

## 10. ACCOUNTANTS' REPORT

*(Prepared for inclusion in the Prospectus)*



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The Board of Directors  
Opcom Holdings Berhad  
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21 November 2003

Dear Sirs

This report has been prepared by Messrs. KPMG, an approved company auditor, for inclusion in the Prospectus to be dated 3 December 2003 in connection with the public issue of 26,000,000 new ordinary shares of RM0.20 each in Opcom Holdings Berhad (“Opcom” or the “Company”) at an issue price of RM0.80 per ordinary share and the listing of and quotation for its entire enlarged issued and paid-up share capital on the Kuala Lumpur Stock Exchange (“KLSE”) MESDAQ Market.

## 1 General information

### 1.1 Background

Opcom, formerly known as Opcom Holdings Sdn Bhd, was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 7 November 1994. On 13 May 2003, the Company converted its status to a public limited company, for the purpose of the listing exercise as detailed in Note 1.3.

The principal activity of Opcom is renting of building and investment holding.

### 1.2 Share capital

As at the date of incorporation, Opcom’s authorised share capital was RM100,000 consisting of 100,000 ordinary shares of RM1.00 each. At that date, its issued and paid-up share capital was RM2 consisting of 2 subscribers’ shares of RM1.00 each.

The authorised share capital was increased from RM100,000 to RM5,000,000 by the creation of 4,900,000 new ordinary shares of RM1.00 each on 20 January 1995. Subsequently on 2 June 1997, the authorised share capital was further increased from RM5,000,000 to RM25,000,000 by the creation of 20,000,000 new ordinary shares of RM1.00 each.

At the date of this report, the issued and paid-up share capital of Opcom is RM12,000,000 consisting of 60,000,000 ordinary shares of RM0.20 each.



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association.



**10. ACCOUNTANTS' REPORT (Cont'd)**

The details of the changes in the issued and fully paid-up share capital of Opcom since its incorporation are as follows:

Date of allotment	Number of ordinary shares	Par value RM	Issue price per ordinary share RM	Purpose	Total issued and paid up share capital RM
7 November 1994	2	1.00	1.00	Subscribers' shares	2
20 January 1995	1,499,998	1.00	1.00	Working capital	1,500,000
12 July 1995	3,500,000	1.00	1.00	Working capital	5,000,000
2 June 1997	7,000,000	1.00	1.00	Working capital	12,000,000
10 November 2003	-	0.20	0.20	Sub division of shares	12,000,000

Upon completion of the public issue and placement, the issued and paid-up share capital of Opcom would be increased to RM17,200,000 comprising 86,000,000 ordinary shares of RM0.20 each.

**1.3 Listing scheme**

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of Opcom on the KLSE MESDAQ Market, Opcom will undertake the following scheme: -

- Sub-division of the existing ordinary shares of 12,000,000 of RM1.00 each into 60,000,000 of RM0.20 each;
- The public issue of 26,000,000 new ordinary shares of RM0.20 each at an issue price of RM0.80 per ordinary shares comprising of 1,000,000 new ordinary shares of RM0.20 each available for application by the Malaysian public, 17,000,000 new ordinary shares of RM0.20 each for private placement and 8,000,000 new ordinary shares of RM0.20 each available for application by eligible directors and employees and business associates of Opcom and its subsidiary companies ("Opcom Group"); and
- Listing of and quotation for the entire enlarged issued and paid-up share capital in Opcom comprising of 86,000,000 ordinary shares of RM0.20 each on the KLSE MESDAQ Market.

The above scheme was approved by:

- Securities Commission ("SC") on 27 October 2003;
- Ministry of International Trade and Industry ("MITI") on 21 August 2003;
- Foreign Investment Committee ("FIC") on 27 October 2003; and
- Shareholders of the Company at an Extraordinary General Meeting held on 10 November 2003.

**10. ACCOUNTANTS' REPORT (Cont'd)****1.4 Information on subsidiary companies**

As at the date of this report, the subsidiary companies of Opcom Group, all of which are incorporated in Malaysia under the Companies Act, 1965. The details of the subsidiary companies at the date of this report and their principal activities are as follows.

Company	Date of incorporation	Share capital		Effective interest %	Principal activities
		Authorised RM	Issued and paid-up RM		
<b>Subsidiary companies</b>					
Opcom Cables Sdn Bhd ("OCSB")	7 November 1994	22,000,000	16,000,000	70.0	Manufacturing fiber optic cables and systems
Opcom Niaga Sdn. Bhd. ("ONSB")	14 August 1997	100,000	100,000	100.0	Supply of fiber optic cables and other related accessories

**1.5 Financial statements and auditors**

The present financial year end of the Opcom Group is 31 March. KPMG have acted as auditors for all the companies for all the financial years/period covered by this report.

