

## 13.0 ACCOUNTANTS' REPORT



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### SUNWAY INFRASTRUCTURE BERHAD ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus to be dated 13 November 2003)

10 November 2003

The Board of Directors  
Sunway Infrastructure Berhad  
Level 16, Menara Sunway  
Jalan Lagoon Timur  
Bandar Sunway  
46150 Petaling Jaya  
Selangor Darul Ehsan

Gentlemen

#### 1. INTRODUCTION

This report has been prepared by Ernst & Young as an approved company auditor in connection with the listing and quotation of the entire enlarged ordinary share capital of the Company on the Main Board of the Kuala Lumpur Stock Exchange.

Details of the Restructuring and Listing Exercise are described in Section 6.2 of the Prospectus.

#### 2. GENERAL INFORMATION

##### 2.1 Incorporation

The Company was incorporated on 14 October 1996 as a private limited company in Malaysia under the Companies Act, 1965, in the name of SILK Concessionaire Holdings Sdn. Bhd. It was converted to a public limited company on 16 November 2001 and assumed its present name on 14 February 2002.

##### 2.2 Share Capital

At the date of incorporation, the Company had an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each with an issued and paid-up share capital of RM2.00.

During the year ended 31 December 2001, the authorised share capital of the Company was increased from RM100,000 to RM1,000,000,000 by the creation of an additional 999,900,000 new ordinary shares of RM1.00 each.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)



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## 2. GENERAL INFORMATION (CONTD.)

## 2.2 Share Capital (Contd.)

At an Extraordinary General Meeting held on 30 August 2002, a special resolution was passed to divide the Company's authorised share capital of RM1,000,000,000 comprising of 1,000,000,000 ordinary shares of RM1.00 each into 2,000,000,000 ordinary shares of RM0.50 each. Accordingly, the two ordinary shares of RM1.00 each then in issue were divided into four ordinary shares of RM0.50 each.

On 9 September 2002, the issued and fully paid up share capital of the Company was increased from RM2 to RM60,000,002 upon the issue of 120,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per share in consideration for the acquisition of Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. ("SILK").

## 2.3 Principal Activities

The Company is an investment holding company.

The details of the subsidiary companies, both of which are incorporated in Malaysia, are as follows:-

Name of Company	Effective equity interest %	Date of incorporation	Paid-up capital RM
<u>Incorporated in Malaysia:-</u>			
SILK	100	20 December 1995	120 million*
Salient Million Sdn. Bhd. ("SM"), a subsidiary of SILK	100	24 May 2001	2

\* Issued and paid-up share capital of RM120,000,000 comprising 120,000,000 ordinary shares of RM1.00 each.

The principal activity of SILK is the construction of the Kajang Traffic Dispersal Ring Road ("Ring Road") which involves the upgrading and widening of existing roads, and the design and construction of a new alignment, and thereafter its operation, including deriving toll revenue and maintenance, for 33 years (the concession period was extended from 33 years to 36 years pursuant to the Supplemental Concession Agreement). SILK has not commenced toll collection.

The intended principal activity of SM is that of undertaking housing development for eligible residents whose dwellings are or were located on the land on which the Ring Road is constructed or are affected by the construction of the Ring Road.

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**2. GENERAL INFORMATION (CONTD.)**

**2.4 Award of Concession**

On 8 October 1997, SILK signed a Concession Agreement with the Government of Malaysia pertaining to the privatisation of the Kajang Traffic Dispersal Ring Road ("Ring Road"). By virtue of the Concession Agreement, SILK is responsible for the construction of the Ring Road which involves the upgrading and widening of existing roads, and the design and construction of a new alignment and thereafter its operation, including deriving toll revenue and maintenance, for 33 years (this was subsequently extended to 36 years as described below).

The Ring Road has been designed to be a 37 km highway linking major population centres in the south-eastern corridor of the Klang Valley. It has been designed to function as a major urban road linking major towns within the Kajang District, i.e. Balakong, Sungai Long, Bangi, Kajang, Putrajaya and Serdang. It will also serve to complete the regional linkages to the south-eastern corridor of the Klang Valley.

On 1 August 2001, SILK entered into a Supplemental Concession Agreement with the Government of Malaysia, pursuant to which the concession period was extended from 33 years to 36 years. At the end of the concession period, SILK is to hand over all rights and responsibilities with respect to the Ring Road to the Government.

**2.5 Stages of Completion of The Ring Road**

The stages of completion of the various stretches of the Ring Road as at 30 June 2003, were as follows:-

- (i) Government Funded Stretch 1 (5 kilometers) - 100.0%
- (ii) Government Funded Stretch 2 (11 kilometers) - 62.8%
- (iii) SILK Funded Stretch (21 kilometers) - 41.6%

### 13.0 ACCOUNTANTS' REPORT *(Cont'd)*

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#### 3.0 AUDITORS

We have acted as auditors of the Company and its subsidiaries for all financial periods relevant to this report. The financial statements of the Company and all its subsidiaries for the financial periods under review have been reported on without qualification, and our Auditors' Reports thereon did not include any emphasis of matter.

#### 4.0 BASIS OF ACCOUNTING

The financial statements included in this report, which are the responsibility of the directors of the Company, have been prepared in accordance with applicable Approved Accounting Standards in Malaysia.

The Company had been dormant since its incorporation until the acquisition of SILK during the financial year ended 31 December 2002, upon which the Company became an investment holding company. The consolidated financial statements in respect of the Group set out in the following sections are based on the audited financial statements of the Company, SILK and SM for the financial years ended 31 December 1998 to 31 December 2002 and the six month financial period ended 30 June 2003, and in accordance with the principles of merger accounting as disclosed in Section 9.1(b) of this report, have been presented on the basis that their combination had been in effect throughout the periods under review.

