

11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

11.1.1 Proforma Consolidated Results

The following sets out a summary of the proforma consolidated results of the Fotronics Group for the past five (5) financial years ended 31 March 2000 to 2004 and for the four (4)-month financial period ended 31 July 2004, prepared on the assumption that the current Fotronics Group structure has been in existence throughout the years under review. The proforma consolidated profit records should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12 of this Prospectus.

	←-----Year ended 31 March----->					4-month period ended 31 July 2004
	2000	2001	2002	2003	2004	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	4,593	5,283	34,095	55,473	38,063	14,286
Profit/(loss) before interest, taxation, depreciation and amortisation	(68)	(62)	932	2,696	14,137	9,133
Depreciation	(107)	(109)	(1,027)	(1,654)	(2,591)	(1,177)
Amortisation of goodwill	(11)	(11)	(11)	(11)	-	-
Interest expense	-	(9)	(455)	(519)	(335)	(79)
Profit/(loss) before taxation and minority interests	(186)	(191)	(561)	512	11,211	7,877
Tax credit/(expense)	43	55	43	(63)	(395)	(77)
Profit/(loss) after taxation but before minority interests	(143)	(136)	(518)	449	10,816	7,800
Minority interests	(1)	1	8	(11)	(3,697)	(2,642)
Profit/(loss) after taxation and minority interests	(144)	(135)	(510)	438	7,119	5,158
No. of ordinary shares assumed to be in issue ('000) ¹	152,234	152,234	152,234	152,234	152,234	152,234
Gross EPS/(loss per share) (sen) ²	(0.12)	(0.13)	(0.37)	0.34	7.36	5.17
Net EPS/(loss per share) (sen) ³	(0.09)	(0.09)	(0.34)	0.29	4.68	3.39

Notes:

- 1* Based on number of shares assumed in issue after the Acquisitions but before the Public Issue.
- 2* The gross EPS/(loss per share) is computed based on the consolidated profit/(loss) before taxation and minority interests.
- 3* The net EPS/(loss per share) is computed based on the consolidated profit/(loss) after taxation and minority interests.

There were no exceptional or extraordinary items in the financial years and the financial period under review.

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 Fotronics Group by company is as follows:

(i) Analysis of revenue by company

	<-----Year ended 31 March----->					4-month period ended 31 July 2004
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
Revenue						
MPC	-	-	29,701	45,260	22,624	5,822
Vtrek (HK) Group	658	-	-	2,887	15,346	6,398
FMSB	1,844	3,109	2,953	6,576	7,565	4,089
FTSB	2,357	3,987	3,374	3,451	4,677	378
	<u>4,859</u>	<u>7,096</u>	<u>36,028</u>	<u>58,174</u>	<u>50,212</u>	<u>16,687</u>
Less: Adjustments	(266)	(1,813)	(1,933)	(2,701)	(12,149)	(2,401)
Consolidated	<u>4,593</u>	<u>5,283</u>	<u>34,095</u>	<u>55,473</u>	<u>38,063</u>	<u>14,286</u>

(ii) Analysis of profit before taxation by company

	<-----Year ended 31 March----->					4-month period ended 31 July 2004
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	RM'000
Profit before taxation						
Fotronics	-	-	-	-	(10)	(27)
FIPL	-	-	-	-	(3)	(176)
MPC	-	-	(346)	383	1,250	1,220
Vtrek (HK) Group	2	(2)	(20)	50	9,508	6,608
FMSB	(245)	(176)	(136)	167	421	317
FTSB	62	(8)	(54)	(84)	33	(65)
	<u>(181)</u>	<u>(186)</u>	<u>(556)</u>	<u>516</u>	<u>11,199</u>	<u>7,877</u>
Less: Adjustments	(5)	(5)	(5)	(4)	12	-
Consolidated	<u>(186)</u>	<u>(191)</u>	<u>(561)</u>	<u>512</u>	<u>11,211</u>	<u>7,877</u>

11. FINANCIAL INFORMATION (cont'd)

Review for the financial year ended 31 March 2000

The revenue decreased from approximately RM7.9 million in 1999 to about RM4.6 million in 2000 due mainly to Vtrek (HK) which reported a revenue of RM0.7 million for the financial year ended 31 March 2000 as compared to RM3.2 million in the previous financial year. This was due to the management's intention to cease the business operations during the financial year under review.

FTSB also experienced a decrease of about 15% in revenue which also contributed to the decrease in the Fotronics Group's revenue. The decrease in revenue was attributable to the decline in sales of VCR drumheads due to the increase in the popularity of VCD players. This resulted in FTSB changing its business strategy to trading of finished goods manufactured by its immediate holding company, FMSB, such as AV products.

Gross profit margin for the Group increased by 0.58% to 19.49% in 2000. This was mainly attributable to the gross profit margin of FMSB and FTSB which stood at 22.40% and 21.55% respectively and which were offset partially by the low gross profit margin reported by Vtrek (HK) of 4.09%.

The Fotronics Group reported a loss before taxation of approximately RM0.2 million due mainly to the loss before taxation recorded by FMSB of approximately RM0.2 million. The loss incurred by FMSB was a result of the lower assembly fee charged to FInc, one of its major customers.

Review for the financial year ended 31 March 2001

The Group's improvement of approximately RM0.7 million or 15% in revenue for 2001 was mainly contributed by FTSB of approximately RM1.6 million but the improvement was partly offset by the decrease of approximately RM0.7 million in revenue of Vtrek (HK).

