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**13. ACCOUNTANTS' REPORT**

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*[Prepared for inclusion in the Prospectus]*

**azman, wong, salleh & co.**

akauntan bertauliah

chartered accountants

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11th April, 2003

The Board of Directors  
Scomi Group Berhad  
No. 16-2, 2nd Floor  
Jalan 1/76C Desa Pandan  
55100 Kuala Lumpur

Dear Sirs,

**1. INTRODUCTION**

This report has been prepared by Azman, Wong, Salleh & Co., an approved company auditor, for inclusion in the Prospectus of Scomi Group Berhad to be dated 15th April, 2003 in connection with the public issue of 12,329,000 new ordinary shares of RM0.50 each at an issue price of RM1.38 each of Scomi Group Berhad (hereinafter referred to as "SGB") and the listing of and quotation for the entire issued and paid-up share capital of SGB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

**2. GENERAL INFORMATION**

**2.1 Background**

SGB was incorporated in Malaysia under the Companies Act, 1965 on 9th February, 2002 as a public limited company. The principal activity of SGB is investment holding.

**2.2 Flotation Scheme**

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of SGB on the Second Board of the KLSE, SGB undertook a restructuring exercise which involves the following:-

**(a) Acquisition**

On 23rd April, 2002, SGB entered into a conditional sale and purchase agreement with the shareholders of Scomi Sdn. Bhd. ("Scomi") for the acquisition of 9,281,762 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Scomi for a total purchase consideration of RM46,906,071. The said purchase consideration was wholly satisfied through the issuance of 87,670,996 new SGB shares of RM0.50 each to the shareholders of Scomi at an issue price of approximately RM0.535 per share.

**(b) Transfer**

Upon completion of the Acquisition, Scomi transferred its entire equity interest in Kota Minerals & Chemicals Sdn. Bhd. ("KMC") and Scomi Transportation Solutions Sdn. Bhd. ("SCOTS"), formerly known as Prestamulia Sdn. Bhd., to SGB for a total consideration of RM5,551,250.

**(c) Public Issue**

In conjunction with the flotation of SGB on the Second Board of the KLSE, SGB will undertake a Public Issue of 12,329,000 new SGB shares of RM0.50 each representing approximately 12.3% of the enlarged issued and paid-up share capital of SGB at an issue price of RM1.38 per share.

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

#### 2. GENERAL INFORMATION (CONTD)

##### 2.2 Flotation Scheme (Contd)

The scheme was approved by the following: –

- (i) Securities Commission on 7th October, 2002, 6th March, 2003 and 31st March, 2003;
- (ii) Ministry of International Trade and Industry ("MITI") on 30th September, 2002, 1st October, 2002, 25th February, 2003 and 22nd March, 2003; and
- (iii) Foreign Investment Committee ("FIC") on 20th June, 2002, 28th June, 2002 and 24th March, 2003.

##### 2.3 Share Capital

SGB was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The authorised share capital was subsequently subdivided into 200,000 ordinary shares of RM0.50 each. On 17th March, 2003, the authorised share capital was increased to RM100,000,000 by the creation of an additional 199,800,000 ordinary shares of RM0.50 each.

The issued and fully paid-up share capital of SGB is RM43,835,500 comprising 87,671,000 ordinary shares of RM0.50 each. Details of the issued and fully paid-up capital of SGB since incorporation are as follows: –

Date of allotment	No. of ordinary shares issued	Par value RM	Consideration	Total issued and paid-up share capital RM
9.2.2002	2	1.00	Subscriber	2
4.3.2002	4	0.50	Sub-division of par value	2
31.3.2003	87,670,996	0.50	Issued as consideration for the acquisition of the entire issued and paid-up share capital of Scomi at an issue price of approximately RM0.535 per share	43,835,500

Upon completion of the Public Issue, the issued and paid-up capital of SGB will be increased to RM50,000,000 by way of issue of 12,329,000 new ordinary shares of RM0.50 each at an issue price of RM1.38 per share, of which 2,500,000 will be made available for application by directors, eligible employees, suppliers and persons who have contributed to the success of SGB and its subsidiaries, 3,000,000 will be made available for application by the Malaysian public and 6,829,000 by way of private placement.