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## 5.0 INCOME STATEMENTS

## 5.1 The Group

	←	Year ended 31 December				→	6 months to 30 June 2003
		1998	1999	2000	2001		
Note		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE		-	-	-	-	-	-
OTHER NON-OPERATING INCOME		-	-	-	-	-	445
ADMINISTRATION EXPENSES		-	-	(118)	(1,161)	(3,201)	(1,623)
LOSS FROM OPERATIONS	9.3	-	-	(118)	(1,161)	(3,201)	(1,178)
FINANCE COSTS	9.4	-	-	-	-	(54)	(54)
LOSS BEFORE TAXATION		-	-	(118)	(1,161)	(3,255)	(1,232)
TAXATION	9.5	-	-	-	281	775	(806)
LOSS FOR THE PERIOD		-	-	(118)	(880)	(2,480)	(2,038)
Number of ordinary shares in issue at the end of period ('000)		- ^	- ^	- ^	- ^	120,000	120,000
Weighted average number of ordinary shares in issue during the period ('000)		5,000	5,000	5,000	46,589	120,000	120,000
Net loss per share (RM)		-	-	(0.02)	(0.02)	(0.02)	(0.02)

^ Share capital of RM2.00 comprising 4 ordinary shares of RM0.50 each

There were no extraordinary items in respect of the financial periods under review.

The calculation of loss per share in respect of the Group is based on the loss for the respective periods and on the weighted average of ordinary shares in issue during the respective periods. The weighted average number of shares for the financial periods takes account of the division on 30 August 2002 referred to in Section 9.12, and the retrospective effects of the combination completed during that financial period (see Section 9.1(b)).

The income statements of the Group should be read in conjunction with the accompanying notes.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)



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## 5.0 INCOME STATEMENTS (CONTD.)

## 5.2 The Company

## INCOME STATEMENTS

		← Year ended 31 December →					6 months to 30
	Note	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	June 2003 RM'000
REVENUE		-	-	-	-	-	-
ADMINISTRATION EXPENSES		-	-	(5)	(2)	(13)	(3)
LOSS FROM OPERATIONS	9.3	-	-	(5)	(2)	(13)	(3)
FINANCE COSTS	9.4	-	-	-	-	(54)	(54)
LOSS BEFORE TAXATION		-	-	(5)	(2)	(67)	(57)
TAXATION	9.5	-	-	-	-	-	-
LOSS FOR THE PERIOD		-	-	(5)	(2)	(67)	(57)

There were no extraordinary items in respect of the financial periods under review.

The income statements of the Company should be read in conjunction with the accompanying notes.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 6.0 BALANCE SHEETS

## 6.1 The Group

Note	As at 31 December				As at 30	
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	June 2003 RM'000
9.6	-	-	-	1,299	1,375	1,207
9.7	34,684	55,436	109,276	150,797	397,310	592,180
9.8	-	-	-	1,711	2,486	1,680
	49	56	-	-	-	-
<b>CURRENT ASSETS</b>						
9.9	1	1	2	83,632	54,462	50,482
	-	-	-	506,050	413,000	239,336
	13	54	30	1,327	665	10,376
	14	55	32	591,009	468,127	300,194
<b>CURRENT LIABILITIES</b>						
9.10	37	7,860	38,771	22,748	84,444	77,257
9.11	-	-	-	-	1,236	1,290
	-	-	-	1,430	1,430	1,430
	37	7,860	38,771	24,178	87,110	79,977





## 13.0 ACCOUNTANTS' REPORT (Cont'd)



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## 6.0 BALANCE SHEETS (CONTD.)

## 6.2 The Company

		← As at 31 December →					As at
	1998	1999	2000	2001	2002	30 June	
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>SUBSIDIARY COMPANIES</b>							
	-	-	-	-	60,000	60,000	
<b>DEFERRED EXPENDITURE</b>							
	3	4	-	-	-	-	
<b>CURRENT ASSETS</b>							
Receivables and prepayments	9.9	-	-	69	1,258	1,269	
Cash and bank balances		-	-	-	55	50	
		-	-	69	1,313	1,319	
<b>CURRENT LIABILITIES</b>							
Payables and accruals	9.10	3	4	5	76	13	
Amounts due to corporate shareholders	9.11	-	-	-	-	1,236	
Amount due to subsidiary company		-	-	-	-	138	
		3	4	5	76	1,387	
<b>NET CURRENT LIABILITIES</b>		(3)	(4)	(5)	(7)	(74)	
		-	-	(5)	(7)	59,926	
<b>FINANCED BY:-</b>							
<b>SHARE CAPITAL</b>	9.12	-	-	-	-	60,000	
<b>ACCUMULATED LOSS</b>		-	-	(5)	(7)	(74)	
		-	-	(5)	(7)	59,926	
		-	-	(5)	(7)	59,869	

^ Share capital of RM2.00 comprising of 4 ordinary shares of RM0.50 each

The balance sheets of the Company should be read in conjunction with the accompanying notes.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)



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## 7.0 STATEMENTS OF CHANGES IN EQUITY