The increase in FTSB's revenue was attributable to the buoyant sales of VCD players and VCR head assembly. The sales of VCD players improved substantially due to competitive pricing while the revenue achieved by VCR head assembly was due to the increase in demand in export to Vietnam. Vtrek (HK) did not generate any revenue as it remained inactive during the year under review.

Gross profit margin reported a decrease of 6.16% as compared to that in the previous year of 19.49%. This was mainly attributable to the decrease in gross profit of FMSB and FTSB as a result of competitive pricing and incurrence of certain fixed assembly line costs.

Review for the financial year ended 31 March 2002

Revenue for the year under review increased by approximately RM28.8 million which was mainly contributed by MPC but was offset by the decrease of approximately RM0.6 million in FTSB's revenue.

The increase in MPC's revenue was due to the commencement of its business operations during the year. MPC's revenue was derived from the processing and sub-assembly of DDS, car audio and VHS components for its major customers such as Sony Electronics (S) Pte. Ltd., Phonic Electronics Trading Co. Ltd. and JVC Procurement Asia Pte. Ltd..

The decrease in FTSB's revenue was mainly attributed to the decrease in sales of VCD players and VCR drumheads due to the effect of "September 11" in the USA which dampened customers' spending pattern. The early termination of the Vietnam orders for the assembly of VCR heads also contributed to the decrease in FTSB's revenue.

Despite the increase in gross profit margin in FMSB and FTSB, the Group's gross profit margin decreased by 3.32% to 10.01% due to the lower gross profit margin recorded by MPC for its first year of operation which stood at approximately 8.88%.

11. FINANCIAL INFORMATION (cont'd)

Loss before taxation increased by about RM0.4 million due mainly to the loss before taxation recorded by MPC during its first year of operation and the write-off of its pre-operating expenses.

Review for the financial year ended 31 March 2003

Revenue for the year under review increased by RM21.4 million as compared to 2002. The significant increase was mainly attributable to the increase in revenue of approximately RM15.6 million, RM3.6 million and RM2.9 million in MPC, FMSB and Vtrek (HK) respectively.

The increase in revenue of MPC was mainly attributable to the increase in the sales of VHS as MPC secured new customers, such as LG, Sharp and Orion. This is however offset by the decline in sales of car audio components due to MPC's decision to phase out the production of car audio components as the profit margin earned was not viable.

Vtrek (HK) ventured into the business of micro-optic lens assembly in 2002. Revenue for the year under review was derived from the precision assembly of micro-optic lens for its sole customer, Enplas Corporation. The assembly of micro-optic lenses is carried out by its subsidiary company, Vtrek (China) on a back-to back arrangement.

The increase in FMSB's revenue was mainly contributed by the increase in sales of VCR drumheads to LG and JVC.

The Fotronics Group reported a lower group profit margin at 9.23%, a slight decrease of 0.78% due mainly to the decrease in gross profit from MPC which was attributable to the increase in production cost such as staff overtime and utilities. The decrease in MPC's gross profit to 6.23% was offset by the higher gross profit recorded in Vtrek (HK) and Vtrek (China) of approximately 23.41% and 22.9% respectively.

The Fotronics Group recorded a profit before taxation of approximately RM0.5 million. This was mainly derived from the profit reported by MPC and FMSB. MPC wrote-off its pre-operating expenses in the previous year but was non-recurring during the year while FMSB recorded a higher gross profit derived from the sale of AV products.

Review for the financial year ended 31 March 2004

The Fotronics Group's revenue for the financial year under review is approximately RM38.1 million. The revenue is mainly contributed by MPC and Vtrek (HK) of approximately RM22.6 million and RM15.3 million respectively.

During the financial year under review, MPC ceased its production and assembly of VHS for LG, Sharp and Orion due to the inconsistency in their sales orders, which in turn affected MPC's production planning and profit margins. This has principally resulted in the reduction in MPC's revenue.

The increase in Vtrek (HK)'s revenue was mainly attributable to the increase in orders from Enplas Corporation as a result of strong demand for micro-optic lenses in the China market as well as the increase in Vtrek (China)'s assembly capacity after intensive investment in human and capital resources since it commenced operations in 2002.

11. FINANCIAL INFORMATION (cont'd)

Gross profit margin for the financial year under review increased to approximately 33.97% from 9.23% during the financial year ended 31 March 2003. This was mainly contributed by the increase in Vtrek (China)'s gross profit margin from 22.9% to approximately 50.8% for the year under review. The improvement in gross margin is mainly due to the decrease in unit assembly cost as a result of economies of scale with the increase in the volume of its contract assembling operations. Besides that, the increase was also contributed by MPC's decision to cease its production and assembly services of VHS for LG, Sharp and Orion which has increased its gross profit from 6.23% to 13.15% for the year under review.

Profit before taxation increased to RM11.2 million for the financial year under review as compared to RM0.5 million in the previous financial year ended 31 March 2003. This was mainly contributed by the increase in Vtrek (China)'s profit before taxation as its operations stabilised after the initial set-up in the previous year.

Factors Affecting Financial Performance, Position and Operations of the Fotronics Group

As at 23 December 2004 (being the latest practicable prior to the registration of this Prospectus), the performance, position and operations of the Fotronics 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 the financial performance, position and operations of the Company and/or the Group;
- (ii) Material commitments for capital expenditures;
- (iii) Unusual or infrequent events or transactions or any significant economic changes that materially affect the financial performance, position and operations of the Company and/or the Fotronics 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**

As at 23 December 2004 (being the latest practicable date prior to the registration of this Prospectus), neither Fotronics 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 Fotronics 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. FINANCIAL INFORMATION (cont'd)

11.2.2 Material Commitment

As at 23 December 2004 (being the latest practicable date prior to the registration of this Prospectus), the Group does not have any capital commitment in respect of acquisition of land and building, plant and machinery and other fixed assets.

