

15. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



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The Board of Directors
ATIS Corporation Berhad
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Selangor Darul Ehsan

20 June 2002

Dear Sirs

Accountants' Report

This report has been prepared by Messrs. KPMG, an approved company auditor for the inclusion in the Prospectus to be dated 29 June 2002 in connection with :

- i) the Public Issue of 19,020,000 new ordinary shares of RM0.50 each at an issue price of RM1.50 per new ordinary share payable in full on application comprising :
 - a) 6,000,000 new ordinary shares of RM0.50 each available for subscription by eligible employees and directors of ATIS Corporation Berhad and its subsidiaries;
 - b) 9,020,000 new ordinary shares of RM0.50 each by way of private placement; and
 - c) 4,000,000 new ordinary shares of RM0.50 each available for application by the Malaysian public;

and,

- ii) in conjunction with its listing on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

1 General Information

1.1 Background

ATIS Corporation Berhad ("ATIS"), formerly known as KVC Corporation Berhad was incorporated in Malaysia under the Companies Act, 1965 on 8 September 1997 as a public company under the name of KVC Corporation Berhad. Its name was changed to ATIS Corporation Berhad on 23 May 2002. The principal activity of the Company is that of investment holding with interests in eighteen (18) subsidiaries.



KPMG is a member firm of the member firms of the Malaysian Institute of Accountants (MIA) and is a member of KPMG network of member firms of the KPMG network.

15. ACCOUNTANTS' REPORT (Cont'd)**1.2 Share Capital**

1.2.1 The authorised and issued and paid up capital of ATIS as at the date of this report are as follows:

	<i>No. of Ordinary Shares of RM0.50 each '000</i>	<i>Total RM'000</i>
Authorised	200,000	100,000
Issued and fully paid	100,980	50,490

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

<i>Date of allotment</i>	<i>No. of Shares allotted</i>	<i>Par Value RM</i>	<i>Consideration</i>	<i>Total issued and paid-up share capital RM</i>
08.09.1997	2	1.00	Subscribers' shares	2
26.06.2001	299,998	1.00	Rights Issue of 149,999 new shares for every 1 existing share held at RM1.00 per share	300,000
17.05.2002	36,051,000	1.00	Issued pursuant to the acquisition of KVCM at approximately RM1.12 per share	36,351,000
17.05.2002	3,076,000	1.00	Issued pursuant to the acquisition of WPI at approximately RM1.12 per share	39,427,000
17.05.2002	2,023,000	1.00	Issued pursuant to the acquisition of GT at approximately RM1.12 per share	41,450,000
22.05.2002	9,040,000	1.00	Rights Issue of 1 new share for approximately every 4.6 existing shares held at RM1.10 per share	50,490,000
24.05.2002*	50,490,000	0.50	Reduction in par value of RM1.00 per share to RM0.50 per share	50,490,000

* Date of subdivision and reduction of par value.

15. ACCOUNTANTS' REPORT (Cont'd)



- 1.2.3 The issued and fully paid-up share capital of ATIS after the Public Issue of RM9,510,000 comprises 19,020,000 new ordinary shares of RM0.50 each would be RM60,000,000 comprises 120,000,000 ordinary share of RM0.50 each.

1.3 Restructuring scheme

In connection with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of ATIS on the Main Board of the KLSE, ATIS undertook the following which was all completed on 24 May 2002:

- i) Increase in paid up share capital of ATIS from RM2.00 to RM300,000 via the increase of 299,998 ordinary share of RM1.00 each. This transaction was completed on 26 June 2001.
- ii) Acquisition of the entire issued and paid-up share capital of KVC Electric (M) Sdn Bhd and its subsidiaries ("KVCM") comprising 500,000 ordinary shares of RM1.00 each for a purchase consideration of RM40,433,999 to be satisfied by the issuance of 36,051,000 new shares at an issue price of approximately RM1.12 per share credited as fully paid-up.

The total purchase consideration of RM40,433,999 for the KVCM acquisition was arrived at on a willing-buyer willing-seller basis based on the net tangible assets (NTA) of KVCM as at 31 December 2000 of RM40,433,999.

- iii) Acquisition of the entire issued and paid-up share capital of Wawasan Plastic Industry Sdn Bhd ("WPI") comprising 700,000 ordinary shares of RM1.00 each for a purchase consideration of RM3,448,432 to be satisfied by the issuance of 3,076,000 new shares at an issue price of approximately RM1.12 per share credited as fully paid-up.

The purchase consideration of RM3,448,432 for the WPI acquisition was arrived at on a willing-buyer willing-seller basis based on the NTA of WPI as at 31 December 2000 of RM3,448,432.

- iv) Acquisition of 51% of the issued and paid-up share capital of Genetec Technology Sdn Bhd and its subsidiary ("GT") comprising 510,000 ordinary shares of RM1.00 each for a purchase consideration of RM2,268,701 to be satisfied by the issuance of 2,023,000 new shares at an issue price of approximately RM1.12 per share credited as fully paid-up.

The purchase consideration of RM2,268,701 for the GT acquisition was arrived at on a willing-buyer willing-seller basis based on 51% of the NTA of GT as at 31 December 2000 of RM4,448,434.

- v) Renounceable rights issue of 9,040,000 shares at an issue price of RM1.10 per share on the basis of approximately one (1) share for every existing 4.6 shares held.

- vi) Reduction in par value of RM1.00 per share to RM0.50 per share. Upon the completion of the reduction in the par value, the issued and paid-up share capital of the Company has increased from 50,490,000 ordinary shares of RM1.00 each to 100,980,000 ordinary share of RM0.50 each.

