(Prepared for inclusion in this Prospectus)

SIVA TAN & CO.
(AF 0785)
Chartered Accountants

400A, Batu 2, Jalan Kamunting,
34600 Kamunting, Perak D.R., Malaysia.
Tel: 605-8088830, 8075998 Fax: 605-8073366
E-mail: sivatan@pc.jaring.my

Date: 19 NOV 2003

The Board of Directors
KBES Berhad (formerly known as KBES Sdn. Bhd.
and prior to that known as Gold City Interpoint Sdn. Bhd.)
400, Jalan Kamunting, Batu 2
34600 Kamunting
Perak Darul Ridzuan

Dear Sirs,

1. INTRODUCTION

The following report has been prepared by Messrs. Siva Tan & Co., an approved company auditors, for inclusion in the Prospectus of KBES Berhad ("hereinafter referred to as "KBES" of "the Company") to be dated 1 December 2003 in connection with the following:-

i) offer for sale of 9,000,000 ordinary shares of RM0.50 each at an offer price of RM0.75 per share;

ii) public issue/private placement of 24,550,000 new ordinary shares of RM0.50 at an issue price of RM0.75 per share in the Company;

iii) listing of and quotation for the entire enlarged share capital of KBES comprising 126,000,000 ordinary shares of RM0.50 each on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 The Company's Background

KBES was incorporated as a private limited company in Malaysia on 28 October 2002 under the name of Gold City Interpoint Sdn Bhd. On 24 February 2003, the Company changed its name to KBES Sdn Bhd and was converted to a public company, KBES Berhad, on 8 March 2003 and since then assumed its present name.

The principal activity of the Company is investment holding.

2.2 Share Capital

At the date of incorporation, the Company's authorised share capital was RM100,000 divided into 100,000 ordinary shares of RM1.00 each. On 28 October 2003, every ordinary share of RM1.00 each of the Company was sub-divided into two (2) ordinary shares of RM0.50 each. On the same date, the authorised share capital was increased from RM100,000 to RM100,000,000 divided into 200,000,000 ordinary shares of RM0.50 each.

The present issued and paid-up share capital of the Company is RM50,725,000 comprising 101,450,000 ordinary shares of RM0.50 each. Upon completion of the Public Issue/Private Placement, the issued and paid-up capital of KBES will be enlarged to RM63,000,000 comprising 126,000,000 ordinary shares of RM0.50 each.

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

Date of Allotment	No. of ordinary shares	Par Value RM	Consideration	Cumulative issued and paid-up share capital No. of shares	RM
28-10-2002	2	1.00	Subscriber shares	2	2
28-10-2003	2	0.50	Sub-division of ordinary shares	4	2
28-10-2003	80,323,788	0.50	Acquisition of entire equity interest in KBESM for a total consideration of RM40,161,894	80,323,792	40,161,896
28-10-2003	5,819,614	0.50	Acquisition of entire equity interest in SCM for a total consideration of RM2,909,807	86,143,406	43,071,703
28-10-2003	2,478,438	0.50	Settlement of director's advances	88,621,844	44,310,922
28-10-2003	3,640,228	0.50	Settlement of advances from SCM's former holding company	92,262,072	46,131,036
14-11-2003	9,187,928	0.50	Rights issue of approximately one (1) share for every ten (10) existing shares held	101,450,000	50,725,000

The issued and paid-up share capital of KBES will subsequently be increased to RM63,000,000 comprising 126,000,000 ordinary shares of RM0.50 each by way of a public issue/private placement of 24,550,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per share.

2.3 Restructuring Scheme

In conjunction with and as part of the listing of and quotation for the entire issued and paid-up share capital of KBES on the Main Board of the KLSE, the following restructuring scheme was/will be carried out:-

i) acquisition of the entire issued and paid-up share capital of KBESM comprising 7,915,000 ordinary shares of RM1.00 each by KBES for a total consideration of RM40,161,894 satisfied by the issuance of 80,323,788 new ordinary shares of RM0.50 each in KBES at par. The acquisition was completed on 28 October 2003;

ii) acquisition of the entire issued and paid-up share capital of SCM comprising 450,000 ordinary shares of RM1.00 each by KBES for a total consideration of RM2,909,807 satisfied by the issuance of 5,819,614 new ordinary shares of RM0.50 each in KBES at par. The acquisition was completed on 28 October 2003;

iii) issue of 2,478,438 new ordinary shares of RM0.50 each in KBES at par to a director of KBESM, namely Lau Chan Seng, for settlement of advances from him. The transaction was completed on 28 October 2003;

iv) issue of 3,640,228 new ordinary shares of RM0.50 each in KBES at par to the former holding company of SCM, namely Super Trans Corporation Sdn. Bhd. ("ST Corporation"), for settlement of advances from ST Corporation. The transaction was completed on 28 October 2003;

v) rights issue of 9,187,928 new ordinary shares of RM0.50 each at an issue price of RM0.70 per share on the basis of approximately one (1) new share for every ten (10) existing shares held after completion of the acquisition of subsidiaries and settlement of advances as described in (i) to (iv) above. The transaction was completed on 14 November 2003;

vi) offer for sale of 9,000,000 ordinary shares of RM1.00 each at an offer price of RM0.75 per share;

vii) public issue/public placement of 24,550,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per share; and

viii) listing of and quotation for the entire enlarged share capital of KBES comprising 126,000,000 ordinary shares of RM0.50 each on the Main Board of the KLSE.

2.4 PARTICULARS ON SUBSIDIARY COMPANIES

Details of the subsidiaries of the Company, all of which are incorporated in Malaysia, at the date of this report are as follows:-

Name	Date of Incorporation	Issued and Paid-up Share Capital RM	Effective Equity Interest %	Principal Activities
Konsortium Bas Ekspres Semenanjung (M) Sdn. Bhd. ("KBESM")	30-09-1996	7,915,000	100	Express bus operation and investment holding
Taiping Holidays Resorts Sdn. Bhd. ("THR")	26-12-1989	400,000	100	Express bus operation
Taiping Holidays Transport Services Sdn. Bhd. ("THTS")	05-02-1980	350,000	100	Express bus operation
Taiping Holidays Travel Sdn. Bhd. ("THT")	04-10-1990	150,000	100	Express bus operation
Santero Sdn. Bhd. ("SSB")	16-01-1989	250,000	100	Express bus operation
Wonrey Tours & Travel Sdn. Bhd. ("WTT")	18-07-1991	200,000	55	Express bus operation
Super Ria Bas Transport Sdn. Bhd. ("SRBT")	05-03-1979	1,000,000	75	Express bus operation
Meru Ekspres Sdn. Bhd. ("MESB")	12-10-1990	250,000	100	Express bus operation
Super Ria Ekspres Sdn. Bhd. ("SRE")	18-05-1982	250,000	100	Express bus operation
Damai Ria Transline Sdn. Bhd. ("DRT")	08-01-1990	250,000	100	Express bus operation
Damai Ria Ekspres Sdn. Bhd. ("DRE")	10-11-1976	1,105,000	100	Express bus operation
Super Trans Composite Products Sdn. Bhd. ("STCP")	21-08-1996	250,000	100	Property investment
Super Coachair Manufacturer Sdn. Bhd. ("SCM")	22-12-1995	450,000	100	Assembly and maintenance of bus air-conditioners

3. FINANCIAL STATEMENTS AND AUDITORS

3.1 ACCOUNTING POLICIES

This report is prepared on bases and accounting policies consistent with those normally adopted in the preparation of the accounts of KBES and its subsidiaries and in accordance with applicable approved accounting standards adopted by the Malaysian Accounting Standards Board.

3.2 ACCOUNTS AND AUDITORS

The financial statements of KBES and its subsidiaries for the period under review, other than the financial year as disclosed below of MESB, SRE, DRE and SRBT, are and have been audited by Siva Tan & Co.

The financial statements of MESB, SRE and DRE for the financial year ended 31 December 1998 and SRBT for the financial year ended 31 March 1999 were audited by other firms of Chartered Accountants.

None of the financial statements relevant to this report for the periods/years under review was subject to any audit qualification except for the audit reports on MESB, SRE and DRE for the financial years ended 31 December 1998 and SRBT for the financial year ended 31 December 1999 were made with an emphasis matter on their going concern basis.

4. SUMMARISED INCOME STATEMENTS

4.1 KBES Group

We set out below the proforma consolidated results of KBES Group for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The proforma consolidated results, presented for illustration purposes, are prepared on the basis that KBES had been in existence and had subscribed for the entire issued share capital in all the subsidiaries since their inceptions. The results are to be read in conjunction with the notes thereto.