11.2.3 Indebtedness

As at 23 December 2004 (being the latest practicable date prior to the registration of this Prospectus), the total outstanding borrowings of the Fotronics Group from financial institutions amounted to approximately RM2.74 million comprising the following:

Subsidiary company	Facility	Limit	Amount outstanding
FMSB	Short term (interest bearing)	RM	RM
	<i>Bumiputra-Commerce Bank Berhad</i>		
	Trust Receipt / Bank Acceptance	1,600,000	1,538,092
	Overdraft	400,000	-
		<u>2,000,000</u>	<u>1,538,092</u>
MPC	Short term (interest bearing)	RM	RM
	<i>Citibank (Singapore)</i>		
	Trust Receipt	2,736,000	509,470
	<i>The Hong Kong and Shanghai Banking Corporation Limited</i>		
	Overdraft	690,000	690,000
	Letter of Credit	5,700,000	-
		<u>9,126,000</u>	<u>1,199,470</u>
Total		<u>11,126,000</u>	<u>2,737,562</u>

The Directors of Fotronics confirm that there has been no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year ended 31 March 2003 up to 23 December 2004, being the latest practicable date prior to the printing of the Prospectus.

11.2.4 Contingent Liabilities

As at 23 December 2004 (being the latest practicable date prior to the registration of this Prospectus), the Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

11.2.5 Working Capital

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

11. FINANCIAL INFORMATION *(cont'd)*

11.3 FUTURE FINANCIAL INFORMATION

11.3.1 Consolidated Profit Estimate

The Directors of Fotronics estimate that, the consolidated profit estimate of the Fotronics Group for the financial year ending 31 March 2005 will be as follows:

Financial year ending 31 March 2005	Estimate RM'000
Revenue	101,609
Consolidated profit before taxation and pre-acquisition profit	20,222
Less: Taxation	(2,986)
Consolidated profit after taxation but before pre-acquisition profit and minority interests	17,236
Less: Minority interests	(3,719)
Consolidated profit after taxation but before pre-acquisition profit	13,517
Less: Pre-acquisition profit ^a	(5,349)
Consolidated profit attributable to shareholders	8,168
Less: Dividends ^b	(2,030)
	<u>6,138</u>

Based on enlarged issued and paid-up share capital:

Net EPS ^c (sen)	6.66
Net PE Multiple (based on issue price of RM1.00 per Share) (times)	15.02

Based on weighted average number of shares in issue^d

Net EPS ^c (sen)	13.2
Net PE Multiple (based on issue price of RM1.00 per Share) (times)	7.58

Notes:

The consolidated profit estimate has been prepared on bases and accounting policies consistent with those previously adopted by the Fotronics Group.

- a Fotronics was incorporated on 20 January 2004 and the Acquisitions was completed on 20 August 2004. Therefore, the pre-acquisition profit relates to period from 1 April 2004 to 19 August 2004.*
- b Proposed tax-exempt dividends of RM0.01 per ordinary share, based on the enlarged issued and paid-up share capital of Fotronics of RM20,297,860 comprising 202,978,600 Fotronics Shares.*
- c Based on the consolidated profit after taxation but before pre-acquisition profit and the enlarged issued and paid-up share capital of 202,978,600 Fotronics Shares.*
- d On the assumption that the Public Issue will be completed by end January 2005.*
- e Based on the consolidated profit after taxation but before pre-acquisition profit and the weighted average number of shares in issue of 102,334,894 Fotronics Shares.*

The consolidated profit estimate after taxation and pre-acquisition profit of Fotronics for the year ending 31 March 2005 has been prepared based on the Directors' assessment of the present economic and operating conditions, and a number of best estimate assumptions regarding future events and actions which, at the date the consolidated profit estimate was prepared, the Directors expect to take place. These future events may or may not take place. An estimate, by its very nature, is subject to uncertainties and unexpected events, many of which may be outside the control of the Group and its Directors. Also, events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the estimate results, and the difference may be material. Accordingly, the Directors cannot and do not guarantee the achievement of the estimate results.

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

11. FINANCIAL INFORMATION (cont'd)

- (a) There will be no significant changes to the prevailing economic and political conditions in Malaysia and overseas that will have direct or indirect effects on the activities or performance of the Fotronics Group and the business of the Fotronics Group's major customers and suppliers.
- (b) There will be no significant changes in the present legislation or government regulations, rates and bases of duties, levies and taxes, which will adversely affect the activities of the Fotronics Group or the countries in which it operates.
- (c) There will be no significant fluctuations in foreign currency exchange and inflation rates from their present levels, which would adversely affect the activities and operations of the Fotronics Group.
- (d) There will be no significant changes in the prices of materials used in operations, labour, overheads and trading goods.
- (e) There will be no significant changes in the customer demand, selling prices, product sales mix and market growth other than estimated by the Fotronics Group.
- (f) There will be no major industrial disputes, labour shortages or any abnormal factors or changes both domestic and overseas, which will adversely affect the Fotronics Group's operations or sales at their estimated level or disrupt their planned operations.
- (g) There will be no material changes in the principal activities and structure of the Fotronics Group.
- (h) The Fotronics Group will have adequate manpower resources to keep abreast with rapid changes in technology standards and requirements and changes in customer demands to support its estimated growth in business.
- (i) There will be no significant changes in the present management structure, key personnel, ownership and, operating and accounting policies adopted by Fotronics Group. In this connection, the proforma consolidated results of the Fotronics Group were prepared using the acquisition method of accounting.
- (j) Existing and future financial facilities will remain available and that the level of interest rates will not change materially from those presently prevailing.
- (k) There will be no material acquisitions or disposals of property, plant and equipment or investment other than those already budgeted for.
- (l) There will be no significant changes involving key customers and suppliers, which will adversely affect the activities of the Fotronics Group or the markets in which it operates.
- (m) The demand for the products sold by the Fotronics Group will be in line with the estimated level and the Fotronics Group will be able to maintain the current profit margins on its products.
- (n) There will be no major delays or cost overruns in the upgrading and capital expenditure program of the Fotronics Group, which will adversely affect the activities of the Fotronics Group or the markets in which it operates.
- (o) The Fotronics Group will not be engaged in any material litigation and there will be no legal proceedings, which will adversely affect its activities or performance or give rise to any additional contingent liabilities, which will materially affect the operation or business.