15. ACCOUNTANTS' REPORT (Cont'd)



In connection with the above, ATIS will undertake a Public Issue of 19,020,000 new ordinary shares of RM0.50 each at an issue price of RM1.50 per new ordinary share payable in full on application comprising: -

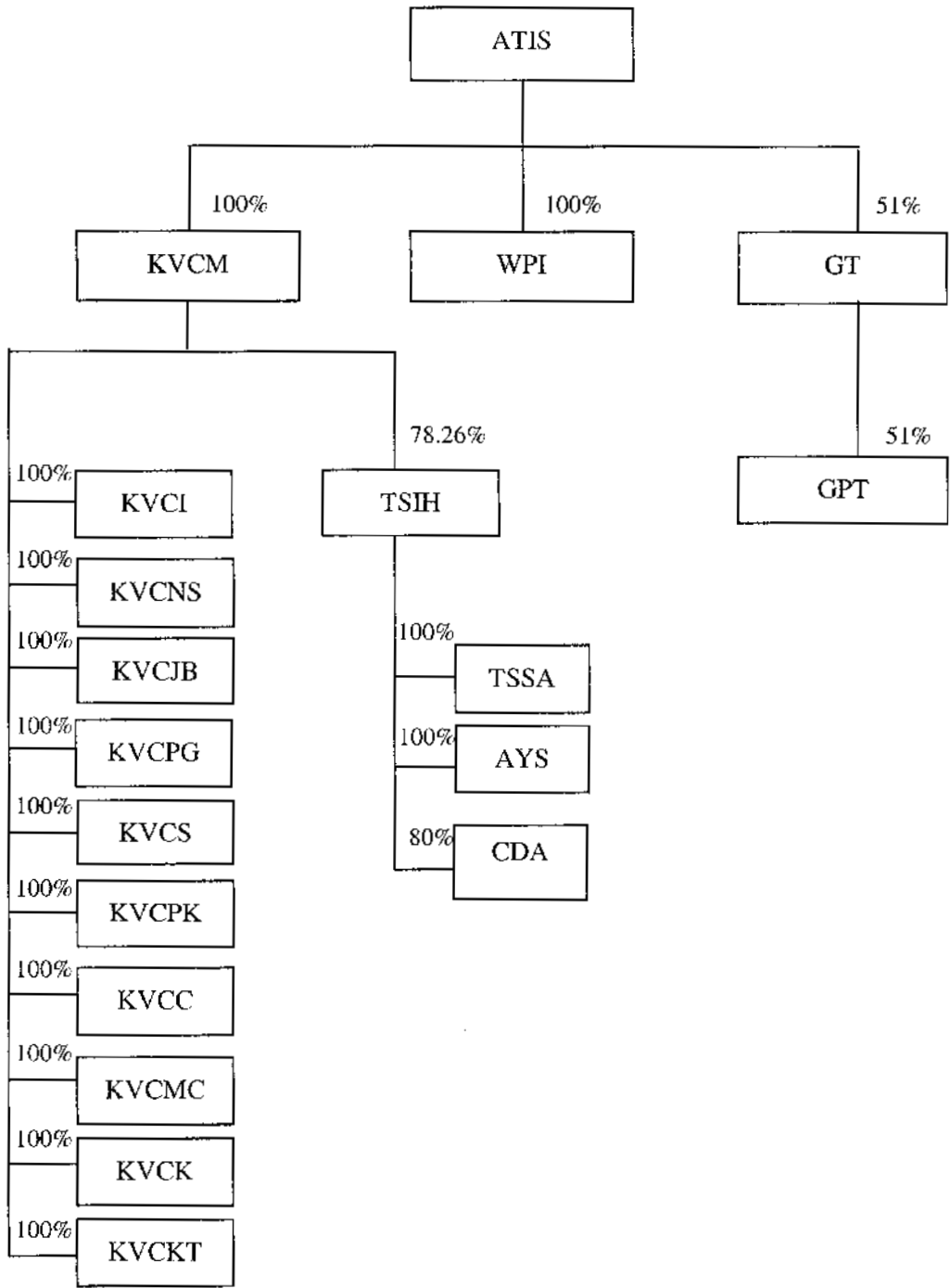
- i) 6,000,000 new ordinary shares of RM0.50 each available for subscription by eligible employees and directors of ATIS Corporation Berhad and its subsidiaries;
- ii) 9,020,000 new ordinary shares of RM0.50 each by way of private placement; and
- iii) 4,000,000 new ordinary shares of RM0.50 each available for application by the Malaysia public

The above scheme was approved by the Securities Commission (SC) on 8 March 2002 and 29 April 2002 respectively.

15. ACCOUNTANTS' REPORT (Cont'd)



1.4 Group Structure



15. ACCOUNTANTS' REPORT (Cont'd)**1.5 Subsidiaries**

The subsidiaries of ATIS, all of which is incorporated in Malaysia, as at the date of this report and their principal activities are as follows:

Name	Date of incorporation	<---Share capital--->		Effective Interest %	Principal Activities
		Authorised RM	Paid-up RM		
Subsidiaries of ATIS					
KVC Electric (M) Sdn Bhd ("KVCM")	17.6.1989	500,000	500,000	100	Investment holding, distribution and supply of industrial electrical and electronic products and their related accessories and components.
Wawasan Plastic Industry Sdn Bhd ("WPI")	30.3.1995	1,000,000	700,000	100	Manufacturing of plastic injection moulding products.
Genetec Technology Sdn Bhd ("GT")	3.9.1997	1,000,000	1,000,000	51	Design and manufacture of factory automation equipment and manufacture of high precision tooling, die sets and parts and high precision jigs and fixtures.
Subsidiaries of KVCM					
KVC Industries Sdn Bhd ("KVICI")	13.4.1994	100,000	100,000	100	Dormant.
KVC Electric (N.S.) Sdn Bhd ("KVCNS")	21.6.1995	100,000	100,000	100	Distribution and supply of industrial electrical and electronic products and their related accessories and components.
KVC Electric (Johore) Sdn Bhd ("KVCJB")	26.3.1996	100,000	100,000	100	Distribution and supply of industrial electrical and electronic products and their related accessories and components.
KVC Electric (Penang) Sdn Bhd ("KVC PG")	21.6.1995	100,000	100,000	100	Distribution and supply of industrial electrical and electronic products and their related accessories and components.
KVC Electric (Selangor) Sdn Bhd ("KVCS")	30.6.1994	100,000	100,000	100	Distribution and supply of industrial electrical and electronic products and their related accessories and components.

15. ACCOUNTANTS' REPORT (Cont'd)



Name	Date of Incorporation	<---Share capital--->		Effective Interest %	Principal Activities
		Authorised RM	Paid-up RM		
KVC Electric (Perak) Sdn Bhd ("KVCPK")	19.1.1995	100,000	100,000	100	Distribution and supply of industrial electrical and electronic products and their related accessories and components.
KVC Connectors Sdn Bhd ("KVCC")	29.8.1996	100,000	100,000	100	Distribution and supply of industrial electrical and electronic products and their related accessories and components.
KVC Electric (Malacca) Sdn Bhd ("KVCMC")	5.11.1996	100,000	100,000	100	Distribution and supply of industrial electrical and electronic products and their related accessories and components.
KVC Electric (Klang) Sdn Bhd ("KVCK")	12.01.2001	100,000	100,000	100	Distribution and supply of industrial electrical and electronic products and their related accessories and components.
KVC Electric (Kuantan) Sdn Bhd ("KVCKT")	16.6.1997	100,000	100,000	100	Distribution and supply of industrial electrical and electronic products and their related accessories and components.
Thian Soon Industrial Hardware Sdn Bhd* ("TSHI")	4.11.1993	5,000,000	2,300,000	78.26	Investment holding, distribution and supply of non-ferrous metal and other industrial hardware products.
<i>Subsidiaries of TSIH</i>					
Thian Soon Hardware (Shah Alam) Sdn Bhd# ("TSSA")	24.4.1997	500,000	100,000	78.26	Distribution and supply of non-ferrous metal and other industrial hardware products.
AYS Industries Hardware Sdn Bhd ^("AYS")	22.7.1996	100,000	100,000	78.26	Distribution and supply of non-ferrous metal and other industrial hardware products.
Center De Abrasive Sdn Bhd** ("CDA")	23.12.2000	100,000	100,000	62.61	Distribution and supply of abrasive products.

15. ACCOUNTANTS' REPORT (Cont'd)

Name	Date of Incorporation	<---Share capital--->		Effective Interest %	Principal Activities
		Authorised RM	Paid-up RM		
<i>Subsidiary of GT</i>					
Genetec Plastic Technology (M) Sdn Bhd ("GPT")	28.11.2000	500,000	100,000	26.01	Design, development and manufacture of customised and standard engineering plastic products from mould design, fabrication to injection moulding.

* TSIH was acquired by KVCM on 1 September 1999.

TSSA, initially an associated company of TSIH, became a wholly owned subsidiary of TSIH on 1 March 2000.

^ AYS was acquired by TSIH on 1 June 2000.

** CDA was acquired by TSIH on 24 July 2001.

All the above subsidiaries were acquired by ATIS on 17 May 2002.

1.6 Financial statements and Auditors

The financial year end of ATIS and its subsidiaries is 31 December.

KPMG have been auditors of the following companies:-

- i) ATIS, KVCPG, KVCPK, KVCJB, KVCMC, KVCNS, KVCK, GT, GPT and CDA since incorporation.
- ii) KVCM and KVCS with effect from the financial year ended 31 December 1995.
- iii) KVCJ with effect from the financial year ended 31 December 1996.
- iv) KVCC, TSIH, TSSA, AYS and WPI with effect from the financial period/year ended 31 December 2000.
- v) KVCKT with effect from the financial year ended 31 December 2001.

Prior to the financial years/periods with effect from the financial years/periods mentioned above, the financial statements of the respective companies were audited by other firms of accountants.

15. ACCOUNTANTS' REPORT (Cont'd)



The Auditors' reports of the companies within the ATIS Group for the relevant financial years/periods under review were not subject to any qualification except for the following:-

- i) TSIH for the financial year ended 28 February 1999

The auditors did not observe the physical inventory count of the inventories as at 28 February 1999 and were unable to satisfy themselves as to physical inventories quantities and value by other audit procedures. The auditors therefore, do not express an opinion on the existence of the inventory balance and value shown in the balance sheet as at 28 February 1999.

- ii) TSSA for the financial years ended 31 May 1999 and 31 May 2000

The auditors did not observe the physical inventory count of the inventories as at 31 May 1999 and 31 May 2000 and were unable to satisfy themselves as to physical inventories quantities by other audit procedures. The auditors therefore, do not express an opinion on the existence of the inventory balance shown in the balance sheet as at 31 May 1999 and 2000.