## 7.1 Group

	Share Capital RM'000	Capital Reserve RM'000	Merger Reserve RM'000	Accumulated Loss RM'000	Total RM'000
At 1 January 1998	- ^	5,000	-	-	5,000
Result for the period	-	-	-	-	-
At 31 December 1998	- ^	5,000	-	-	5,000
Result for the period	-	-	-	-	-
At 31 December 1999	- ^	5,000	-	-	5,000
Loss for the period	-	-	-	(118)	(118)
At 31 December 2000	- ^	5,000	-	(118)	4,882
Increase in capital reserve in respect of increase in share capital by SILK	-	115,000	-	-	115,000
Loss for the period	-	-	-	(880)	(880)
At 31 December 2001	- ^	120,000	-	(998)	119,002
Reclassification of capital reserve upon combination with SILK in 2002	60,000	(120,000)	60,000	-	-
Loss for the period	-	-	-	(2,480)	(2,480)
At 31 December 2002	60,000	-	60,000	(3,478)	116,522
Loss for the period	-	-	-	(2,038)	(2,038)
At 30 June 2003	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>(5,516)</u>	<u>114,484</u>

^ Share capital of RM2.00 comprising of 4 ordinary shares of RM0.50 each

## 13.0 ACCOUNTANTS' REPORT (Cont'd)



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## 7.0 STATEMENTS OF CHANGES IN EQUITY (CONTD.)

## 7.2 The Company

	Share Capital RM'000	Accumulated Loss RM'000	Total RM'000
At 1 January 1998	- ^	-	-
Result for the period	-	-	-
At 31 December 1998	- ^	-	-
Result for the period	-	-	-
At 31 December 1999	- ^	-	-
Loss for the period	-	(5)	(5)
At 31 December 2000	- ^	(5)	(5)
Loss for the year	-	(2)	(2)
At 31 December 2001	- ^	(7)	(7)
Acquisition of subsidiary company	60,000	-	60,000
Loss for the period	-	(67)	(67)
At 31 December 2002	60,000	(74)	59,926
Loss for the period	-	(57)	(57)
At 30 June 2003	<u>60,000</u>	<u>(131)</u>	<u>59,869</u>

^ Share capital of RM2.00 comprising of 4 ordinary shares of RM0.50 each

## 7.3 Dividends

No dividend has been paid or declared by the Company and its subsidiaries during the financial periods under review.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 8.0 CASH FLOW STATEMENTS

## 8.1 Group

	Year ended 31 December				6 months to	
	1998	1999	2000	2001	2002	30 June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Loss before taxation	-	-	(118)	(1,161)	(3,255)	(1,232)
Adjustments for: -						
Deferred expenditure written off	-	-	56	-	-	-
Depreciation of property, plant and equipment	-	-	-	58	335	181
Interest expense	-	-	-	-	54	54
Operating loss before working capital changes	-	-	(62)	(1,103)	(2,866)	(997)
Working capital changes:-						
Receivables	-	-	1	(80,069)	(1,186)	(11)
Payables	29	7,823	1,199	(16,023)	61,695	(7,186)
Net cash generated from/(used in) operating activities	29	7,823	1,138	(97,195)	57,643	(8,194)

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 8.0 CASH FLOW STATEMENTS (CONTD.)

## 8.1 Group (Contd.)

	Year ended 31 December				As at 30 June 2003 RM'000	
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000		
					2002 RM'000	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Additions of property, plant and equipment (Note a)	-	-	-	(1,357)	(411)	(13)
Payment of deferred expenditure	(3)	(7)	-	-	-	-
Expressway development expenditure	(34)	(20,752)	(53,840)	(165,382)	(260,779)	(209,756)
Net cash used in investing activities	(37)	(20,759)	(53,840)	(166,739)	(261,190)	(209,769)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from issue of ordinary shares	-	-	-	115,000	-	-
Advances from corporate shareholders	-	-	-	-	1,236	54
Proceeds from BAIDS Islamic Financing Facility	-	-	-	579,496	-	-
Proceeds from Government Grant	-	-	-	74,100	92,914	47,165
Interest received	-	-	-	2,685	15,739	6,845
Interest paid	-	-	-	-	(54)	(54)
Advances from a third party	-	12,977	52,678	-	-	-
Net cash generated from financing activities	-	12,977	52,678	771,281	109,835	54,010

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 8.0 CASH FLOW STATEMENTS (CONTD.)

## 8.1 Group (Contd.)

	Year ended 31 December				As at 30	
	1998	1999	2000	2001	2002	June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents	(8)	41	(24)	507,347	(93,712)	(163,953)
Cash and cash equivalents at the beginning of the period	21	13	54	30	507,377	413,665
Cash and cash equivalents at the end of the period (Note b)	13	54	30	507,377	413,665	249,712

## Note

- a) Additions of property, plant and equipment during the period were fully acquired by way of cash.
- b) Cash and cash equivalents comprise the following balance sheet amounts:-

	As at 31 December				As at 30	
	1998	1999	2000	2001	2002	June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Short term deposits with financial institutions	-	-	-	506,050	413,000	239,336
Cash and bank balances	13	54	30	1,327	665	10,376
	13	54	30	507,377	413,665	249,712

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 8.0 CASH FLOW STATEMENTS (CONTD.)

## 8.2 Company

	Year ended 31 December				As at 30 June 2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Loss before taxation	-	-	(5)	(2)	(67)
Adjustment for: -					
Interest expense	-	-	-	-	54
Operating loss before working capital changes	-	-	(5)	(2)	(13)
Working capital changes:-					
Subsidiary company					3
Receivables				(69)	(1,189)
Payables			5	71	72
Net cash used in operating activities	-	-	-	-	(1,127)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Advances from corporate shareholders	-	-	-	-	1,236
Interest paid	-	-	-	-	(54)
Net cash generated from financing activities	-	-	-	-	1,182

13.0 ACCOUNTANTS' REPORT (Cont'd)

8.0 CASH FLOW STATEMENTS (CONTD.)

8.2 Company (Contd.)

	Year ended 31 December				As at 30 June 2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	55
Cash and cash equivalents at the beginning of the period	-	-	-	-	-
Cash and cash equivalents at the end of the period	-	-	-	-	55

^ Cash in hand of RM2



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9.0 NOTES TO THE FINANCIAL STATEMENTS

9.1 SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Accounting**

The financial statements of the Group and of the Company are prepared under the historical cost convention.