11. FINANCIAL INFORMATION (cont'd)

- (p) Licences issued by the authorities shall remain effective and renewable under the same present conditions for the continual operations of the Fotronics Group. Vtrek (China) will be able to fulfil the licensing requirements in China to enable it to operate.
- (q) The estimate results for 2005 included the estimate results of its extended manufacturing and assembling operations in Ningbo, China. The extended business operations will be involved in the manufacturing of mobile phone and mobile phone modules assembling and will enable the Fotronics Group to move its operations in China downstream from its existing lens modules. The estimate results are based solely on the Directors' assumptions. The successful setting up of this operation would have a significant impact to the revenue and profit after taxation estimate for the Fotronics Group as a whole.
- (r) Listing expenses are estimated to be approximately RM3.0 million and will be set-off against the share premium.
- (s) Fotronics will receive dividends from its subsidiary companies, MPC and FIPL, as estimated. Fotronics will have sufficient tax-exempt income to declare tax-exempt dividends.

11.3.2 Directors' Analysis of the Consolidated Profit Estimate

The Directors of Fotronics have reviewed and analysed the reasonableness of the bases and assumptions stated therein after due and careful inquiry in arriving at the consolidated profit estimate for the financial year ending 31 March 2005. The Directors of Fotronics are of the opinion that the consolidated profit estimate is fair and reasonable in light of the future prospects of the Fotronics Group, the future plans and strategies to be adopted by the Fotronics Group and after taking into consideration the estimated level of gearing, liquidity and working capital requirements of the Group.

The Fotronics Group is expected to register a revenue of RM101.61 million for the financial year ending 31 March 2005. This represents an increase of 167% from RM38.06 million recorded for the financial year ended 31 March 2004.

The anticipated increase in revenue is attributable to the healthy increase in the Group's revenue to be generated from manufacture and assembly of magnetic recording heads and drums, drumheads, micro-optic components, AV equipment, aerospace parts and components, computer tape drives and assembly of camera modules. In addition, the Group also plans to manufacture and assemble the entire PHS handphone set.

FMSB's revenue is expected to increase in view of the continuing orders of AV drums and DDS drums from its existing and new customers such as Daewoo International and Mitsumi respectively.

The expected increase in revenue for MPC is mainly due to manufacture of precision metal parts and components (AES and ALS) for Honeywell International Inc. as the company has been awarded the approved vendor status of Honeywell International Inc. in 2004. MPC has also secured new orders for AV drums and DDS drums from Daewoo International and Mitsumi respectively.

Vtrek (HK) Group's revenue is expected to increase further as it is anticipated that there will be a strong demand of micro-optic lenses product for the financial year ending 31 March 2005.

The Group's profit before taxation is estimated to achieve RM20.22 million as compared to RM11.21 million recorded in the previous year representing an increase of 80%. Profit after taxation for the financial year ending 31 March 2005 is expected to increase by 90% to RM13.52 million from RM7.12 million recorded previously.

11. FINANCIAL INFORMATION *(cont'd)*

11.3.3 Dividend Estimate

It is the policy of the Directors of Fotronics to recommend dividend to allow shareholders to participate in the profits of the Group. Based on the estimated profit after taxation of approximately RM13.5 million for the financial year ending 31 March 2005, the Directors of Fotronics anticipate that, the Company will be in a position to propose a final tax-exempt dividend of 1.00 sen per Share based on its enlarged issued and paid-up share capital of 202,978,600 Shares.

The intended appropriation of the estimated profit after taxation for the financial year ending 31 March 2005 will be as follows:

Financial year ending 31 March 2005	Estimate RM'000
Consolidated profit after taxation	8,168
Less: Proposed final tax exempt dividend	<u>(2,030)</u>
Profit retained for the financial year	<u>6,138</u>
Gross dividend per Share (sen)	1.00
Net dividend per Share (sen)	1.00
Gross dividend yield based on the issue price of RM1.00 per Share (%)	1.00
Net dividend yield based on the issue price of RM1.00 per Share (%)	1.00
Net dividend cover (times)	6.66

The Fotronics' subsidiary companies are expected to declare dividend ranging from 15% to 20% to Fotronics in order to allow Fotronics to further declare dividend to its shareholders. However, future dividends to be declared by Fotronics and/or its subsidiary companies will be dependent upon the performance of its subsidiary companies as well as its subsidiary companies' capital requirements.

