

## XII. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



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14 SEP 2004

The Board of Directors  
Sin Chew Media Corporation Berhad  
19, Jalan Semangat  
46200 Petaling Jaya  
Selangor Darul Ehsan

Gentlemen,

**SIN CHEW MEDIA CORPORATION BERHAD (“SCMC” OR “THE COMPANY”)  
(formerly known as Pemandangan Sinar Bhd and Pemandangan Sinar Sdn Bhd)  
(COMPANY NO: 098702-V)**

### 1.0 INTRODUCTION

The report has been prepared by Ernst & Young, approved company auditors, for inclusion in the Prospectus of SCMC in connection with the listing and quotation for the entire issued and paid-up share capital of SCMC comprising 302,000,000 ordinary shares of RM0.50 each on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This report is prepared on a basis consistent with the accounting policy normally adopted by SCMC and its subsidiary companies which are in accordance with approved Accounting Standards issued and adopted by the Malaysia Accounting Standards Board.

In conjunction with the listing and quotation of the entire issued and paid-up share capital of SCMC on the Main Board of Bursa Securities, the Company undertakes the following:-

#### (a) Offer for Sale

An offer for sale of 73,623,000 ordinary shares of RM0.50 each (“SCMC Share”) comprising:

- (I) 5,755,000 SCMC Shares available for application by eligible employees and business associates of SCMC and its subsidiary companies;
- (II) 15,100,000 SCMC Shares available for application by the Malaysian public;

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

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**1.0 INTRODUCTION (CONTD.)****(a) Offer for Sale (contd.)**

(III) 20,000,000 SCMC Shares to Institutional investors; and

(IV) 32,768,000 SCMC Shares to identified Bumiputera investors approved by the Ministry of International Trade and Industry.

**(b) Listing and Quotation ("Listing")**

The admission and the listing for the entire enlarged issued and paid-up share capital of SCMC comprising 302,000,000 SCMC Shares on the Main Board of Bursa Securities.

**2.0 GENERAL INFORMATION****2.1 SCMC**

SCMC was incorporated in Malaysia as a private limited liability company under the Companies Act, 1965 on 15 March 1983 with the name Pemandangan Sinar Sdn. Bhd. It was later converted to a public limited liability company on 8 March 2004 and changed its name to Pemandangan Sinar Berhad. Subsequently, on 9 May 2004, the Company changed its name to Sin Chew Media Corporation Berhad.

As at the date of this report, the present authorised share capital of SCMC is RM250,000,000 comprising 500,000,000 ordinary shares of RM0.50 each. The issued and paid-up share capital is RM151,000,000 divided into 302,000,000 ordinary shares of RM0.50 each.

Presently, SCMC is principally involved in publishing, printing and distribution of the newspaper "SIN CHEW DAILY" (hereinafter referred to as "SCD"), printing of newspapers for other publishers and distribution of magazines.

Presently, SCMC operates its newspaper printing activities from four (4) printing plants which are located at Petaling Jaya, Johore Bahru, Kuching and Sibul respectively. In addition, the northern edition of SCD is printed by GMRSB at SCMC's Penang plant. SCMC also has eight (8) main branch offices located in Johore Bahru, Malacca, Negeri Sembilan, Ipoh, Penang, East and West Pahang and Klang.

**XII. ACCOUNTANTS' REPORT (Cont'd)**Sin Chew Media Corporation Berhad (Co No. 098702-V)  
Accountants' Report**2.0 GENERAL INFORMATION (CONTD.)****2.2 Share Capital**

The details of the movement in the issued and paid-up share capital of SCMC are as follows:

<b>Date of allotment</b>	<b>Par Value (RM)</b>	<b>Increase in Number of ordinary shares</b>	<b>Consideration</b>	<b>Total issued and paid-up share capital RM</b>
15.03.1983	1.00	2	Subscribers' shares	2
01.03.1988	1.00	49,998	Cash	50,000
21.04.1988	1.00	950,000	Cash	1,000,000
17.04.1993	1.00	500,000	Cash	1,500,000
08.06.1998	1.00	5,700,000	Bonus issue of approximately 3.8 share for every one (1) share held	7,200,000
12.07.2003	1.00	2,800,000	Cash	10,000,000
06.08.2004	0.50	20,000,000	Share Split of one (1) ordinary share of RM1.00 into two (2) ordinary shares of RM0.50 each	10,000,000
06.08.2004	0.50	202,000,000	Bonus issues of 10.10 for every one (1) share held	111,000,000
10.09.2004	0.50	80,000,000	Right issue of 0.36 for every one (1) share held	151,000,000

**2.3 Restructuring and Listing Exercise**

In conjunction with, and as an integral part of the listing exercise, the Company implemented a restructuring exercise (hereinafter referred to as "Restructuring Scheme", the definition of which is taken to be the same as that defined in this Prospectus) which was approved by the Securities Commission ("SC"), the SC on behalf of the Foreign Investment Committee ("FIC") and Ministry of International Trade and Industry ("MITI") on the dates set out below:

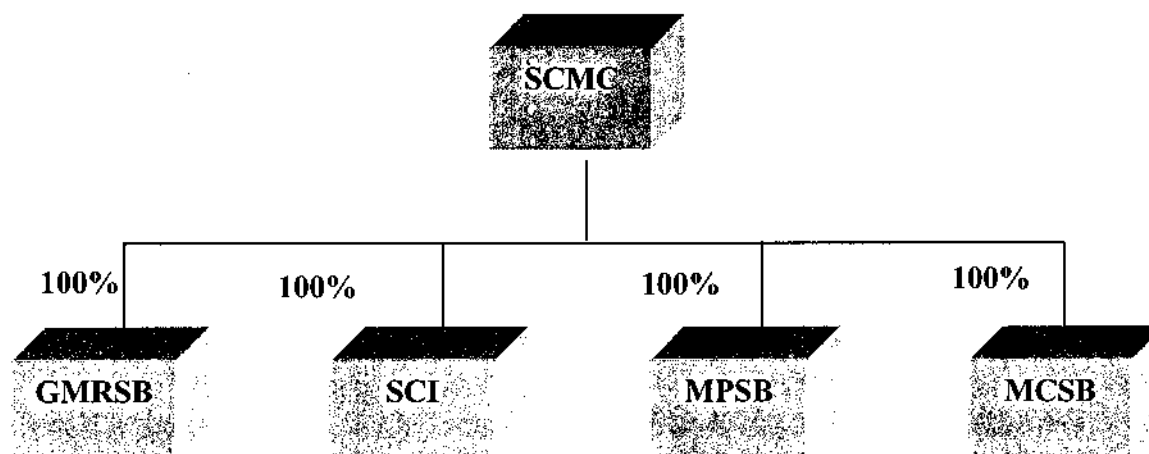
<b>Authority</b>	<b>Date of approval</b>
SC	25 June 2004 and 8 September 2004
FIC	25 June 2004
MITI	13 May 2004

## XII. ACCOUNTANTS' REPORT (Cont'd)

### 2.0 GENERAL INFORMATION (CONTD.)

#### 2.3 Restructuring and Listing Exercise (contd.)

The current group structure, upon the completion of the Restructuring Scheme, is diagrammatically illustrated as follows:



Note: Guang-Ming Ribao Sdn. Bhd. ("GMRSB")  
 Sinchew-i Sdn. Bhd. ("SCI")  
 Mulu Press Sdn. Bhd. ("MPSB")  
 Media Communications Sdn. Bhd. ("MCSB")

#### 2.4 The Subsidiary Companies

The information on the subsidiary companies, all of which are private limited liability companies incorporated in Malaysia, is as follows:

##### 2.4.1 GMRSB

GMRSB was incorporated in Malaysia as a private limited liability company under the Companies Act, 1965 on 26 October 1984 with the name of Commercial Lines Sdn Bhd. On 4 July 1987, the Company changed its name to Guang-Ming Ribao Sdn Bhd.