- iii) TSSA for the financial year ended 31 December 2000

As the auditors did not observe counting of inventories at 31 May 2000 and were unable to satisfy themselves as to physical inventory quantities by other audit procedures, the auditors then did not express an opinion on the existence of the inventories balance shown in the balance sheet as at 31 May 2000.

Accordingly, the auditors issued an "except for" opinion in respect of the effects of such adjustments, if any, on the income statement and cash flow statement for the period ended 31 December 2000 as might have been determined to be necessary had the auditors been able to satisfy themselves as to the physical inventory quantity as at 31 May 2000.

15. ACCOUNTANTS' REPORT (Cont'd)**2 Financial Performance – ATIS Group**

We set out below the proforma consolidated results of the ATIS Group for the five (5) financial years ended 31 December 2001 for illustrative purposes only after making such adjustments considered necessary on the assumption that the structure of the ATIS Group has been in existence throughout the relevant period under review.

2.1 ATIS Group – Proforma Consolidated Results

	<----- Year ended 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	109,001	96,570	122,538	160,049	171,372
Profit before depreciation and interest	12,859	13,704	16,595	23,103	26,167
Depreciation	(1,368)	(1,533)	(1,750)	(2,390)	(3,110)
Interest expense	(734)	(918)	(683)	(686)	(994)
Interest income	170	474	299	230	299
Profit before taxation	10,927	11,727	14,461	20,257	22,362
Taxation	(3,000)	(3,025)	(582)	(5,947)	(6,440)
Profit after taxation but before minority interest	7,927	8,702	13,879	14,310	15,922
Minority interest	(157)	(511)	(919)	(1,443)	(1,537)
Profit after taxation and minority interest	7,770	8,191	12,960	12,867	14,385
No. of ordinary shares of RM0.50 each based on enlarged share capital ('000)	82,900	82,900	82,900	82,900	82,900
Earnings per share (RM)					
- Net	0.09	0.10	0.16	0.16	0.17

15. ACCOUNTANTS' REPORT (Cont'd)



Notes:-

- i) The summarised proforma consolidated results are prepared for illustrative purposes only and are based on the audited financial statements of the KVCN Group, WPI and GT Group as ATIS, the holding company has been dormant since the date of incorporation.
- ii) As the financial year end of TSIH and TSSA is non-coterminous with ATIS prior to the financial year ended 31 December 2000, the financial results of these subsidiaries have been prorated to 31 December where appropriate.
- iii) In 1998, the decrease in revenue was mainly due to the downturn in economy, which dampened the domestic demand for the Group's products in the Industrial Supply and Service Support Segment. This decrease was mitigated by better performances by the Industrial Automated Equipment Segment and Plastic Injection Moulding Segment with higher demand for their products and services from multi national companies. Despite the decrease in revenue, the Group achieved better profit before taxation due to improved product margin.
- iv) The substantial increase in revenue and profit before tax in 1999 was mainly attributable to the overall recovery in the Malaysian economy. All three segments recorded an increase in revenue in 1999.
- v) In 2000, the Group achieved significant growth in revenue and profit before taxation with stronger demand for ATIS's products in all three segments. During the year, the Group established two new sales centers, one in Johor and Pulau Pinang respectively. In addition, there was also an increase in the customer base with the employment of more extensive sales strategies and broader product range offered by the Group.
- vi) There was continual growth in the Group's revenue and profit before taxation in 2001 with stronger demand for ATIS's products especially the non-ferrous material product range.
- vii) The effective tax rate in 1997 and 1998 was lower than the statutory tax rate applicable due to the availability of reinvestment allowance and Pioneer Status incentive in certain subsidiaries. No provision for income tax was made in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999 except for TSIH and TSSA which financial year end fell on 28 February and 31 May respectively. Accordingly, the tax expense in 1999 relates to the tax expenses of TSIH and TSSA. The effective tax rate in 2000 and 2001 was higher than the statutory tax rate applicable due to certain expenses being disallowed by the Inland Revenue Board for tax purposes in respect of certain subsidiaries.
- viii) There were no extraordinary and exceptional items during the years under review.

15. ACCOUNTANTS' REPORT (Cont'd)

2.1.1 Notes to the Proforma Consolidated Results

i) Basis of accounting

The proforma consolidated results of the ATIS Group for the past five years ended 31 December 2001 have been prepared in compliance with applicable approved accounting standards in Malaysia.

ii) Basis of consolidation

The proforma consolidated results of the ATIS Group for the past five years ended 31 December have been prepared for illustrative purposes only and are based on the audited financial statements of ATIS and its subsidiaries after making such adjustments considered necessary and on the assumption that the ATIS Group has been in existence throughout the relevant period under review.

iii) Earnings per share (EPS)

Net EPS has been calculated based on profit after taxation and minority interest of the Company over the number of shares issued of 82,900,000 ordinary shares of RM1.00 each.

iv) Dividends

Details of dividends declared and paid by the Group for the past five years are as follows:

	<i>Company/Financial year ended</i>	<i>Issued and paid up share capital RM'000</i>	<i>Gross Dividend RM'000</i>	<i>Gross Dividend Rate (%)</i>	<i>Tax Rate (%)</i>	<i>Net Dividend RM'000</i>
a)	KVCM 31 December 1997	200	1,000	500	28	720
b)	TSIH 28 February 1999	500	350	70	28	252
c)	TSIH 31 December 2001	2,300	3,795	165	28	2,732
d)	KVCM 31 December 2001	500	6,120	1,224	28	4,406

15. ACCOUNTANTS' REPORT (Cont'd)

	<i>Company/Financial year ended</i>	<i>Issued and paid up share capital RM'000</i>	<i>Tax Exempt Dividend* RM'000</i>	<i>Tax Exempt Dividend Rate (%)</i>
a)	GT 31 December 2001	1,000	1,080	108
b)	TSIH 31 December 2001	2,300	552	24
c)	KVCJB 31 December 2001	100	550	550
d)	KVCPG 31 December 2001	100	200	200
e)	KVCM 31 December 2001	500	4,600	920
f)	KVCNS 31 December 2001	100	500	500
g)	KVCI 31 December 2001	100	1,250	1,250

* - tax exempt dividend were declared to utilise the tax exempt account of the respective companies.