The financial statements comply with applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board ("MASB").

During the financial period ended 30 June 2003, the Group adopted the following MASB Standards for the first time:-

MASB 27 : Borrowing Costs

MASB 29 : Employee Benefits

The adoption of MASB 27 and MASB 29 have not given rise to any adjustments to the opening balances of accumulated losses or to changes in comparatives; the effects on the results for six month period ended 30 June 2003 are not material.

(b) **Subsidiary Companies and Basis of Consolidation**

A subsidiary company is defined as an investee company where the Company holds, directly or indirectly, more than 50% equity interest and/or has the power to govern the financial and operating policies of the investee company so as to obtain benefits from its activities.

Investments in subsidiary companies are stated at cost in the financial statements of the Company. Dividend income from investments in subsidiary companies is accounted for in the Company's income statement as and when declared.

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies. All significant inter-company transactions are eliminated on consolidation and the consolidated financial statements include external transactions only.

The acquisition of the subsidiary company, Sistem Lingkaran-Lebuhraya Kajang Sdn. Bhd. ("SILK") during financial year ended 2002 was satisfied entirely by the issue of shares in the Company, and has been accounted for by application of the principles of merger accounting. By the merger method of accounting, the results of the Company and its subsidiary companies are presented as if the companies have been in combination throughout the current and previous financial years. The difference between the cost of acquisition over the nominal value of the share capital of the subsidiary company acquired is classified as merger reserve.

Details of the subsidiary companies are set out in Section 9.2.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)



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## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

## (c) Depreciation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation, and are depreciated over their estimated useful lives on a straight line basis. The principal annual rates of depreciation used are as follows:-

Motor vehicles	20%
Furniture, fittings, computer and office equipment	10% to 33 1/3%

## (d) Expressway Development Expenditure and Borrowing Costs on BAIDS Islamic Financing Facility

Expressway Development Expenditure ("EDE") comprises development expenditure, upgrading expenditure (including borrowing costs on the BAIDS Islamic Financing Facility during the period of construction, net of interest income) incurred in connection with the Concession less Grants from the Government for construction and related development costs, if any. The cumulative actual expenditure incurred is to be amortised upon commencement of tolling operations, to each balance sheet date over the Concession Period based on the following formula:-

$$\frac{\text{Cumulative Toll Revenue to date}}{\text{Projected Total Toll Revenue of The Concession}} \times \text{Cumulative Actual EDE}$$

The projected total toll revenue of the Concession is to be based on the "base case" traffic volumes projected by an independent professional firm of traffic consultants in their study commissioned by SILK, taking into account the minimum toll rates as provided for in the Concession Agreement.

In the application of these accounting policies, the effects of any change in estimates in a financial period will be included in the amortisation for that period.

## (e) Deferred Taxation

Tax effect accounting is applied by the balance sheet liability method and taxable temporary differences are recognised. Where such temporary differences give rise to net deferred tax benefits, these are recognised when it is probable that taxable profits will be available in the future against which the deferred tax benefits can be utilised.

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9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

9.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) **Employee Benefits**

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(g) **Cash and Cash Equivalents**

Cash and cash equivalents as stated in the cash flow statements represent cash and bank balances, fixed deposits and other short term highly liquid investments that are readily convertible into cash with insignificant risk of changes in value.

(h) **Financial Instruments**

Financial assets and financial liabilities carried on the balance sheet include cash and bank balances, trade and other receivables, payables and borrowings.

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument. Financial instruments are classified as liabilities or equity in accordance with the substance of the respective contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)



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## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.2 GENERAL

The registered office is located at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business is located at No. 30-2, Jalan SB Dagang 4/2, Taman Sungei Besi Indah, 43300 Sri Kembangan, Selangor Darul Ehsan.

The financial statements are expressed in Ringgit Malaysia.

The Group had 20 (31.12.2002 : 17) employees as at the end of the financial period.

The Company did not have any employees as at the end of the financial period.

Details of subsidiary companies which are incorporated in Malaysia are as follows:-

<i>Subsidiary of the Company</i>	<b>Group's Effective Interest %</b>
SILK	100

On 8 October 1997, SILK signed a Concession Agreement with the Government of Malaysia pertaining to the privatisation of the Kajang Traffic Dispersal Ring Road (the "Ring Road"). By virtue of the Concession Agreement, SILK is responsible for the construction of the Ring Road which involves the upgrading and widening of existing roads, and the design and construction of a new alignment and thereafter its operation, including deriving toll revenue and maintenance, for 33 years.

On 1 August 2001, SILK entered into a Supplemental Concession Agreement with the Government of Malaysia pursuant to which the concession period was extended from 33 years to 36 years. The Ring Road is currently under construction, and SILK has not commenced toll collection.