The authorised capital and issued and paid-up share capital at the date of incorporation are RM25,000 and RM2 comprising 25,000 and 2 ordinary shares of RM1.00 each respectively. As at the date of this report, the present authorised capital is RM25,000,000 comprising 24,000,000 ordinary shares of RM1.00 each and 1,000,000 12% convertible cumulative preference shares of RM1.00 each. The issued and paid-up share capital is RM4,000,000 comprising 4,000,000 ordinary shares of RM1.00 each. As at the date hereof, GMRSB does not have any subsidiary or associated companies.

The principal activity of the Company is publishing of the newspaper known as "Guang Ming Daily".

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

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Sin Chew Media Corporation Berhad (Co No. 098702-V)  
Accountants' Report

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**2.0 GENERAL INFORMATION (CONTD.)****2.4 The Subsidiary Companies (contd.)****2.4.2 SCI**

SCI was incorporated in Malaysia as a private limited liability company under the Companies Act, 1965 on 31 May 2000. As at the date of this report, the present authorised shared capital of SCI is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM4,500,000 divided into 4,500,000 ordinary shares of RM1.00 each. As at the date hereof, SCI does not have any subsidiary or associated companies.

SCI is principally engaged in the provision of a super portal to other portals on the worldwide web for the purpose of internet marketing and promotion.

**2.4.3 MPSB**

MPSB was incorporated in Malaysia as a private limited liability company under the Companies Act, 1965 on 29 March 1985. As at the date of this report, the present authorised share capital of MPSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM500,000 divided into 500,000 ordinary shares of RM1.00 each. As at the date hereof, MPSB does not have any subsidiary or associated companies.

MPSB is principally engaged in newspaper circulation and distribution agent and provision of editorial services and contract labour.

**2.4.4 MCSB**

MCSB was incorporated in Malaysia as a private limited liability company under the Companies Act, 1965 on 13 January 1982. As at the date of this report, the present authorised share capital of MCSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM100,000 divided into 100,000 ordinary shares of RM1.00 each. As at the date hereof, MCSB does not have any subsidiary or associated companies.

MCSB is principally engaged in publishing and distribution of magazines.

**XII. ACCOUNTANTS' REPORT (Cont'd)**Sin Chew Media Corporation Berhad (Co No. 098702-V)  
Accountants' Report**2.0 GENERAL INFORMATION (CONTD.)****2.5 Dividends**

Except for SCMC, no dividends were declared or paid by its subsidiary companies during the financial periods under review. Details of dividends declared and paid by SCMC in respect of the financial years under review are as follows:

Year ended 31 March	Gross dividend rate (%)	Net dividend RM
2000	534 (tax exempt dividend) (+)	38,462,400
2001	-	-
2002	-	-
2003	-	-
2004	315.56 (*)	30,000,000

(+) Based on the issued and paid-up share capital of 7,200,000 ordinary shares of RM1.00 each.

(\*) This comprises 260% tax exempt dividend representing RM26,000,000 and 55.56%, less 28% taxation, dividends representing RM4,000,000 based on the then issued and paid-up share capital of 10,000,000 ordinary shares of RM1.00 each.

**3.0 AUDITORS**

We are the auditors of SCMC and MCSB for financial years ended 31 March 2000 to 2004 while we are auditors of SCI for the financial period ended 31 March 2001 and financial years ended 31 March 2002 to 2004. The financial statements have been reported on without any qualification.

