

10. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



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The Board of Directors
KNM Group Berhad
15 Jalan Dagang SB 4/1
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43300 Seri Kembangan
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20 June 2003

Dear Sirs

KNM Group Berhad Accountants' Report

This report has been prepared by Messrs. KPMG, an approved company auditor, for inclusion in the Prospectus to be dated 27 June 2003 in connection with:

- i) the public issue of 6,680,000 new ordinary shares of RM1.00 each in KNM Group Berhad (hereinafter referred to as "KNM" or "the Company") at an issue price of RM1.48 per ordinary share;
- ii) the placement of 4,400,000 new ordinary shares of RM1.00 each at an issue price of RM1.48 per ordinary share; and
- iii) the listing of and quotation for KNM's entire enlarged issued and paid-up share capital on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

1 General information

1.1 Background

KNM was incorporated in Malaysia on 22 July 2000 as a private limited company under the Companies Act, 1965. The Company converted its status to a public limited company on 12 September 2000 for the purpose of the listing exercise as detailed in Note 1.3.

The principal activity of KNM is that of investment holding.



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

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1.2 Share capital

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

The authorised share capital was increased from RM100,000 to RM50,000,000 by the creation of 49,900,000 new ordinary shares of RM1.00 each on 24 April 2003.

The present issued and paid-up share capital of KNM is RM32,920,000 consisting of 32,920,000 ordinary shares of RM1.00 each.

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

| Date of allotment | Number of ordinary shares of RM1.00 each | Issue price per ordinary share RM | Purpose | Total issued and paid-up share capital RM |
|--------------------------|---|--|---|--|
| Upon incorporation | 2 | 1.00 | Subscribers' shares | 2 |
| 2 May 2003 | 28,253,182 | 1.21 | Pursuant to the acquisition of KNMPS | 28,253,184 |
| 20 June 2003 | 4,666,816 | 1.00 | Pursuant to the rights issue of new ordinary shares at par on the basis of approximately 165 new ordinary shares of RM1.00 each for every existing 1,000 ordinary shares held | 32,920,000 |
| To be allotted | 4,400,000 | 1.48 | Proposed placement | 37,320,000 |
| To be allotted | 6,680,000 | 1.48 | Proposed public issue | 44,000,000 |

Upon completion of the public issue and placement, the issued and paid-up share capital of KNM would be increased to RM44,000,000 comprising 44,000,000 ordinary shares of RM1.00 each.

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1.3 Restructuring scheme

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of KNM on the Second Board of the KLSE, KNM undertook the following restructuring scheme:

1.3.1 Revaluation of landed properties

Revaluation of the landed properties in KNM Process Systems Sdn. Bhd. ("KNMPS" and formerly known as KNM Steel Sdn. Bhd.) and Perwira Awan Sdn. Bhd. ("PASB") resulting in a net revaluation surplus amounting to RM6,068,675 and RM2,822,670 respectively in the financial statements of KNMPS and PASB. The total revaluation surplus of RM8,891,345 is based on independent valuations carried out by a firm of professional valuers, W.M. Malik & Kamaruzaman on an open market basis in October 2000.

Upon acquisition of PASB by KNMPS during the financial year ended 31 December 1999, the land held by PASB was restated to KNMPS's group cost based on its then fair value of RM3,900,000 and the resultant uplift of RM2,350,439, representing group cost less the carrying net book value in PASB, was incorporated into the calculation of negative goodwill in the consolidated financial statements of KNMPS for the financial year ended 31 December 1999.

Accordingly, for the purpose of this restructuring exercise, the balance of the revaluation surplus of RM6,540,906 has been included into KNMPS Group's net tangible assets as at 31 December 1999 for the acquisition by KNM as detailed in Note 1.3.2.

Nevertheless, due to additional costs incurred subsequent to 31 December 1999 up to the revaluation date, which was not included in the determination of the purchase consideration as detailed in Note 1.3.2, the actual revaluation surplus recognised in the financial statements of KNMPS and PASB as at 31 December 2000 is lower.

1.3.2 Acquisition of KNMPS by KNM

Acquisition of the entire issued and paid-up share capital of KNMPS by KNM, comprising 3,100,000 ordinary shares of RM1.00 each, for a purchase consideration of RM34,186,350 which was satisfied by the issuance of 28,253,182 new ordinary shares of RM1.00 each in KNM at an issue price of RM1.21 per ordinary share.

The consideration of RM34,186,350 has been arrived at based on the net tangible assets of KNMPS and all its subsidiary and associated companies ("KNMPS Group") as at 31 December 1999.

The net tangible assets of the KNMPS Group were based on the audited financial statements of all subsidiary and associated companies within the KNMPS Group as at 31 December 1999, after incorporating the revaluation of the landed properties amounting to RM6,540,906 as mentioned in Note 1.3.1.

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1.3.3 Acquisition of KNMI by KNM

Acquisition of entire issued and paid-up share capital of KNM International ("KNMI") by KNM, comprising 500,002 ordinary shares of RM1.00 each for cash consideration of RM500,002 from KNMPS.

1.3.4 Special dividend

Payment of a special dividend amounting to RM2,880,000 net of tax by KNMPS to existing shareholders of KNMPS prior to the acquisition of KNMPS by KNM.

1.3.5 Rights issue to the existing shareholders of KNM

Rights issue of 4,666,816 new ordinary shares of RM1.00 each in KNM at an issue price of RM1.00 per rights share to all existing shareholders of KNM on the basis of approximately 165 new ordinary shares of RM1.00 each for every existing 1,000 ordinary shares held in KNM.

1.3.6 Placement of shares

Placement of 4,400,000 new ordinary shares of RM1.00 each in KNM at an issue price of RM1.48 per ordinary share.

1.3.7 Public issue

Public issue of 6,680,000 new ordinary shares of RM1.00 each in KNM to the Malaysian public at an issue price of RM1.48 per ordinary share.

The above scheme was approved by:

- i) Securities Commission ("SC") on 3 December 2002 and 5 May 2003;
- ii) Ministry of International Trade and Industry ("MITI") on 15 May 2001;
- iii) Foreign Investment Committee ("FIC") on 19 February 2001 and 2 May 2003; and
- iv) Shareholders of the Company at an Extraordinary General Meeting held on 18 June 2003.