- tax exempt account of GT arose from the tax exempt income derived from pioneer status.

- tax exempt account for the remaining companies arose from the tax exempt income derived in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999.

Save as disclosed above, the companies in ATIS Group have not declared or paid dividends during the last five years.

2.2 ATIS Group – Proforma Consolidated Balance Sheet

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 2000, it is therefore impracticable to present proforma balance sheets of ATIS Group throughout the periods under review. Accordingly, proforma balance sheet of ATIS Group has only been presented in respect of 31 December 2001 based on the latest audited statement of asset and liabilities as at 31 December 2001 as shown in Section 3 of this Report. In addition, balances due from/(to) companies within the Group for the periods under review are as disclosed in Section 2.3 to 2.21 of this Report.

15. ACCOUNTANTS' REPORT (Cont'd)**2.3 ATIS Corporation Berhad ("ATIS")**

The following financial information of ATIS are based on the audited financial statement of ATIS for the past four financial period/years ended 31 December 1998 to 2001.

2.3.1 Summary of results

	<i>16 months period ended</i>			
	<i>31 December <-----Year ended 31 December-----></i>			
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Loss for the period/year	-	6	1	3

2.3.2 Summarised Balance Sheet

	<i>As at</i>			
	<i><-----31 December-----></i>			
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current asset	-	-	-	297
Current liabilities	5	6	7	7
Net current (liabilities)/assets	(5)	(6)	(7)	290
Deferred expenditure	5	-	-	-
	-	(6)	(7)	290
(Represented)/Financed by:-				
Share capital	-*	-*	-*	300
Accumulated losses	-	(6)	(7)	(10)
(Deficit)/surplus in shareholders' fund	-	(6)	(7)	290
Net tangible (liabilities)/assets (RM'000)	-	(6)	(7)	290
Net tangible (liabilities)/assets per share (RM)	-	(3,000)	(3,500)	0.97

* This represents share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each

15. ACCOUNTANTS' REPORT (Cont'd)**2.4 KVC Electric (M) Sdn Bhd ("KVCM")**

The following financial information of KVCM are based on the audited financial statements of KVCM for the past five financial years ended 31 December 2001.

2.4.1 Summary of results of KVCM

	<i>Year ended</i>				
	< ----- 1997 ----->	1998	31 December 1999	2000	-----> 2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	29,235	23,508	30,821	38,111	74,676
Profit before depreciation and interest	3,061	3,422	3,121	3,700	14,161
Depreciation	(257)	(229)	(300)	(334)	(565)
Interest expense	(54)	(35)	(22)	(27)	(55)
Interest income	1	5	4	11	158
Profit before taxation	2,751	3,163	2,803	3,350	13,699
Less : Taxation	(870)	(960)	-	(1,068)	(3,477)
Profit after taxation	1,881	2,203	2,803	2,282	10,222
No. of ordinary shares of RM1 each in issue ('000)	200	200	200	200	500
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	200	200	200	200	337*
Earnings per share (RM)					
Net	9.41	11.02	14.02	11.41	30.33

* *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 300,000 ordinary shares of RM1.00 each on 18 July 2001*

Notes :-

- i) The significant decrease in revenue in 1998 was due to the economic slowdown. Despite a decline in revenue, the profit before taxation increased due to an upward revision in the selling price of certain products.
- ii) The significant increase in revenue in 1999 was due to the overall recovery in the Malaysian economy. However, the profit before taxation declined due to the low margin earned from its sales to dealers and inter-company.
- iii) The significant increase in revenue in 2000 was due to the higher demand from its customers. This resulted in a corresponding increase in the profit before taxation.

15. ACCOUNTANTS' REPORT (Cont'd)



- iv) Revenue and profit before taxation increased significantly in 2001 as KVCM took over the entire business of its wholly owned subsidiary, KVCI effective 1 January 2001. This exercise was implemented to increase the operational efficiency of KVCM. In addition, KVCM also secured higher orders from certain customers that were undertaking certain major projects.
- v) The transfer of business from KVCI to KVCM has resulted in a higher profit before depreciation and interest margin in 2001 as the implementation of the streamlining exercise increased the operational efficiency of KVCM.
- vi) Interest income in 2001 was higher than 2000 mainly due to interest charged for loans given to certain subsidiaries during the year.
- vii) The effective tax rate in 1997, 1998, 2000 and 2001 was higher than the statutory tax rate due to certain expenses being disallowed for tax purposes. No provision for income tax was made in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999.
- viii) The net EPS are calculated based on the profit after taxation over the weighted average number of ordinary shares in issue during the respective financial year.
- ix) There were no extraordinary and exceptional items during the years under review.