	------------------	----Financial Years	Ended 31 December----	------------------		6 months ended
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	30-06-2003 RM'000
Revenue	21,746	23,118	36,682	32,346	57,294	27,029
Profit before interest, depreciation and taxation	3,805	10,605	18,096	17,826	21,057	10,907
Interest expense	(1,716)	(1,655)	(1,646)	(1,469)	(1,010)	(408)
Depreciation	(4,111)	(4,371)	(4,554)	(4,619)	(5,523)	(2,789)
Profit/(Loss) before taxation	(2,022)	4,579	11,896	11,738	14,524	7,710
Taxation	(92)	(206)	(958)	(1,055)	(3,244)	(1,978)
Profit/(Loss) after taxation	(2,114)	4,373	10,938	10,683	11,280	5,732
Minority interest	1	(303)	(526)	(27)	(54)	(21)
Profit/(Loss) after tax and minority interest	(2,113)	4,070	10,412	10,656	11,226	5,711
Number of ordinary shares of RM0.50 each assumed in issue ('000)	101,450	101,450	101,450	101,450	101,450	101,450
Earnings/(loss) per share (Sen)						
- Gross	(2.0)	4.2	11.2	11.5	14.3	15.2 *
- Net	(2.1)	4.0	10.3	10.5	11.1	11.3 *
Enlarged number of ordinary shares of RM0.50 each assumed in issue ('000)	126,000	126,000	126,000	126,000	126,000	126,000
Fully diluted earnings/(loss) per share (Sen)						
- Gross	(1.6)	3.6	9.4	9.3	11.5	12.2 *
- Net	(1.7)	3.2	8.3	8.5	8.9	9.1 *

* *Annualised figures*

4.1.1 Notes To The Summarised Proforma Consolidated Income Statement of KBES Group

i) The proforma consolidated results of KBES Group are prepared for illustrative purposes only and are based on the audited financial statements of KBES, KBESM Group and SCM.

ii) There were no extraordinary and exceptional items in the years/period under review.

iii) The increase in revenue in 2000 was mainly attributed to the increase in additional number of buses acquired for the Group's express bus operations and an increase in bus ticket price approved by the Lembaga Perlesenan Kenderaan Perdagangan ("LPKP") effective from 1 July 2000.

Revenue increased in 2002 was mainly attributed to the additional new buses acquired for the Group's express bus operations and a change in the Group's billing system where sales were stated at gross amount of ticket sales in 2002 as opposed to its previous practice where revenue was stated net of direct operating expenses.

iv) The improvement in pre-tax profit in 1999 was mainly attributed to a shift in the Group sales mix whereby the proportion of revenue derived from monthly agency sales increased significantly, contributed to an enhanced gross margin and a substantial decrease in the Group's administrative and general expenses, arose mainly from lower provision for doubtful debts in DRE and savings in staff costs.

The significant improvement in pre-tax profit in 2000 was mainly due to the better planning, co-ordination and efficient use of resources by the Group since July 2000 resulted from the acquisition of Usaha Cekap Sdn. Bhd. ("UCSB"), the then holding company of THR, THTS, THT, SSB and WTT, by the owners of Sani Zaleha Sdn. Bhd. ("SZSB"), the then holding company of SRBT and MESB, and Damai Ria Enterprise Sdn. Bhd. ("DREB"), the then holding company of DRT, SRE and DRE. Better co-ordination between these groups' operations helped to reduce drastically the major direct expenses such as drivers' salaries, fuel and repairs, which were relatively fixed in nature, on common routes. The increase in bus ticket price also contributed to the improved pre-tax profit in 2000.

The improvement in pre-tax profit in 2002 was mainly attributed to an increase in amortisation of negative goodwill resulted from an under provision in 2001 which was later recognised in 2002 and savings in interest expense as the Group's interest-bearing borrowings were gradually settled.

v) There was no tax charge on KBES and its subsidiaries for the financial year ended 31 December 1999 either due to losses incurred, utilisation of unabsorbed losses and capital allowances brought forward or chargeable income for the year ended 31 December 1999 were waived under the Income Tax (Amendment) Act, 1999. The tax charge taken up in 1999 was mainly in respect of under provision for taxation in THR in prior years.

The lower effective tax rates for the financial years 2000 to 2002 was mainly due to certain subsidiaries which were not taxable due to utilisation of unabsorbed losses and/or capital allowances brought forward.

vi) The gross earnings/(loss) per share has been calculated based on the profit/(loss) before taxation but after minority interest and on the assumption that the issued and paid-up share capital of KBES of 101,450,000 ordinary shares of RM0.50 each has been in issue throughout the period under review.

The net earnings/(loss) per share has been calculated based on the profit/(loss) after taxation and after minority interest and on the assumption that the issued and paid-up share capital of KBES of 101,450,000 ordinary shares of RM0.50 each has been in issue throughout the period under review.

vii) The fully diluted gross earnings/(loss) per share has been calculated based on the profit/(loss) before taxation but after minority interest and on the assumption that the issued and paid-up share capital of KBES of 126,000,000 ordinary shares of RM0.50 each (after public issue/private placement) has been in issue throughout the period under review.

The fully diluted net earnings/(loss) per share has been calculated based on the profit/(loss) after taxation and after minority interest and on the assumption that the issued and paid-up share capital of KBES of 101,450,000 ordinary shares of RM0.50 each (after public issue/private placement) has been in issue throughout the period under review.

4.2 KBESM

We set out below the results of KBESM for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Years Ended 31 December					6 months ended
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	22,051	54,941	25,133
Profit/(Loss) before interest, depreciation and taxation	(2)	(1)	(2)	157	1,565	2,170
Interest expense	-	-	-	(4)	(37)	(3)
Depreciation	-	-	-	(5)	(381)	(744)
Profit/(Loss) before taxation	(2)	(1)	(2)	148	1,147	1,423
Taxation	-	-	-	(11)	(45)	(285)
Profit/(Loss) after taxation	(2)	(1)	(2)	137	1,102	1,138
Number of ordinary shares of RM1.00 each in issue ('000)	1	1	1	3,915	7,915	7,915
Gross earnings/(loss) per share (Sen)	(200)	(100)	(200)	4	14	36 *
Net earnings/(loss) per share (Sen)	(200)	(100)	(200)	3	14	29 *

* *Annualised figures*

4.2.1 Notes To The Summarised Income Statement of KBESM

i) KBESM was incorporated on 30 September 1996 and commenced operation in April 2001. In July 2001, KBESM acquired all the subsidiaries of SZSB, DREB and UCSB and undertook a restructuring scheme (hereinafter referred to as "KBESM Group Restructuring Scheme") to consolidate all the express bus operations of these companies. The consolidated operations enabled the Group to achieve better planning and co-ordination in the use of the Group's resources thereby reduced its direct operating costs on common routes previously operated by different companies in the Group.

The increase in revenue in 2002 was mainly attributed to the increase in number of buses in operations in 2002 whereas the turnover for 2001 represented a 9-month period revenue.

ii) The increase in pre-tax profit in financial year ended 31 December 2002 and the six-month period ended 30 June 2003 were mainly attributed to higher revenue generated during the year/period resulted from additional buses acquired for its express bus operations coupled with an increase in commission income derived from supervision services and ticketing facilities provided to other express bus operators and management fees derived from certain subsidiaries of KBESM.

iii) The effective tax rates for the financial years ended 31 December 2001 to 2002 and the 6-month period ended 30 June 2003 were lower than the prevailing rate of 28% was mainly due to the excess of capital allowances claimed over the corresponding depreciation charged on the company's buses, the timing difference of which were not expected to reverse in the near future.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.3 THR

We set out below the results of THR for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Years Ended 31 December					6 months ended
	1998	1999	2000	2001	2002	30-06-2003
	RM	RM	RM	RM	RM	RM
Revenue	8,787	12,248	11,336	3,693	1,853	537
Profit before interest, depreciation and taxation	1,356	989	1,936	1,781	1,703	624
Interest expense	(372)	(218)	(217)	(229)	(140)	(71)
Depreciation	(868)	(896)	(938)	(707)	(638)	(178)
Profit/(Loss) before taxation	116	(125)	781	845	925	375
Taxation	(32)	(264)	-	(315)	(506)	(359)
Profit/(Loss) after taxation	84	(389)	781	530	419	16
No. of ordinary shares of RM1.00 each in issue ('000)	400	400	400	400	400	400
Gross earnings/(loss) per share (Sen)	29	(31)	195	211	231	188 *
Net earnings/(loss) per share (Sen)	21	(97)	195	133	105	8 *

* *Annualised figures*

4.3.1 Notes To The Summarised Income Statement of THR

i) The increase in revenue in 1999 was mainly due to the trading activities undertaken by the company to supply bus spare parts and fuel to its related companies at cost. Such activity was handled by the company for the financial years 1999 and 2000 before it was de-centralised and handled by the individual company in the KBES Group.

The decreasing trend in revenue noted over the financial years ended 31 December 2000 to 2002 and 6-month period ended 30 June 2003 was mainly due to the gradual transfer of the company's fleet of buses to its holding company, KBESM, pursuant to a restructuring scheme to consolidate the Group's express bus operations under a consortium company.

ii) The pre-tax loss suffered in 1999 was mainly due to lower load factor achieved attributed to the stiff competition posed by other express bus operators such as DRE and SRBT which commenced operation on certain common routes served by the company.

The improvement in pre-tax profit in 2000 was mainly due to the better planning, co-ordination and efficient use of resources by the Group since July 2000 resulted from the acquisition of UCSB by the owners of SZSB and DREB. Better co-ordination between these groups' operations helped to reduce drastically the major direct expenses such as drivers' salaries, fuel and repairs, which were relatively fixed in nature, on common routes. The increase in bus ticket price approved by LPKP in July 2000 also contributed to the improved pre-tax profit for the year.

The improvement in pre-tax profit in 2001 despite a decrease in revenue was mainly due to a change in the company's mode of operation started in April 2001 when the buses were chartered to KBESM on a monthly term and earned net monthly agency revenue whilst most of the direct operating expenses were absorbed by KBESM. This gave rise to a significant decrease in its revenue without a corresponding decrease in pre-tax profit. The further improvement in pre-tax profit in 2002 was mainly attributed to the savings in finance cost and lower depreciation charged as some of the company's hire purchase loans were settled during the year.

iii) The effective rate for 1998 was reflective of the statutory tax rate of 28%. The tax charge for 1999 was in respect of under provision for taxation in prior year. There was no tax charge in 2000 due to timing differences were not provided for as deferred liability as the management was of the view that these timing differences were not likely to reversed in the foreseeable future.