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1.4 Information on subsidiary and associated companies

As at the date of this report, the KNM Group comprises KNM and the following subsidiary and associated companies, of which all are incorporated in Malaysia as private limited companies under the Companies Act, 1965, other than KNM Special Process Equipment (Changshu) Co.Ltd which was incorporated in China. The details of the subsidiary and associated companies at the date of this report and their principal activities are as follows.

| Company | Date of incorporation | Share capital as at 31 December 2002 | | Effective interest % | Principal activities |
|--|-----------------------|--------------------------------------|-----------------------|----------------------|---|
| | | Authorised RM | Issued and paid-up RM | | |
| Subsidiary companies of KNM | | | | | |
| KNM Process Systems Sdn. Bhd. (formerly known as KNM Steel Sdn. Bhd.) ("KNMPS") | 28 June 1990 | 5,000,000 | 3,100,000 | 100 | Design, manufacture, assembly and commissioning of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries. |
| KNM International Sdn. Bhd. ("KNMI") | 10 May 2002 | 1,000,000 | 500,002 | 100 | Principal activity is provision of management, technical advisory, license and trademark services to international related companies and related international investments. |
| Subsidiary companies of KNMPS | | | | | |
| KNM OGPET (East Coast) Sdn. Bhd. (formerly known as KNM Contractors (Terengganu) Sdn. Bhd.) ("KNMO") | 30 May 1994 | 100,000 | 100,000 | 100 | Fabrication and maintenance of oil, gas and petrochemical process equipment. |
| Perwira Awan Sdn. Bhd. ("PASB") | 17 Oct 1992 | 25,000 | 100 | 100 | Property investment. |
| Duraton Engineering Sdn. Bhd. ("DE") | 14 Nov 2000 | 100,000 | 2 | 100 | Provision of project management and technical services. |

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1.4 Information on subsidiary and associated companies (continued)

| Company | Date of incorporation | Share capital as at 31 December 2002 | | Effective interest % | Principal activities |
|---|-----------------------|--------------------------------------|-----------------------|----------------------|---|
| | | Authorised RM | Issued and paid-up RM | | |
| Subsidiary company of KNMI | | | | | |
| KNM Overseas (China) Sdn. Bhd. ("KNMC") | 21 Jan 2002 | 100,000* | 1,332* | 100 | Investment holding |
| Subsidiary company of KNMC | | | | | |
| KNM Special Process Equipment (Changshu) Co.Ltd ("KNMSPEC") | 14 Jun 2002 | 11,780,000 | 1,900,000 | 100 | Principal activities are design, manufacture, assembly, commissioning and maintenance of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries within the China market. |
| Associated companies of KNMPS | | | | | |
| KNM-DP Fabricators Sdn. Bhd. ("KNM-DP") | 22 Jan 1992 | 1,000,000 | 528,570 | 28 | Fabrication and maintenance of process equipment, storage tanks, modular assemblies and steel structural components for oil, gas and petrochemical industries. KNM-DP is currently a subcontractor of KNMPS |
| Subsidiary company of KNM-DP | | | | | |
| KNM-DP Harta Bina Sdn. Bhd. ("KNM-DP HB") | 24 Sept 1994 | 500,000 | 200,000 | 49 | Dormant |

* The authorised share capital consists of 20,000 ordinary shares of RM1.00 each and 80,000 redeemable preference shares of RM1.00 each. The issued and paid-up capital consist of 2 ordinary shares of RM1.00 each at an issue price of RM1.00 and 1,330 redeemable preference shares of RM1.00 each at an issue price of RM1,000 each.

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1.5 Financial statements and auditors

The present financial year end of the KNM Group is 31 December. KPMG have acted as auditors for all the companies for all the financial years/periods covered by this report except for KNMSPEC which was audited by another firm of auditors.

The auditors' reports of the companies within the KNM Group for all the relevant financial years/periods under review were not subject to any modification or qualification except for the following:

i) *KNMPS, KNM-DP and KNM-DP HB for the financial year ended 31 December 1998*

The qualification related to the determination of the proper accounting treatment for the payment made by Rich Jupiter Sdn. Bhd. ("RJ") to acquire a piece of land from the state authority.

On 5 June 1997, KNMPS and KNM-DP entered into a Share Sale Agreement with RJ to dispose of their entire equity interest of 49% and 51% respectively in KNM-DP HB. The completion of the Share Sale Agreement was dependent upon the completion of the acquisition and alienation of a piece of land to KNM-DP HB by the state authority. Pursuant to the Share Sale Agreement, RJ paid directly to the state authority an amount of RM3,981,760 on behalf of KNM-DP HB as part settlement for the said piece of land. In the financial year ended 31 December 1998, both KNMPS and KNM-DP have treated this as part payment for the disposal of the shares and have accordingly reflected their respective share of this payment of RM1,951,062 and RM2,030,698 respectively in their respective financial statements as other payables and a consequent advance to KNM-DP HB.

KPMG were unable to determine whether this was appropriate or whether the payment by RJ should be reflected in the financial statements of KNM-DP HB as other payables instead of amount advanced by KNMPS and KNM-DP.

In 1999, the state authority agreed to the cancellation of the acquisition and alienation of the said piece of land and RJ's advances of RM3,981,760 was refunded to KNM-DP HB by the state authority and thereafter, KNM-DP HB duly returned the same amount to RJ. KNMPS and KNM-DP remained as the shareholders of KNM-DP HB.

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1.5 Financial statements and auditors (continued)

ii) *KNM-DP and its subsidiary company for the financial years ended 31 December 2001 and 2002*

The emphasis of matter relates to the deficit in shareholders' funds of RM1,184,000 and RM1,024,000 in the financial statements of KNM-DP for the financial years ended 2001 and 2002 respectively, and RM1,206,000 and RM1,048,000 in the consolidated financial statements of KNM-DP and its subsidiary company, KNM-DP HB ("KNM-DP Group") for the financial years ended 2001 and 2002 respectively. KNM-DP and KNM-DP Group incurred a loss after tax of RM1,981,000 and RM1,983,000 respectively for the year ended 31 December 2001. KNM-DP and KNM-DP Group also have net current liabilities of RM1,304,000 and RM1,151,000 respectively as at 31 December 2002.