15. ACCOUNTANTS' REPORT (Cont'd)



2.4.2 Summarised Balance Sheets of KVCM

	<----- As at 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,472	1,251	3,504	3,754	4,867
Investment in subsidiaries	100	100	1,900	1,900	2,100
Current assets					
Subsidiaries	3,785	699	994	12,213	11,825
Associates	176	241	126	123	-
Other current assets	9,969	14,221	20,067	14,528	37,517
	13,930	15,161	21,187	26,864	49,342
Less : Current liabilities					
Subsidiaries	-	3,119	6,034	7,583	17,350
Other current liabilities	11,670	7,420	11,781	13,827	26,635
	11,670	10,539	17,815	21,410	43,985
Net current assets	2,260	4,622	3,372	5,454	5,357
	3,832	5,973	8,776	11,108	12,324
Financed by :-					
Share capital	200	200	200	200	500
Retained profits	3,570	5,773	8,576	10,858	11,774
Shareholder's funds	3,770	5,973	8,776	11,058	12,274
Deferred and long term liabilities	62	-	-	50	50
	3,832	5,973	8,776	11,108	12,324
Net tangible assets (RM'000)	3,770	5,973	8,776	11,058	12,274
Net tangible assets per share (RM)	18.85	29.87	43.88	55.29	24.55

15. ACCOUNTANTS' REPORT (Cont'd)**2.5 KVC Industries Sdn Bhd ("KVC")**

The following financial information of KVC are based on the audited financial statements of KVC for the past five years ended 31 December 2001.

2.5.1 Summary of Results of KVC

	<----- Year ended 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	25,823	18,612	23,763	24,895	-
Profit before depreciation and interest	3,743	3,603	3,587	3,424	1,687
Depreciation	(178)	(188)	(166)	(209)	(12)
Interest expense	(128)	(37)	(22)	(59)	(1)
Interest income	-	28	24	44	45
Profit before taxation	3,437	3,406	3,423	3,200	1,719
Less : Taxation	(990)	(980)	-	(1,034)	(37)
Profit after taxation	2,447	2,426	3,423	2,166	1,682
No. of ordinary shares of RM1.00 each in issue ('000)	100	100	100	100	100
Earnings per share (RM)					
Net	24.47	24.26	34.23	21.66	16.82

Notes :-

- i) The significant decrease in revenue in 1998 was due to the economic slowdown. Despite the decline in revenue, the profit before tax remained fairly consistent with 1997's level of profitability due to an upward revision in the selling price of certain products.
- ii) In 1999, there was a significant increase in revenue due to the overall recovery in the Malaysian economy. Despite the significant increase in revenue, there was only a marginal increase in profit before taxation due to thinner product margin.
- iii) The profit before taxation decreased marginally despite a slight growth in revenue in 2000 due to a slight decline in overall product margin.
- iv) With effect from 1 January 2001, all business operations of KVC were transferred to its holding company KVCM. This streamlining exercise was implemented to increase the operational efficiency of KVCM. Subsequent to the completion of this implementation, KVC became dormant. The profit before depreciation and interest in 2001 arose mainly from dividend income receivable from subsidiaries amounting to RM1,250,000 and the write back of allowance for doubtful debts amounting to approximately RM338,000.

15. ACCOUNTANTS' REPORT (Cont'd)

- v) The effective tax rate in 1997, 1998, 2000 and 2001 was higher than the statutory tax rate due to certain expenses not deductible for tax purposes. No provision for income tax was made in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999.
- vi) The net EPS are calculated based on the profit after taxation over the number of ordinary shares in issue during the respective financial year.
- vii) There were no extraordinary and exceptional items during the years under review.

2.5.2 Summarised Balance Sheets of KVCI

	<----- As at 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,787	1,684	1,512	1,867	1,056
Investment in subsidiaries	500	600	600	700	700*
Current assets					
Holding company	-	1,511	2,766	230	11,598
Subsidiaries	1,590	1,051	1,250	1,576	-
Other current assets	11,242	8,093	10,650	13,773	2,814
	12,832	10,655	14,666	15,579	14,412
Less : Current liabilities					
Holding company	1,794	-	-	-	-
Subsidiary	40	-	232	204	-
Other current liabilities	8,963	6,200	6,383	5,613	3,407
	10,797	6,200	6,615	5,817	3,407
Net current assets	2,035	4,455	8,051	9,762	11,005
	4,322	6,739	10,163	12,329	12,761
Financed by :-					
Share capital	100	100	100	100	100
Retained profits	4,213	6,639	10,063	12,229	12,661
Shareholder's funds	4,313	6,739	10,163	12,329	12,761
Deferred & long term liabilities	9	-	-	-	-
	4,322	6,739	10,163	12,329	12,761
Net tangible assets (RM'000)	4,313	6,739	10,163	12,329	12,761
Net tangible assets per share (RM)	43.13	67.39	101.63	123.29	127.61

* The investment in subsidiaries has been transferred to KVCM effective 3 June 2002.

15. ACCOUNTANTS' REPORT (Cont'd)**2.6 KVC Electric (N.S.) Sdn Bhd ("KVCNS")**

The following financial information of KVCNS are based on the audited financial statements of KVCNS for the past five years ended 31 December 2001.