<i>Subsidiary of SILK</i>	<b>Group's Effective Interest %</b>
Salient Million Sdn. Bhd. ("SM")	100

The intended principal activity of SM is that of undertaking housing development for eligible residents whose dwellings are or were located on the land on which the Ring Road is constructed or are affected by the construction of the Ring Road.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.3 LOSS FROM OPERATIONS

Group	Year ended 31 December					6 months to 30 June 2003
	1998	1999	2000	2001	2002	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
This is stated after charging / (crediting):-						
Audit fees						
- current period	-	-	6	7	10	5
- underprovision in prior year	-	-	-	-	1	-
Depreciation of property, plant and equipment	-	-	-	58	335	181
Office rental	-	-	-	40	96	48
Preliminary and pre-operating expenses written off	-	-	56	2	-	-
Staff costs	-	-	-	747	1,745	1,019
Net licence fee	-	-	-	-	-	(446)

## Company

This is stated after charging:-

Audit fees						
- current period	-	-	1	1	4	2
Preliminary and pre-operating expenses	-	-	4	-	-	-

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.4 FINANCE COSTS

## Group / Company

Finance costs pertain to interest charged by corporate shareholders.

## 9.5 TAXATION

## Group

	Year ended 31 December			6 months to		
	1998	1999	2000	2001	2002	30 June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
- Current	-	-	-	1,430	-	-
- Deferred	-	-	-	(1,711)	(775)	806
	-	-	-	(281)	(775)	806

Malaysia taxation based on results for the financial period:

There was no tax charge for the three financial years ended 31 December 1998 to 31 December 2000 as the Group did not have any chargeable income.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.5 TAXATION (CONTD.)

## Group (Contd.)

The reconciliations of income tax expense applicable to loss before taxation at the statutory income tax rate, to income tax expense at the effective income tax rate of the Group are as follows:-

	Year ended 31 December				6 months to	
	1998	1999	2000	2001	2002	30 June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Loss before taxation	-	-	(118)	(1,161)	(3,255)	(1,232)
Taxation at Malaysian statutory rate of 28%	-	-	(33)	(325)	(911)	(345)
Expenses not deductible for tax purposes, at 28%	-	-	33	44	136	1,151
Tax expense for the period	-	-	-	(281)	(775)	806

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.5 TAXATION (CONTD.)

**Company**

There was no tax charge in respect of the Company for the financial periods under review, as the Company did not have any chargeable income.

The reconciliations of income tax expense applicable to loss before taxation at the statutory income tax rate, to income tax expense at the effective income tax rate of the Company are as follows:-

	← Year ended 31 December		→ 6 months to	
	1998	2000	2001	30 June 2003
	RM'000	RM'000	RM'000	RM'000
Loss before taxation	-	(5)	(2)	(67)
Taxation at Malaysian statutory rate of 28%	-	(1)	(1)	(16)
Expenses not deductible for tax purposes, at 28%	-	1	1	16
Tax expense for the period	-	-	-	-



## 13.0 ACCOUNTANTS' REPORT (Cont'd)



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## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.6 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RM'000	Furniture, fittings, computer, and office equipment RM'000	Total RM'000
<b>30 JUNE 2003</b>			
<b><u>COST</u></b>			
At 1 January 2003	1,649	119	1,768
Additions	-	13	13
At 30 June 2003	<u>1,649</u>	<u>132</u>	<u>1,781</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>			
At 1 January 2003	367	26	393
Charge for the period	165	16	181
At 30 June 2003	<u>532</u>	<u>42</u>	<u>574</u>
<b><u>NET BOOK VALUE</u></b>			
At 30 June 2003	<u>1,117</u>	<u>90</u>	<u>1,207</u>
<b>31 DECEMBER 2002</b>			
<b><u>COST</u></b>			
At 1 January 2002	1,319	38	1,357
Additions	330	81	411
At 31 December 2002	<u>1,649</u>	<u>119</u>	<u>1,768</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>			
At 1 January 2002	57	1	58
Charge for the period	310	25	335
At 31 December 2002	<u>367</u>	<u>26</u>	<u>393</u>
<b><u>NET BOOK VALUE</u></b>			
At 31 December 2002	<u>1,282</u>	<u>93</u>	<u>1,375</u>

## 13.0 ACCOUNTANTS' REPORT (Cont'd)



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## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.6 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Motor vehicles RM'000	Furniture, fittings, computer, and office equipment RM'000	Total RM'000
<b>31 DECEMBER 2001</b>			
<b><u>COST</u></b>			
Additions/At 31 December 2001	<u>1,319</u>	<u>38</u>	<u>1,357</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>			
Charge for the period/At 31 December 2001	<u>57</u>	<u>1</u>	<u>58</u>
<b><u>NET BOOK VALUE</u></b>			
At 31 December 2001	<u>1,262</u>	<u>37</u>	<u>1,299</u>

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.7 EXPRESSWAY DEVELOPMENT EXPENDITURE

	As at 31 December			As at 30	
	1998	1999	2000	2001	June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Cumulative cost at beginning of the period	34,650	34,684	55,436	109,276	564,324
Additions	34	20,752	53,840	115,621	339,427
Cumulative cost at end of the period	34,684	55,436	109,276	224,897	806,359
Set off of grant from the Government, cumulative	-	-	-	(74,100)	(167,014)
At end of the period	34,684	55,436	109,276	150,797	592,180

EDE represents expenditure incurred in connection with the Kajang Traffic Dispersal Ring Road ("the Ring Road"), after set off of grant from the Government in respect of construction costs.