In view of the above, the appropriateness of using the going concern basis for the preparation of the financial statements of KNM-DP is therefore dependent upon future profitable operations and continuing financial support from the shareholders. Without future profitable operations and such financial support, there is doubt that KNM-DP and the KNM-DP Group will be able to continue as a going concern and, therefore, as appropriate, realise their assets and discharge their liabilities in the normal course of business. Consequently, adjustments may be required to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities should KNM-DP and the KNM-DP Group be unable to continue as a going concern.

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2 Financial performance**2.1 Proforma consolidated results**

We set out below the summarised proforma consolidated results of the KNM Group for the past five (5) financial years ended 31 December 1998 to 2002. The proforma results are prepared for illustrative purposes only and are based on the audited financial statements of all companies within the Group on the assumption that the KNM Group under the restructuring scheme, as detailed in Note 1.3, was effective throughout the years under review, after making necessary adjustments as disclosed below. The following results are to be read in conjunction with the notes thereto:

| | ←-----Year ended 31 December-----> | | | | |
|--|------------------------------------|----------------|----------------|----------------|----------------|
| | 1998 RM'000 | 1999 RM'000 | 2000 RM'000 | 2001 RM'000 | 2002 RM'000 |
| Revenue | 54,903 | 65,742 | 75,595 | 73,427 | 107,352 |
| Profit before depreciation and interest | 6,416 | 8,168 | 11,782 | 10,080 | 14,317 |
| Depreciation | (458) | (522) | (921) | (796) | (1,426) |
| Interest expense ^ | (1,338) | (860) | (966) | (1,681) | (2,364) |
| Interest income | 235 | 119 | 153 | 294 | 85 |
| Operating profit | 4,855 | 6,905 | 10,048 | 7,897 | 10,612 |
| Exceptional item | - | 1,353 | 69 | - | - |
| Share of profit/(loss) of associated companies | 41 | 198 | 2 | (280) | - |
| Profit before taxation | 4,896 | 8,456 | 10,119 | 7,617 | 10,612 |
| Taxation | (1,890) | - | (1,614) | (1,212) | (2,341) |
| Profit after taxation | 3,006 | 8,456 | 8,505 | 6,405 | 8,271 |
| Number of ordinary shares of RM1.00 each in issue ('000) * | 28,253 | 28,253 | 28,253 | 28,253 | 28,253 |
| Earnings per share (sen) | | | | | |
| - Gross | 17.3 | 29.9 | 35.8 | 27.0 | 37.6 |
| - Net | 10.6 | 29.9 | 30.1 | 22.7 | 29.3 |

^ Interest expense excludes bank and bank guarantee charges.

* The number of ordinary shares assumed in issue throughout the financial years under review is the number of ordinary shares in issue after the acquisition of KNMPS by KNM, i.e. 28,253,184 ordinary shares of RM1.00 each.

Notes:

- i) Equity accounting of KNM-DP Group's results ceased with effect from 31 December 2001 when the KNM Group's share of losses in the associated companies exceeded the carrying amount of its investments in associated companies.

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2.1 Proforma consolidated results (continued)*Notes:*

- ii) Overprovision of taxation in respect of prior years amounting to RM854,000 was included in tax charge for the financial year ended 31 December 1999. The overprovision has been adjusted to the rightful years of incurrence so that the effective tax rate is comparable.

The effective tax rate of Proforma KNM Group for the financial year ended 31 December 1998 was higher than the statutory tax rate, despite the reinvestment allowances enjoyed by KNMPS, due to certain expenses being disallowed for tax purposes.

Income tax was not provided for the financial year ended 31 December 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999.

The effective tax rates for the financial years ended 31 December 2000, 2001 and 2002 were lower than the statutory tax rate due to the utilisation of reinvestment allowances available to KNMPS.

- iii) There were no exceptional or extraordinary items during the financial years under review other than the negative goodwill arising from the acquisition of PASB and DE in 1999 and 2000 respectively.

2.1.1 Operating profit

Operating profit of the respective years under review is stated after charging/(crediting):

| | <-----Year ended 31 December-----> | | | | |
|---|------------------------------------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Allowance for /(reversal of) doubtful debts | - | 429 | 2,170 | (675) | 713 |
| Revaluation deficit | - | - | 131 | - | - |

2.1.2 Capitalisation of depreciation and interest expense

Depreciation and interest expense capitalised in contract customers are as follows:

| | <-----As at 31 December-----> | | | | |
|------------------|-------------------------------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation | 1,819 | 2,176 | 2,594 | 3,163 | 3,171 |
| Interest expense | 895 | 792 | 1,094 | 1,039 | 1,371 |

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2.2 Notes to the proforma consolidated results

2.2.1 Basis of accounting

The proforma consolidated results of the KNM Group for the past five (5) years ended 31 December 2002 have been prepared in compliance with applicable approved accounting standards in Malaysia.

2.2.2 Basis of consolidation

The proforma consolidated results of the KNM Group for the past five (5) years ended 31 December 1998 to 2002 have been prepared for illustrative purposes only and are based on the audited financial statements of all companies within the KNM Group for the years under review. The results have been presented on the basis that the KNM Group under the restructuring scheme, as detailed in Note 1.3, was effective throughout the years under review, after making necessary adjustments as disclosed in Note 2.1.

2.2.3 Earnings per share

Gross and net earnings per share are calculated based on the profit before and after taxation respectively. KNM is assumed to have an issued and paid-up share capital of RM28,253,184 comprising 28,253,184 ordinary shares of RM1.00 each pursuant to the acquisition of KNMPS under the restructuring scheme as mentioned in Note 1.3.

2.2.4 Dividend

KNM and none of the subsidiary or associated companies of the KNM Group have declared or paid any dividend for the past five (5) financial years ended 31 December 2002, except for:

- i) KNM-DP which declared interim dividend of 10% per share less tax of 28% in the financial year ended 2000; and
- ii) Payment of a special dividend amounting to RM2,880,000 net of tax by KNMPS to existing shareholders of KNMPS prior to the acquisition of KNMPS by KNM.