The higher effective tax rates for the financial years ended 31 December 2001 and 2002 and the 6-month period ended 30 June 2003 were higher than the statutory tax rate mainly due to deferred tax liability realised during the year/period upon disposal of the company's used buses.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.4 THTS

We set out below the results of THTS for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	----------------	---Financial Years Ended 31 December---			----------------	6 months ended
	1998	1999	2000	2001	2002	30-06-2003
	RM	RM	RM	RM	RM	RM
Revenue	1993	1,425	2,112	1,193	654	132
Profit before interest, depreciation and taxation	525	97	613	799	500	193
Interest expense	(68)	(55)	(36)	(37)	(41)	(50)
Depreciation	(383)	(337)	(345)	(291)	(308)	(64)
Profit/(Loss) before taxation	74	(295)	232	471	151	78
Taxation	34	22	(37)	(133)	(106)	(258)
Profit/(Loss) after taxation	108	(273)	195	338	45	(179)
No. of ordinary shares of RM1.00 each in issue ('000)	350	350	350	350	350	350
Gross earnings/(loss) per share (Sen)	21	(84)	66	135	43	45 *
Net earnings/(loss) per share (Sen)	31	(78)	56	97	13	(103) *

* *Annualised figures*

4.4.1 Notes To The Summarised Income Statement of THTS

i) The decrease in revenue in 1999 was mainly attributed to stiff competition posed by other express bus operators, such as DRE and SRBT, which commenced operation in 1999 on common routes operated by THTS. However, subsequent to the acquisition of UCSB by the owners of SZSB and DREB in 2000, THTS's revenue increased when these competitors became THTS's related companies, were no longer competing actively on the same routes.

The decreasing trend in revenue noted over the financial years ended 31 December 2001 to 2002 and 6-month period ended 30 June 2003 was mainly due to the gradual transfer of the company's bus permits to its holding company, KBESM, pursuant to a restructuring scheme to consolidate the Group's express bus operations under a consortium company.

ii) The pre-tax loss suffered for the year 1999 was mainly due to lower load factor achieved attributed to the stiff competition posed by other express bus operators noted in (i) above.

The improvement in pre-tax profit in 2000 was mainly due to the better planning, co-ordination and efficient use of resources by the Group since July 2000 resulted from the acquisition of UCSB by the owners of SZSB and DREB. Better co-ordination between these groups' operations helped to reduce drastically the major direct expenses such as drivers' salaries, fuel and repairs, which were relatively fixed in nature, on common routes. The increase in bus ticket price approved by LPKP in July 2000 also contributed to the improved pre-tax profit for the year.

The improvement in pre-tax profit in 2001 despite a decrease in revenue was mainly due to a change in the company's mode of operation started in April 2001 when the buses were chartered to KBESM on a monthly term and earned net monthly agency revenue whilst most of the direct operating expenses were absorbed by KBESM. This gave rise to a significant decrease in its revenue without a corresponding decrease in pre-tax profit.

The decrease in pre-tax profit for the financial year ended 31 December 2002 and the 6-month period ended 30 June 2003 were mainly due to the gradual transfer of the company's bus permits to its holding company, KBESM, pursuant to a restructuring scheme to consolidate the Group's express bus operations under a consortium company.

iii) The tax credits in 1998 and 1999 were mainly attributed to over provision of tax charge in prior years which were subsequently reversed in 1998 and 1999 respectively. The lower effective tax rate in 2000 was mainly due to utilisation of unabsorbed tax losses brought forward from prior years.

The effective tax rate in 2001 approximated to that of the statutory rate of 28%. The effective rates for the financial year ended 31 December 2002 and the 6-month period ended 30 June 2003 were higher than the statutory rate mainly due to deferred tax liabilities realised during the year/period which were under provided in prior years.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.5 THT

We set out below the results of THT for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	----------------Financial Years Ended 31 December----------------					6 months ended
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	672	576	576	626	684	189
Profit before interest, depreciation and taxation	482	455	500	596	547	284
Interest expense	(214)	(150)	(145)	(145)	(13)	(27)
Depreciation	(271)	(253)	(242)	(198)	(195)	(57)
Profit/(Loss) before taxation	(3)	52	113	253	339	200
Taxation	-	36	(83)	(45)	(273)	(74)
Profit/(Loss) after taxation	(3)	88	30	208	66	126
Number of ordinary shares of RM1.00 each in issue ('000)	150	150	150	150	150	150
Gross earnings/(loss) per share (Sen)	(2)	35	75	169	226	267 *
Net earnings/(loss) per share (Sen)	(2)	59	20	139	44	168 *

* *Annualised figures*

4.5.1 Notes To The Summarised Income Statement of THT

i) Revenue of THT for the period under review comprised solely of monthly agency sales. Pursuant to the KBESM Group Restructuring Scheme completed in July 2001, THT chartered all its buses to its holding company, KBESM.

The decrease in revenue in 1999 was mainly attributed to lower monthly agency fee charged to the monthly agents due to stiff competition posed by other express bus operators such as DRE and SRBT which commenced operation in 1999 on common routes operated by THT. However, subsequent to the acquisition of UCSB by the owners of SZSB and DREB, the agency fees were reverted to their normal rates in 2001.

ii) The increase in pre-tax profit despite a decrease in revenue was main attributed to a substantial decrease in administrative and general expenses such as loss on disposal of used buses and savings in interest expense during the year.

The improvement in pre-tax profit in 2001 was mainly due to the better monthly agency rates charged as explained in (i) above.

The further improvement in pre-tax profit in 2002 was mainly due to higher monthly agency rate charged and savings in interest expense during the year.

iii) There was no tax charge in 1998 as THT incurred losses for that year. The tax credit in 1999 was in respect of over provision in taxation in prior years which was reversed in 1999.

The high effective tax rate in 2000 was due to realisation of deferred tax liability during the year which was not provided for in prior years.

The effective tax rate in 2001 was lower than the statutory tax rate mainly due to under provision of deferred tax liability which was provided in 2002 which explained for the higher effective rate noted in 2002.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.6 SSB

We set out below the results of SSB for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Years Ended 31 December					6 months ended
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,964	2,050	5,351	2,794	1,801	489
Profit before interest, depreciation and taxation	1,234	1,336	1,688	1,792	1,665	756
Interest expense	(305)	(300)	(332)	(198)	(41)	-
Depreciation	(753)	(776)	(724)	(659)	(690)	(198)
Profit before taxation	176	260	632	935	934	558
Taxation	(50)	-	-	(15)	(501)	(158)
Profit after taxation	126	260	632	920	433	400
Number of ordinary shares of RM1.00 each in issue ('000)	250	250	250	250	250	250
Gross earnings per share (Sen)	70	104	253	374	374	446 *
Net earnings per share (Sen)	50	104	253	368	173	320 *

* *Annualised figures*

4.6.1 Notes To The Summarised Income Statement of SSB

i) The significant increase in revenue in 2000 was mainly due to a change in the company billing system where sales were stated at gross amount of ticket sales as opposed to its previous practice where revenue was stated net of direct operating expenses.

Pursuant to the KBESM Group Restructuring Scheme completed in July 2001, SSB chartered its buses to its holding company, KBESM, on a monthly terms and earned fixed monthly income. This resulted in a significant decrease in revenue in 2001 as SSB earned net fixed monthly fee whilst most of the direct operating expenses were borne by KBESM.

The decrease in revenue over the financial years ended 31 December 2001 to 2002 and 6-month period ended 30 June 2003 was mainly due to the gradual transfer of the company's bus permits to its holding company, KBESM, pursuant to a restructuring scheme to consolidate the Group's express bus operations under a consortium company.

ii) The improvement in pre-tax profit in 1999 was mainly attributed to lower repair and maintenance expenses on the company's buses as new buses were acquired to replace the old ones in the end of the previous financial year.

The pre-tax profit remained relatively consistent despite a gradual decrease in revenue over the financial years ended 31 December 2001 to 2002 and the 6-month period ended 30 June 2003 was mainly due to the company's non operating income derived from sales of its used buses, savings in interest expense and better co-ordination in the operation of its buses with others in the KBESM Group following the Group's restructuring scheme completed in July 2001.

iii) The effective tax rate in 1998 of 28% was reflective of the statutory rate. The effective rates in 1999 and 2000 were nil due to utilisation of unabsorbed capital allowances brought forward.

The effective tax rate in 2001 was lower than the statutory tax rate mainly due to under provision of deferred tax liability which was provided in 2002, resulting in a comparatively higher effective rate in 2002.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.7 WTT

We set out below the results of WTT for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Years Ended 31 December					6 months ended
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,733	2,668	2,738	1,114	733	250
Profit before interest, depreciation and taxation	579	284	429	860	688	228
Interest expense	(203)	(197)	(134)	(85)	(60)	-
Depreciation	(387)	(387)	(387)	(387)	(385)	(225)
Profit/(Loss) before taxation	(11)	(300)	(92)	388	243	4
Taxation	-	-	-	-	(75)	50
Profit/(Loss) after taxation	(11)	(300)	(92)	388	168	54
Number of ordinary shares of RM1.00 each in issue ('000)	200	200	200	200	200	200
Gross earnings/(loss) per share (Sen)	(6)	(150)	(46)	194	122	4 *
Net earnings/(loss) per share (Sen)	(6)	(150)	(46)	194	84	54 *

* *Annualised figures*

4.7.1 Notes To The Summarised Income Statement of WTT

i) The decrease in revenue in 2001 was mainly attributed to the shift in the sales mix in that most of the company's revenue were derived from monthly agency revenue earned on buses chartered to its holding company, KBESM. These revenue were net amount accrued to the company whilst the direct operating expenses were borne by KBESM.