The auditors' reports of the companies within the Opcom Group for all the relevant financial years/period under review were not subject to any modification or qualification.

**10. ACCOUNTANTS' REPORT (Cont'd)****2 Financial performance****2.1 Consolidated results**

We set out below the summarised consolidated results of the Opcom Group for the past five (5) financial years ended 31 March 1999 to 2003 and financial period ended 30 September 2003. The results are prepared based on the audited financial statements of all companies within the Group, after making the necessary adjustments. The following results are to be read in conjunction with the notes thereto:

	<-----Year ended 31 March----->					6 month period ended 30 September
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	28,549	31,964	31,544	39,802	46,042	37,631
Earnings before interest, depreciation, taxation and amortisation ("EBIDTA")	6,308	6,275	6,033	9,087	14,910	13,811
Depreciation	(2,019)	(2,107)	(2,012)	(2,324)	(2,530)	(1,287)
Interest expense	(604)	(155)	(43)	(44)	(4)	-
Operating profit	3,685	4,013	3,978	6,719	12,376	12,524
Exceptional item	-	-	-	-	-	-
Profit before taxation	3,685	4,013	3,978	6,719	12,376	12,524
Taxation	(115)	(832)	(808)	(823)	(3,531)	(4,498)
Profit after taxation	3,570	3,181	3,170	5,896	8,845	8,026
Minority interest	(6)	(303)	(410)	(1,438)	(2,015)	(1,879)
Profit after taxation and minority interest	3,564	2,878	2,760	4,458	6,830	6,147
Number of ordinary shares of RM1.00 each in issue ('000)	12,000	12,000	12,000	12,000	12,000	12,000
Earnings per share (sen)						
- Gross	30.66	30.92	29.73	44.01	86.34	88.71
- Net	29.70	23.98	23.00	37.15	56.92	51.23

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**10. ACCOUNTANTS' REPORT (Cont'd)**

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**2.1 Consolidated results (continued)**

*Notes:*

- i) The Group tax charge was low for the financial year ended 31 March 1999 as business income was not subject to tax in view of the tax waiver year for 1999. Taxation provided in 1999 was in respect of interest income received from 1 April 1998 to 31 December 1998.

The effective tax rates of the Group for the financial years ended 31 March 2000, 2001 and 2002 were lower than the statutory tax rate due to utilisation of investment tax allowances by a subsidiary.

The effective tax rates of the Group for the financial year ended 31 March 2003 and the period ended 30 September 2003 were higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

- ii) There were no exceptional or extraordinary items during the financial years/period under review.

**2.2 Notes to the consolidated results**

**2.2.1 Basis of accounting**

The proforma consolidated results of the Opcom Group for the past five (5) financial years ended 31 March 2003 and financial period ended 30 September 2003 have been prepared in compliance with applicable approved accounting standards in Malaysia.

**2.2.2 Basis of consolidation**

The consolidated results of the Opcom Group for the past five (5) financial years ended 31 March 2003 and financial period ended 30 September 2003 have been prepared based on the audited financial statements of all companies within the Opcom Group for the years/period under review, after the making necessary adjustments.

**2.2.3 Earnings per share**

Gross earnings per share has been calculated based on profit before taxation after minority interest and net earnings per share has been calculated based on profit attributable to shareholders of the Company over the weighted average number of ordinary shares in issue during the financial years/period.

**10. ACCOUNTANTS' REPORT (Cont'd)****2.2.4 Dividend**

Details of dividends declared or paid by Opcom and its subsidiary companies for the past five (5) financial years ended 31 March 2003 and financial period ended 30 September 2003, are as follows:

***Opcom Holdings Berhad***

	<b>Dividend rate</b>	<b>Net Dividend</b>
	%	RM'000
31 March 1999	10.0 (tax exempt)	1,200
31 March 2000	20.0	1,728
	3.8 (tax exempt)	456
31 March 2001	35.0	3,024
31 March 2002	20.0	1,728
31 March 2003	5.0	432
	31.8 (tax exempt)	3,816
30 September 2003	-	-

***Opcom Cables Sdn. Bhd.***

	<b>Dividend rate</b>	<b>Net Dividend</b>
	%	RM'000
31 March 1999	-	-
31 March 2000	-	-
31 March 2001	-	-
31 March 2002	-	-
31 March 2003	0.7	81
	34.0 (tax exempt)	5,440
30 September 2003	-	-