2.3 The Proforma KNM Group Consolidated Balance Sheets

As the purchase consideration for the Acquisitions is calculated on Net Tangible Assets based on the audited financial statements of the subsidiary companies as at 31 December 1999, it is therefore impractical to present proforma balance sheets of Proforma KNM Group throughout the periods under review. Accordingly, balance sheet of Proforma KNM Group has only been presented in respect of 31 December 2002 based on the latest audited statement of asset and liabilities as at 31 December 2002 as shown in Section 3 of this Report.

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2.4 KNM**Historical performance**

The following financial information of KNM was extracted from the audited financial statements of KNM for the financial period/year ended 31 December 2001 and 2002 respectively.

2.4.1 Summary of results

| | Period from 22 July 2000 to 31 December 2001 RM'000 | Year ended 31 December 2002 RM'000 |
|---|---|---|
| Revenue | - | - |
| Loss before depreciation and interest | (6) | (3) |
| Depreciation | - | - |
| Interest expense | - | - |
| Interest income | - | - |
| Loss before taxation | (6) | (3) |
| Taxation | - | - |
| Loss after taxation | (6) | (3) |
| Number of ordinary shares of RM1.00 each in issue at period/year end | @ | @ |
| Net loss per share (sen) | (300,000) | (150,000) |

@ *Subscribers' shares of RM2.00 comprising two (2) ordinary shares of RM1.00 each.*

Notes:

- i) KNM was incorporated on 22 July 2000 and has not commenced operations for the period/year under review. Accordingly, there was also no provision of tax for the financial period/year under review.
- ii) There were no extraordinary or exceptional items for the financial period/year under review.

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2.4.2 Summarised balance sheets

| | <-----As at 31 December-----> | |
|---|-------------------------------|---------|
| | 2001 | 2002 |
| | RM'000 | RM'000 |
| Current assets | - | - |
| Less: Current liabilities | (6) | (8) |
| Net current liabilities | (6) | (8) |
| Represented by: | | |
| Share capital | @ | @ |
| Accumulated loss | (6) | (8) |
| Deficit in shareholders' funds | (6) | (8) |
| Number of ordinary shares of RM1.00 each in issue at period/year end ('000) | @ | @ |
| Net tangible liabilities ("NTL") (RM'000) | (6) | (8) |
| NTL per ordinary share (RM) | (3,000) | (4,000) |

@ Subscribers' shares of RM2.00 comprising two (2) ordinary shares of RM1.00 each

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2.5 KNMPS**Historical performance**

The following financial information of KNMPS was extracted from the audited financial statements of KNMPS for the financial years ended 31 December 1998 to 2002.

2.5.1 Summary of results

| | <----- Year ended 31 December -----> | | | | |
|--|--------------------------------------|--------|---------|---------|---------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 54,903 | 65,508 | 75,554 | 73,099 | 107,131 |
| Profit before depreciation and interest | 6,464 | 8,118 | 11,105 | 9,637 | 13,988 |
| Depreciation | (458) | (498) | (853) | (727) | (1,358) |
| Interest expense ^ | (1,075) | (860) | (966) | (1,681) | (2,361) |
| Interest income | 212 | 110 | 144 | 286 | 75 |
| Profit before taxation | 5,143 | 6,870 | 9,430 | 7,515 | 10,344 |
| Taxation | (1,886) | - | (1,402) | (1,132) | (2,100) |
| Profit after taxation | 3,257 | 6,870 | 8,028 | 6,383 | 8,244 |
| Number of ordinary shares of RM1.00 each in issue at year end ('000) | 3,100 | 3,100 | 3,100 | 3,100 | 3,100 |
| Earnings per share (sen) | 105.1 | 221.6 | 259.0 | 205.9 | 265.9 |

^ Interest expense excludes bank and bank guarantee charges.

Notes:

- i) Overprovision of taxation in respect of prior years amounting to RM854,000 was included in tax charge for the financial year ended 31 December 1999. The overprovision has been adjusted to the rightful years of incurrence so that the effective tax rate is comparable.

The effective tax rates for 1998 was higher than the applicable statutory tax rate of 28.0% due to certain expenses disallowed for tax purposes. Income tax was not provided for 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999.

KNMPS enjoys reinvestment allowances under the Promotion of Investment Act, 1986 since 1994. The effective tax rates for 2000 to 2002 were lower than the prima facie tax rate mainly due to the utilisation of reinvestment allowances available to the Company.

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

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2.5.2 Operating profit

Operating profit of the respective years under review is stated after charging/(crediting):

| | <-----Year ended 31 December-----> | | | | |
|---|------------------------------------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Allowance for /(reversal of) doubtful debts | - | 429 | 2,170 | (675) | 713 |
| Revaluation deficit | - | - | 131 | - | - |

2.5.3 Capitalisation of depreciation and interest expense

Depreciation and interest expense capitalised in contract customers are as follows:

| | <-----As at 31 December-----> | | | | |
|------------------|-------------------------------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation | 1,819 | 2,176 | 2,594 | 3,163 | 3,171 |
| Interest expense | 895 | 792 | 1,094 | 1,039 | 1,371 |

2.5.4 Summarised balance sheets

| | <-----As at 31 December-----> | | | | |
|--------------------------------------|-------------------------------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Property, plant and equipment | 26,924 | 30,178 | 39,259 | 43,815 | 49,612 |
| Investments in subsidiary companies | 60 | 831 | 895 | 895 | 1,395 |
| Investments in associated company | 138 | 138 | 138 | - | - |
| Amount due from subsidiary companies | - | - | - | 1,101 | 6,216 |
| Amount due from associated companies | 1,951 | - | - | - | - |