The financial statements of GMRSB and MPSB from 2000 to 2004 were audited by other firms of Chartered Accountants and were reported without any qualification other than the emphasis of matter reported in the Auditors' Report on the financial statements of GMRSB which highlighted capital deficiencies and working capital deficiencies due to losses incurred over the years. The financial statements of GMRSB have been prepared on a going concern basis which is dependent upon the continual financial support from its holding company and certain creditors to enable GMRSB to meet its obligation as and when they fall due.

**4.0 ACCOUNTING POLICIES AND STANDARDS**

This report has been prepared based on the accounting policies consistent with those previously adopted in the preparation of the audited financial statements of SCMC and its subsidiary companies ("SCMC Group") and in accordance with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board ("MASB") in those relevant financial years under review.

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

**Sin Chew Media Corporation Berhad (Co No. 098702-V)**  
**Accountants' Report**

**5.0 SUMMARISED INCOME STATEMENTS****5.1 Proforma SCMC Group**

The proforma consolidated financial results of SCMC Group for the five (5) financial year ended 31 March 2004 are provided for illustrative purposes based on the audited financial statements of its subsidiary companies, assuming that the SCMC Group had been in existence since the beginning of the financial year ended 31 March 2000.

	Years ended 31 March				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	272,310	303,482	326,075	355,722	382,044
Earning before finance cost, depreciation, taxation and amortisation	43,771	32,245	48,971	71,327	66,806
Finance cost	(3,700)	(2,460)	(3,161)	(2,817)	(3,083)
Amortisation of goodwill	(100)	(100)	(100)	(100)	(91)
Depreciation	(10,212)	(10,205)	(9,392)	(8,348)	(8,292)
Profit before taxation	29,759	19,480	36,318	60,062	55,340
Taxation	(8,145)	(7,123)	(7,426)	(16,269)	(9,523)
Profit after taxation	21,614	12,357	28,892	43,793	45,817
Number of ordinary shares assumed in issue ('000)	302,000	302,000	302,000	302,000	302,000
Gross earnings per share (RM)	0.10	0.06	0.12	0.20	0.18
Net earnings per share (RM)	0.07	0.04	0.10	0.14	0.15

**Notes:**

- (i) The earning per share has been calculated based on the profit before taxation on the assumption that the issued and paid up capital of SCMC of 302,000,000 SCMC Shares in issue after restructuring.

The net earnings per share have been calculated based on the profit after taxation on the assumption that the issued and paid up capital of SCMC of 302,000,000 SCMC Shares in issue after the restructuring.

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

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**5.0 SUMMARISED INCOME STATEMENTS (CONTD.)****5.1 Proforma SCMC Group (contd.)**

- (ii) The substantial increase in revenue in financial year 2000 of RM50 million as compared to financial year 1999 was due mainly to an increase in advertising and newspaper sales of RM43 million in financial year 2000 attributable to the economic recovery from the regional financial crisis which affected the country between 1997 and 1999. Revenue continued to improve subsequent to financial year 2000 on account of an increase in advertising sales together with an increase in circulation of Sin Chew Daily.
- (iii) Substantial decrease in profit before taxation of RM10 million was noted in financial year 2001 due mainly to decrease in gross profit margin caused by a increase in average newsprint price in financial year 2001.

Profit before taxation improve significantly by RM24 million in financial year 2003 due to favourable gross profit margin caused by lower cost of newsprint and better pagination control. Cost control measures for film and newsink, computerisation of pre-press, reduction in colour separation cost also contribute to the improve in gross profit margin.

- (iv) The substantial increase in income tax expense in 2003 was due to lower capital allowances and reinvestment allowances available for deduction against taxable income for the year of assessment 2003.
- (v) There were no exceptional or extraordinary items for the financial years under review.
- (vi) SCMC's Group proforma consolidated result have been restated through appropriate consolidation adjustments to eliminate inter-company transactions under the group structure.
- (vii) Taxation has been adjusted for the retrospective effect of the adoption of MASB Standard 25: Income taxes.