The decrease in revenue in 2002 was mainly due to six (6) of the company's buses were temporarily grounded for engine overhaul and major body repairs in the last quarter of the year.

ii) The increase in pre-tax loss suffered in 1999 was mainly due to increase in direct operating costs such as repairs and maintenance expenses incurred as the company's fleet of buses were old.

The improvement in pre-tax loss in 2000 was mainly attributed to an increase in its fixed monthly agency business where direct expenses such as salaries for bus drivers, repairs and maintenance expenses were no longer significant as these were charged to the agents couple with the saving in hire purchase interest expense resulted from the settlement of certain hire purchase obligations.

The improvement in pre-tax profit in 2001 was mainly due to the company's non operating income derived from sales of its used buses, savings in interest expense and better co-ordination in the operation of its buses with others in the KBESM Group following the Group's restructuring scheme in July 2001.

The lower pre-tax profit achieved in the financial year ended 31 December 2002 and 6-month period ended 30 June 2003 were mainly due to lower sales generated resulted from six (6) of the company's buses were temporarily grounded for engine overhaul and major body repairs in the last quarter of 2002.

iii) There was no tax charge for the years 1998 to 2000 as the company incurred losses for the years.

There was no tax charge for the year 2001 as the company has sufficient unabsorbed tax losses and capital allowances brought forward to offset against its current taxable income.

The tax charge provided for the year 2002 was in respect of its deferred tax liability due to the timing differences between its accounting and taxable income. The tax credit in the 6-month period ended 30 June 2003 was in respect of over provision for deferred tax liability in previous year.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.8 SRBT

We set out below the results of SRBT for the financial year ended 31 March 1999, 9-month period ended 31 December 1999, and the last three (3) financial years ended 31 December 2000 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Year Ended 31-03-1999 RM'000	9 months ended 31-12-1999 RM'000	--- Financial Year Ended 31 December --- 2000 RM'000	2001 RM'000	2002 RM'000	6 months ended 30-06-2003 RM'000
Revenue	1,236	2,322	5,334	1,039	192	60
Profit before interest, depreciation and taxation	378	2,275	3,249	1,026	266	63
Interest expense	(95)	(157)	(146)	(109)	(20)	-
Depreciation	(245)	(375)	(407)	(55)	(55)	(18)
Profit before taxation	38	1,743	2,696	862	191	45
Taxation	-	-	(427)	(320)	(277)	(33)
Profit after taxation	38	1,743	2,269	542	(86)	12
Number of ordinary shares of RM1.00 each in issue ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Gross earnings per share (Sen)	4	174	270	86	19	9 *
Net earnings per share (Sen)	4	174	227	54	(9)	2 *

* *Annualised figures*

4.8.1 Notes To The Summarised Income Statement of SRBT

i) The revenue for the 9-month period ended 31 December 1999 and financial year ended 31 December 2000 increased significantly mainly due to the increase in the number of buses acquired for the company's express bus operations subsequent to its acquisition by KBESM and the change in business strategy under its new management.

Pursuant to the KBESM Group restructuring scheme completed in July 2001, SRBT chartered all its buses to its holding company, KBESM, on a monthly terms and earned monthly agency revenue. This resulted in a significant decrease in revenue as SRBT earned only net monthly agency revenue whilst most of the direct operating expenses were borne by KBESM.

The decrease in revenue over the financial years ended 31 December 2001 to 2002 and the 6-month period ended 30 June 2003 was mainly due to the gradual transfer of the company's bus permits to its holding company, KBESM, pursuant to a restructuring scheme to consolidate the Group's express bus operations under a consortium company.

ii) The significant increase in pre-tax profit in the 9-month period ended 31 December 1999 and financial year ended 31 December 2000 were mainly attributed to the better control over the company's direct operating costs under the new KBESM management and better economy of scale as more buses were deployed for its operations.

The decrease in pre-tax profit over the financial years ended 31 December 2001 to 2002 and the 6-month period ended 30 June 2003 were mainly due to the gradual transfer of the company's bus permits to its holding company, KBESM, pursuant to a restructuring scheme to consolidate the Group's express bus operations under a consortium company.

iii) The effective tax rates for the financial year/period ended 31 March 1999 and 31 December 1999 were lower than the statutory rate mainly due to utilisation of unabsorbed tax losses and capital allowances brought forward.

The effective tax rate in 2000 was lower than the statutory rate mainly due to an under provision which was subsequently charged in 2001.

The higher effective tax rate in 2002 was mainly due to deferred tax liability under provided in prior years taken during the year.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.9 MESB

We set out below the results of MESB for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Years Ended 31 December					6 months ended
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,051	1,160	806	583	643	55
Profit before interest, depreciation and taxation	115	600	826	559	700	168
Interest expense	(20)	(31)	(33)	(25)	(22)	(4)
Depreciation	(95)	(356)	(301)	(242)	(284)	(64)
Profit before taxation	-	213	492	292	394	100
Taxation	-	-	-	(40)	(164)	(9)
Profit after taxation	-	213	492	252	230	91
Number of ordinary shares of RM1.00 each in issue ('000)	250	250	250	250	250	250
Gross earnings per share (Sen)	-	85	197	117	158	80 *
Net earnings per share (Sen)	-	85	197	101	92	73 *

* *Annualised figures*

4.9.1 Notes To The Summarised Income Statement of MESB

i) The decrease in revenue in 2000 was mainly attributed to the change in business strategy where revenue were mainly derived from net monthly agency fee whilst most of the direct operating expenses were borne by the agents.

Pursuant to the KBESM Group Restructuring Scheme completed in July 2001, MESB chartered all its buses to its holding company, KBESM, on a monthly terms and earned net monthly agency revenue.

The revenue for the 6-month period ended 30 June 2003 decreased substantially as most of the company's buses were disposed and the bus permits transferred to KBESM, pursuant to a restructuring scheme to consolidate the Group's express bus operations under a consortium company.

ii) The improvement in pre-tax profit in 1999 was mainly attributed the savings in agents' commission paid and rental of sales counters under the new KBESM management and gain on disposal of used buses during the year.

The improvement in pre-tax profit in 2000 was mainly due to increase in monthly agency sales under the KBESM management where major direct operating expenses such as salaries for bus drivers, fuel, repair and maintenance were borne by the agents.

The decrease in pre-tax profit in 2001 was mainly due to decrease in monthly agency revenue as the company's buses were relatively old. Some of these old buses were replaced in 2002 with new ones which commanded better agency rates thereby contributed to higher pre-tax profit in 2002.

iii) The effective rates for 1998 to 2000 were nil due to utilisation of unabsorbed tax losses and capital allowances brought forward from prior years.

The effective tax rate in 2001 was lower than the statutory rate mainly due to utilisation of unabsorbed tax losses and capital allowances brought forward and under provision of deferred tax liability which was later provided in 2002, resulting in a higher effective rate in 2002.

The lower effective rate for the 6-month period ended 30 June 2003 was mainly attributed to the capital gain on disposal of used buses during the year for which the relevant balancing charge were offset by deferred tax already provided in prior years.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.10 SRE

We set out below the results of SRE for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Years Ended 31 December					6 months ended
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	30-06-2003 RM'000
Revenue	154	331	2,047	1,471	1,494	471
Profit/(Loss) before interest, depreciation and taxation	(7)	165	1,407	1,164	1,401	697
Interest expense	(1)	(54)	(42)	(34)	(24)	(13)
Depreciation	(194)	(43)	(181)	(272)	(395)	(131)
Profit/(Loss) before taxation	(202)	68	1,184	858	982	553
Taxation	-	-	-	-	(280)	(151)
Profit/(Loss) after taxation	(202)	68	1,184	858	702	402
Number of ordinary shares of RM1.00 each in issue ('000)	250	250	250	250	250	250
Gross earnings/(loss) per share (Sen)	(81)	27	474	343	393	443 *
Net earnings/(loss) per share (Sen)	(81)	27	474	343	281	322 *

* *Annualised figures*

4.10.1 Notes To The Summarised Income Statement of SRE

i) The significant increase in revenue in 2000 was mainly due to the increase in the number of buses acquired for the company's express bus operations subsequent to the acquisition by KBESM.

Pursuant to the KBESM Group Restructuring Scheme completed in July 2001, SRE chartered its buses to its holding company, KBESM, on a monthly terms and earned net monthly agency revenue whilst most of the direct operating expenses were borne by KBESM. This resulted in a decrease in revenue in 2001.

ii) The improvement in pre-tax profit in 1999 was mainly due to increase in sales whilst expenses such as salaries, depreciation, repairs and maintenance were lower when SRE was under the new management of KBESM.

Further improvement in pre-tax profit in 2000 was mainly due to the increase of eight (8) units of new buses acquired for its express bus operations after its acquisition by KBESM. These new buses fetched higher monthly agency fees whilst their operating costs were much lower.

The decrease in pre-tax profit in 2001 as compared to 2000 was mainly attributed to the gain on disposal of buses recognised in 2000 whereas there was no such revenue earned in 2001.

The comparatively higher pre-tax profit for the 6-month period ended 30 June 2003 was mainly attributed to the non operating income earned on disposal of the company's used buses.

iii) There was no tax charge for 1998 as SRE suffered losses for the year. The effective tax rates for 1999 to 2001 were nil due to utilisation of unabsorbed tax losses and capital allowances brought forward.