11.3.4 Sensitivity Analysis

The following sensitivity analysis is prepared by the management of the Group. The sensitivity analysis is prepared based on the estimate 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 and cost of raw materials. Notwithstanding the impact of the variations in revenue and cost of raw materials, 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 Group. The sensitivity analysis is as follows:

11. FINANCIAL INFORMATION (cont'd)

(i) Variation in selling price

Financial year ending 31 March 2005	Profit before taxation RM'000	Profit after taxation RM'000
As forecast	20,222	13,518
Increase by 5%	25,367	17,296
Increase by 10%	30,513	21,075
Decrease by 5%	15,076	9,739
Decrease by 10%	9,930	5,961

(ii) Variation in raw material price

Financial year ending 31 March 2005	Profit before taxation RM'000	Profit after taxation RM'000
As forecast	20,222	13,518
Increase by 5%	16,436	10,674
Increase by 10%	12,651	7,829
Decrease by 5%	24,007	16,362
Decrease by 10%	27,792	19,207

The Directors have assessed the sensitivity of the profit estimate of the Fotronics Group taking into consideration of the fluctuation in major variables as mentioned above. The Directors are of the view that the Fotronics Group insofar as the achievement of the profit estimate is concerned, is sensitive to fluctuation in selling price and raw material price.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

11. FINANCIAL INFORMATION *(cont'd)*

11.4 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE

(Prepared for inclusion in this Prospectus)

Deloitte.

23 December 2004

The Board of Directors
Fotronics Corporation Berhad
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Malaysia

P. O. Box 10093
50704 Kuala Lumpur
Malaysia

Tel : +60(3) 77236500, 77261833
Fax : +60(3) 77263986, 77268986
myaaa@deloitte.com
www.deloitte.com.my

Dear Sirs,

**FOTRONICS CORPORATION BERHAD ("Fotronics")
CONSOLIDATED PROFIT ESTIMATE FOR THE FINANCIAL YEAR ENDING 31 MARCH
2005**

We have reviewed the accounting policies and calculations for the consolidated profit estimate of Fotronics and its subsidiary companies ("Fotronics Group") for the financial year ending 31 March 2005, for which the Directors are solely responsible, as set out in the accompanying statements (stamped by us for purpose of identification), prepared for inclusion in the Prospectus of Fotronics in connection with the listing of and quotation for the entire issued and paid-up share capital of Fotronics on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") as follows:

- a) Acquisition by Fotronics of 6,000,000 ordinary shares of RM1.00 each in Futek Malaysia Sdn. Bhd., representing the entire issued and paid-up share capital therein, for a total purchase consideration of RM1,285,663 satisfied by the issuance of 12,856,630 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM0.10 per share;
- b) Acquisition by Fotronics of 5,000,000 ordinary shares of SGD1.00 each in M-Precision Centre Pte. Ltd. ("MPC"), representing the entire issued and paid-up share capital therein, for a total purchase consideration of RM13,937,695 satisfied by the issuance of 139,376,950 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM0.10 per share;
- c) Acquisition by Fotronics of 3,306,000 ordinary shares of HKD1.00 each in Vtrek Precision Centre (HK) Pte. Limited, representing 60% of the issued and paid-up share capital therein, for a total purchase consideration of RM157,039 satisfied by cash, upon completion of the acquisition of MPC;
- d) Public issue of 50,745,000 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM1.00 per share; and
- e) Listing of and quotation for the entire issued and paid-up share capital of Fotronics of RM20,297,860 comprising 202,978,600 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Securities.

Audit. Tax. Consulting. Financial Advisory.

Member of
Deloitte Touche Tohmatsu

11. FINANCIAL INFORMATION *(cont'd)*

Deloitte KassimChan

23 December 2004
Fotronics Corporation Berhad
Page No. 2

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

In our opinion, the abovementioned consolidated profit estimate, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of assumptions made by the Directors as set out in the accompanying statements, and are presented on a basis consistent with the accounting policies adopted by Fotronics Group.

This report has been prepared solely for inclusion in the Prospectus of Fotronics in connection with the abovementioned exercises and should not be used for any other purpose without our written consent.

Yours very truly,



DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants



ROSITA TAN
1874/9/06 (J)
Partner

Enclosure

11. FINANCIAL INFORMATION (cont'd)

Fotronics

WWW.FOTRONICS.COM

Fotronics Corporation Berhad (640352-A)
Suite 3A.01, Level 3A
Wisma E & C, 2 Lorong Dungun Kiri
Damansara Heights, 50490 Kuala Lumpur
Tel: [603] 2715 1138 Fax: [603] 2715 1135

23 December 2004

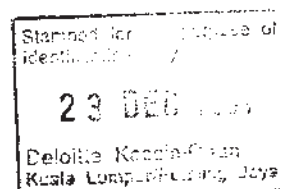
**FOTRONICS CORPORATION BERHAD ("Fotronics")
CONSOLIDATED PROFIT ESTIMATE FOR THE FINANCIAL YEAR ENDING 31 MARCH
2005**

The Directors of Fotronics estimate that, barring unforeseen circumstances, the consolidated profit after tax of Fotronics and its subsidiary companies ("Fotronics Group") for the financial year ending 31 March 2005 will be as follows:

	RM'000
Revenue	<u>101,609</u>
Consolidated profit before tax	20,222
Income tax expense	<u>(2,986)</u>
Consolidated profit after tax but before minority interest	17,236
Minority interest	<u>(3,719)</u>
Consolidated profit for the year	13,517
Less: Pre-acquisition profit ¹	<u>(5,349)</u>
Consolidated profit attributable to shareholders	8,168
Less: Dividends ²	<u>(2,030)</u>
Unappropriated profit	<u>6,138</u>

¹ The acquisitions of Futek Malaysia Sdn. Bhd., M-Precision Centre Pte. Ltd. and Vtrek Precision Centre (HK) Pte. Limited were completed on 20 August 2004. As such, the pre-acquisition profit relates to the period 1 April 2004 to 19 August 2004.