#### 3. SUBSIDIARY COMPANIES

Details of the subsidiary companies at the date of this report are as follows: –

Name of company	Date and place of incorporation	Issued & paid-up capital	Effective equity interest	Principal activities
Scomi Sdn. Bhd.	30.8.1990 Malaysia	RM9,281,762	100%	Manufacture and fabrication of road transport equipment, material handling equipment and provision of related engineering support services
Scomi Trading Sdn. Bhd.	19.1.1994 Malaysia	RM250,000	100%	Marketing agent for road transport equipment and related products

**13. ACCOUNTANTS' REPORT (Cont'd)****3. SUBSIDIARY COMPANIES (CONTD)**

Details of the subsidiary companies at the date of this report are as follows:– (Contd)

Name of company	Date and place of incorporation	Issued & paid-up capital	Effective equity interest	Principal activities
Scomi Precision Engineering Sdn. Bhd.	21.12.1999 Malaysia	RM250,000	100%	Precision engineering services
Kota Minerals & Chemicals Sdn. Bhd.	27.2.1982 Malaysia	RM8,082,000	100%	Selling of drilling mud and chemical products and provision of mud engineering services
Kota Minerals & Chemicals (Kemaman) Sdn. Bhd.	27.2.1982 Malaysia	RM1,230,000	100%	Dormant
Kota Barite Sdn. Bhd.	16.3.1990 Malaysia	RM200,000	100%	Dormant
KMC All Star Chemical Sdn. Bhd.	12.6.1998 Malaysia	RM100	51%	Dormant
KMC Overseas (M) Limited	30.12.2002 Republic of Mauritius	USD1	100%	Provision of drilling fluids materials, equipment and services
Scomi Transportation Solutions Sdn. Bhd. (formerly known as Prestamulia Sdn. Bhd.)	15.9.1998 Malaysia	RM500,000	100%	Provision of motor vehicles for "hire and drive" purposes
SMAS Rent-A-Car Sdn. Bhd.	18.1.1984 Malaysia	RM1,000,000	100%	Provision of motor vehicles for "hire and drive" purposes

**4. ASSOCIATED COMPANIES**

Details of the associated company at the date of this report are as follows:–

Name of company	Date and place of incorporation	Issued & paid-up capital	Effective equity interest	Principal activities
Sosma Sdn. Bhd.	16.8.1997 Malaysia	RM500,000	49%	Distribution of chemical products

**5. AUDITORS AND FINANCIAL STATEMENTS**

The financial information presented in this report has been prepared on bases and accounting policies consistent with those adopted in the preparation of audited financial statements of SGB Group and comply with the applicable approved Malaysian accounting standards.

There are no changes in the accounting policies adopted other than the recognition of proposed dividends in compliance with MASB Standard 19 – Events After Balance Sheet Date. The change has been accounted for retrospectively as presented in Section 8 of this report.

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

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**5. AUDITORS AND FINANCIAL STATEMENTS (CONTD)**

The acquisition of two subsidiary companies were completed during the year and the purchase considerations were satisfied by cash and issuance of shares in Scomi Sdn. Bhd. (Note 9.23). It is impracticable to reflect the investment and share capital of the Proforma Group on a consistent and comparable basis on the assumption that the SGB Group has been in existence throughout the financial years under review. As such, the summarised consolidated balance sheets of the Proforma Group are not presented in this report.

The summarised results of the Proforma Group for the past five financial years are presented for illustrative purposes only. The results and balances presented in this report were not significantly affected by transactions and balances between the other companies in the SGB Group and the subsidiary companies acquired during the year except to the extent stated in the notes in this report. The results of the Proforma Group are presented after elimination of transactions between all the companies in the SGB Group.

The audited financial statements of SGB, its subsidiary companies and its associated company were reported upon as follows: –

**(i) SGB**

We are the auditors of SGB for the financial period ended 31st December, 2002. The audited financial statements for the period ended 31st December, 2002 were reported upon by us without any qualification.

**(ii) Subsidiary Companies****Scomi Sdn. Bhd. ("Scomi")**

- We are the auditors of Scomi for all the financial years covered in this report. The audited financial statements of Scomi for the years ended 31st December, 1998 to 2002 were reported upon by us without any qualification.

**Scomi Trading Sdn. Bhd. ("SCT")**

- We are the auditors of SCT for all the financial years covered in this report. The audited financial statements of SCT for the years ended 31st December, 1998 to 2002 were reported upon by us without any qualification.