***Opcom Niaga Sdn. Bhd.***

	<b>Dividend rate</b>	<b>Net Dividend</b>
	%	RM'000
31 March 1999	240,000 (tax exempt)	1,200
31 March 2000	1,300	936
	230 (tax exempt)	230
31 March 2001	1,050	756
31 March 2002	800	576
31 March 2003	800	576
30 September 2003	-	-

**2.3 Opcom Group – proforma balance sheets**

Proforma balance sheets of Opcom Group has been presented in respect of 30 September 2003 based on the latest audited statement of asset and liabilities as at 30 September 2003 as shown in Section 3 of this Report.

**10. ACCOUNTANTS' REPORT (Cont'd)****2.4 Opcom****Historical performance**

The following financial information of Opcom was extracted from the audited financial statements of Opcom for the five (5) financial years ended 31 March 1999 to 2003 and financial period ended 30 September 2003.

**2.4.1 Summary of results**

	<----- Year ended 31 March ----->					6 month period ended 30 September
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,466	4,331	2,904	3,924	7,093	1,059
EBIDTA	1,849	3,515	2,092	3,044	5,989	370
Depreciation	(360)	(445)	(412)	(456)	(514)	(257)
Interest expense	(231)	-	-	-	-	-
Profit before taxation	1,258	3,070	1,680	2,588	5,475	113
Taxation	(64)	(834)	(535)	(794)	(569)	(12)
Profit after taxation	1,194	2,236	1,145	1,794	4,906	101
Number of ordinary shares of RM1.00 each in issue at year/period end ('000)	12,000	12,000	12,000	12,000	12,000	12,000
Earnings per share (RM)						
- Gross	0.10	0.26	0.14	0.22	0.46	0.01
- Net	0.10	0.19	0.10	0.15	0.41	0.01

**Notes:**

- i) Taxation provided in 1999 was in respect of interest income received from 1 April 1998 to 31 December 1998. No taxation was provided for business income in 1999 in view of the tax waiver in 1999 pursuant to the Income Tax (Amendment) Act, 1999.

The effective tax rates for the financial years ended 31 March 2001 and 2002 were higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes.

The effective tax rates for the financial years ended 31 March 2000 and 2003 were lower than the statutory tax rate due to the receipt of tax exempt dividends from its subsidiary.

The effective tax rate for the financial period ended 30 September 2003 was lower than the statutory tax rate due to utilisation of capital allowances carried forward.

- ii) There were no extraordinary or exceptional items for the financial years/period under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****2.4.2 Summarised balance sheets**

	←----- 31 March ----->					30 September
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant & equipment	21,185	21,198	20,696	20,442	20,285	20,057
Investments in subsidiaries	11,200	11,300	11,300	11,300	11,300	11,300
Current assets						
Other receivables, deposits and prepayments	57	78	58	73	205	486
Amount due from subsidiaries	-	-	-	-	4,145	2
Amount due from affiliated companies	735	1,033	152	133	257	-
Deposits placed with a licensed bank	37	39	140	491	32	40
Cash and bank balances	88	226	86	83	388	262
	917	1,376	436	780	5,027	790
Less: Current liabilities						
Other payables and accruals	(788)	(1,019)	(798)	(777)	(789)	(930)
Amount due to subsidiaries	(895)	(2,476)	(699)	(232)	-	-
Amount due to affiliated companies	(6,510)	(6,511)	(501)	(375)	(419)	-
Amount due to a corporate shareholder	(1,224)	-	(12)	(919)	(1,261)	(1,254)
Amount due to Directors	(8,625)	(7,102)	(14,631)	(16,148)	(17,357)	(17,357)
Proposed dividends	(1,200)	(2,184)	-	-	-	-
Dividend payables	-	-	-	-	(4,248)	-
Taxation	(565)	(1,042)	(1,092)	(562)	(33)	-
	(19,807)	(20,334)	(17,733)	(19,013)	(24,107)	(19,541)
Net current liabilities	(18,890)	(18,958)	(17,297)	(18,233)	(19,080)	(18,751)
	13,495	13,540	14,699	13,509	12,505	12,606
Financed by :-						
Share capital	12,000	12,000	12,000	12,000	12,000	12,000
Retained profits	1,235	1,287	2,432	1,202	132	233
Shareholders' funds	13,235	13,287	14,432	13,202	12,132	12,233
Deferred taxation	260	253	267	307	373	373
	13,495	13,540	14,699	13,509	12,505	12,606
Number of ordinary shares of RM1.00 each in issue at year/period end ('000)	12,000	12,000	12,000	12,000	12,000	12,000
Net tangible assets ("NTA") (RM'000)	13,235	13,287	14,432	13,202	12,132	12,233
NTA per ordinary share (RM)	1.10	1.11	1.20	1.10	1.01	1.02