Included in the EDE incurred during the respective financial periods are the following:-

	As at 31 December			As at 30	
	1998	1999	2000	2001	June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000
Borrowing costs capitalised (net of interest income)	-	-	-	15,895	48,257
Associated initial costs on BAIDS Islamic Financing Facility	-	-	-	15,589	-

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.8 DEFERRED TAXATION BENEFIT

	1998		1999		As at 31 December 2000		2001		2002		As at 30 June 2003	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of the period	-	-	-	-	-	-	-	-	1,711	1,711	-	2,486
Recognised in the income statement	-	-	-	-	-	-	-	1,711	775	775	-	(806)
At end of the period	-	-	-	-	-	-	-	1,711	2,486	2,486	-	1,680

Details tax assets at the respective balance sheet dates in respect of the Group relate to the following:-

	1998		1999		As at 31 December 2000		2001		2002		As at 30 June 2003	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unabsorbed tax losses	-	-	-	-	-	-	-	-	17,369	17,369	-	40,678
Unutilised capital allowances	-	-	-	-	-	-	-	-	90	90	-	167
Cost capitalised in EDE, deducted for tax purposes	-	-	-	-	-	-	1,748	-	(14,912)	(14,912)	-	(37,904)
Advance license fee (net)	-	-	-	-	-	-	14	-	48	48	-	(1,166)
Other temporary differences	-	-	-	-	-	-	(51)	-	(109)	(109)	-	(95)
	-	-	-	-	-	-	1,711	-	2,486	2,486	-	1,680

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.9 RECEIVABLES AND PREPAYMENTS

Group	As at 31 December			2002 RM'000	As at 30 June 2003 RM'000
	1998 RM'000	1999 RM'000	2000 RM'000		
Amounts advanced to director-related company	-	-	-	49,609	47,453
Other receivables	1	1	2	360	360
Interest receivable	-	-	-	3,595	1,760
Share issue and listing expenses prepaid	-	-	-	898	909
	1	1	2	54,462	50,482
<b>Company</b>					
Other receivables	-	-	-	360	360
Share issue and listing expenses prepaid	-	-	-	898	909
	-	-	-	1,258	1,269

The director-related company refers to Sunway Construction Berhad ("SCB"). SCB is deemed related to the Company by virtue of a director, Tan Sri Dato' Seri Dr. Cheah Fook Ling's mutual interests and directorships in both SCB and the Company. The amounts advanced are primarily for construction related activities in respect of the Ring Road.

Share issue and listing expenses prepaid represent expenses incurred to the balance sheet date on the Restructuring and Listing Exercise as disclosed in Section 6.2 of the Prospectus. Included in these expenses are cumulative fees charged by the auditors amounting to RM201,000 (31.12.2002 : RM190,000).

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.10 PAYABLES AND ACCRUALS

Group	As at 31 December				As at 30	
	1998	1999	2000	2001	2002	June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amounts payable to third parties for construction costs	-	-	-	276	338	591
Amount payable to director-related company for construction costs	34	7,853	38,718	21,498	933	1,002
Advance license fee (net)	-	-	-	825	825	-
Accrual for construction costs	-	-	-	-	82,048	75,343
Other payables	3	7	53	149	300	321
	<u>37</u>	<u>7,860</u>	<u>38,771</u>	<u>22,748</u>	<u>84,444</u>	<u>77,257</u>
Company						
Other payables	3	4	5	76	13	22

Director-related company referred to is SCB, as described in Section 9.9.

The net license fee comprises license fee received in advance during 2001 and 2002 financial years from Petronas Dagangan Berhad of RM5.5 million, against which has been deducted associated costs incurred to the respective balance sheet dates, in respect of a petrol kiosk along the King Road. The net license fee of RM445,000, was recognised as other non-operating income upon completion of the relevant terms in the agreements.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.11 AMOUNTS DUE TO CORPORATE SHAREHOLDERS

The corporate shareholders of the Company are Sunway Holdings Incorporated Berhad and Barisan Minda Sdn. Bhd., both incorporated in Malaysia.

The amounts due to the corporate shareholders are unsecured, bear interest at 9% per annum and are intended to be repaid from funds from the initial public offering.

## 9.12 SHARE CAPITAL

	As at 31 December				As at 30	
	1998	1999	2000	2001	2002	June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Authorised:-						
Ordinary shares of RM0.50 each						
At beginning of the period	100	100	100	100	1,000,000	1,000,000
Increased during the period	-	-	-	999,900	-	-
At end of the period	100	100	100	1,000,000	1,000,000	1,000,000
Issued and fully paid:-						
Ordinary shares of RM0.50 each						
At beginning of the period	-	-	-	-	-	60,000
Issued during the period	-	-	-	-	60,000	-
At end of the period	-	-	-	-	60,000	60,000

During the year ended 31 December 2001, the authorised share capital of the Company was increased from RM100,000 to RM1,000,000,000 by the creation of an additional 999,900,000 new ordinary shares of RM1.00 each.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.12 SHARE CAPITAL (CONTD.)

At an Extraordinary General Meeting held on 30 August 2002, a special resolution was passed to divide the Company's authorised share capital of RM1,000,000,000 comprising of 1,000,000,000 ordinary shares of RM1.00 each into 2,000,000,000 ordinary shares of RM0.50 each. Accordingly, the two issued and fully paid shares of RM1.00 each then in issue were divided into four ordinary shares of RM0.50 each.

On 9 September 2002, the issued and fully paid up share capital of the Company was increased from RM2 to RM60,000,002 by the issuance of 120,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per share in consideration for the acquisition of SILK.

## 9.13 CAPITAL RESERVE

The capital reserve represents the amounts set up in respect of periods prior to 2002 that, upon the acquisition of SILK in 2002 and application of merger accounting principles, resulted in the increase in share capital and the amount credited to merger reserve.