The tax charge provided in 2002 was in respect of deferred tax liability on potential timing differences between depreciation charged in the account and capital allowances claimed for tax purposes including deferred tax liabilities under provided in prior years.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.11 DRT

We set out below the results of DRT for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Years Ended 31 December					6 months ended
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	323	1,394	1,982	2,618	867
Profit/(Loss) before interest, depreciation and taxation	(15)	241	1,080	1,865	2,494	934
Interest expense	-	(30)	(189)	(253)	(235)	(102)
Depreciation	-	(118)	(294)	(601)	(751)	(274)
Profit/(Loss) before taxation	(15)	93	597	1,011	1,508	558
Taxation	-	-	(201)	-	(475)	(159)
Profit/(Loss) after taxation	(15)	93	396	1,011	1,033	399
Number of ordinary shares of RM1.00 each in issue ('000)	^	250	250	250	250	250
Gross earnings/(loss) per share (Sen)	(750,000)	37	239	404	603	446 *
Net earnings/(loss) per share (Sen)	(750,000)	37	158	404	413	320 *

^ *Denotes issued and paid-up share capital of RM2*
* *Annualised figures*

4.11.1 Notes To The Summarised Income Statement of DRT

i) DRT was dormant prior to 1999. Revenue increased gradually throughout the financial years ended 31 December 1999 to 2002 as additional buses were acquired to served additional trips and new routes.

The comparatively lower revenue for the 6-month period ended 30 June 2003 was mainly attributed to the gradual transfer of its bus permits to KBESM, pursuant to a restructuring scheme to consolidate the Group's express bus operations under a consortium company.

ii) The increase in pre-tax profit in the financial years ended 31 December 1999 to 2002 was in line with the increase in revenue as additional buses were acquired to served additional trips and new routes over the period.

iii) There was no tax charge for 1998 as DRT had not commenced its operations. The effective tax rate for 2000 was higher than the statutory tax rate due provision made for deferred tax liability under provided in previous year.

There was no tax charge in 2001 due to the capital allowances claimed which was sufficient to offset against its adjusted income, hence there was no chargeable income for the year. The relevant deferred tax which was under provided was later taken up in the following year, hence resulted in a comparatively higher effective rate for 2002.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.12 DRE

We set out below the results of DRE for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	---Financial Years Ended 31 December---					6 months ended
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	3,166	3,210	6,937	6,216	6,170	2,639
Profit/(Loss) before interest, depreciation and taxation	(2,043)	2,346	5,053	5,515	6,070	3,041
Interest expense	(383)	(404)	(302)	(44)	(301)	(107)
Depreciation	(976)	(769)	(785)	(1,265)	(1,667)	(723)
Profit/(Loss) before taxation	(3,402)	1,173	3,966	4,206	4,102	2,210
Taxation	-	-	-	-	(271)	(347)
Profit/(Loss) after taxation	(3,402)	1,173	3,966	4,206	3,831	1,863
Number of ordinary shares of RM1.00 each in issue ('000)	805	1,105	1,105	1,105	1,105	1,105
Gross earnings/(loss) per share (Sen)	(423)	106	359	381	371	400 *
Net earnings/(loss) per share (Sen)	(423)	106	359	381	347	337 *

* *Annualised figures*

4.12.1 Notes To The Summarised Income Statement of DRE

i) The significant increase in revenue in 2000 was mainly attributed to additional buses purchased. During the year, DRE replaced 12 units of its old buses and acquired a further 13 units of new buses to complement its express bus operations and expanded its services to different destinations and generated additional revenue.

ii) The improvement in pre-tax profit in 1999 mainly due to decrease in direct operating expenses such as salaries for bus drivers, repairs and maintenance mainly due to better management and efficient use of sources under the new KBESM management in 1999. A substantial decrease in provision for doubtful debts in 1999 as compared to 1998 also contributed to the improved results.

The improvement in pre-tax profit in 2000 was mainly attributed to additional new buses acquired, and increase in gain on disposal of used buses coupled with a decrease in overdue lease interest expense as overdue lease rentals had been updated.

iii) There was no tax charge for 1998 as DRE incurred losses for the year. The effective tax rates for 1999 to 2001 were nil due to utilisation of unabsorbed tax losses and capital allowances brought forward from prior years.

The tax charge for the financial year ended 31 December 2002 and the 6-month period ended 30 June 2003 were in respect of deferred tax liabilities provided on the timing differences between the depreciation charged and the corresponding capital allowances claimed for tax purposes partly off-set by the unutilised tax losses and capital allowances brought forward.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings/(loss) per share are calculated based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.13 STCP

We set out below the results of STCP for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Years Ended 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	6 months ended 30-06-2003 RM'000
Revenue	-	-	-	-	120	60
Profit before interest, depreciation and taxation	19	14	30	19	87	36
Interest expense	(31)	(32)	(36)	(26)	(55)	(22)
Depreciation	-	(18)	(18)	(18)	(169)	(85)
Loss before taxation	(12)	(36)	(24)	(25)	(137)	(71)
Taxation	-	-	-	-	(13)	(4)
Loss after taxation	(12)	(36)	(24)	(25)	(150)	(75)
Number of ordinary shares of RM1.00 each in issue ('000)	^	250	250	250	250	250
Gross loss per share (Sen)	(600,000)	(14)	(10)	(10)	(55)	(57) *
Net loss per share (Sen)	(600,000)	(14)	(10)	(10)	(60)	(60) *

^ *Denotes issued and paid-up share capital of RM2*

* *Annualised figures*

4.13.1 Notes To The Summarised Income Statement of STCP

i) STCP was a property investment company from 1997 to 2001 and the losses incurred were due to administrative expenses incurred by the company and depreciation charged on its leasehold property. The revenue generated for the financial year ended 31 December 2002 and the 6-month period ended 30 June 2003 represented rental receivable on its landed property.

ii) The tax charge for the financial year ended 31 December 2002 and the 6-month period ended 30 June 2003 were in respect of its rental income assessed under Section 4(d) of the Income Tax Act, 1967.

iii) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

iv) The gross and net loss per share are calculated based on the loss before taxation and loss after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

4.14 SCM

We set out below the results of SCM for the last five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003. The results are to be read in conjunction with the notes thereto.

	Financial Years Ended 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	6 months ended 30-06-2003 RM'000
Revenue	1,277	1,192	1,667	2,192	2,349	1,896
Profit before interest, depreciation and taxation	271	864	762	631	929	765
Interest expense	(62)	(35)	(69)	(31)	(20)	(10)
Depreciation	(7)	(7)	(7)	(10)	(47)	(24)
Profit before taxation	202	822	686	590	862	731
Taxation	(67)	-	(210)	(176)	(258)	(196)
Profit after taxation	135	822	476	414	604	535
Number of ordinary shares of RM1.00 each in issue ('000)	450	450	450	450	450	450
Gross earnings per share (Sen)	45	183	152	131	192	325
Net earnings per share (Sen)	30	183	106	92	134	238

* *Annualised figures*

4.14.1 Notes To The Summarised Income Statement of SCM

i) The increase in revenue in the financial years ended 31 December 2000 and 2001 and the 6-month period ended 30 June 2003 were mainly due to the increased quantity of bus air-conditioner units sold. The new buses purchased by KBESM Group were all equipped with air-conditioning units supplied by SCM.

ii) The higher pre-tax profit in 1999 was mainly attributed to an under-statement of cost of sales due to a delayed claim by a supplier for supplies of completed air-conditioners which was taken up in 2001 which resulted in a lower pre-tax profit for that year.

The comparatively better pre-tax profit achieved for the 6-month period ended 30 June 2003 was mainly attributed to the increased sales of reconditioned air-conditioner units which offered better margin and savings cost of sales as more components were sourced locally in place of imported ones.

iii) The effective rate for 1998 was higher than the statutory rate mainly due to certain expenses incurred which were not tax deductible such as interest expenses restricted under Section 33(2) of the Income Tax Act, 1967.

There was no tax charge on the company's chargeable income for the year ended 31 December 1999 due to the waiver of tax payable under the Income Tax (Amendment) Act, 1999.

The effective rates for the years 2000 to 2002 were higher than the statutory rate mainly due to certain expenses incurred which were not tax deductible such as interest expenses restricted under Section 33(2) of the Income Tax Act, 1967.

iv) There were no extraordinary nor exceptional items in respect of all the financial years/period under review.

v) The gross and net earnings per share are calculated based on the profit before taxation and profit after taxation divided by the number of ordinary shares in issue at the end of the respective financial years/period.

5. DIVIDENDS

There were no dividends paid or declared by KBES Group or its subsidiaries during the financial years/periods under review.

6. SUMMARISED BALANCE SHEETS

We set out below the summarised audited balance sheets of KBES Group and its subsidiaries for the relevant periods/years under review:

6.1 KBES

KBES was incorporated on 28 October 2002 and made up its first set of financial statements for the period from its date of incorporation to 31 December 2002.