**10. ACCOUNTANTS' REPORT (Cont'd)****2.5 OCSB****Historical performance**

The following financial information of OCSB was extracted from the audited financial statements of OCSB for the five (5) financial years ended 31 March 1999 to 2003 and financial period ended 30 September 2003.

**2.5.1 Summary of results**

	<----- Year ended 31 March ----->					6 month period ended
	1999	2000	2001	2002	2003	30 September 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	13,634	25,220	26,298	36,851	35,696	27,032
EBIDTA	2,266	2,815	3,019	6,518	11,109	10,982
Depreciation	(1,659)	(1,655)	(1,592)	(1,679)	(1,792)	(920)
Interest expense	(604)	(155)	(43)	(44)	(4)	-
Profit before taxation	3	1,005	1,384	4,795	9,313	10,062
Taxation	-	(4)	-	(20)	(2,596)	(3,800)
Profit after taxation	3	1,001	1,384	4,775	6,717	6,262
Number of ordinary shares of RM1.00 each in issue at year/period end ('000)	16,000	16,000	16,000	16,000	16,000	16,000
Earnings per share (RM)						
- Gross	-	0.06	0.09	0.30	0.58	0.63
- Net	-	0.06	0.09	0.30	0.42	0.39

**Notes:**

i)

No taxation was provided for in 1999 as income earned was waived from tax pursuant to the Income Tax (Amendment) Act, 1999.

The effective tax rates for the financial years ended 31 March 2000, 2001 and 2002 were lower than the statutory tax rate due to utilisation of investment tax allowances and unabsorbed business losses.

The effective tax rate for the financial period ended 30 September 2003 was higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes.

ii)

There were no extraordinary or exceptional items for the financial years/period under review.

**10. ACCOUNTANTS' REPORT (Cont'd)****2.5.2 Summarised balance sheets**

	←----- 31 March ----->					30 September
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant & equipment	10,382	8,876	8,084	7,608	6,312	5,709
Current assets						
Inventories	6,222	5,439	4,865	5,524	4,874	2,518
Trade receivables	242	741	318	1,893	302	100
Other receivables, deposits and prepayments	536	509	752	547	560	752
Amount due from affiliated companies	-	37	-	-	-	146
Amount due from a related company	11,306	8,550	4,724	14,483	13,483	24,200
Amount due from holding company	3,862	3,025	352	-	-	-
Deposits placed with a licensed bank	-	-	5,400	650	13,100	11,600
Cash and bank balance	1	1	812	967	1,256	2,060
	22,169	18,302	17,223	24,064	33,575	41,376
Less: Current liabilities						
Trade payables	(128)	(291)	(135)	(407)	(516)	(2,251)
Other payables and accruals	(1,468)	(4,157)	(2,428)	(2,436)	(3,148)	(5,950)
Amount due to holding company	-	-	-	(139)	(49)	-
Amount due to affiliated companies	(280)	(298)	(1)	(197)	(13)	-
Amount due to a corporate shareholder	(5,627)	(803)	(2,980)	(2,452)	(2,858)	(1,404)
Borrowings	(7,636)	(3,242)	-	(1,503)	-	-
Dividend payable	-	-	-	-	(5,521)	-
Taxation	(10)	(8)	-	-	(990)	(4,426)
	(15,149)	(8,799)	(5,544)	(7,134)	(13,095)	(14,031)
Net current assets	7,020	9,503	11,679	16,930	20,480	27,345
	17,402	18,379	19,763	24,538	26,792	33,054

**10. ACCOUNTANTS' REPORT (Cont'd)****2.5.3 Summarised balance sheets (continued)**

	←----- 31 March ----->					30 September
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financed by :-						
Share capital	16,000	16,000	16,000	16,000	16,000	16,000
Retained profits	1,378	2,379	3,763	8,538	9,734	15,996
Shareholders' funds	17,378	18,379	19,763	24,538	25,734	31,996
Borrowings	24	-	-	-	-	-
Deferred taxation	-	-	-	-	1,058	1,058
	17,402	18,379	19,763	24,538	26,792	33,054
Number of ordinary shares of RM1.00 each in issue at year/period end ('000)						
	16,000	16,000	16,000	16,000	16,000	16,000
Net tangible assets ("NTA") (RM'000)	17,378	18,379	19,763	24,538	25,734	31,996
NTA per ordinary share (RM)	1.09	1.15	1.24	1.53	1.61	2.00

**10. ACCOUNTANTS' REPORT (Cont'd)****2.6 ONSB****Historical performance**

The following financial information of ONSB was extracted from the audited financial statements of ONSB for the five (5) financial years ended 31 March 1999 to 2003 and financial period ended 30 September 2003.