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2.5.4 Summarised balance sheets (continued)

| | ←-----As at 31 December-----> | | | | |
|---|-------------------------------|----------------|---------------|---------------|---------------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Current assets | | | | | |
| Holding company | - | - | 542 | 660 | - |
| Subsidiary companies | 110 | 1,775 | 1,314 | 531 | 327 |
| Associated companies | 3,166 | 383 | 39 | 520 | 1,389 |
| Related companies | 1,881 | 43 | - | 552 | 11 |
| Other current assets | 27,054 | 20,459 | 42,980 | 51,314 | 81,190 |
| | 32,211 | 22,660 | 44,875 | 53,577 | 82,917 |
| Less: Current liabilities | | | | | |
| Holding company | 1,346 | - | 705 | - | 544 |
| Subsidiary companies | - | - | 512 | 263 | 1,306 |
| Associated companies | - | - | 1,156 | - | - |
| Related companies | 92 | 440 | 1,048 | 171 | 739 |
| Other current liabilities | 37,008 | 24,135 | 34,622 | 47,026 | 75,931 |
| | 38,446 | 24,575 | 38,043 | 47,460 | 78,520 |
| Net current (liabilities)/assets | (6,235) | (1,915) | 6,832 | 6,117 | 4,397 |
| | 22,838 | 29,232 | 47,124 | 51,928 | 61,620 |
| Financed by: | | | | | |
| Share capital | 3,100 | 3,100 | 3,100 | 3,100 | 3,100 |
| Revaluation reserve | - | - | 4,372 | 4,372 | 4,372 |
| Retained profits | 16,218 | 23,088 | 31,116 | 37,499 | 45,743 |
| Shareholders' funds | 19,318 | 26,188 | 38,588 | 44,971 | 53,215 |
| Borrowings (secured) | 1,712 | 1,236 | 6,626 | 4,697 | 6,145 |
| Deferred taxation | 1,808 | 1,808 | 1,910 | 2,260 | 2,260 |
| | 22,838 | 29,232 | 47,124 | 51,928 | 61,620 |
| Number of ordinary shares of RM1.00 each in issue at year end ('000) | 3,100 | 3,100 | 3,100 | 3,100 | 3,100 |
| Net tangible assets ("NTA") (RM'000) | 19,318 | 26,188 | 38,588 | 44,971 | 53,215 |
| NTA per ordinary share (RM) | 6.23 | 8.45 | 12.45 | 14.51 | 17.17 |

10. ACCOUNTANTS' REPORT (Cont'd)

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2.6 KNMO**Historical performance**

The following financial information of KNMO was extracted from the audited financial statements of KNMO for the financial years ended 31 December 1998 to 2002.

2.6.1 Summary of results

| | <-----Year ended 31 December-----> | | | | |
|--|------------------------------------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | - | 509 | 3,491 | 1,424 | 4,342 |
| (Loss)/Profit before depreciation and interest | (48) | 50 | 290 | 45 | 291 |
| Depreciation | - | - | - | - | - |
| Interest expense | - | - | - | - | - |
| Interest income | 23 | 9 | 9 | 8 | - |
| (Loss)/Profit before taxation | (25) | 59 | 299 | 53 | 291 |
| Taxation | (4) | - | (84) | (4) | (84) |
| (Loss)/Profit after taxation | (29) | 59 | 215 | 49 | 207 |
| Number of ordinary shares of RM1.00 each in issue at year end ('000) | 100 | 100 | 100 | 100 | 100 |
| (Loss)/Earnings per share (sen) | (29.0) | 59.0 | 215.0 | 49.0 | 207.0 |

Notes:

- i) The taxation charge for 1998 arose from interest income derived during the year. Income tax was not provided for 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999. The effective tax rates for 2000, 2001 and 2002 are comparable with the statutory tax rate of 28.0%.
- ii) There were no extraordinary or exceptional items for the financial years under review.

10. ACCOUNTANTS' REPORT (Cont'd)

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2.6.2 Summarised balance sheets

| | ←-----As at 31 December-----> | | | | |
|--|-------------------------------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Current assets | | | | | |
| Holding company | - | 1 | 365 | 263 | 1,306 |
| Related company | - | 32 | 35 | 80 | 69 |
| Other current assets | 248 | 305 | 284 | 303 | 23 |
| | 248 | 338 | 684 | 646 | 1,398 |
| Less: Current liabilities | | | | | |
| Holding company | 110 | - | - | - | - |
| Other current liabilities | 43 | 184 | 314 | 227 | 771 |
| | 153 | 184 | 314 | 227 | 771 |
| Net current assets | 95 | 154 | 370 | 419 | 627 |
| Financed by: | | | | | |
| Share capital | 100 | 100 | 100 | 100 | 100 |
| (Accumulated loss)/Retained profit | (5) | 54 | 270 | 319 | 527 |
| Shareholders' funds | 95 | 154 | 370 | 419 | 627 |
| Number of ordinary shares of RM1.00 each in issue at year end ('000) | 100 | 100 | 100 | 100 | 100 |
| Net tangible assets ("NTA") (RM'000) | 95 | 154 | 370 | 419 | 627 |
| NTA per ordinary share (RM) | 0.95 | 1.54 | 3.70 | 4.19 | 6.27 |

10. ACCOUNTANTS' REPORT (Cont'd)



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2.7 PASB

Historical performance

The following financial information of PASB was extracted from the audited financial statements of PASB for the financial period ended 31 December 1998 and the four (4) years ended 31 December 1999 to 2002.

2.7.1 Summary of results

| | 9 month period ended 31 December | ←-----Year ended 31 December-----> | | | |
|---|---|------------------------------------|----------------|----------------|----------------|
| | 1998 RM'000 | 1999 RM'000 | 2000 RM'000 | 2001 RM'000 | 2002 RM'000 |
| Revenue | - | - | 470 | 222 | 222 |
| Profit before depreciation and interest | - | - | 456 | 216 | 205 |
| Depreciation | - | (24) | (68) | (68) | (68) |
| Interest expense | (263) | - | - | - | - |
| Interest income | - | - | - | - | - |
| (Loss)/Profit for the period/year | (263) | (24) | 388 | 148 | 137 |
| Taxation | - | - | (128) | (61) | (61) |
| (Loss)/Profit for the period/year | (263) | (24) | 260 | 87 | 76 |
| Number of ordinary shares of RM1.00 each in issue at period/year end | @ | @ | @ | @ | @ |
| (Loss)/Earnings per share (sen) | (263,000) | (24,000) | 260,000 | 87,000 | 76,000 |

@ Issued and fully paid-up share capital of RM100.00 comprising one hundred (100) ordinary shares of RM1.00 each.

Notes:

- i) PASB changed its accounting year end from 31 March to 31 December with effect from the financial period ended 31 December 1998 to be coterminous with the accounting year end of the holding company, KNMPS.