**Scomi Precision Engineering Sdn. Bhd. ("SCOPE")**

- The audited financial statements for the financial period from the date of incorporation to 31st December, 2000 were reported upon by H.L. Hong & Co. without any qualification.
- We are the auditors of SCOPE for the financial years ended 31st December, 2001 and 2002. The audited financial statements for the years ended 31st December, 2001 and 2002 were reported upon by us without any qualification.

**Kota Minerals & Chemicals Sdn. Bhd. ("KMC")**

- We are the auditors of KMC for all the financial years covered in this report. The audited financial statements of KMC for the years ended 31st December, 1998 to 2002 were reported upon by us without any qualification.

**Kota Minerals & Chemicals (Kemaman) Sdn. Bhd. ("KMCK")**

- We are the auditors of KMCK for all the financial years covered in this report. The audited financial statements of KMCK for the years ended 31st December, 1998 to 2002 were reported upon by us without any qualification.

**Kota Barite Sdn. Bhd. ("KB")**

- We are the auditors of KB for all the financial years covered in this report. The audited financial statements of KB for the years ended 31st December, 1998 to 2002 were reported upon by us without any qualification.

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

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**5. AUDITORS AND FINANCIAL STATEMENTS (CONTD)**

(ii) Subsidiary Companies (Contd)

KMC All Star Chemical Sdn. Bhd. ("KASC")

- We are the auditors of KASC for all the financial years covered in this report. The audited financial statements of KASC for the years/period ended 31st December, 1998 to 2002 were reported upon by us without any qualification.

Scomi Transportation Solutions Sdn. Bhd. ("SCOTS")  
(formerly known as Prestamulia Sdn. Bhd.)

- The audited financial statements for the financial period/year ended 30th September, 1999 and 2000 were reported upon by CH Yap & Co. without any qualification. Subsequently, SCOTS changed its year-end to 31st December. The audited financial statements for the 15 months ended 31st December, 2001 were reported upon by CH Yap & Co. without any qualification.
- We are the auditors of SCOTS for the financial year ended 31st December, 2002. The audited financial statements for the year ended 31st December, 2002 were reported upon by us without any qualification.

SMAS Rent-A-Car Sdn. Bhd. ("SMAS")

- The audited financial statements for the financial years ended 31st March, 1999 to 2001 were reported upon by LH Lee & Co. without any qualification. Subsequently, SMAS changed its year-end to 31st December. The audited financial statements for the 9 months ended 31st December, 2001 and the year ended 31st December, 2002 were reported upon by LH Lee & Co. without any qualification.

(iii) Associated Company

Sosma Sdn. Bhd. ("SOSMA")

- We are the auditors of SOSMA for all the financial years covered in this report. The audited financial statements of SOSMA for the years ended 31st December, 1998 to 2002 were reported upon by us without any qualification.

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

## 6. SUMMARISED RESULTS

We set out below the summarised proforma consolidated results of SGB Group and the summarised results of the subsidiary companies in the Proforma Group for the past five (5) financial years ended 31st December, 2002 after such adjustments as we consider necessary. The proforma consolidated results are prepared based on the assumption that the SGB Group has been in existence throughout the financial years under review. The results are prepared for illustrative purposes only and should be read in conjunction with the notes thereto.

## 6.1 SGB – Proforma Group

	Years ended 31st December				
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM
Revenue	111,885,683	96,438,720	105,429,801	131,676,680	158,511,677
Profit before depreciation and interest	8,825,376	11,640,225	14,060,275	18,514,296	23,553,870
Depreciation	(2,269,197)	(2,664,957)	(3,046,338)	(2,875,083)	(3,425,514)
Interest	(4,780,347)	(3,347,750)	1,981,218	(1,295,608)	(1,072,244)
Share of (loss)/profit in an associated company	–	(98,000)	14,473	49,768	1,451,404
Profit before taxation	1,775,832	5,529,518	13,009,628	14,393,373	20,507,516
Taxation	(1,395,599)	(173,228)	(3,340,870)	(5,617,144)	(5,862,811)
Profit after taxation	380,233	5,356,290	9,668,758	8,776,229	14,644,705
Minority interest	50,000	–	–	49	–
Profit after taxation and minority interest	430,233	5,356,290	9,668,758	8,776,278	14,644,705
No. of ordinary shares of RM0.50 each assumed in issue	25,057,842	25,057,842	46,935,168	46,935,168	46,935,168
Weighted average no. of ordinary shares of RM0.50 each assumed in issue	25,057,842	25,057,842	25,237,655	46,935,168	46,935,168
Earnings per share (RM)					
– gross	0.073	0.221	0.515	0.307	0.437
– net	0.017	0.214	0.383	0.187	0.312
Fully diluted earnings per share (RM)					
– gross	0.018	0.055	0.130	0.144	0.205
– net	0.004	0.054	0.097	0.088	0.146