**2.6.1 Summary of results**

	←----- Year ended 31 March ----->					6 month period ended
	1999	2000	2001	2002	2003	30 September 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	26,890	29,486	22,084	31,005	39,918	36,976
EBIDTA	2,187	2,279	944	1,295	3,154	3,133
Depreciation	-	(7)	(13)	(189)	(223)	(110)
Interest expense	(784)	(804)	-	-	-	-
Profit before taxation	1,403	1,468	931	1,106	2,931	3,023
Taxation	(51)	(358)	(273)	(303)	(836)	(875)
Profit after taxation	1,352	1,110	658	803	2,095	2,148
Number of ordinary shares of RM1.00 each in issue at year/period end ('000)	*	100	100	100	100	100
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	*	39	100	100	100	100
Earnings per share (RM)						
- Gross	2,806.00	37.64	9.31	11.06	29.31	30.23
- Net	2,704.00	28.46	6.58	8.03	20.95	21.48

\* Number of ordinary share of RM1.00 each is 500

**Notes:**

- i) Taxation provided in 1999 was in respect of interest income received from 1 April 1998 to 31 December 1998. No taxation was provided for business income in 1999 in view of the tax waiver in 1999 pursuant to the Income Tax (Amendment) Act, 1999.

The effective tax rates for the financial years ended 31 March 2000 and 2002 were slightly lower than the statutory tax rate due to utilisation of capital allowances. The effective tax rates for the financial years ended 31 March 2001 and 2003 were higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes.

The effective tax rate for the financial period ended 30 September 2003 was higher than the statutory tax rate due to certain expenses being disallowed for taxation purposes.

**10. ACCOUNTANTS' REPORT (Cont'd)**

- ii) There were no extraordinary or exceptional items for the financial years/period under review.

**2.6.2 Summarised balance sheets**

	←----- 31 March ----->					30 September
	1999	2000	2001	2002	2003	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant & equipment	-	19	31	547	503	407
Current assets						
Inventories	-	-	-	4,491	4,626	3,446
Trade receivables	-	542	-	2,818	-	-
Other receivables	6	-	1	1	6	10
Amount due from an affiliated company	11,983	8,550	5,029	6,446	9,868	23,055
Amount due from holding company	-	617	347	371	345	-
Deposits placed with a licensed bank	3,150	650	200	850	800	1,800
Cash and bank balances	19	3	115	21	55	169
	15,158	10,362	5,692	14,998	15,700	28,480
Less: Current liabilities						
Other payables and accruals	(13)	(32)	(11)	(5)	(8)	(7)
Amount due to a related company	(11,306)	(8,550)	(4,724)	(14,483)	(13,483)	(24,199)
Amount due to affiliated companies	-	(3)	(13)	(14)	(24)	-
Amount due to holding company	(1,771)	-	-	-	-	(2)
Proposed dividend	(1,200)	(1,166)	-	-	-	-
Dividend payable	-	-	-	-	(576)	-
Taxation	(691)	(409)	(95)	(42)	(139)	(558)
	(14,981)	(10,160)	(4,843)	(14,544)	(14,230)	(24,766)
Net current assets	177	202	849	454	1,470	3,714
	177	221	880	1,001	1,973	4,121
Financed by: -						
Share capital	**	100	100	100	100	100
Retained profits	177	121	780	827	1,770	3,918
Shareholders' funds	177	221	880	927	1,870	4,018
Deferred taxation	-	-	-	74	103	103
	177	221	880	1,001	1,973	4,121
Number of ordinary shares of RM1.00 each in issue at year/period end ('000)	***	100	100	100	100	100
Net tangible assets ("NTA") (RM'000)	177	221	880	927	1,870	4,018
NTA per ordinary share (RM)	354.00	2.21	8.80	9.27	18.70	40.18

\*\* Share capital is RM500

\*\*\* Number of ordinary shares of RM1.00 each is 500.