² Proposed tax-exempt dividends of RM0.01 per ordinary share, based on the enlarged issued and paid-up share capital of Fotronics of RM20,297,860 comprising 202,978,600 ordinary shares of RM0.10 each.



11. FINANCIAL INFORMATION *(cont'd)*

Principal Bases and Assumptions

The principal bases and assumptions upon which the consolidated profit estimate have been prepared, are set out below. Nevertheless, in light of the current Malaysian and regional economic environment, certain assumptions, including interest and exchange rates, may differ significantly should the economic situation differs significantly from the date of this letter.

1. The following schemes are expected to be completed by end of January 2005:
 - a) Public issue of 50,745,000 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM1.00 per share; and
 - b) Listing of and quotation for the entire issued and paid-up share capital of Fotronics of RM20,297,860 comprising 202,978,600 ordinary shares of RM0.10 each on the MESDAQ Market of Bursa Malaysia Securities Berhad.
2. There will be no significant changes to the prevailing economic and political conditions in Malaysia and overseas that will have direct or indirect effects on the activities or performance of Fotronics Group and the business of Fotronics Group's major customers and suppliers.
3. There will be no significant changes in the present legislation or government regulations, rates and bases of duties, levies and taxes, which will adversely affect the activities of Fotronics Group or the countries in which it operates.
4. There will be no significant fluctuations in foreign currency exchange and inflation rates from their present levels, which would adversely affect the activities and operations of Fotronics Group.
5. There will be no significant changes in the prices of materials used in operations, labour, overheads and trading goods.
6. There will be no significant changes in the customer demand, selling prices, product sales mix and market growth other than estimated by Fotronics Group.
7. There will be no major industrial disputes, labour shortages or any abnormal factors or changes both domestic and overseas, which will adversely affect Fotronics Group's operations or sales at their estimated levels or disrupt their planned operations.
8. There will be no material changes in the principal activities and structure of Fotronics Group.
9. Fotronics Group will have adequate manpower resources to keep abreast with rapid changes in technology standards and requirements and changes in customer demands to support its estimate growth in business.
10. There will be no significant changes in the present management structure, key personnel, ownership and, operating and accounting policies adopted by Fotronics Group. In this connection, the consolidated estimated results of Fotronics Group were prepared using the acquisition method of accounting.
11. Existing and future financial facilities will remain available and that the level of interest rates will not change materially from those presently prevailing.
12. There will be no material acquisitions or disposals of property, plant and equipment or investments other than those already budgeted for.

Stamp of the Director of the Company 23 DEC 2004 Datuk A. K. M. Yusoff Kuala Lumpur / Kuala Lumpur

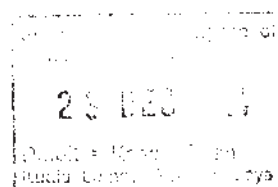
11. FINANCIAL INFORMATION (cont'd)

13. There will be no significant changes involving key customers and suppliers, which will adversely affect the activities of Fotronics Group or the markets in which it operates.
14. The demand for the products sold by Fotronics Group will be in line with the estimated level and Fotronics Group will be able to maintain the current profit margins on its products.
15. There will be no major delays or cost overruns in the upgrading and capital expenditure program of Fotronics Group, which will adversely affect the activities of Fotronics Group or the markets in which it operates.
16. Fotronics Group will not be engaged in any material litigation and there will be no legal proceedings, which will adversely affect its activities or performance or give rise to any additional contingent liabilities, which will materially affect the operation or business.
17. Licenses issued by the authorities shall remain effective and renewable under the same present conditions for the continual operations of Fotronics Group. Vtrek Precision Industry Co. Ltd., a subsidiary company of Fotronics, will be able to fulfill the licensing requirements in China to enable it to operate.
18. The estimated results for the financial year ending 31 March 2005 included the estimated results of its extended manufacturing and assembling operations in Ningbo, China. The extended business operations will be involved in the manufacturing of mobile phone and mobile phone modules assembling and will enable Fotronics Group to move its operations in China downstream from its existing lens modules. The estimated results are based solely on the Directors' assumptions. The successful setting up of this operation would have a significant impact on the revenue and profit after tax estimated for Fotronics Group as a whole.
19. Listing expenses are estimated to be approximately RM3.0 million and will be set-off against the share premium.
20. Fotronics will receive dividends from its subsidiary companies, MPC and Fotronics Incorporated (S) Pte. Ltd., as estimated. Fotronics will have sufficient tax-exempt income to declare tax-exempt dividends.

Signed on behalf of the Board
in accordance with a resolution of the Directors,



SEAH BAK SENG
Executive Director



11. FINANCIAL INFORMATION *(cont'd)*

11.5 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 JULY 2004 AND THE REPORTING ACCOUNTANTS' LETTER THEREON

(Prepared for inclusion in this Prospectus)

Deloitte.