Notes to the summarised income statements:

- (a) There were no extraordinary items in all the financial years under review.
- (b) In the year 1999, there was a decrease in the revenue derived by all the companies in the Proforma Group (other than the dormant companies) due to the economic downturn in the year.
- (c) The interest expense in the year 2000 was in credit due to a waiver of interest amounting to RM4,122,004 on a revolving credit facility of a subsidiary company.

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

#### 6. SUMMARISED RESULTS (CONTD)

##### 6.1 SGB – Proforma Group (Contd)

- (d) The increasing trend of PBT for all the financial years under review was due mainly to the effective and efficient control of the operating costs in general.
- (e) The effective tax rate for the years ended 1998 and 2001 were higher than the statutory tax rate as certain expenses such as entertainment and provision for doubtful debts were not deductible for tax purposes and also because of losses incurred by a subsidiary company without corresponding group tax relief. No provision for taxation was made in the financial year 1999 as tax on income derived in the year 1999 had been waived pursuant to the Income Tax (Amendment) Act, 1999. The tax charge for the financial year 1999 was in respect of underprovision in prior years.

Included in the tax charge for the year ended 2001 is an underprovision for taxation in respect of prior years amounting to RM934,486 based on revised tax computations submitted to the Inland Revenue Board ("IRB"). IRB has finalised the assessments on the revised computations in August 2002. An underprovision of RM124,617 has been provided for and included in the tax charge for the year ended 31st December, 2002.

- (f) The gross earnings per share is calculated based on the profit before taxation and after minority interest and on the weighted average number of ordinary shares assumed to be issued in the respective years.
- (g) The net earnings per share is calculated based on the profit after taxation and minority interest and on the weighted average number of ordinary shares assumed to be issued in the respective years.
- (h) The gross fully diluted earnings per share is calculated based on the profit before taxation and after minority interest and on the enlarged issued and paid-up share capital of 100,000,000 ordinary shares of RM0.50 each.
- (i) The net fully diluted earnings per share is calculated based on the profit after taxation and minority interest and on the enlarged issued and paid-up share capital of 100,000,000 ordinary shares of RM0.50 each.
- (j) Where the reporting year-ends of two subsidiary companies were not co-terminous with the reporting year-end of SGB and other companies in the Proforma Group, the audited financial statements drawn up to the different reporting year-ends have been used consistently as there was no significant impact on the Proforma Group financial information.

##### 6.2 SGB – Company

	Period from 9.2.2002 to 31.12.2002 RM
Revenue	—
Loss before depreciation and interest	(73,698)
Depreciation	—
Interest	—
Loss before taxation	(73,698)
Taxation	—
Loss after taxation	(73,698)
Issued and paid-up share capital	
– no. of ordinary shares of RM0.50 each	4
– weighted average no. of ordinary shares of RM0.50 each	4

**13. ACCOUNTANTS' REPORT (Cont'd)****6. SUMMARISED RESULTS (CONTD)****6.2 SGB – Company (Contd)**

Period from  
9.2.2002 to  
31.12.2002  
RM

Loss per share (RM)	
– gross	(18,425)
– net	(18,425)

## Notes to the summarised income statement:

- (a) SGB was incorporated on 9th February, 2002 and has not commenced business operations.
- (b) The loss before depreciation and interest for the period is mainly due to rental expense and staff costs incurred during the period amounting to RM57,957 and RM12,061 respectively.