**10. ACCOUNTANTS' REPORT (Cont'd)****3 Statement of assets and liabilities**

The following statement of assets and liabilities of Opcom Group as at 30 September 2003 are prepared for illustrative purposes only and are based on the audited financial statements of Opcom and the audited financial statements of its subsidiary companies as at 30 September 2003, on the basis that the Opcom Group under the scheme as detailed in Note 1.3 and the utilisation of listing proceeds had been effected on 30 September 2003. These proforma statements should be read in conjunction with the notes thereto:

	Note	Audited Group RM'000	Proforma Group RM'000
Property, plant and equipment	3.2	26,174	37,728
Current assets			
Inventories	3.3	4,696	4,696
Trade and other receivables	3.4	1,347	1,347
Amount due from affiliated companies	3.5	23,200	23,200
Cash and cash equivalents	3.6	15,932	23,678
		45,175	52,921
Current liabilities			
Trade and other payables	3.7	(11,796)	(11,796)
Amount due to Directors	3.8	(17,357)	(17,357)
Taxation		(4,983)	(4,983)
		(34,136)	(34,136)
Net current assets		11,039	18,785
		-----	-----
		37,213	56,513
		=====	=====
FINANCED BY:			
Share capital	3.9	12,000	17,200
Share premium	3.10	-	14,100
Reserves		14,269	14,269
		-----	-----
Shareholders' funds		26,269	45,569
Minority interest		9,599	9,599
Deferred taxation		1,345	1,345
		-----	-----
		37,213	56,513
		=====	=====
Net tangible assets per share (RM)		2.19	0.53

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**10. ACCOUNTANTS' REPORT (Cont'd)**

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**3.1 Notes to the statement of assets and liabilities**

**3.1.1 Basis of preparation of proforma financial statements**

The financial statements of the Proforma Group and the Company have been prepared in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

**3.1.2 Summary of significant accounting policies**

The following accounting policies are adopted by the Proforma Group and the Company and are consistent with those adopted in previous years.

**(a) Basis of consolidation**

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

**10. ACCOUNTANTS' REPORT (Cont'd)****(b) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

***Depreciation***

Long term leasehold land is amortised on a straight line basis over the length of the lease of 75 years.

The straight line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Building	2.0%
Furniture and fittings	5.0% - 10.0%
Motor vehicle	20.0%
Office equipment	10.0%
Computer equipment	25.0%
Plant and machinery	10.0%
Renovation	20.0%
Tools and equipment	10.0%

**(c) Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses (refer note 3.1.11).

Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 20 years.

**(d) Investments in subsidiaries**

Long term investments in subsidiaries are stated at cost in the Company, less impairment loss where applicable.

**(e) Inventories**

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value, determined on a standard costing basis. Variances in standard costs are charged to cost of production. For work-in-progress and finished goods, cost consists of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

**(f) Trade and other receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts.



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**10. ACCOUNTANTS' REPORT (Cont'd)**

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**(g) Affiliated company**

An affiliated company is a company in which the Directors of the Company have substantial equity interest.

**(h) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

**(i) Impairment**

The carrying amount of the Group's assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

**(j) Provisions**

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

**10. ACCOUNTANTS' REPORT (Cont'd)****(k) Liabilities**

Borrowings and trade and other payables are stated at cost.

**(l) Income Tax**

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**(m) Foreign currency**

Transactions in foreign currencies are translated into Ringgit Malaysia at rates approximating those ruling at transaction dates. Monetary assets and liabilities in foreign currencies are translated into Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising from translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

	<b>30.9.2003</b>	<b>31.3.2003</b>
	<b>RM</b>	<b>RM</b>
USD	3.8300	3.8300
SEK	-	0.4528
GBP	-	6.0320
CHF	-	2.8081
SGD	-	2.1695

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**10. ACCOUNTANTS' REPORT (Cont'd)**

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**(n) Revenue**

*i) Goods sold*

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

*ii) Dividend income*

Dividend income is recognised when the right to receive payment is established.

*iii) Interest income*

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

*iv) Rental income*

Rental income is recognised in the income statement as it accrues.

**(o) Finance costs**

All interest and other costs incurred in connection with borrowings are expensed as incurred.