23 December 2004

The Board of Directors
Fotronics Corporation Berhad
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia

Deloitte KassimChan (AF 0080)
Chartered Accountants
Level 19, Uptown 1
1 Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Malaysia

P. O. Box 10093
50704 Kuala Lumpur
Malaysia

Tel : +60(3) 77236500, 77261833
Fax : +60(3) 77263986, 77268986
myaaa@deloitte.com
www.deloitte.com.my

Dear Sirs,

**FOTRONICS CORPORATION BERHAD ("Fotronics")
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF 31 JULY 2004**

We have reviewed the presentation of the proforma consolidated balance sheets of Fotronics and its subsidiary companies ("Fotronics Group") as of 31 July 2004, for which the Directors are solely responsible, as set out in the accompanying statements (stamped by us for purpose of identification), prepared for inclusion in the Prospectus of Fotronics in connection with the listing of and quotation for the entire issued and paid-up share capital of Fotronics on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") as follows:

- a) Acquisition by Fotronics of 6,000,000 ordinary shares of RM1.00 each in Futek Malaysia Sdn. Bhd., representing the entire issued and paid-up share capital therein, for a total purchase consideration of RM1,285,663 satisfied by the issuance of 12,856,630 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM0.10 per share;
- b) Acquisition by Fotronics of 5,000,000 ordinary shares of SGD1.00 each in M-Precision Centre Pte. Ltd. ("MPC"), representing the entire issued and paid-up share capital therein, for a total purchase consideration of RM13,937,695 satisfied by the issuance of 139,376,950 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM0.10 per share;
- c) Acquisition by Fotronics of 3,306,000 ordinary shares of HKD1.00 each in Vtrek Precision Centre (HK) Pte. Limited, representing 60% of the issued and paid-up share capital therein, for a total purchase consideration of RM157,039 satisfied by cash, upon completion of the acquisition of MPC;
- d) Public issue of 50,745,000 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM1.00 per share; and
- e) Listing of and quotation for the entire issued and paid-up share capital of Fotronics of RM20,297,860 comprising 202,978,600 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Securities.

11. FINANCIAL INFORMATION (cont'd)

Deloitte KassimChan


23 December 2004
Fotronics Corporation Berhad
Page No. 2

In our opinion:

- (a) the proforma consolidated balance sheets have been properly compiled on the bases and assumptions as stated in the notes to the proforma consolidated balance sheets;
- (b) such bases and assumptions are consistent with the accounting policies of Fotronics Group; and
- (c) the adjustments as explained in Note 3 to the proforma consolidated balance sheets are appropriate for the purposes of the proforma consolidated balance sheets.

This report has been prepared solely for inclusion in the Prospectus of Fotronics in connection with the abovementioned exercises and should not be used for any other purpose without our written consent.

Yours very truly,


DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants


ROSITA TAN
1874/9/06 (J)
Partner

Enclosure

11. FINANCIAL INFORMATION (cont'd)

Fotronics

WWW.FOTRONICS.COM

Fotronics Corporation Berhad (640352-A)

Suite 3A.01, Level 3A
Wisma E & C, 2 Lorong Dungun Kiri
Damansara Heights, 50490 Kuala Lumpur
Tel: [603] 2715 1138 Fax: [603] 2715 1135

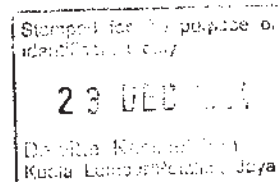
23 December 2004

**FOTRONICS CORPORATION BERHAD ("Fotronics")
PROFORMA CONSOLIDATED BALANCE SHEETS AS OF 31 JULY 2004**

The proforma consolidated balance sheets as set out below are prepared for illustrative purpose only to show the effects on the consolidated financial statements of Fotronics as of 31 July 2004 had the listing of and quotation for the entire issued and paid-up share capital of Fotronics on the MESDAQ Market of Bursa Malaysia Securities Berhad been completed on that date, and should be read in conjunction with the accompanying notes to the proforma consolidated balance sheets.

	Audited Consolidated Financial Statements as of 31 July 2004	<i>Proforma I</i> After Acquisitions of Subsidiary Companies	<i>Proforma II</i> After Proforma I, Public Issue and Utilisation of Proceeds
<i>(RM'000 unless otherwise stated)</i>			
Property, plant and equipment	-	15,684	45,904
Deferred tax assets	-	1,431	1,431
Current Assets			
Inventories	-	2,271	2,271
Trade receivables	-	5,634	5,634
Other receivables, deposits and prepayments	1,456	2,135	2,135
Cash and bank balances	886	15,130	25,691
	<u>2,342</u>	<u>25,170</u>	<u>35,731</u>
Current Liabilities			
Trade payables	-	3,940	2,980
Other payables and accruals	2,466	2,075	2,075
Amount owing to a shareholder of a subsidiary company	-	138	138
Amount owing to directors of subsidiary companies	91	291	291
Hire-purchase payables - current portion	-	34	34
Bank borrowings	-	2,005	-
Tax liabilities	-	434	434
	<u>2,557</u>	<u>8,917</u>	<u>5,952</u>

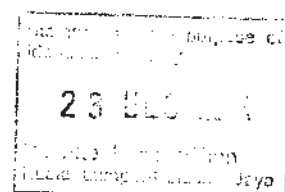
(Forward)



11. FINANCIAL INFORMATION (cont'd)

	Audited Consolidated Financial Statements as of 31 July 2004	Proforma I After Acquisitions of Subsidiary Companies	Proforma II After Proforma I, Public Issue and Utilisation of Proceeds
<i>(RM'000 unless otherwise stated)</i>			
Net Current (Liabilities)/Assets	(215)	16,253	29,779
Long-term and Deferred Liabilities			
Hire-purchase payables - non-current portion	-	42	42
Deferred tax liabilities	-	23	23
	-	(65)	(65)
Minority interests	-	(7,403)	(7,403)
Net (Liabilities)/Assets	<u>(215)</u>	<u>25,900</u>	<u>69,646</u>
Represented by:			
Issued share capital	- *	15,223	20,298
Share premium	-	-	42,671
Translation reserve	2	2	2
Reserve on consolidation	-	10,892	10,892
Accumulated loss	(217)	(217)	(4,217)
(Capital Deficiency)/ Shareholders' Fund	<u>(215)</u>	<u>25,900</u>	<u>69,646</u>
Number of ordinary shares in issue ('000)	- *	152,234	202,979
Net tangible assets per ordinary share (sen)	-	16.1	33.6

* This represents RM2 comprising 20 ordinary shares of RM0.10 each in Fotronics.