	Financial Period Ended 31-12-2002 RM	6 months ended 30-06-2003 RM
Current assets	2	54,252
Current liabilities	(2,300)	(62,093)
Net current liabilities	(2,298)	(7,841)
Financed by:		
Share capital	2	2
Accumulated loss	(2,300)	(7,843)
Shareholders' funds	(2,298)	(7,841)
Net tangible assets ("NTA") per ordinary share of RM1.00 each (RM)	(1,149)	(3,921)

6.2 KBESM

	As at 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	-	-	-	214	8,362	27,287
Subsidiary companies	-	-	-	4,143	4,143	4,143
Current assets	1	1	1	12,592	18,646	19,473
Current liabilities	(5)	(6)	(8)	(8,905)	(22,005)	(39,064)
Net current assets/(liabilities)	(4)	(5)	(7)	3,687	(3,359)	(19,590)
	(4)	(5)	(7)	8,044	9,146	11,840
Financed by:						
Share capital	1	1	1	3,915	7,915	7,915
Retained profits	(5)	(6)	(8)	129	1,231	2,370
Share application money	-	-	-	4,000	-	-
Shareholders' funds	(4)	(5)	(7)	8,044	9,146	10,285
Long-term liabilities	-	-	-	-	-	1,270
Deferred taxation	-	-	-	-	-	285
	-	-	-	-	-	1,555
	(4)	(5)	(7)	8,044	9,146	11,840
NTA per ordinary share of RM1.00 each (RM)	(4.00)	(5.00)	(7.00)	2.05	1.16	1.30

6.3 THR

	As at 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	5,383	5,428	4,074	3,183	2,155	1,017
Current assets	2,939	3,953	3,391	4,013	3,870	5,119
Current liabilities	(5,653)	(6,673)	(4,200)	(3,713)	(2,379)	(2,601)
Net current assets/(liabilities)	(2,714)	(2,720)	(809)	300	1,491	2,518
	2,669	2,708	3,265	3,483	3,646	3,535
Financed by:						
Share capital	400	400	400	400	400	400
Retained profits	1,601	1,212	1,993	2,523	2,942	2,958
Shareholders' funds	2,001	1,612	2,393	2,923	3,342	3,358
Long-term liabilities	635	1,064	840	528	237	107
Deferred taxation	33	32	32	32	67	70
	668	1,096	872	560	304	177
	2,669	2,708	3,265	3,483	3,646	3,535
NTA per ordinary share of RM1.00 each (RM)	5.00	4.03	5.98	7.31	8.36	8.39

6.4 THTS

	As at 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	1,663	1,744	1,361	2,174	1,809	13
Current assets	1,842	1,884	2,219	3,089	1,947	3,607
Current liabilities	(507)	(551)	(399)	(1,836)	(316)	(494)
Net current assets	1,335	1,333	1,820	1,253	1,631	3,113
	2,998	3,077	3,181	3,427	3,440	3,126
Financed by:						
Share capital	350	350	350	350	350	350
Retained profits	2,648	2,374	2,570	2,908	2,953	2,774
Shareholders' funds	2,998	2,724	2,920	3,258	3,303	3,124
Long-term liabilities	-	353	261	169	77	-
Deferred taxation	-	-	-	-	60	2
	-	353	261	169	137	2
	2,998	3,077	3,181	3,427	3,440	3,126
NTA per ordinary share of RM1.00 each (RM)	8.57	7.78	8.34	9.31	9.44	8.93

6.5 THT

	As at 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	1,937	1,566	1,161	971	742	-
Current assets	563	597	774	1,366	1,513	2,275
Current liabilities	(1,060)	(946)	(1,001)	(1,220)	(913)	(977)
Net current assets/(liabilities)	(497)	(349)	(227)	146	600	1,298
	1,440	1,217	934	1,117	1,342	1,298
Financed by:						
Share capital	150	150	150	150	150	150
Retained profits	630	719	749	957	1,022	1,148
Shareholders' funds	780	869	899	1,107	1,172	1,298
Long-term liabilities	651	338	26	-	-	-
Deferred taxation	9	10	9	10	170	-
	660	348	35	10	170	-
	1,440	1,217	934	1,117	1,342	1,298
NTA per ordinary share of RM1.00 each (RM)	5.20	5.79	5.99	7.38	7.81	8.65

6.6 SSB

	As at 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	5,343	4,407	3,458	4,226	3,478	27
Current assets	612	982	1,032	3,156	786	4,630
Current liabilities	(2,855)	(2,969)	(2,178)	(4,303)	(360)	(751)
Net current assets/(liabilities)	(2,243)	(1,987)	(1,146)	(1,147)	426	3,878
	3,100	2,420	2,312	3,079	3,904	3,906
Financed by:						
Share capital	250	250	250	250	250	250
Retained profits	963	1,223	1,856	2,776	3,248	3,648
Shareholders' funds	1,213	1,473	2,106	3,026	3,498	3,898
Long-term liabilities	1,834	894	153	-	-	-
Deferred taxation	53	53	53	53	406	8
	1,887	947	206	53	406	8
	3,100	2,420	2,312	3,079	3,904	3,906
NTA per ordinary share of RM1.00 each (RM)	4.85	5.89	8.42	12.10	13.99	15.59

6.7 WTT

	As at 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	2,909	2,524	2,139	1,757	1,372	1,932
Current assets	184	102	220	121	45	11
Current liabilities	(2,354)	(2,617)	(2,727)	(2,045)	(1,341)	(1,863)
Net current liabilities	(2,170)	(2,515)	(2,507)	(1,924)	(1,296)	(1,852)
	739	9	(368)	(167)	76	79
Financed by:						
Share capital	200	200	200	200	200	200
Accumulated loss	(363)	(663)	(755)	(367)	(199)	(145)
Shareholders' funds	(163)	(463)	(555)	(167)	1	55
Long-term liabilities	902	472	187	-	-	-
Deferred taxation	-	-	-	-	75	25
	902	472	187	-	75	25
	739	9	(368)	(167)	76	79
NTA per ordinary share of RM1.00 each (RM)	(0.82)	(2.32)	(2.78)	(0.84)	0.01	0.27

6.8 SRBT

	As at 31-03-1999 RM'000	As at 31 December 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	4,261	5,402	3,283	361	301	1
Current assets	462	1,447	2,005	9,561	5,084	5,191
Current liabilities	(4,634)	(5,373)	(2,427)	(6,570)	(2,091)	(1,914)
Net current assets/(liabilities)	(4,172)	(3,926)	(422)	2,991	2,993	3,277
	89	1,476	2,861	3,352	3,294	3,278
Financed by:						
Share capital	1,000	1,000	1,000	1,000	1,000	1,000
Retained profits/(Accumulated loss)	(2,202)	(459)	1,810	2,352	2,266	2,278
Shareholders' funds	(1,202)	541	2,810	3,352	3,266	3,278
Long-term liabilities	1,291	935	51	-	-	-
Deferred taxation	-	-	-	-	28	-
	1,291	935	51	-	28	-
	89	1,476	2,861	3,352	3,294	3,278
NTA per ordinary share of RM1.00 each (RM)	(1.20)	0.54	2.81	3.35	3.27	3.28

6.9 MESB

	As at 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	387	1,112	811	577	386	66
Current assets	222	1,190	138	478	649	1,035
Current liabilities	(999)	(2,330)	(572)	(513)	(269)	(253)
Net current assets/(liabilities)	(777)	(1,140)	(434)	(35)	380	782
	(390)	(28)	377	542	766	848
Financed by:						
Share capital	250	250	250	250	250	250
Retained profits/(Accumulated loss)	(681)	(468)	25	277	507	598
Shareholders' funds	(431)	(218)	275	527	757	848
Long-term liabilities	41	190	102	15	-	-
Deferred taxation	-	-	-	-	9	-
	41	190	102	15	9	-
	(390)	(28)	377	542	766	848
NTA per ordinary share of RM1.00 each (RM)	(1.72)	(0.87)	1.10	2.11	3.03	3.39

6.10 SRE

	As at 31 December					As at
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	59	1,571	2,241	3,463	3,068	1,649
Current assets	79	276	95	1,043	427	2,308
Current liabilities	(1,849)	(1,334)	(737)	(2,121)	(224)	(272)
Net current assets/(liabilities)	(1,770)	(1,058)	(642)	(1,078)	203	2,036
	(1,711)	513	1,599	2,385	3,271	3,685
Financed by:						
Share capital	250	250	250	250	250	250
Capital reserve	-	1,741	1,741	1,741	1,741	1,741
Retained profits/(Accumulated loss)	(1,961)	(1,893)	(709)	149	851	1,254
Shareholders' funds	(1,711)	98	1,282	2,140	2,842	3,244
Long-term liabilities	-	415	317	245	149	120
Deferred taxation	-	-	-	-	280	320
	-	415	317	245	429	440
	(1,711)	513	1,599	2,385	3,271	3,685
NTA per ordinary share of RM1.00 each (RM)	(6.84)	0.39	5.13	8.56	11.37	12.98

6.11 DRT

	As at 31 December					As at
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	1,066	4,479	6,527	5,623	3,069
Current assets	*	1,464	145	878	176	2,303
Current liabilities	(15)	(624)	(1,331)	(3,958)	(1,658)	(1,449)
Net current assets/(liabilities)	(15)	840	(1,186)	(3,080)	(1,482)	854
	(15)	1,906	3,293	3,447	4,141	3,923
Financed by:						
Share capital	*	250	250	250	250	250
Retained profits/(Accumulated loss)	(15)	78	474	1,485	2,518	2,917
Shareholders' funds	(15)	328	724	1,735	2,768	3.167
Long-term liabilities	-	1,578	2,368	1,511	847	559
Deferred taxation	-	-	201	201	526	196
	-	1,578	2,569	1,712	1,373	755
	(15)	1,906	3,293	3,447	4,141	3,923
NTA per ordinary share of RM1.00 each (RM)	(7,500)	1.31	2.90	6.94	11.07	12.67

* *These denote cash in hand and issued and paid-up share capital of RM2 each respectively.*

6.12 DRE

	As at 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	4,884	4,122	10,080	10,067	11,368	7,087
Investment in subsidiaries	95	-	-	-	-	-
Current assets	518	3,371	864	4,977	4,936	10,775
Current liabilities	(17,239)	(5,280)	(3,473)	(4,393)	(2,092)	(1,247)
Net current assets/(liabilities)	(16,721)	(1,909)	(2,609)	584	2,844	9,528
	(11,742)	2,213	7,471	10,651	14,212	16,615
Financed by:						
Share capital	805	1,105	1,105	1,105	1,105	1,105
Share premium	5	5	5	5	5	5
Capital reserves	-	13,062	13,062	13,062	13,062	13,062
Retained profits/(Accumulated loss)	(13,984)	(12,811)	(8,845)	(4,639)	(807)	1,056
Shareholders' funds	(13,174)	1,361	5,327	9,533	13,365	15,228
Long-term liabilities	1,432	852	2,144	1,118	576	769
Deferred taxation	-	-	-	-	271	618
	1,432	852	2,144	1,118	847	1,387
	(11,742)	2,213	7,471	10,651	14,212	16,615
NTA per ordinary share of RM1.00 each (RM)	(16.37)	1.23	4.82	8.63	12.10	13.78