## 9.14 MERGER RESERVE

	As at 31 December		As at 30	
	1998	1999	2001	June 2003
	RM'000	RM'000	RM'000	RM'000
Balance at end of the period arising from the acquisition of SILK	-	-	-	60,000



## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.15 LONG TERM LIABILITIES

	As at 31 December				As at 30	
	1998	1999	2000	2001	2002	June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amount payable to a Contractor	29,710	29,710	-	-	-	-
Amount due to a third party	-	12,977	65,655	-	-	-
	<u>29,710</u>	<u>42,687</u>	<u>65,655</u>	<u>-</u>	<u>-</u>	<u>-</u>

The amount payable to a contractor represents the amount due to the turnkey contractor, SCB for construction related services rendered to SILK. The long term portion is interest-free, and is repayable within 60 days of the issuance of the Certificate of Completion by the relevant authority for the construction of the relevant Section of the Ring Road.

The long-term liability due to a third party represents advances provided by Jabatan Kerja Raya ("JKR") to finance the construction of certain sections of the Ring Road. The amount had been interest free and was not repayable until completion of construction of the Ring Road. During the financial year ended 31 December 2001, the cumulative amount of RM74,100,000 was converted to a Grant from the Government and was set off against EDE as disclosed in Section 9.7 of this report.

## 9.16 BAIDS ISLAMIC FINANCING FACILITY

The "BAIDS Islamic Financing Facility" represents an Al-Bai Bithaman Ajil Islamic Debt Securities Issuance facility for RM2,010,000,000, repayable over 15 years, commencing 8 August 2007 and thereafter at the end of every anniversary of the issue date. The implicit rate of return for this financing facility throughout the financing period of 20 years is approximately 10.64% per annum.

This facility is utilised to part-finance the design, construction and land acquisition costs of the stretches funded by SILK in relation to the Ring Road, and is secured by concession rights over the EDE.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.16 BAIDS ISLAMIC FINANCING FACILITY (CONTD.)

Future instalment payments under the BAIDS Islamic Financing Facility are as follows:-

	← 1998		As at 31 December		→ 2002		As at 30	
	RM'000	1999	2000	2001	2002	June 2003	RM'000	RM'000
<b>MINIMUM INSTALMENT PAYMENTS</b>								
Between two and five year	-	-	-	-	150,000	150,000		150,000
More than five years	-	-	-	2,010,000	1,860,000	1,860,000		1,860,000
	-	-	-	2,010,000	2,010,000	2,010,000		2,010,000
Less: AL-Bai Bithaman Ajil return in suspense	-	-	-	(1,408,364)	(1,344,334)	(1,309,200)		(1,309,200)
	-	-	-	601,636	665,666	700,800		700,800
<b>PRESENT VALUE OF MINIMUM INSTALMENT PAYMENTS</b>								
Between two and five years	-	-	-	-	93,777	98,601		98,601
More than five years	-	-	-	601,636	571,889	602,199		602,199
	-	-	-	601,636	665,666	700,800		700,800

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.17 CAPITAL COMMITMENTS

	←	As at 31 December			→
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Capital expenditure - approved and contracted for	1,051,000	1,031,000	1,051,000	937,000	565,000
	<u>1,051,000</u>	<u>1,031,000</u>	<u>1,051,000</u>	<u>937,000</u>	<u>408,000</u>

## 9.18 CONTINGENT LIABILITIES

Contingent liabilities, in respect of land compensation claims, as at 30 June 2003 amount to RM82 million. Such contingent liabilities are in respect of amounts not provided for in the financial statements and pertain to claims for additional compensation by previous land owners upon compulsory land acquisition by the Government for the Ring Road. In accordance with the Concession Agreement, such additional compensation, to the extent finally awarded, would be chargeable upon SILK by the Government. The claims have not been determined by the courts. Based on legal opinion obtained, the directors are of the view that the Company will be able to resist the claim successfully.

## 9.19 SIGNIFICANT EVENT SUBSEQUENT TO 30 JUNE 2003

On 18 July 2003, 1 August 2003, 12 September 2003, 6 October 2003 and 29 October 2003, the Group received further RM10,369,301, RM5,406,134, RM7,357,440, RM7,326,248 and RM5,870,620 respectively, as further grants from the Government.

13.0 ACCOUNTANTS' REPORT (Cont'd)

9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

9.20 FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial instruments of the Group consist of the BAIDS Islamic Financing Facility and short term deposits. The BAIDS facility was obtained to finance the development and construction of the Ring Road. Short term deposits are investments of available cash flows including funds raised from the issue of the BAIDS, that are pending utilisation.

The Group's and the Company's other financial instruments comprise receivables and payables that arise directly from operations, related company receivables and payables.

The Group and the Company are exposed to market risk, primarily changes in interest rates that affect interest income from deposits, but no derivative financial instruments are issued or held for trading purposes.

The following disclosures exclude receivables, payables, and related company receivables and payables.

The board reviews and agrees policies for managing each of the risks summarised below:-

(a) **Interest Rate Risk**

The Group external financing comprises primarily the BAIDS facility. Surplus funds where available are placed with approved financial institutions.

The Group's borrowing cost for its BAIDS facility based on the agreed implicit rate of return is 10.64% per annum, as disclosed in Section 9.16. The period for which the rate is fixed for the BAIDS facility is 20 years.



13.0 ACCOUNTANTS' REPORT (Cont'd)

9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

9.20 FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Interest Rate Risk (Contd.)

Note b

Financial assets on which no interest is earned comprise cash and bank balances.