**XII. ACCOUNTANTS' REPORT (Cont'd)****5.0 SUMMARISED INCOME STATEMENTS (CONTD.)****5.2 SCMC – Company level**

	<b>Years ended 31 March</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	232,446	259,896	277,606	297,868	315,349
Earning before finance cost, depreciation, taxation and amortization	46,504	38,187	48,378	64,052	64,438
Finance cost	(3,679)	(2,426)	(3,097)	(2,774)	(3,051)
Amortization of goodwill	(91)	(91)	(91)	(91)	(91)
Depreciation	(9,658)	(9,542)	(8,722)	(7,754)	(7,571)
Profit before taxation	33,076	26,128	36,468	53,433	53,725
Taxation	(8,911)	(8,862)	(7,405)	(14,969)	(8,920)
Profit after taxation	24,165	17,266	29,063	38,464	44,805
Number of ordinary shares in issue ('000)	7,200	7,200	7,200	7,200	10,000
Gross earnings per share (RM)	4.59	3.63	5.06	7.42	5.37
Net earnings per share (RM)	3.36	2.40	4.04	5.34	4.48

**Notes:**

- (i) There were no exceptional or extraordinary items for the financial years under review.
- (ii) The net earnings per share have been calculated based on the profit after taxation and the number of ordinary shares in issue for the relevant financial years under review.
- (iii) Taxation has been adjusted for the retrospective effect of the adoption of MASB Standard 25: Income taxes.

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

Sin Chew Media Corporation Berhad (Co No. 098702-V)  
Accountants' Report

**5.0 SUMMARISED INCOME STATEMENTS (CONTD.)****5.3 GMRSB – Company level**

	Year Ended 31 March				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	35,466	36,212	40,656	46,966	54,641
(Loss)/earning before finance cost, depreciation, taxation and amortisation	(1,031)	(6,550)	907	4,862	2,092
Finance cost	(4)	(5)	(4)	(4)	(5)
Depreciation	(456)	(544)	(502)	(423)	(550)
(Loss)/profit before taxation	(1,491)	(7,099)	401	4,435	1,537
Taxation	272	1,805	-	(549)	(486)
(Loss)/profit after taxation	(1,219)	(5,294)	401	3,886	1,051
Number of ordinary shares in issue ('000 )	4,000	4,000	4,000	4,000	4,000
Gross (loss) /earning per share (RM)	(0.37)	(1.77)	0.10	1.11	0.38
Net (loss) /earning per share (RM)	(0.30)	(1.32)	0.10	0.97	0.26

**Notes:**

- (i) There were no exceptional or extraordinary items for the financial years under review.
- (ii) The net (loss)/earnings per share have been calculated based on the (loss)/profit after taxation and the number of ordinary shares in issue for the relevant financial years under review.
- (iii) Taxation has been adjusted for the retrospective effect of the adoption of MASB Standard 25: Income taxes.

## XII. ACCOUNTANTS' REPORT (Cont'd)



Sin Chew Media Corporation Berhad (Co No. 098702-V)  
Accountants' Report

## 5.0 SUMMARISED INCOME STATEMENTS (CONTD.)

## 5.4 SCI – Company level

	Period/Years ended 31 March				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	-	197	302	192	308
Earning/(loss) before finance cost, depreciation, taxation and amortisation	-	(443)	(608)	(506)	(290)
Finance cost	-	-	-	-	-
Depreciation	-	(16)	(18)	(18)	(18)
Loss before taxation	-	(459)	(626)	(524)	(308)
Taxation	-	(9)	(5)	3	10
Loss after taxation	-	(468)	(631)	(521)	(298)
Number of ordinary shares in issue ('000)	-	4,500	4,500	4,500	4,500
Gross loss per share (RM)	-	(0.10)	(0.14)	(0.12)	(0.07)
Net loss per share (RM)	-	(0.10)	(0.14)	(0.12)	(0.07)

**Notes:**

- (i) There were no exceptional or extraordinary items for the financial years under review.
- (ii) SCI was incorporated on 31 May 2000 and the first set of financial statement is in respect of the period from date of incorporation, 31 May 2000 to 31 March 2001.
- (iii) The net loss per share have been calculated based on the loss after taxation and the number of ordinary shares in issue for the relevant financial years under review.
- (iv) Taxation has been adjusted for the retrospective effect of the adoption of MASB Standard 25: Income taxes.