6.13 STCP

	As at 31 December 1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	As at 30-06-2003 RM'000
Property, plant and equipment	5,864	7,002	7,675	9,561	9,422	9,364
Current assets	447	428	1,365	591	27	56
Current liabilities	(6,330)	(6,393)	(8,099)	(7,778)	(7,444)	(7,616)
Net current liabilities	(5,883)	(5,965)	(6,734)	(7,187)	(7,417)	(7,560)
	(19)	1,037	941	2,374	2,005	1,804
Financed by:						
Share capital	*	250	250	250	250	250
Capital reserves	-	-	-	1,667	1,667	1,667
Retained profits/(Accumulated loss)	(19)	(55)	(79)	(104)	(254)	(329)
Shareholders' funds	(19)	195	171	1,813	1,663	1,587
Long-term liabilities	-	842	770	561	342	217
	(19)	1,037	941	2,374	2,005	1,804
NTA per ordinary share of RM1.00 each (RM)	(9,500)	0.78	0.68	7.25	6.65	6.35

* *This denotes issued and paid-up share capital of RM2*

6.14 SCM

	As at 31 December					As at
	1998	1999	2000	2001	2002	30-06-2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	54	48	41	451	402	378
Current assets	1,773	3,128	3,808	4,412	6,030	6,665
Current liabilities	(1,230)	(1,757)	(1,913)	(2,516)	(3,467)	(3,545)
Net current assets	543	1,371	1,895	1,896	2,563	3,120
	597	1,419	1,936	2,347	2,965	3,498
Financed by:						
Share capital	450	450	450	450	450	450
Retained profits	143	965	1,441	1,855	2,460	2,995
Shareholders' funds	593	1,415	1,891	2,305	2,910	3,445
Long-term liabilities	-	-	41	-	-	-
Deferred taxation	4	4	4	42	55	53
	4	4	45	42	55	53
	597	1,419	1,936	2,347	2,965	3,498
NTA per ordinary share of RM1.00 each (RM)	1.32	3.14	4.20	5.12	6.47	7.66

7. STATEMENTS OF ASSETS AND LIABILITIES

The following is the detailed statements of assets and liabilities of KBES and of the proforma KBES Group which have been prepared for illustrative purposes only and are based on the audited financial statements of the companies in the Group as at 30 June 2003. The statements of assets and liabilities have been prepared to show the effects of the restructuring scheme detailed in Section 2.3 on the assumption that the scheme had been completed on 30 June 2003 and should be read in conjunction with the notes thereon.

	Note	Company RM'000	Proforma Group RM'000
Assets Employed			
Property, plant and equipment	8.3	-	62,738,083
Current Assets			
Inventories	8.4	-	922,077
Trade receivables		-	9,360,494
Other receivables, deposits and prepayments		54,250	5,962,260
Cash and bank balances		2	9,243,551
		54,252	25,488,382
Less:			
Current Liabilities			
Trade payables		-	3,648,967
Other payables and accrued expenses		59,793	4,087,531
Amount owing to directors	8.5	2,300	18,589
Term loans	8.6	-	145,297
Hire purchase payables	8.7	-	531,637
Lease payables	8.8	-	614,312
Tax liabilities		-	5,093,432
Bank overdraft	8.9	-	1,193,247
		62,093	15,333,012
Net current assets/(liabilities)		(7,841)	10,155,370
		(7,841)	72,893,453
Financed by:			
Share capital	8.10	2	63,000,000
Share premium	8.11	-	5,975,086
Accumulated loss		(7,843)	(7,843)
		(7,841)	68,967,243
Negative goodwill	8.12	-	555,630
Minority interest		-	844,028
Long-term and Deferred Liabilities			
Hire purchase payables	8.7	-	355,750
Lease payables	8.8	-	594,602
Deferred tax liabilities	8.13	-	1,576,200
		-	2,526,552
		(7,841)	72,893,453

8 NOTES TO THE STATEMENTS OF ASSETS AND LIABILITIES

8.1 Basis of Preparation of the Financial Statements

The financial statements of the Proforma Group have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board ("MASB").

8.2 Significant Accounting Policies

a) **Basis of Accounting**

The financial statements of the Proforma Group and of the Company are prepared under the historical cost convention, modified by the revaluation of a subsidiary company's long leasehold land and building, and in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

b) **Property, Plant and Equipment and Depreciation**

i) **Owned Assets**

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

ii) **Assets Acquired Under Hire Purchase and Leasing**

Assets acquired under hire purchase and leasing are stated at cost less accumulated depreciation and impairment losses and are depreciated over the useful lives of the assets concerned.

Outstanding hire purchase commitment is taken up as liabilities in the balance sheet. Interests on hire purchase and leasing are charged to the income statement.

iii) **Depreciation**

Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis over the estimated useful lives of the assets concerned. The annual rates used are as follows:

	%
Factory building	2
Motor vehicles	10 - 20
Bus equipment	10
Office equipment	10 - 33.3
Signboards, furniture and fittings	10
Renovation	10

Long leasehold land is amortised evenly over its applicable lease period.

c) **Basis of Consolidation**

The Proforma Group financial statements included the financial statements of the Company and its subsidiary companies. All the subsidiaries are consolidated using the acquisition method of accounting where 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 consolidated financial statements.

Goodwill represents the difference of the fair market value of the net assets acquired over the cost of investment and is amortised evenly to the income statement over a period of 10 years.

d) **Investment in Subsidiary Companies**

Subsidiaries are entities controlled by the Company. Control exists when the Company holds more than half of the issued ordinary share capital or voting power of the investee companies and have power to govern their financial and operating policies.

Investment in subsidiary companies is stated at cost in the Company's financial statements. Provision for diminution in value is made when, in the opinion of the directors, there is a permanent impairment in the value of the investment.

e) **Impairment**

The carrying amount of the Company's financial assets are reviewed for impairment losses when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying amounts of the assets with their recoverable amounts. An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognised in prior year is recorded where there is indication that the impairment losses recognised for the assets no longer exist or have decreased. The reversal is recognised to the extent of the asset's carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

f) Inventories

Inventories, consist of bus and air-conditioner spare parts, fuel and consumables, are stated at the lower of cost, determined principally on the "weighted average" method and net realisable value. Cost includes the original purchase price and expenses incurred in bringing the inventories to their present locations.

g) Trade and Other Receivables

Known bad debts are written off and specific provision is made for any considered to be doubtful of collection.

h) Revenue Recognition

Revenue is recognised upon delivery of goods sold or completion of services rendered and is shown net of returns and trade discounts.

i) Deferred Taxation

Deferred taxation is provided under the liability method in respect of all material timing differences other than differences which are not expected to reverse in the foreseeable future. The tax effect of timing differences that result in a net debit balance in the deferred taxation account is recognised on realisation.

j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, bank overdrafts and deposits with financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with insignificant risk of changes in value.

8.3 Property, Plant and Equipment

Proforma Group	As at 01.01.2003	Acquisition of subsidiaries	Addition/ (Disposal)	As at 30.06.2003
Cost/Valuation	RM	RM	RM	RM
At Valuation:				
Long leasehold land and buildings	-	9,615,649	-	9,615,649
At Cost:				
Long leasehold land	-	25,000	-	25,000
Motor vehicles	-	64,667,609	-	64,667,609
Bus equipment	-	332,885	-	332,885
Plant and machinery	-	486,200	-	486,200
Renovation	-	268,676	-	268,676
Office equipment	-	508,799	-	508,799
Signboards, furniture and fittings	-	174,680	-	174,680
	-	76,079,498	-	76,079,498
Accumulated Depreciation				
At Valuation:				
Long leasehold land and buildings	-	254,386	-	254,386
At Cost:				
Long leasehold land	-	3,684	-	3,684
Motor vehicles	-	12,038,700	-	12,038,700
Bus equipment	-	236,818	-	236,818
Plant and machinery	-	108,325	-	108,325
Renovation	-	188,899	-	188,899
Office equipment	-	353,317	-	353,317
Signboards, furniture and fittings	-	157,286	-	157,286
	-	13,341,415	-	13,341,415
Net Book Value	RM			RM
At Valuation:				
Long leasehold land and buildings	-			9,361,263
At Cost:				
Long leasehold land	-			21,316
Motor vehicles	-			52,628,909
Bus equipment	-			96,067
Plant and machinery				377,875
Renovation	-			79,777
Office equipment	-			155,482
Signboards, furniture and fittings	-			17,394
	-			62,738,083

The above long leasehold land and buildings of the Proforma Group are charged to financial institutions as securities for banking facilities disclosed in Note 8.6 below granted to certain subsidiary companies.

The above long leasehold land and building belonging to a subsidiary company which is carried at valuation was revalued on its existing use basis valued by the directors on a fair market value basis in 2001. The tax effect in connection with the surplus arising on the revaluation of the long leasehold land and building of the subsidiary company carried at valuation is not disclosed as there is no foreseeable intention to dispose the property. Had the long leasehold land and building be stated at cost, its net book value as at 30 June, 2003 would have been RM 7,866,771.

Included in the above motor vehicles of the Proforma Group are vehicles with an aggregate net book value of RM2,642,983 (31.12.2002 : RM4,261,926) acquired under hire purchase and lease financing.

