,913	79,983
		(4)	76,913	79,983
Net tangible assets per share (RM)		(2,000)	0.54	0.53

* RM1

XI. FINANCIAL INFORMATION (CONT'D)



APPENDIX I-2

**KEIN HING INTERNATIONAL BERHAD
AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2004**

1. The Proforma Consolidated Balance Sheet of the Group is based on the audited financial statements of Kein Hing Industry Sdn Bhd ("KHI") and Kein Hing Appliances Sdn Bhd ("KHA") as at 30 April 2004 and the audited financial statements of S&Y Metal Stamping Sdn Bhd ("S&Y") and Hirotako-Kein Hing Sdn Bhd ("HKH") as at 31 December 2003.
2. The Proforma Consolidated Balance Sheet of the Group has been prepared using accounting principles and bases consistent with those previously adopted in the preparation of audited financial statements. The acquisition of all the companies is accounted for using the acquisition method of accounting.
3. The Proforma Consolidated Balance Sheet is for illustrative purposes only to incorporate the following transactions as though they were taken into effect on 30 April 2004.

Stage 1

- Proposed declaration of a tax-exempt dividend of RM5,500,000 by KHI to the shareholders of KHI.
- Proposed initial acquisition by KHI of 14% of the issued and fully paid-up share capital of S&Y comprising 28,000 ordinary shares of RM1.00 each in S&Y from Sim Kooi Wah, Yap Kim Hok and Chan Jun Fai for a purchase consideration of RM246,400 to be satisfied by cash.
- Proposed acquisition by KHIB of the entire issued and fully paid-up share capital of KHI comprising of 4,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM48,672,315 to be fully satisfied by the issuance of 91,199,998 new ordinary shares of RM0.50 each at an issuance price of RM0.53 each in KHIB.
- Proposed initial acquisition by KHIB of 17% of the issued and fully paid-up share capital of KHA comprising 85,001 ordinary shares of RM1.00 each for a purchase consideration of RM67,947 to be satisfied by cash.

Proposed further acquisition by KHIB of 66% of the issued and fully paid-up share capital of KHA comprising 329,999 ordinary shares of RM1.00 each for a purchase consideration of RM263,795 to be satisfied by cash.

- Proposed acquisition by KHIB of 51% of the legal capital of KHMV for a purchase consideration of USD612,000 to be satisfied by cash.
- Proposed acquisition by KHIB of 49% of the issued and fully paid-up share capital of HKH comprising 490,000 ordinary shares of RM1.00 each for a purchase consideration of RM 1.00 to be satisfied by cash.

XI. FINANCIAL INFORMATION (CONT'D)

**APPENDIX I-3****Stage 2**

- Proposed offer for sale of 7,800,000 ordinary shares of RM0.50 each at an offer price of RM 0.65 per ordinary share comprising 3,800,000 KHIB Shares to eligible Directors and employees of KHIB and its subsidiaries and 4,000,000 KHIB Shares by way of private placement to identified investors.
 - Proposed public issue of 7,800,000 new ordinary shares of RM0.50 each at an issue price of RM0.65 per ordinary share comprising 6,000,000 KHIB Shares to the Malaysian public and 1,800,000 KHIB Shares by way of private placement to identified investors.
 - Proposed listing and quotation for the entire enlarged issued and paid up share capital of KHIB comprising 99,000,000 ordinary shares of RM0.50 each on the Second Board of the Bursa Malaysia Securities Berhad.
4. The gross proceeds of RM5,070,000 from the proposed public issue will be received by October 2004 and utilised as follows :

	<i>RM'000</i>
General working capital	3,070
Listing expenses	2,000
	5,070
	5,070

	<i>RM'000</i>
5. Movement in cash and cash equivalents:-	<i>RM'000</i>
Balance at 30 April 2004	*
Stage 1 - Acquisition of KHI, KHA, KHMV, HKH and S&Y	2,805
Stage 2 - Proceeds from proposed public issue	5,070
- Listing expenses	(1,414)
Balance after Stage 1 and Stage 2	6,461
* Represents RM1.00	6,461
<i>Details of listing expenses</i>	<i>RM'000</i>
Listing expenses expected to be incurred	2,000
Professional advisors' and application fees paid during the financial year ended 30 April 2004	(586)
Remaining balance	1,414
	1,414

XI. FINANCIAL INFORMATION (CONT'D)

**APPENDIX I-4**

6. Movement in share capital account:-	<i>RM'000</i>
Balance at 30 April 2003	*
Stage 1 - Acquisition of KHI, KHA, KHMV, HKH and S&Y	45,600
Stage 2 - Proposed public issue	3,900
Balance after Stage 1 and 2	<u>49,500</u>

* Issued and paid-up share capital of KHIB of RM1.00, representing 2 ordinary shares of RM0.50 each.

7. Movement in share premium account:-	<i>RM'000</i>
Balance at 30 April 2004	-
Stage 1 - Acquisition of KHI, KHA, KHMV, HKH and S&Y	3,072
Stage 2 - Proposed public issue	1,170
- Listing expenses	(2,000)
Balance after Stage 1 and 2	<u>2,242</u>