(b) Foreign Currency Risk

There were no foreign currency financing facilities obtained by the Group and the Company for the period ended 30 June 2003 and there is no anticipation of foreign currency risk exposure for future transactions.

(c) Credit Risk

The carrying amount of receivables and related company receivables represent the Group's and the Company's maximum exposure to credit risk.

(d) Liquidity Risk

The Group's and the Company's objectives on liquidity are to maintain a balance between meeting debt service obligations and covenants, Expressway capital and operating expenditure, and meeting shareholder distribution expectations.

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.20 FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

## (e) Maturity of Financial Liabilities

The maturity profile of the BAIDS liability is as follows:-

	← 1998		1999		As at 31 December 2000		2001		2002		As at 30 June 2003	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Within 1 year	-	-	-	-	-	-	-	-	-	-	-	-
Between 1 and 2 years	-	-	-	-	-	-	-	-	-	-	-	-
Between 2 and 5 years	-	-	-	-	-	-	-	-	93,777	-	98,601	-
After 5 years	-	-	-	-	-	601,636	-	601,636	571,889	-	602,199	-
Total	-	-	-	-	-	601,636	-	601,636	665,666	-	700,800	-

## (f) Fair Values

The carrying amounts of cash and short term deposits approximate their fair values because of the short maturity periods of those instruments.

The fair value of the BAIDS facility is the accreted amount stated in the balance sheet based on the implicit fixed rate of return. The accreted accretion, which has been included within the balance of the BAIDS facility as disclosed in the balance sheet, is as below:-

	← 1998		1999		As at 31 December 2000		2001		2002		As at 30 June 2003	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accrued accretion	-	-	-	-	-	-	22,140	-	86,170	-	121,304	-

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 9.0 NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 9.20 FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

## (f) Fair Values (contd.)

Set out below is a comparison by category of book values and fair values of the Group's financial assets and financial liabilities.

	← 1998		As at 31 December		→ 2002		As at 30	
	1998	1999	2000	2001	2002	2003	June 2003	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Book Value</b>								
BAIDS Islamic Financing Facility	-	-	-	(601,636)	(665,666)	(700,800)		
Cash and short term deposits	13	54	30	507,377	413,665	249,712		
<b>Fair Value</b>								
BAIDS Islamic Financing Facility	-	-	-	(601,636)	(665,666)	(700,800)		
Cash and short term deposits	13	54	30	507,377	413,665	249,712		



## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 10.0 PROFORMA NET TANGIBLE ASSETS

Based on the financial position of the pro forma consolidated balance sheets as at 30 June 2003, as set out in Section 12.5 of the Prospectus to be dated 13 November 2003, the net assets, net tangible assets and enlarged paid-up capital are set out below:-

## (i) Net Tangible Assets ("NTA")

	Audited as at 30 June 2003 RM'000	Proforma Group					
		After (I) and Renounceable Rights Issue of CN-RPS (I) RM'000	After (II) and Renounceable Rights Issue (II) RM'000	After (III) and Renounceable Rights Issue (III) RM'000	After (III) Institutional Issue (IV) RM'000	After (IV) and Retail Issue (V) RM'000	After (V) and Exercise of Warrants (VI) RM'000
Net assets of the Group as at 30 June 2003	114,484	114,484	114,484	114,484	114,484	114,484	
Add: Proceeds from renounceable right issue	-	-	9,600	9,600	9,600	9,600	
Add: Proceeds from institutional issue	-	-	-	60,000	60,000	60,000	
Add: Proceeds from retail issue	-	-	-	-	18,000	18,000	
Less: Payment of listing expenses	-	-	-	-	(5,500)	(5,500)	
Add: Proceeds from exercise of warrants	-	-	-	-	-	45,000	
Adjusted Net Assets	114,484	114,484	124,084	184,084	196,584	241,584	
Less : Intangible asset Deferred taxation benefit	(1,680)	(1,680)	(1,680)	(1,680)	(1,680)	(1,680)	
Adjusted NTA	112,804	112,804	122,404	182,404	194,904	239,904	

## 13.0 ACCOUNTANTS' REPORT (Cont'd)

## 10.0 PROFORMA NET TANGIBLE ASSETS (CONT'D.)

## (ii) Share Capital

	Proforma Group						
	Audited as at 30 June 2003 RM'000	After (I) and Renounceable Rights Issue of CN-RPS (I) RM'000	After (II) and Renounceable Rights Issue (II) RM'000	After (III) Renounceable Rights Issue (III) RM'000	After (III) Institutional Issue (IV) RM'000	After (IV) and Retail Issue (V) RM'000	After (V) and Exercise of Warrants (VI) RM'000
Number of ordinary shares of RM0.50 each at 30 June 2003	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Pursuant to renounceable right issue	-	-	8,000	8,000	8,000	8,000	8,000
Pursuant to institutional issue	-	-	-	40,000	40,000	40,000	40,000
Pursuant to retail issue	-	-	-	-	12,000	12,000	12,000
Pursuant to exercise of warrants	-	-	-	-	-	-	30,000
	120,000	120,000	128,000	168,000	180,000	180,000	210,000
NTA of the Group per ordinary share of RM0.50 each (RM)	0.94	0.94	0.96	1.09	1.08	1.08	1.14

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13.0 ACCOUNTANTS' REPORT (Cont'd)

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11.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2003.

Yours faithfully

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

ERNST & YOUNG

AF:0039

Chartered Accountants

A handwritten signature in cursive script that reads 'Sukanta Kumar Dutt'.

Sukanta Kumar Dutt

1556/08/04(J)

Partner

Kuala Lumpur, Malaysia