**10. ACCOUNTANTS' REPORT (Cont'd)****3.2 Property, plant and equipment – Audited Group**

<b>Audited Group At 30 September 2003</b>	<b>Cost RM'000</b>	<b>Accumulated depreciation RM'000</b>	<b>Net book value RM'000</b>
Building	9,520	1,398	8,122
Furniture and fittings	649	179	470
Motor vehicles	287	171	116
Office equipment	218	80	138
Computer equipment	1,978	1,361	617
Plant and machinery	16,461	11,449	5,012
Renovation	623	362	261
Tools equipment	4	1	3
Long term leasehold land	12,609	1,174	11,435
	<b>42,349</b>	<b>16,175</b>	<b>26,174</b>

**Property, plant and equipment – Proforma Group**

<b>Proforma Group At 30 September 2003</b>	<b>Cost RM'000</b>	<b>Accumulated depreciation RM'000</b>	<b>Net book value RM'000</b>
Building	9,520	1,398	8,122
Furniture and fittings	649	179	470
Motor vehicles	287	171	116
Office equipment	218	80	138
Computer equipment	1,978	1,361	617
Plant and machinery	16,461	11,449	5,012
Renovation	623	362	261
Tools equipment	4	1	3
Long term leasehold land	12,609	1,174	11,435
	<b>42,349</b>	<b>16,175</b>	<b>26,174</b>
Add Proposed capital expenditure	11,554	-	11,554
	<b>53,903</b>	<b>16,175</b>	<b>37,728</b>

**10. ACCOUNTANTS' REPORT (Cont'd)****3.3 Inventories**

	<b>Audited Group/ Proforma Group RM'000</b>
Raw materials	1,949
Work-in-progress	187
Finished goods	2,560
	<u>4,696</u>

**3.4 Trade and other receivables**

	<b>Audited Group/ Proforma Group RM'000</b>
Trade receivables	100
Other receivables, deposits and prepayments	1,247
	<u>1,347</u>

Included in the Audited Group and Proforma Group's other receivables, deposits and prepayments are excess taxes paid amounting to RM48,000, which are refundable subject to agreement by Inland Revenue Board.

**3.5 Amount due from affiliated companies**

The amount due from affiliated companies is trade related, unsecured and subject to interest of 7.25% per annum chargeable on overdue balances.

**3.6 Cash and cash equivalents**

	<b>Audited Group RM'000</b>	<b>Proforma Group RM'000</b>
Cash and bank balances	2,492	10,238
Deposits placed with a licensed bank	13,440	13,440
	<u>15,932</u>	<u>23,678</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****3.7 Trade and other payables**

	<b>Audited Group/ Proforma Group RM'000</b>
Trade payables	2,251
Other payables and accrued expenses	9,545
	11,796

Included in the Group's other payables and accrued expenses is an amount due to a corporate shareholder of RM1,254,000.

The amount due to a corporate shareholder is unsecured, interest free and has no fixed terms of repayment.

**3.8 Amount due to Directors**

The amount due to Directors are unsecured, bears interest of 3% per annum with effect from 1 April 2005 and is repayable within 5 years.

**3.9 Share capital**

	<b>Audited Group RM'000</b>	<b>Proforma Group RM'000</b>
<i>Authorised</i>	25,000	25,000
<i>Par value (RM)</i>	1.00	0.20
<i>Issued and fully paid:</i>		
At 30 September 2003	12,000	12,000
Public issue of 1,000,000 new ordinary shares at an issue price of RM0.80 per ordinary share	-	200
Placement of 17,000,000 new ordinary shares at an issue price of RM0.80 per ordinary share	-	3,400
Placement of 8,000,000 new ordinary shares at an issue price of RM0.80 per ordinary shares	-	1,600
	12,000	17,200

**10. ACCOUNTANTS' REPORT (Cont'd)****3.10 Share premium**

	<b>Proforma Group RM'000</b>
Public issue of 1,000,000 new ordinary shares at an issue price of RM0.80 per ordinary share	600
Placement of 17,000,000 new ordinary shares at an issue price of RM0.80 per ordinary share	10,200
Placement of 8,000,000 new ordinary shares at an issue price of RM0.80 per ordinary shares	4,800
Less: Estimated listing expenses	(1,500)
	<u>14,100</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****3.11 Proforma consolidation cash flow statements**

The cash flow statements of the Group and the Proforma Group set out below are based on the audited financial statements of Opcom and the audited financial statements of its subsidiary companies for the period ended 30 September 2003, on the basis that the Opcom Group under the scheme as detailed in Note 1.3 and the utilisation of listing proceeds had been effected on 30 September 2003.