10. ACCOUNTANTS' REPORT (Cont'd)

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2.7.1 Summary of results (continued)

- ii) No taxation was provided in the financial statements for the financial period ended 31 December 1998 and financial year ended 31 December 1999 as PASB had a loss in both periods. Taxation in 2000, 2001 and 2002 related to tax in respect of rental income.
- iii) There were no extraordinary or exceptional items for the financial years/period under review.

2.7.2 Summarised balance sheets

| | ←-----As at 31 December-----→ | | | | |
|--|-------------------------------|---------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Property | - | 1,490 | 4,244 | 4,175 | 4,107 |
| Deferred expenditure | 4 | 6 | - | - | - |
| Current asset | 305 | - | - | - | - |
| Less: Current liabilities | (572) | (2) | (135) | (192) | (253) |
| Net current liabilities | (267) | (2) | (135) | (192) | (253) |
| | (263) | 1,494 | 4,109 | 3,983 | 3,854 |
| Financed by: | | | | | |
| Share capital | @ | @ | @ | @ | @ |
| Revaluation reserve | - | - | 2,823 | 2,823 | 2,823 |
| (Accumulated loss)/Retained profit | (263) | (287) | (27) | 59 | 135 |
| (Deficit)/Surplus in shareholder's funds | (263) | (287) | 2,796 | 2,882 | 2,958 |
| Holding company | - | 1,781 | 1,313 | 1,101 | 896 |
| | (263) | 1,494 | 4,109 | 3,983 | 3,854 |
| Number of ordinary shares of RM1.00 each in issue at period/year end | @ | @ | @ | @ | @ |
| Net tangible (liabilities)/assets ("NTL/NTA") (RM'000) | (267) | (293) | 2,796 | 2,882 | 2,958 |
| (NTL)/NTA per ordinary share (RM) | (2,670) | (2,930) | 27,960 | 28,820 | 29,580 |

@ Subscribers' shares of RM100.00 comprising one hundred (100) ordinary shares of RM1.00 each

10. ACCOUNTANTS' REPORT (Cont'd)

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2.8 DE**Historical performance**

The following financial information of DE was extracted from the audited financial statements of DE for the financial period/year ended 31 December 2001 and 2002 respectively.

2.8.1 Summary of results

| | Period ended 31 December 2001 RM'000 | Year ended 31 December 2002 RM'000 |
|--|---|---|
| Revenue | 3,460 | 5,883 |
| Profit before depreciation and interest | 46 | 313 |
| Depreciation | - | - |
| Interest expense | - | - |
| Interest income | - | - |
| Profit before taxation | 46 | 313 |
| Taxation | (15) | (90) |
| Profit after taxation | 31 | 223 |
| Number of ordinary shares of RM1.00 each in issue at period/year end | @ | @ |
| Earnings per share (sen) | 1,550,000 | 11,150,000 |

@ Issued and fully paid-up share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each.

Notes:

- i) The effective tax rate for the financial period ended 31 December 2001 is higher than the statutory tax rate of 28% is mainly due to certain expenses being disallowed for tax purposes.
- ii) There were no extraordinary or exceptional items for the financial period/year under review.

10. ACCOUNTANTS' REPORT (Cont'd)

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2.8.2 Summarised balance sheets

| | <--As at 31 December--> | |
|--|-------------------------|---------|
| | 2001 | 2002 |
| | RM'000 | RM'000 |
| Current assets | | |
| Related company | 209 | 349 |
| Other current assets | 454 | 450 |
| | 663 | 799 |
| Less: Current liabilities | | |
| Holding company | 531 | 312 |
| Related companies | - | 28 |
| Other current liabilities | 101 | 205 |
| | 632 | 545 |
| Net current assets | 31 | 254 |
| Financed by: | | |
| Share capital | @ | @ |
| Retained profit | 31 | 254 |
| Shareholder's funds | 31 | 254 |
| Number of ordinary shares of RM1.00 each in issue at period/year end | @ | @ |
| Net tangible assets ("NTA") (RM'000) | 31 | 254 |
| NTA per ordinary share (RM) | 15,500 | 127,000 |

@ Issued and fully paid-up share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each.

10. ACCOUNTANTS' REPORT (Cont'd)

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2.9 KNMI**Historical performance**

The following financial information of KNMI was extracted from the audited financial statements of KNMI for the financial period from 10 May 2002 (date of incorporation) to 31 December 2002.

2.9.1 Summary of results

| | Period ended 31 December 2002 RM'000 |
|--|---|
| Revenue | - |
| Loss before depreciation and interest | (265) |
| Depreciation | - |
| Interest expense | (14) |
| Interest income | 18 |
| Loss before taxation | (261) |
| Taxation | (1) |
| Loss after taxation | (262) |
| Number of ordinary shares of RM1.00 each in issue at period end ('000) | 500 |
| Loss per share (sen) | (52.4) |

Notes:

- i) Taxation related to tax in respect of interest income from deposits placed with a licensed bank.
- ii) There were no extraordinary or exceptional items for the financial period under review.

10. ACCOUNTANTS' REPORT (Cont'd)

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2.9.2 Summarised balance sheets

| | As at 31 December 2002 RM'000 |
|--|--|
| Investment in a subsidiary company | @ |
| Other investment ^ | 1,330 |
| Amount due from a subsidiary company | 4,254 |
| Current assets | 10 |
| Less: Current liabilities | (10) |
| Net current assets | - |
| | <hr/> 5,584 <hr/> |
| Financed by: | |
| Share capital | 500 |
| Accumulated loss | (262) |
| Shareholder's funds | 238 |
| Holding company | 5,346 |
| | <hr/> 5,584 <hr/> |
| Number of ordinary shares of RM1.00 each in issue at period end ('000) | 500 |
| Net tangible assets ("NTA") (RM'000) | 238 |
| NTA per ordinary share (RM) | 0.48 |

@ Investment of RM2.00 comprising two (2) ordinary shares of RM1.00 each.

^ 1330 redeemable preference shares of RM1.00 each issued by KNMC at an issue price of RM1,000.00 per share.

10. ACCOUNTANTS' REPORT (Cont'd)

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2.10 KNMC

Historical performance

The following financial information of KNMC was extracted from the audited financial statements of KNMC for the financial period from 21 January 2002 (date of incorporation) to 31 December 2002.