**XII. ACCOUNTANTS' REPORT (Cont'd)****5.0 SUMMARISED INCOME STATEMENTS (CONTD.)****5.5 MPSB – Company level**

	Years ended 31 March				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	13,316	18,505	19,197	20,900	24,898
(Loss)/earning before finance cost, depreciation, taxation and amortization	(1,704)	280	223	2,718	562
Finance cost	(17)	(29)	(60)	(39)	(27)
Depreciation	(93)	(99)	(146)	(149)	(151)
(Loss)/profit before taxation	(1,814)	152	17	2,530	384
Taxation	494	(58)	(15)	(732)	(125)
(Loss)/profit after taxation	(1,320)	94	2	1,798	259
Number of ordinary shares in issue ('000)	500	500	500	500	500
Gross (loss)/earning per share (RM)	(3.63)	0.30	0.03	5.06	0.77
Net (loss)/earnings per share(RM)	(2.64)	0.19	0.01	3.60	0.52

**Notes:**

- (i) There were no exceptional or extraordinary items for the financial years under review.
- (ii) The net (loss)/earnings per share have been calculated based on the (loss)/profit after taxation and the number of ordinary shares in issue for the relevant financial years under review.
- (iii) Taxation has been adjusted for the retrospective effect of the adoption of MASB Standard 25: Income taxes.

**XII. ACCOUNTANTS' REPORT (Cont'd)**Sin Chew Media Corporation Berhad (Co No. 098702-V)  
Accountants' Report**5.0 SUMMARISED INCOME STATEMENTS (CONTD.)****5.6 MCSB – Company level**

	Years ended 31 March				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	380	522	457	595	491
(Loss)/Earning before finance cost, depreciation, taxation and amortization	(20)	133	72	201	5
Finance cost	-	-	-	-	-
Amortization of goodwill	(9)	(9)	(9)	(9)	-
Depreciation	(4)	(4)	(4)	(4)	(2)
(Loss)/profit before taxation	(33)	120	59	188	3
Taxation	-	-	-	(23)	(2)
(Loss)/profit after taxation	(33)	120	59	165	1
Number of ordinary shares in issue ('000)	100	100	100	100	100
Gross (loss)/earnings per share (RM)	(0.33)	1.20	0.59	1.88	0.03
Net (loss)/earnings per share (RM)	(0.33)	1.20	0.59	1.65	0.01

**Notes:**

- (i) There were no exceptional or extraordinary items for the financial years under review.
- (ii) The net (loss)/earnings per share have been calculated based on the (loss)/profit after taxation and the number of ordinary shares in issue for the relevant financial years under review.
- (iii) Taxation has been adjusted for the retrospective effect of the adoption of MASB Standard 25: Income taxes.

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

Sin Chew Media Corporation Berhad (Co No. 098702-V)  
Accountants' Report

**6.0 SUMMARISED BALANCE SHEETS**

The summarised balance sheets, which have been adjusted for the retrospective effect of the adoption of MASB Standard 25: Income Taxes, of the companies in the SCMC Group for the relevant financial years covered in this report are as follows:

**6.1 SCMC – Company level**

The financial information set out below is based on the audited financial statements of SCMC for the past five financial years, after making such reclassification adjustments, as we consider appropriate.