**6.3 Scomi**

	Years ended 31st December				
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM
Revenue	22,756,131	15,142,940	23,030,288	24,256,524	34,234,333
Profit before depreciation and interest	2,010,895	4,690,757	1,509,021	1,915,496	3,667,938
Depreciation	(477,871)	(502,242)	(584,494)	(468,764)	(416,341)
Interest	(2,354,932)	(1,863,437)	3,060,043	(188,944)	(293,232)
(Loss)/profit before taxation	(821,908)	2,325,078	3,984,570	1,257,788	2,958,365
Taxation	(76,630)	(1,357,776)	(282,870)	(260,000)	(410,222)
(Loss)/profit after taxation	(898,538)	967,302	3,701,700	997,788	2,548,143
Issued and paid – up share capital					
– no. of ordinary shares of RM1.00 each	5,325,000	5,325,000	8,171,239	8,171,239	8,234,642
– weighted average no. of ordinary shares of RM1.00 each	5,325,000	5,325,000	5,340,596	8,171,239	8,196,426
(Loss)/earnings per share					
– gross	(0.15)	0.44	0.75	0.15	0.36
– net	(0.17)	0.18	0.69	0.12	0.31

## Notes to the summarised income statements:

- (a) There were no extraordinary items in all the financial years under review.
- (b) The increase in PBT for the year 1999 despite the decrease in revenue is due mainly to the improvement in production cost efficiency which led to the improved gross profit margin.
- (c) Revenue rose by 52.1% in the year 2000 due mainly to an increase in sales of airport ground support equipment as a result of a RM10 million contract obtained from overseas.
- (d) Revenue for the year ended 31st December, 2002 is 41.1% higher than the revenue achieved in the year 2001 mainly attributed to an increase in sales of trailers, truckmounted equipment and airport ground support equipment. The gross profit margin improved from 6.1% for the year 2001 to 6.8% achieved for the year 2002 due mainly to the improvement in production cost efficiency and fixed costs incurred. In addition, dividend income from a subsidiary company has also increased by RM1.19 million. As such, the company achieved an increase in profit before depreciation and interest of RM1.75 million for the year 2002.



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

#### 6. SUMMARISED RESULTS (CONTD)

##### 6.3 Scomi (Contd)

- (e) Negative balance on interest expense in the financial year ended 31st December, 2000 is due to waiver of interest on revolving credit facility in respect of previous years amounting to RM4,122,004.
- (f) The tax charge for the year 1999 is in respect of dividend income from a subsidiary company amounting to RM4,849,200 which is taxed as a separate source of income.
- (g) The effective tax rate for the years 2000, 2001 and 2002 were lower than the statutory tax rate applicable due to the utilisation of unabsorbed tax losses brought forward. The tax charge on the results for the respective years is largely in respect of dividend income from a subsidiary company. As at 31st December, 2002, the unabsorbed tax losses brought forward had been fully utilised.
- (h) The gross earnings/(loss) per share is calculated based on the profit/(loss) before taxation and on the weighted average number of ordinary shares in issue in the respective years.
- (i) The net earnings/(loss) per share is calculated based on the profit/(loss) after taxation and on the weighted average number of ordinary shares in issue in the respective years.

##### 6.4 SCT

	Years ended 31st December				
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM
Revenue	7,798,959	4,729,490	7,053,830	10,115,840	8,232,533
Profit before depreciation and interest	666,232	141,719	(9,362)	234,975	45,325
Depreciation	(3,309)	(3,309)	(2,828)	(6,081)	(30,797)
Interest	(810,877)	—	—	—	—
(Loss)/profit before taxation	(147,954)	138,410	(12,190)	228,894	14,528
Taxation	(12,754)	—	(16,000)	(54,861)	(35,090)
(Loss)/profit after taxation	(160,708)	138,410	(28,190)	174,033	(20,562)
Issued and paid – up share capital – no. of ordinary shares of RM1.00 each	250,000	250,000	250,000	250,000	250,000
(Loss)/earnings per share (RM)					
– gross	(0.59)	0.55	(0.05)	0.92	0.06
– net	(0.64)	0.55	(0.11)	0.70	(0.08)

#### Notes to the summarised income statements:

- (a) There were no extraordinary items in all the financial years under review.
- (b) Interest was charged on advances from the immediate holding company, Scomi Sdn. Bhd. in the year ended 31st December, 1998. The interest was waived in the subsequent years.
- (c) The decrease in revenue for the year 1999 was due mainly to the economic slowdown that led to a reduction in orders.
- (d) The increase in PBT despite the decrease in revenue in the year 1999 was due mainly to the waiver of interest charged on advances from the immediate holding company.