2.10.1 Summary of results

| | Period ended 31 December 2002 RM'000 |
|--|---|
| Revenue | - |
| Loss before depreciation and interest | (33) |
| Depreciation | - |
| Interest expense | (14) |
| Interest income | 18 |
| Loss before taxation | (29) |
| Taxation | (5) |
| Loss after taxation | (34) |
| Number of ordinary shares of RM1.00 each in issue at period end | @ |
| Loss per share (sen) | (1,700,000) |

@ Issued and fully paid-up share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each.

Notes:

- i) Taxation related to tax in respect of interest income.
- ii) There were no extraordinary or exceptional items for the financial period under review.

10. ACCOUNTANTS' REPORT (Cont'd)

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2.10.2 Summarised balance sheets

| | As at 31 December 2002 RM'000 |
|---|--|
| Investment in a subsidiary company | 1,900 |
| Current assets | |
| Subsidiary company | 314 |
| Other current assets | 5,645 |
| | <u>5,959</u> |
| Less: Current liabilities | 2,309 |
| Net current assets | 3,650 |
| | <u>5,550</u> |
| Financed by: | |
| Share capital | @ |
| Accumulated loss | (34) |
| Deficit in shareholder's funds | (34) |
| Holding company | 4,254 |
| Redeemable preference shares (RPS) ^ | 1,330 |
| | <u>5,550</u> |
| Number of ordinary shares of RM1.00 each in issue at period end | @ |
| Net tangible liabilities ("NTL") (RM'000) | (34) |
| NTL per ordinary share (RM) | (17,000) |

@ *Issued and fully paid-up share capital of RM2.00 comprising two (2) ordinary shares of RM1.00 each.*

^ *1330 redeemable preference shares ("RPS") of RM1.00 each issued at an issue price of RM1,000.00 per share to KNMI. RPS is classified as liability as it is redeemable at the option of the shareholders.*

10. ACCOUNTANTS' REPORT (Cont'd)

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2.11 KNMSPEC**Historical performance**

The following financial information of KNMSPEC was extracted from the audited financial statements of KNMSPEC for the financial period from 23 July 2002 (date of incorporation) to 31 December 2002.

2.11.1 Summary of results

| | Period ended 31 December 2002 RM'000 |
|--|---|
| Revenue | - |
| Loss before depreciation and interest | (189) |
| Depreciation | - |
| Interest expense | (3) |
| Interest income | 2 |
| Loss before taxation | (190) |
| Taxation | - |
| Loss for the period | (190) |
| Number of ordinary shares of RM1.00 each in issue at period end ('000) | 1,900 |
| Loss per share (sen) | (10) |

Notes:

- i) In preparing this report, adjustment has been made to write off pre-operating expenses in the income statement in accordance with the requirement of MASB 1: Presentation of Financial Statements.
- ii) There was no provision for tax as there was no income earned during the period.
- iii) There were no extraordinary or exceptional items for the financial period under review.

10. ACCOUNTANTS' REPORT (Cont'd)

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2.11.2 Summarised balance sheets

| | As at 31 December 2002 RM'000 |
|--|--|
| Property, plant and equipment | 6,627 |
| Current assets | 1,819 |
| Less: Current liabilities | |
| Holding company | 314 |
| Other current liabilities | 4,665 |
| | 4,979 |
| Net current assets | (3,160) |
| | 3,467 |
| Financed by: | |
| Share capital | 1,900 |
| Accumulated loss | (190) |
| Shareholder's funds | 1,710 |
| Borrowings | 1,757 |
| | 3,467 |
| Number of ordinary shares of RM1.00 each in issue at period end ('000) | 1,900 |
| Net tangible assets ("NTA") (RM'000) | 1,710 |
| NTA per ordinary share (RM) | 0.9 |

10. ACCOUNTANTS' REPORT (Cont'd)

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2.12 KNM-DP**Historical performance**

The following financial information of KNM-DP was extracted from the audited financial statements of KNM-DP for the financial years ended 31 December 1998 to 2002.

2.12.1 Summary of results

| | <-----Year ended 31 December-----> | | | | |
|--|------------------------------------|--------|--------|---------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 9,982 | 13,069 | 6,497 | 4,430 | 6,158 |
| Profit/(Loss) before depreciation and interest | 200 | 722 | 248 | (2,049) | 187 |
| Depreciation | (62) | (33) | (124) | (26) | (28) |
| Interest expense | - | - | - | - | - |
| Interest income | 10 | 15 | 3 | 2 | 1 |
| Profit/(Loss) before taxation | 148 | 704 | 127 | (2,073) | 160 |
| Taxation | - | - | (76) | 92 | - |
| Profit/(Loss) after taxation | 148 | 704 | 51 | (1,981) | 160 |
| Number of ordinary shares of RM1.00 each in issue at year end ('000) | 528 | 528 | 528 | 528 | 528 |
| Earnings/(Loss) per share (sen) | 28.0 | 133.3 | 9.6 | (375.2) | 30.3 |

Notes:

- i) No taxation was provided in the financial years for 1998 due to the utilisation of capital allowances brought forward. Income tax was not provided for 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999.

The effective tax rate for the financial year ended 2000 was higher than the applicable statutory tax rate due to certain expenses being disallowed for tax purposes.

In 2001, there was no taxation charge for KNM-DP due to the loss position in that year.

No taxation was provided in 2002 due to utilisation of business losses and capital allowances brought forward.