2.6.1 Summary of Results of KVCNS

	<----- Year ended 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	9,363	9,595	7,630	10,776	9,051
Profit before depreciation and interest	1,115	1,005	1,013	1,386	1,196
Depreciation	(100)	(101)	(106)	(145)	(110)
Interest expense	(7)	(4)	-	-	-
Interest income	17	60	20	15	-
Profit before taxation	1,025	960	927	1,256	1,086
Less : Taxation	(297)	(285)	(18)	(371)	(301)
Profit after taxation	728	675	909	885	785
No. of ordinary shares of RM1.00 each in issue ('000)	100	100	100	100	100
Earnings per share (RM)					
Net	7.28	6.75	9.09	8.85	7.85

Notes:-

- i) Despite the economy slowdown in 1998, there was still a slight growth in revenue as KVCNS continued to supply products to contractors that were engaged in a couple of major projects. The profit before taxation declined marginally due to thinner product margin.
- ii) The decrease in revenue in 1999 was mainly due to the near completion of a couple of major projects. Despite the decrease in revenue, KVCNS managed to achieve a higher profit before taxation margin due to the improvement in product margin.
- iii) The significant increase in revenue and profit before taxation in 2000 was mainly due to increase in demand of electrical components from its major customers in Maintenance segment.
- iv) The decline in revenue and profit before taxation in 2001 was mainly due to lower demand from its major customers in Maintenance segment.
- v) The effective tax rate for 1997, 1998 and 2000 was higher than the statutory tax rate due to certain expenses being disallowed by Inland Revenue Board for taxation purposes. No provision for income tax was made in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999. The RM18,000 provision in 1999 related to deferred taxation in 1999.

15. ACCOUNTANTS' REPORT (Cont'd)

vi) The net EPS are calculated based on the profit after taxation over by the number of ordinary shares in issue during the respective financial year.

vii) There were no extraordinary and exceptional item during the years under review.

2.6.2 Summarised Balance Sheets of KVCNS

	<----- As at 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	714	622	547	620	488
Current assets					
Ultimate holding company	-	235	648	228	175
Immediate holding company	187	-	231	204	-
Related companies	74	15	-	-	8
Other current assets	3,809	3,435	2,976	4,974	5,250
	4,070	3,685	3,855	5,406	5,433
Less : Current liabilities					
Ultimate holding company	429	-	-	-	-
Immediate holding company	-	49	-	-	-
Related companies	4	7	3	-	13
Other current liabilities	3,021	2,246	1,467	2,227	1,825
	3,454	2,302	1,470	2,227	1,838
Net current assets	616	1,383	2,385	3,179	3,595
	1,330	2,005	2,932	3,799	4,083
Financed by :-					
Share capital	100	100	100	100	100
Retained profits	1,230	1,905	2,814	3,699	3,983
Shareholder's funds	1,330	2,005	2,914	3,799	4,083
Deferred & long term liabilities	-	-	18	-	-
	1,330	2,005	2,932	3,799	4,083
Net tangible assets (RM'000)	1,330	2,005	2,914	3,799	4,083
Net tangible assets per share (RM)	13.30	20.05	29.14	37.99	40.83

15. ACCOUNTANTS' REPORT (Cont'd)**2.7 KVC Electric (Johore) Sdn Bhd ("KVCJB")**

The following financial information of KVCJB are based on the audited financial statements of KVCJB for the past five years ended 31 December 2001.

2.7.1 Summary of Results of KVCJB

	<----- Year ended 31 December ----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	3,532	4,496	8,130	10,550	8,275
Profit before depreciation and interest	190	589	1,150	1,152	1,181
Depreciation	(25)	(41)	(43)	(57)	(73)
Interest expense	(1)	-	-	-	-
Interest income	-	4	-	-	-
Profit before taxation	164	552	1,107	1,095	1,108
Less : Taxation	(62)	(150)	-	(376)	(321)
Profit after taxation	102	402	1,107	719	787
No. of ordinary shares of RM1.00 each in issue ('000)	100	100	100	100	100
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	17*	100	100	100	100
Earnings per share (RM)					
Net	6.00	4.02	11.07	7.19	7.87

* *Weighted average number of ordinary shares in issue has been adjusted for the new issue of 99,998 ordinary shares of RM1.00 each on 23 October 1997*

Notes :-

- i) The revenue and profit before taxation grew significantly in 1998 despite the economy downturn in Malaysia as demand from its major customers, which are of manufacturing concerns remained strong.
- ii) The continuous growth in revenue and profit before taxation in 1999 was mainly attributed to the recovery of Malaysian economy in 1999.
- iii) Despite the continual growth in revenue in 2000, the profit before taxation maintained at the 1999's level due the substantial increase in operating expenses.
- iv) In 2001, the decrease in revenue was due to the transfer of certain major customers to its related company, KVCMC. The decrease in revenue has not affected the profit before taxation due to tight control on operating expenses exercised by the management and improvement in the overall product margin.

15. ACCOUNTANTS' REPORT (Cont'd)

- v) The effective tax rate in 1997, 2000 and 2001 was higher than the statutory tax rate due to certain expenses not deductible for tax purposes. The effective tax rate in 1998 was lower than the statutory tax rate due to the utilisation of capital allowances. No provision for income tax was made in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999.
- vi) The net EPS are calculated based on the profit after taxation over the weighted average number of ordinary shares in issue during the respective financial year.
- vii) There were no extraordinary and exceptional items during the years under review.

2.7.2 Summarised Balance Sheets of KVCJB

	<----- As at 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	125	192	164	197	536
Current assets					
Ultimate holding company	-	-	-	83	642
Related companies	-	1	71	-	20
Other current assets	1,406	1,201	2,770	3,192	2,908
	1,406	1,202	2,841	3,275	3,570
Less : Current liabilities					
Ultimate holding company	316	185	277	-	-
Immediate holding company	308	67	266	261	-
Related companies	-	-	-	9	-
Other current liabilities	653	480	693	714	1,371
	1,277	732	1,236	984	1,371
Net current assets	129	470	1,605	2,291	2,199
	254	662	1,769	2,488	2,735
Financed by :-					
Share capital	100	100	100	100	100
Retained profits	149	551	1,658	2,377	2,614
Shareholder's funds	249	651	1,758	2,477	2,714
Deferred & long term liabilities	5	11	11	11	21
	254	662	1,769	2,488	2,735
Net tangible assets (RM'000)	249	651	1,758	2,477	2,714
Net tangible assets per share (RM)	2.49	6.51	17.58	24.77	27.14

15. ACCOUNTANTS' REPORT (Cont'd)**2.8 KVC Electric (Penang) Sdn Bhd ("KVCPG")**

The following financial information of KVCPG are based on the audited financial statements of KVCPG for the past five years ended 31 December 2001.