**13. ACCOUNTANTS' REPORT (Cont'd)****6. SUMMARISED RESULTS (CONTD)****6.4 SCT (Contd)**

- (e) Revenue improved by 49.1% in the year 2000 and continued to improve by 43.4% in the year 2001 due to the recovery in the economy. The company incurred losses in the year 2000 despite the increase in revenue due to the substantial increase in direct cost. As a result, the gross profit margin declined from 25.0% to 18.5%.
- (f) Revenue for the year ended 31st December, 2002 is 18.6% lower than the revenue achieved in the year 2001 mainly attributed to a decline in sales of trailers. However, there is no corresponding decline in operating costs due to overheads and other fixed costs incurred. As such, the company recorded a substantial decrease in profit before depreciation and interest for the year 2002.

Despite the decline in revenue, the gross profit margin improved from 19.8% to 22.3% due to lower cost of purchases and direct costs.

- (g) There was no tax charge in respect of the year 1999 as tax on income derived in the year 1999 had been waived pursuant to the Income Tax (Amendment) Act, 1999.
- (h) The effective tax rate for the years 2000 and 2002 were higher than the statutory tax rate applicable as certain expenses were not deductible for tax purposes.

Included in taxation for the year 2002 is deferred taxation amounting to RM12,000. This represents the timing differences as at 31st December, 2002 between depreciation and corresponding capital allowances on property, plant and equipment.

- (i) The gross earnings/(loss) per share is calculated based on the profit before taxation and on the number of ordinary shares in issue in the respective years.
- (j) The net earnings/(loss) per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the respective years.

**6.5 SCOPE**

	Period from		
	21.12.1999 to 31.12.2000 RM	Year ended 31st December	
		2001 RM	2002 RM
Revenue	—	—	12,888,060
(Loss)/profit before depreciation and interest	(3,500)	77,738	1,823,734
Depreciation	—	(100,172)	(456,626)
Interest	—	—	(41,292)
(Loss)/profit before taxation	(3,500)	(22,434)	1,325,816
Taxation	—	—	(255,599)
(Loss)/profit after taxation	(3,500)	(22,434)	1,070,217
Issued and paid-up share capital			
– no. of ordinary shares of RM1.00 each	2	250,000	250,000
– weighted average no. of ordinary shares of RM1.00 each	2	132,878	250,000
(Loss)/earnings per share (RM)			
– gross	(1,750)	(0.17)	5.30
– net	(1,750)	(0.17)	4.28

Notes to the summarised income statements:

- (a) There were no extraordinary items in the financial periods under review.

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

#### 6. SUMMARISED RESULTS (CONTD)

##### 6.5 SCOPE (Contd)

- (b) SCOPE commenced business operations in September 2001 and depreciation has been provided for newly acquired property, plant and equipment.
- (c) The company commenced production of precision engineering components in January 2002 and achieved a gross profit margin of 13.7% for the year ended 31st December, 2002 from the sale of the components to an overseas customer.
- (d) There were no tax charges in the financial periods ended 2000 and 2001 under review in view of the company's operating losses.
- (e) Pursuant to the pioneer status granted to SCOPE, 70% of its statutory income is exempted from tax for 5 years effective 1st January, 2002. As such, the tax charge on the results for the year 2002 is arrived at based on 30% of its statutory income.

Included in taxation for the year 2002 is deferred taxation amounting to RM205,000. This represents the timing differences as at 31st December, 2002 between depreciation and corresponding capital allowances on property, plant and equipment.

- (f) The gross (loss)/earnings per share is calculated based on the loss before taxation and on the weighted average number of ordinary shares in issue in the respective period/years.
- (g) The net (loss)/earnings per share is calculated based on the loss after taxation and on the weighted average number of ordinary shares in issue in the respective period/years.

##### 6.6 KMC

	Years ended 31st December				
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM
Revenue	83,568,092	76,910,456	77,004,310	102,219,582	107,106,851
Profit before depreciation and interest	6,961,056	10,625,888	11,344,634	15,878,970	19,652,184
Depreciation	(783,736)	(1,010,016)	(1,331,121)	(1,409,061)	(1,431,307)
Interest	(1,951,403)	(1,161,284)	(740,404)	(810,612)	(394,127)
Profit before taxation	4,225,917	8,454,588	9,273,109	13,659,297	17,826,750
Taxation	(1,312,000)	-	(2,985,000)	(5,253,458)	(5,201,984)
Profit after taxation	2,913,917	8,454,588	6,288,109	8,405,839	12,624,766
Issued and paid-up share capital					
- no. of ordinary shares of RM1.00 each	2,020,500	2,020,500	2,020,500	8,082,000	8,082,000
- weighted average no. of ordinary shares of RM1.00 each	2,020,500	2,020,500	2,020,500	5,375,084	8,082,000
Earnings per share (RM)					
- gross	2.09	4.18	4.59	2.54	2.21
- net	1.44	4.18	3.11	1.56	1.56