	<b>As at 31 March</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	56,454	50,463	74,578	100,480	120,447
Investment in subsidiary companies	114	2,409	2,409	2,409	4,325
Investment in associated companies	1,271	-	-	-	-
Other investments	3,849	182	99	1,086	977
Intangible asset	726	635	544	453	363
Current asset	109,199	135,460	170,095	176,706	178,588
Current liabilities	(73,844)	(76,540)	(87,964)	(83,071)	(93,163)
Net current assets	35,355	58,920	82,131	93,635	85,425
	<b>97,769</b>	<b>112,609</b>	<b>159,761</b>	<b>198,063</b>	<b>211,537</b>
<b>Financed by:</b>					
Share capital	7,200	7,200	7,200	7,200	10,000
Retained profit	82,221	99,487	128,549	166,578	181,383
Shareholders' equity	89,421	106,687	135,749	173,778	191,383
Long term and deferred liabilities	8,348	5,922	24,012	24,285	20,154
	<b>97,769</b>	<b>112,609</b>	<b>159,761</b>	<b>198,063</b>	<b>211,537</b>

## XII. ACCOUNTANTS' REPORT (Cont'd)


 Sin Chew Media Corporation Berhad (Co No. 098702-V)  
 Accountants' Report

## 6.0 SUMMARISED BALANCE SHEETS (CONTD.)

## 6.2 GMRSB – Company level

The financial information set out below is based on the audited financial statements of GMRSB for the past five financial years

	As At 31 March				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Property, plant & equipment	2,441	2,372	2,182	1,774	1,428
Investment	-	225	225	225	-
Deferred taxation assets	15,472	17,278	17,278	16,733	16,248
Current assets	9,051	8,845	10,009	10,683	9,927
Current liabilities	(51,854)	(58,919)	(59,502)	(55,286)	(52,445)
Net current liabilities	(42,803)	(50,074)	(49,493)	(44,603)	(42,518)
	(24,890)	(30,199)	(29,808)	(25,871)	(24,842)
<u>Financed by:</u>					
Share capital	4,000	4,000	4,000	4,000	4,000
Accumulated losses	(43,923)	(49,217)	(48,816)	(44,930)	(43,879)
Shareholders' deficit	(39,923)	(45,217)	(44,816)	(40,930)	(39,879)
Long term liabilities	15,033	15,018	15,008	15,059	15,037
	(24,890)	(30,199)	(29,808)	(25,871)	(24,842)

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


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**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.3 SCI – Company level**

The financial information set out below is based on the audited financial statements of SCI for the 10-month period ended 31 March 2001 and years ended 2002, 2003 and 2004.

	<b>As at 31 March</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	68	62	44	26
Current assets	-	3,985	3,355	2,849	2,566
Current liabilities	-	(12)	(2)	(2)	(10)
Net current assets	-	3,973	3,353	2,847	2,556
	-	4,041	3,415	2,891	2,582
<b>Financed by:</b>					
Share capital	-	4,500	4,500	4,500	4,500
Reserves	-	(468)	(1,099)	(1,620)	(1,918)
Shareholders' funds	-	4,032	3,401	2,880	2,582
Long term and deferred liabilities	-	9	14	11	-
	-	4,041	3,415	2,891	2,582



## XII. ACCOUNTANTS' REPORT (Cont'd)



Sin Chew Media Corporation Berhad (Co No. 098702-V)  
Accountants' Report

## 6.0 SUMMARISED BALANCE SHEETS (CONTD.)

## 6.4 MPSB – Company level

The financial information set out below is based on the audited financial statements of MPSB for the past five financial years.