	<b>6 month period ended 30 September 2003</b>	
	<b>Audited Group RM'000</b>	<b>Proforma Group RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	12,524	12,524
Adjustments for:		
Depreciation	1,287	1,287
Interest income	(162)	(162)
Inventories written down	1,342	1,342
Operating profit before working capital changes	14,991	14,991
(Increase)/Decrease in working capital		
Inventories	2,867	2,867
Trade and other receivables	(284)	(284)
Amount due from affiliated companies	(13,530)	(13,530)
Trade and other payables	1,560	1,560
Cash generated from operations	5,604	5,604
Income tax paid	(856)	(856)
<b>Net cash generated from operating activities</b>	<b>4,748</b>	<b>4,748</b>
<b>Cash flows from investing activities</b>		
Acquisition of additional shares in a subsidiary company from minority shareholders	*	*
Interest received	162	162
Purchase of property, plant and equipment	(361)	(361)
Proposed capital expenditure	-	(11,554)
<b>Net cash used in investing activities</b>	<b>(199)</b>	<b>(11,753)</b>

\* Acquisition of additional shares in a subsidiary company from minority shareholders is RM2.00



**10. ACCOUNTANTS' REPORT (Cont'd)****3.11 Proforma consolidation cash flow statements (continued)**

	<b>6 month period ended 30 September 2003</b>	
	<b>Audited Group RM'000</b>	<b>Proforma Group RM'000</b>
<b>Cash flows from financing activities</b>		
Proceeds from private placement	-	13,600
Proceeds from placement to eligible Directors, employees and business associates	-	6,400
Proceeds from public issue	-	800
Dividend paid	(4,248)	(4,248)
Estimated listing expenses	-	(1,500)
Net cash (used in)/generated from financing activities	<u>(4,248)</u>	<u>15,052</u>
<b>Net increase in cash and cash equivalents</b>	301	8,047
Cash and cash equivalents at beginning of period	15,631	15,631
Cash and cash equivalents at end of period	<u>15,932</u>	<u>23,678</u>

Notes to proforma consolidated cashflow statement

(i) Cash and cash equivalents comprise:

Cash and bank balances	2,492	10,238
Deposits placed with a licensed bank	13,440	13,440
	<u>15,932</u>	<u>23,678</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****3.12 Proforma NTA cover**

Based on the statement of assets and liabilities of the Proforma Opcom Group as at 30 September 2003, the NTA cover will be as follows:

	<b>Proforma Group RM'000</b>
NTA per statement of assets and liabilities of the Proforma Group as at 30 September 2003	45,569
Number of ordinary shares of RM0.20 each assumed in issue by the Proforma Group as at 30 September 2003	86,000
Proforma NTA cover per ordinary share of RM0.20 each (RM)	0.53

**3.13 Contingent liabilities**

At 30 September 2003, the Group has contingent liabilities as follows:

	<b>RM'000</b>
Performance bond issued to a customer	77
Bank guarantee issued to the local authority	2
Bank guarantee issued to utilities supplier	40
	119

**3.14 Audited financial statements**

No audited financial statements have been drawn up for any period subsequent to 30 September 2003.

Yours faithfully

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

**Mohamed Raslan Abdul Rahman**  
Partner  
Approval Number: 1825/5/05(J)

**11. DIRECTORS' REPORT**

*(Prepared for inclusion in the Prospectus)*



**OPCOM HOLDINGS BERHAD (322661-W)**

11, Jalan Utas 15/7

40200 Shah Alam

Selangor Darul Ehsan

Tel : 03-55195599 Fax : 03-55196063

**27 NOV 2003**

The Shareholders of  
Opcom Holdings Berhad ("Opcom")  
19A, Jalan Tun Mohd Fuad 3  
Taman Tun Dr. Ismail  
60000 Kuala Lumpur

Dear Sir/Madam,

On behalf of the Board of Directors, I wish to report after due enquiry that between the period from 30 September 2003 (being the date to which the last audited accounts of the Company and its subsidiaries ("Group") has been made up) to the date hereof (being a date not earlier than 14 days before the issuance of this Prospectus), that: -

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 9.4(iv) of this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or any of its subsidiary or associated companies; and
- (e) in the opinion of the Directors, they are not aware of since the last audited accounts of the Group where, any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and
- (f) save as disclosed in the "Proforma Consolidated Balance Sheets" and the "Accountants' Report" of this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited accounts of the Group.

Yours faithfully,  
For and on behalf of the Board of Directors  
**Opcom Holdings Berhad**

A handwritten signature in black ink, appearing to read "Mukhriz", written over a horizontal line.

**Dato' Mukhriz Mahathir**  
Director