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

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**6. SUMMARISED RESULTS (CONTD)**

**6.6 KMC (Contd)**

Notes to the summarised income statements:

- (a) There were no extraordinary items in all the financial years under review.
- (b) The increase in revenue for the years 2001 and 2002 were largely attributed to an increase in the number of oilrigs serviced. The gross profit margin improved from 28.5% for the year 2001 to 32.5% achieved for the year 2002 due mainly to lower cost of purchases and direct costs.
- (c) The increasing trend of PBT for all the financial years under review was due mainly to the decrease in interest expense and other operating expenses.
- (d) There was no tax charge in respect of the financial year 1999 as tax on income derived by KMC in the year 1999 had been waived pursuant to the Income Tax (Amendment) Act, 1999.
- (e) The effective tax rate for the years 2000, 2001 and 2002 were higher than the statutory tax rate applicable as certain expenses were not allowable for tax purposes.
- (f) Included in the tax charge for the year ended 31st December, 2001 is an underprovision for taxation in respect of prior years amounting to RM934,486 based on revised tax computations submitted to the Inland Revenue Board ("IRB"). IRB has finalised the assessments on the revised computations in August 2002. An underprovision of RM 124,617 has been provided for and included in the tax charge for the year ended 31st December, 2002.
- (g) The gross earnings per share is calculated based on the profit before taxation and on the weighted average number of ordinary shares in issue in the respective years.
- (h) The net earnings per share is calculated based on the profit after taxation and on the weighted average number of ordinary shares in issue in the respective years.

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

## 6. SUMMARISED RESULTS (CONTD)

## 6.7 KMCK

	Years ended 31st December				
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM
Revenue	120,000	120,000	120,000	120,000	186,070
Profit before depreciation and interest	111,703	120,634	120,903	116,701	124,483
Depreciation	(31,280)	(31,278)	(31,280)	(116,564)	(78,200)
Interest	-	-	-	-	-
Profit before taxation	80,423	89,356	89,623	137	46,283
Taxation	(44,000)	(16,830)	(37,000)	20,447	(10,427)
Profit after taxation	36,423	72,526	52,623	20,584	35,856
Issued and paid-up share capital - no. of ordinary shares of RM1.00 each	1,230,000	1,230,000	1,230,000	1,230,000	1,230,000
Earnings per share (RM)					
- gross	0.07	0.07	0.07	Negligible	0.04
- net	0.03	0.06	0.04	0.02	0.03

## Notes to the summarised income statements:

- There were no extraordinary items in all the financial years under review.
- Revenue has been derived from renting out a grinding mill to the immediate holding company, Kota Minerals & Chemicals Sdn. Bhd. Included in the revenue for the year 2002 is sales of drilling fluids amounting to RM66,070.
- PBT declined substantially in the year 2001 as the depreciation rate of the grinding mill was revised from 2% to 5% per annum to reflect the current useful life of the mill.
- There was no tax charge in respect of the financial year 1999 as tax on income derived by KMCK in the year 1999 had been waived pursuant to the Income Tax (Amendment) Act, 1999. The tax charge for the financial year 1999 was in respect of underprovision in prior years.
- The write-back of taxation for the year 2001 was due to the reversal of overprovision of taxation in prior years.
- The gross earnings per share is calculated based on the profit before taxation and on the number of ordinary shares in issue in the respective years.
- The net earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the respective years.