	As at 31 March				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Property, plant and equipment	543	493	631	550	671
Deferred tax assets	1,874	1,816	1,801	1,069	944
Current assets	4,093	5,514	6,901	7,521	6,466
Current liabilities	(10,925)	(12,143)	(13,651)	(11,660)	(10,342)
Net current liabilities	(6,832)	(6,629)	(6,750)	(4,139)	(3,876)
	(4,415)	(4,320)	(4,318)	(2,520)	(2,261)
<b>Financed by:</b>					
Share capital	500	500	500	500	500
Accumulated losses	(4,915)	(4,820)	(4,818)	(3,020)	(2,761)
Shareholders' deficit	(4,415)	(4,320)	(4,318)	(2,520)	(2,261)

**XII. ACCOUNTANTS' REPORT (Cont'd)**Sin Chew Media Corporation Berhad (Co No. 098702-V)  
Accountants' Report**6.0 SUMMARISED BALANCE SHEETS (CONTD.)****6.5 MCSB – Company level**

The financial information set out below is based on the audited financial statements of MCSB for the past five financial years.

	As at 31 March				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Property, plant and equipment	19	16	12	9	7
Intangible asset	28	19	9	-	-
Current assets	163	245	214	289	218
Current liabilities	(484)	(434)	(330)	(225)	(152)
Net current assets/(liabilities)	(321)	(189)	(116)	64	66
	(274)	(154)	(95)	73	73
<b>Financed by:</b>					
Share capital	100	100	100	100	100
Accumulated losses	(374)	(254)	(195)	(29)	(29)
Shareholders' (deficit)/equity	(274)	(154)	(95)	71	71
Long term and deferred liabilities	-	-	-	2	2
	(274)	(154)	(95)	73	73

## XII. ACCOUNTANTS' REPORT (Cont'd)

**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**

The Proforma Consolidated Statement of Assets and Liabilities of the SCMC Group set out below are provided for illustrative purposes only to show the acquisition of the entire issued and paid-up capital of GMRSB, share split, bonus issue of 202,000,000 SCMC Shares, rights issue of 80,000,000 SCMC Shares at an issue price of RM0.535 per SCMC Share on the assumption that these transactions were completed on 31 March 2004 and should be read in conjunction with the notes herein.

		<b>At 31 March</b>	
		<b>2004</b>	<b>Proforma I</b>
	Note	RM'000	RM'000
Property, plant and equipment	7.2	121,151	122,579
Investments in subsidiary companies	7.3	-	-
Deferred tax assets	7.4	-	16,248
Goodwill on consolidation		2,966	46,845
Other investments	7.5	977	977
Intangible asset	7.6	363	363
Current assets	7.7	177,433	159,549
Current liabilities	7.8	(93,263)	(96,585)
Net current assets		84,170	62,964
		<u>209,627</u>	<u>249,976</u>
Financed by:			
Share capital	7.9	10,000	151,000
Share premium	7.10	-	300
Revenue reserve		180,415	79,415
Shareholders' funds		190,415	230,715
Minority interests		-	-
Deferred and long term liabilities	7.11	19,212	19,261
		<u>209,627</u>	<u>249,976</u>
<i>Net Tangible Assets</i>		<u>187,086</u>	<u>183,507</u>
<i>Net Tangible Assets per share (RM)</i>		<u>18.71</u>	<u>0.61</u>

*Proforma I: The Acquisition of GMRSB, the Share Split, the Bonus Issue, and the Rights Issue (collectively known as the Restructuring Scheme) including the utilisation of the proceeds from the Rights Issue.*

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

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**7.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (CONTD.)****7.1 Significant Accounting Policies****(a) Basis of preparation**

The Proforma Consolidated Statement of Assets and Liabilities of the SCMC Group has been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies, and comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

**(b) Basis of consolidation**

The Proforma Consolidated Statement of Assets and liabilities includes those assets and liabilities of the subsidiary companies as at 31 March 2004. The statement of assets and liabilities are prepared based on the audited financial statements of SCMC, GMRSB, SCI, MPSB and MCSB.

Subsidiary companies are those companies in which SCMC has a long term equity interest and where it has power, directly or indirectly, to exercise control over the financial and operating policies so as to obtain benefits therefrom.

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

Intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses resulting from intragroup transactions are eliminated unless cost cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the SCMC Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.