11. FINANCIAL INFORMATION (cont'd)**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS****1. BASIS OF PREPARATION**

- a) The proforma consolidated balance sheets have been prepared for illustrative purpose only based on the audited financial statements of:
- Fotronics and its wholly-owned subsidiary company, Fotronics Incorporated (S) Pte. Ltd., for the financial period 1 April 2004 to 31 July 2004;
 - Futek Malaysia Sdn. Bhd. ("FMSB") and its wholly-owned subsidiary company, Future Technology Sdn. Bhd., for the financial period 1 April 2004 to 31 July 2004;
 - M-Precision Centre Pte. Ltd. ("MPC") for the financial period 1 April 2004 to 31 July 2004; and
 - Vtrek Precision Centre (HK) Pte. Limited ("Vtrek (HK)"), a 60% owned subsidiary company of MPC, and its wholly owned subsidiary company, Vtrek Precision Industry Co. Ltd., for the financial period 1 April 2004 to 31 July 2004.
- b) The proforma consolidated balance sheets have been prepared based on accounting policies consistent with those previously adopted in the preparation of the statutory financial statements of its subsidiary companies.

2. BASIS OF CONSOLIDATION

The financial statements of the subsidiary companies have been consolidated using the acquisition method of accounting. All significant intercompany balances and transactions are eliminated on consolidation.

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary companies have been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at closing rate
Issued share capital and reserves	- at historical rate

Differences in exchange arising from the translation of the results of those companies at the average exchange rate, are taken to translation reserve account.

Reserve on consolidation represents the excess of the fair value attributable to the related net assets of the subsidiary companies at the date of acquisition over the cost of Fotronics's investment in the subsidiary companies.

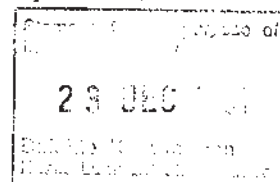
3. PROFORMA CONSOLIDATED BALANCE SHEETS

The proforma consolidated balance sheets incorporate on a proforma basis the following transactions as though they were effected as of 31 July 2004.

Proforma I

Proforma I incorporates the acquisition of the following:

- a) Acquisition by Fotronics of 6,000,000 ordinary shares of RM1.00 each in FMSB, representing the entire issued and paid-up share capital therein, for a total purchase consideration of RM1,285,663 satisfied by the issuance of 12,856,630 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM0.10 per share;



11. FINANCIAL INFORMATION (cont'd)

- b) Acquisition by Fotronics of 5,000,000 ordinary shares of SGD1.00 each in MPC, representing the entire issued and paid-up share capital therein, for a total purchase consideration of RM13,937,695 satisfied by the issuance of 139,376,950 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM0.10 per share; and
- c) Acquisition by Fotronics of 3,306,000 ordinary shares of HKD1.00 each in Vtrek (HK), representing 60% of the issued and paid-up share capital therein, for a total purchase consideration of RM157,039 satisfied by cash upon completion of the acquisition of MPC.

Proforma II

Proforma II incorporates the effects of Proforma I, the public issue of 50,745,000 new ordinary shares of RM0.10 each in Fotronics at an issue price of RM1.00 per share and the proposed utilisation of proceeds from the public issue.

4. PROCEEDS FROM PUBLIC ISSUE

The gross proceeds from the public issue amounting to approximately RM50,745,000 are assumed to be included in the cash and bank balances and will be utilised as follows:

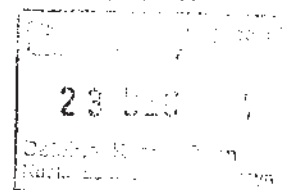
	RM'000
a) Capital expenditure	25,120
b) Working capital	9,525
c) Research and development	
- Capital expenditure	5,100
- Revenue expenditure	4,000
d) Repayment of bank borrowings	4,000
e) Estimated listing expenses	3,000
	<u>50,745</u>

5. SHARE CAPITAL

The movements in issued and paid-up share capital are as follows:

	RM'000
As of 31 July 2004	
Fotronics's issue and paid-up share capital	- *
Issue of 152,233,580 new ordinary shares of RM0.10 each for the acquisitions of FMSB and MPC	<u>15,223</u>
As shown in Proforma I	15,223
Public issue of 50,745,000 new ordinary shares of RM0.10 each	<u>5,075</u>
As shown in Proforma II	<u>20,298</u>

* This represents RM2 comprising 20 ordinary shares of RM0.10 each in Fotronics.



11. FINANCIAL INFORMATION (cont'd)

6. SHARE PREMIUM

The movements in share premium account are as follows:

	RM'000
As of 31 July 2004	
Share premium arising from the public issue of 50,745,000 new ordinary shares of RM0.10 each at an issue price of RM1.00 per share	45,671
Less: Estimated listing expenses	<u>(3,000)</u>
As shown in Proforma II	<u>42,671</u>

Signed on behalf of the Board
in accordance with a resolution of the Directors,



SEAH BAK SENG
Executive Director