## 6.8 KB

	Years ended 31st December				
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM
Revenue	-	-	-	-	-
Loss before depreciation and interest	(2,245)	(7,131)	(2,887)	(2,310)	(4,995)
Depreciation	-	-	-	-	-
Interest	-	-	-	-	-
Loss before taxation	(2,245)	(7,131)	(2,887)	(2,310)	(4,995)
Taxation	-	-	-	-	-
Loss after taxation	(2,245)	(7,131)	(2,887)	(2,310)	(4,995)

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

#### 6. SUMMARISED RESULTS (CONTD)

##### 6.8 KB (Contd)

	Years ended 31st December				
	1998 RM	1999 RM	2000 RM	2001 RM	2002 RM
Issued and paid-up share capital - no. of ordinary shares of RM1.00 each	200,000	200,000	200,000	200,000	200,000
Loss per share (RM)					
- gross	(0.01)	(0.04)	(0.01)	(0.01)	(0.02)
- net	(0.01)	(0.04)	(0.01)	(0.01)	(0.02)

Notes to the summarised income statements:

- There were no extraordinary items in all the financial years under review.
- The company had ceased operations since 1994. Its operations were taken over by its then immediate holding company, Kota Minerals & Chemicals Sdn. Bhd.
- No taxation was charged for the years under review as KB was in a tax loss position.
- The gross loss per share is calculated based on the loss before taxation and on the number of ordinary shares in issue in the respective years.
- The net loss per share is calculated based on the loss after taxation and on the number of ordinary shares in issue in the respective years.

##### 6.9 KASC

	12.6.1998 to 31.12.1998 RM	Years ended 31st December			
		1999 RM	2000 RM	2001 RM	2002 RM
Revenue	-	-	-	-	-
Loss before depreciation and interest	(500)	(14,150)	(3,226)	(1,236)	(6,409)
Depreciation	-	-	-	-	-
Interest	-	-	-	-	-
Loss before taxation	(500)	(14,150)	(3,226)	(1,236)	(6,409)
Taxation	-	-	-	-	-
Loss after taxation	(500)	(14,150)	(3,226)	(1,236)	(6,409)
Issued and paid-up share capital - no. of ordinary shares of RM1.00 each	2	2	100	100	100
- weighted average no. of ordinary shares of RM1.00 each	2	2	81	100	100
Loss per share (RM)					
- gross	(250)	(7,075)	(39.83)	(12.36)	(64.09)
- net	(250)	(7,075)	(39.83)	(12.36)	(64.09)

Notes to the summarised income statements:

- There were no extraordinary items in all the financial periods/years under review.
- The company has not commenced business operations.
- No taxation was charged for the period/years under review as KASC was in a tax loss position.

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


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**6. SUMMARISED RESULTS (CONTD)****6.9 KASC (Contd)**

Notes to the summarised income statements (Contd):

- (d) The gross loss per share is calculated based on the loss before taxation and on the weighted average number of ordinary shares in issue in the respective period/years.
- (e) The net loss per share is calculated based on the loss after taxation and on the weighted average number of ordinary shares in issue in the respective period/years.

**6.10 SCOTS**

	Period from 15.9.1998 to 30.9.1999 RM	12 months ended 30th September 2000 RM	15 months ended 31st December 2001 RM	12 months ended 31st December 2002 RM
Revenue	315,711	–	–	107,400
(Loss)/profit before depreciation and interest	(1,830)	(2,060)	1,470	(639,300)
Depreciation	–	–	–	(94,504)
Interest	–	–	–	(11,424)
(Loss)/profit before taxation	(1,830)	(2,060)	1,470	(745,228)
Taxation	–	–	–	–
(Loss)/profit after taxation	(1,830)	(2,060)	1,470	(745,228)
Issued and paid-up share capital				
– no. of ordinary shares of RM1.00 each	2	2	2	500,000
– weighted average no. of RM1.00 each	2	2	2	334,247
(Loss)/earnings per share (RM)				
– gross	(915)	(1,030)	588 *	(2.23)
– net	(915)	(1,030)	588 *	(2.23)

\* Annualised

Notes to the summarised income statements:

- (a) There were no extraordinary items in all the financial years/periods under review.
- (b) The company had ceased operations during the financial year ended 30th September, 2000.
- (c) The profit for the period ended 31st December, 2001 was due to the waiver of an amount owing to a director amounting to RM27,051.
- (d) During the year ended 31st December, 2002, the company commenced business operations in the provision of motor vehicles for "hire and drive" purposes. The loss before depreciation and interest for the year is largely due to staff costs and directors' allowances incurred during the year amounting to RM484,728 and RM123,396 respectively.
- (e) The gross (loss)/earnings per share is calculated based on the profit/(loss) before taxation and on the weighted average number of ordinary shares in issue in the respective years/periods.
- (f) The net (loss)/earnings per share is calculated based on the profit/(loss) after taxation and on the weighted average number of ordinary shares in issue in the respective years/periods.