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

10. ACCOUNTANTS' REPORT (Cont'd)

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2.12.2 Summarised balance sheets

| | <-----Year ended 31 December-----> | | | | |
|---|------------------------------------|--------|--------|---------|---------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Property, plant and equipment | 989 | 823 | 647 | 393 | 178 |
| Investment in a subsidiary company | 102 | 102 | 102 | 102 | 102 |
| Amount due from a subsidiary company | 2,030 | - | - | - | - |
| Current assets | | | | | |
| Subsidiary company | 38 | - | - | 3 | 3 |
| Affiliated companies | - | - | 662 | - | - |
| Other current assets | 3,787 | 1,861 | 910 | 863 | 1,656 |
| | 3,825 | 1,861 | 1,572 | 866 | 1,659 |
| Less: Current liabilities | | | | | |
| Affiliated company | 3,166 | 344 | - | 479 | 1,192 |
| Other current liabilities | 3,700 | 1,658 | 1,452 | 2,066 | 1,771 |
| | 6,866 | 2,002 | 1,452 | 2,545 | 2,963 |
| Net current (liabilities)/assets | (3,041) | (141) | 120 | (1,679) | (1,304) |
| | 80 | 784 | 869 | (1,184) | (1,024) |
| Financed by: | | | | | |
| Share capital | 528 | 528 | 528 | 528 | 528 |
| (Accumulated loss)/Retained profits | (448) | 256 | 269 | (1,712) | (1,552) |
| Surplus/(Deficit) in shareholders' funds | 80 | 784 | 797 | (1,184) | (1,024) |
| Deferred taxation | - | - | 72 | - | - |
| | 80 | 784 | 869 | (1,184) | (1,024) |
| Number of ordinary shares of RM1.00 each in issue at year end ('000) | 528 | 528 | 528 | 528 | 528 |
| Net tangible assets/(liabilities) ("NTA/NTL") (RM'000) | 80 | 784 | 797 | (1,184) | (1,024) |
| NTA/NTL per share (RM) | 0.15 | 1.48 | 1.51 | (2.24) | (1.94) |

10. ACCOUNTANTS' REPORT (Cont'd)



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2.13 KNM-DP HB

Historical performance

The following financial information of KNM-DP HB was extracted from the audited financial statements of KNM-DP HB for the financial years ended 31 December 1998 to 2002.

2.13.1 Summary of results

| | <-----Year ended 31 December-----> | | | | |
|--|------------------------------------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | - | - | - | - | - |
| Loss before depreciation and interest | - | - | (43) | (6) | (6) |
| Depreciation | - | - | - | - | - |
| Interest expense | - | - | - | - | - |
| Interest income | - | 4 | - | 3 | 4 |
| Profit/(Loss) before taxation | - | 4 | (43) | (3) | (2) |
| Taxation | - | - | - | (1) | (1) |
| Profit/(Loss) after taxation | - | 4 | (43) | (4) | (3) |
| Number of ordinary shares of RM1.00 each in issue at year end ('000) | 200 | 200 | 200 | 200 | 200 |
| Earnings/(Loss) per share (sen) | - | 2.0 | (21.5) | (2) | (1.5) |

Notes:

- i) Income tax was not provided for 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act, 1999.

There was no provision for tax for 2000 as there was no income earned during that year. The income tax charge in 2001 and 2002 related to interest earned from deposits placed with a licensed bank.

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

10. ACCOUNTANTS' REPORT (Cont'd)

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2.13.2 Summarised balance sheets

| | ←-----As at 31 December-----> | | | | |
|--|-------------------------------|--------|--------|--------|--------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred expenditure | 40 | 41 | - | - | - |
| Other receivables, deposits and prepayments | 4,182 | - | - | - | - |
| Current assets | - | 204 | 203 | 206 | 204 |
| Less: Current liabilities | | | | | |
| Holding company | 38 | - | - | 3 | 3 |
| Affiliated company | - | 38 | 38 | 41 | 41 |
| Other current liabilities | 2 | 3 | 4 | 5 | 6 |
| | 40 | 41 | 42 | 49 | 50 |
| Net current (liabilities)/assets | (40) | 163 | 161 | 157 | 154 |
| | 4,182 | 204 | 161 | 157 | 154 |
| Financed by: | | | | | |
| Share capital | 200 | 200 | 200 | 200 | 200 |
| Retained profit / (Accumulated loss) | - | 4 | (39) | (43) | (46) |
| Shareholders' funds | 200 | 204 | 161 | 157 | 154 |
| Amount due to holding company | 2,031 | - | - | - | - |
| Amount due to an affiliated company | 1,951 | - | - | - | - |
| | 4,182 | 204 | 161 | 157 | 154 |
| Number of ordinary shares of RM1.00 each in issue at year end ('000) | 200 | 200 | 200 | 200 | 200 |
| Net tangible assets ("NTA") (RM'000) | 160 | 163 | 161 | 157 | 154 |
| NTA per ordinary share (RM) | 0.80 | 0.82 | 0.80 | 0.78 | 0.77 |

10. ACCOUNTANTS' REPORT (Cont'd)



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3 Proforma statement of assets and liabilities

The following statement of assets and liabilities of KNM and Proforma KNM Group as at 31 December 2002 are prepared for illustrative purposes only and are based on the audited financial statements of KNM and the audited financial statements of its subsidiary and associated companies as at 31 December 2002, on the basis that the KNM Group under the restructuring scheme as detailed in Note 1.3 and the placement, public issue and utilisation of proceeds had been effected on 31 December 2002. These proforma statements should be read in conjunction with the notes thereto:

| | Note | Audited Company RM'000 | Proforma Group RM'000 |
|--|------|------------------------------|-----------------------------|
| Property, plant and equipment | 3.2 | - | 68,536 |
| Investment in associated companies | 3.3 | - | - |
| Current assets | | | |
| Inventories | 3.4 | - | 6,929 |
| Trade and other receivables | 3.5 | - | 74,556 |
| Cash and cash equivalents | 3.6 | @ | 9,769 |
| | | - | 91,254 |
| Current liabilities | | | |
| Trade and other payables | 3.7 | 8 | 9,910 |
| Borrowings | 3.8 | - | 65,119 |
| Taxation | | - | 2,238 |
| | | 8 | 77,267 |
| Net current (liabilities)/assets | | (8) | 13,987 |
| | | (8) | 82,523 |
| FINANCED BY: | | | |
| Share capital | 3.9 | @ | 44,000 |
| Share premium | 3.10 | - | 9,751 |
| (Accumulated loss)/Retained profit | | (8) | 16,706 |
| | | (8) | 70,457 |
| (Deficit)/Surplus in Shareholders' funds | | (8) | 70,457 |
| Borrowings | 3.8 | - | 7,902 |
| Deferred taxation | | - | 4,164 |
| | | (8) | 82,523 |
| Net tangible (liabilities)/assets per share (RM) | | (4,000.00) | 1.60 |

@ Comprise cash of RM2.00 and an issued and paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each