8.4 INVENTORIES

	Company RM	Proforma Group RM
Fuel and spares	-	265,076
Raw materials	-	361,230
Work-in-progress	-	295,771
Total	-	922,077

8.5 AMOUNT OWING TO DIRECTORS

The amount owing to directors are unsecured, interest-free and have no fixed repayment terms.

8.6 TERM LOANS

	Company RM	Proforma Group RM
Term loan bearing interest rate at 2.5% above the lender's base lending rate and repayable by 60 monthly instalments commencing in August, 2000	-	502,137
Term loan bearing interest rate at 2.5% above the lender's base lending rate and repayable by 60 monthly instalments commencing in October, 2000	-	439,287
Term loan bearing interest rate at 2.5% above the lender's base lending rate and repayable by 60 monthly instalments commencing in June, 2000	-	485,520
Term loan bearing interest rate at 2.5% above the lender's base lending rate and repayable by 60 monthly instalments commencing in July, 2000	-	218,353
Term loan under Islamic Banking principles and repayable by 48 monthly instalments commencing in July, 2003	-	1,500,000
	-	3,145,297
Less:		
Utilisation of proceeds for loan repayment	-	3,000,000
Portion payable within the next 1 year (included in current liabilities)	-	145,297

The above term loans are secured by means of the following:-

i) a debenture over fixed and floating assets of its subsidiary companies;
ii) first legal charge over a subsidiary company's leasehold land and building; and
iii) joint and several guarantee of some of the directors of the Company.

8.7 HIRE PURCHASE PAYABLES

	Company RM	Proforma Group RM
Gross balance	-	1,154,526
Less:		
Hire purchase interest-in-suspense	-	267,139
Net balance	-	887,387
Payable as follows:		
Portion payable within the next 1 year (included in current liabilities)	-	531,637
Payable after the next 1 year (included in long-term liabilities):		
- payable between 1 to 2 years	-	341,889
- payable between 2 to 5 years	-	13,861
	-	355,750
Total	-	887,387

8.8 LEASE PAYABLES

	Company RM	Proforma Group RM
Gross balance	-	1,502,359
Less:		
Lease interest-in-suspense	-	293,445
Net balance	-	1,208,914
Payable as follows:		
Portion payable within the next 1 year (included in current liabilities)	-	614,312
Portion payable after the next 1 year (included in long-term liabilities):		
- payable between 1 to 2 years	-	594,602
- payable between 2 to 5 years	-	-
	-	594,602
Total	-	1,208,914

8.9 BANK OVERDRAFTS

The bank overdrafts are secured by means of the following:-

i) negative pledge over some of the subsidiary companies' present and future assets other than assets under hire purchase arrangement; and

ii) joint and several guarantee of some of the directors of the Company.

8.10 SHARE CAPITAL

	Company RM	Proforma Group RM
a) Authorised		
Ordinary shares of RM1.00 each:		
As at beginning of the period	100,000	100,000
Add: Created during the period	-	99,900,000
As at end of the period	100,000	100,000,000
b) Issued and fully paid		
Ordinary share of RM1.00 each:		
As at beginning of the period	2	2
Add: Issued during the period:		
- KBESM Acquisition	-	40,161,894
- SCM Acquisition	-	2,909,807
- Debt Settlements	-	3,059,333
- Rights Issue	-	4,593,964
- Public Issue/Private Placement	-	12,275,000
	-	62,999,998
As at end of the period	2	63,000,000

8.11 SHARE PREMIUM

	Company RM	Proforma Group RM
Balance as at beginning of the period	-	-
Share premium arising from:-		
- Rights Issue	-	1,837,586
- Public Issue/Private Placement	-	6,137,500
	-	7,975,086
Less:		
Estimated listing expenses	-	(2,000,000)
Balance as at end of the period	-	5,975,086

8.12 NEGATIVE GOODWILL

	Company RM	Proforma Group RM
Balance as at beginning of the period	-	-
Add:		
Negative goodwill arising from acquisition of KBESM Group and SCM	-	555,630
Balance as at end of the period	-	555,630

8.13 DEFERRED TAXATION

	Company RM	Proforma Group RM
Balance as at beginning of the period	-	-
Add:		
Deferred tax liabilities arising from acquisition of KBESM Group and SCM	-	1,576,200
Balance as at end of the period	-	1,576,200

9. CASH FLOW STATEMENT

The cashflow statement of the Proforma KBES Group set out below is based on the audited financial statements of the Group for the 6-month period ended 30 June 2003 and is presented on the basis that the restructuring scheme detailed in Section 2.3 had been completed on 30 June 2003.

	Proforma Group RM
Cash Flows from Operating Activities	
Loss before taxation less minority interest	(7,843)
Changes in working capital	
Increase in other receivables, deposit and prepayment	(54,250)
Decrease in other payables and accrued expenses	59,793
Increase in amount owing to directors	2,300
Cash Generated from/(Absorbed by) Operations	-
Cash Flow from Investing Activities	
Acquisition of subsidiaries net of cash	(943,748)
Purchase of property, plant and equipment	(10,850,000)
Net Cash used in Investing Activities	(11,793,748)
	(11,793,748)
Cash Flow from Financing Activities	
Proceeds from issue of subscriber's shares	2
Proceeds from Rights Issue	6,431,550
Proceeds from Public Issue/Private Placement	18,412,500
Repayment of term loans	(3,000,000)
Estimated listing expenses	(2,000,000)
Net Cash from Financing Activities	19,844,052
Net Increase in Cash and Cash Equivalents carried forward	8,050,304
Cash and Cash Equivalents carried forward consist of:	
Cash and bank balances	9,243,551
Bank overdraft	(1,193,247)
Total	8,050,304
Analysis of Acquisitions of Subsidiary Companies	
Net Assets Acquired:	
Property, plant and equipment	51,888,083
Inventories	922,077
Receivables, deposits and prepayments	15,342,954
Cash and bank balances	249,499
Payables and accrued expenses	(10,826,777)
Hire purchase and lease payables	(2,096,301)
Term loans	(3,145,297)
Tax liabilities	(6,669,632)
Bank overdraft	(1,193,247)
Minority interest	(844,028)
	43,627,331
Less:	
Purchase consideration	43,071,701
Negative goodwill	555,630
Purchase consideration	43,071,701
Less:	
Non-cash transaction - consideration satisfied by issuance of shares	43,071,701
Cash paid	-
Less:	
<u>Cash and cash equivalents acquired</u>	
Cash and bank balances	(249,499)
Bank overdraft	1,193,247
	943,748
Acquisition of subsidiary net of cash	(943,748)

Significant Non-cash Transactions

Significant non-cash transactions during the period consist:

	RM
- acquisition of subsidiaries satisfied by the issuance of shares	43,071,701
- settlement of director's advances satisfied by the issuance of shares	1,239,219
- settlement of a shareholder's advances satisfied by the issuance of shares	1,820,114

10. NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the statement of assets and liabilities of the proforma KBES Group as at 30 June 2003, the net tangible assets of the proforma Group after the restructuring scheme detailed in Section 2.3 would be as follows:-

	Proforma Group RM
Net tangible assets as at 30 June 2003	69,522,873
Number of ordinary shares of RM0.50 each in issue	126,000,000
Net tangible assets per ordinary share of RM0.50 each	0.55

11. FINANCIAL STATEMENTS

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

12. EVENTS SUBSEQUENT TO BALANCE SHEET DATE AS AT 30 JUNE 2003

On 18 October 2003, KBESM declared and paid an interim net dividend of RM4,200,000 in respect of the financial year ending 31 December 2003 to the existing shareholders prior to the restructuring scheme detailed in Section 2.3.

Other than the completion of the KBESM Acquisitions, SCM Acquisition, Debt Settlement and Rights Issue of the restructuring scheme referred to in Section 2.3, no material events have arisen subsequent to the balance sheet date which requires disclosure in this report.

Yours faithfully

SIVA TAN & CO.
Firm Number: AF 0785
Chartered Accountants

TAN TIN
Chartered Accountant
Approval Number: 1451/06/04(J/PH)

13. DIRECTORS REPORT

(Prepared for inclusion in this Prospectus)

KBES BERHAD (597132-A)
Plot 73-86 Jalan Logam 5, Perindustrian Kamunting 3, Kamunting Raya Industrial Estate
34600 Kamunting, Taiping, Perak Darul Ridzuan.
Tel: 605-891 8888 Fax: 605-891 0000

Date : 19 NOV 2003

Registered Office:

400, Jalan Kamunting Bt. 2
34600 Kamunting
Perak Darul Ridzuan

The Shareholders of KBES Berhad

Dear Sir / Madam

On behalf of the Board of Directors of KBES Berhad (KBES), I report that after due inquiry during the period between 30 June 2003 (being the date to which the last audited financial statements of KBES and its subsidiaries (KBES Group) have been made up) to the date hereof (being a date not earlier than fourteen (14) days before the issuance of this Prospectus), that:

(a) the business of the KBES Group has, in the opinion of the Board of Directors, been satisfactorily maintained;

(b) in the opinion of the Board of Directors, no circumstances have arisen subsequent to the last audited financial statements of the KBES Group which have adversely affected the trading or the value of the assets of the KBES Group;

(c) the current assets of the KBES Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) since the last audited financial statements of the KBES Group, there has been no 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 in which the Directors of KBES are aware of;

(e) there are no other contingent liabilities which have arisen by reason of any guarantees or indemnities given by KBES or any of its subsidiaries; and

(f) save as disclosed in the Proforma Consolidated Balance Sheets and Accountants' Report as set out in this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profit of the KBES Group since the last audited financial statements of the KBES Group.

Yours faithfully
For and on behalf of
The Board of Directors of KBES Berhad

Lau Chan Seng
Managing Director