2.8.1 Summary of Results of KVCPG

	<----- Year ended 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	6,697	5,366	6,131	10,741	6,954
Profit before depreciation and interest	827	536	730	1,141	469
Depreciation	(50)	(66)	(75)	(95)	(89)
Interest expense	(10)	(5)	(4)	(5)	(5)
Interest income	-	-	-	-	-
Profit before taxation	767	465	651	1,041	375
Less : Taxation	(237)	(139)	(2)	(325)	(117)
Profit after taxation	530	326	649	716	258
No. of ordinary shares of RM1.00 each in issue ('000)	100	100	100	100	100
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	92*	100	100	100	100
Earnings per share (RM)					
Net	5.76	3.26	6.49	7.16	2.58

* Weighted average number of ordinary shares in issue has been adjusted for the new issue of 99,998 ordinary shares of RM1.00 each on 3 February 1997

Notes:-

- i) Revenue decreased in 1998 mainly due to the economic downturn. Accordingly, there was a corresponding decrease in profit before taxation.
- ii) The recovery of the Malaysian economy in 1999 has led to the increase in revenue and profit before taxation.

15. ACCOUNTANTS' REPORT (Cont'd)



- iii) Revenue and profit before taxation increased significantly in 2000 as KVCPG secured a number of new customers during the year. Sales to existing customers also increased during the year. These were mainly attributable to extensive marketing efforts undertaken by KVCPG.
- iv) Revenue and profit before taxation decreased significantly in 2001 due to the relocation of the factories of certain customers and the slowdown in the business of manufacturing companies located in Penang.
- v) The effective tax rate in 1997, 1998, 2000 and 2001 was higher than the statutory tax rate due to certain expenses being disallowed by Inland Revenue Board for taxation purposes. No provision for income tax was made in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999. The RM2,000 provision in 1999 related to deferred taxation in 1999.
- vi) The net EPS are calculated based on the profit after taxation over the weighted average number of ordinary shares in issue during the respective financial year.
- vii) There were no extraordinary and exceptional item during the years under review.

15. ACCOUNTANTS' REPORT (Cont'd)



2.8.2 Summarised Balance Sheets of KVCPG

	<----- As at 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	653	720	706	780	841
Current assets					
Ultimate holding company	-	246	-	-	706
Related companies	-	-	-	9	30
Other current assets	3,171	1,646	2,896	4,190	2,832
	3,171	1,892	2,896	4,199	3,568
Less : Current liabilities					
Ultimate holding company	324	-	65	241	695
Immediate holding company	571	320	494	610	-
Related companies	-	1	-	-	5
Other current liabilities	2,144	1,174	1,275	1,643	1,165
	3,039	1,495	1,834	2,494	1,865
Net current assets	132	397	1,062	1,705	1,703
	785	1,117	1,768	2,485	2,544
Financed by :-					
Share capital	100	100	100	100	100
Retained profits	676	1,002	1,651	2,366	2,425
Shareholder's funds	776	1,102	1,751	2,466	2,525
Deferred & long term liabilities	9	15	17	19	19
	785	1,117	1,768	2,485	2,544
Net tangible assets (RM'000)	776	1,102	1,751	2,466	2,525
Net tangible assets per share (RM)	7.76	11.02	17.51	24.66	25.25

15. ACCOUNTANTS' REPORT (Cont'd)**2.9 KVC Electric (Selangor) Sdn Bhd ("KVCS")**

The following financial information of KVCS are based on the audited financial statements of KVCS for the past five years ended 31 December 2001.

2.9.1 Summary of Results of KVCS

	<----- Year ended 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	11,079	6,827	8,539	9,759	5,719
Profit before depreciation and interest	1,362	903	940	1,129	736
Depreciation	(119)	(120)	(117)	(140)	(128)
Interest expense	(9)	(4)	-	(2)	-
Interest income	4	41	-	-	-
Profit before taxation	1,238	820	823	987	608
Less : Taxation	(360)	(244)	-	(280)	(229)
Profit after taxation	878	576	823	707	379
No. of ordinary shares of RM1.00 each in issue ('000)	100	100	100	100	100
Earnings per share (RM)					
Net	8.78	5.76	8.23	7.07	3.79

Notes:

- i) KVCS recorded lower revenue and profit before taxation in 1998 following the economic downturn in mid 1997. A significant decrease in external demand and the decrease in production level of the manufacturing sector had resulted in a lower demand for replacement electrical and electronic parts for maintenance purposes.
- ii) As a result of the recovery in Malaysian economy in 1999, KVCS recorded significant growth in its revenue as compared to 1998. However, profit before taxation increased only marginally due to thinner product margin and increase in operating expenses.
- iii) This growth in revenue and profit before taxation was sustained in 2000 as the electronic and electrical sector rebounded strongly in 2000.
- iv) Decrease in revenue and profit before taxation in 2001 was mainly attributable to the transfer of customer located within the vicinity of Klang to its related company, KVCK.

15. ACCOUNTANTS' REPORT (Cont'd)

- v) The effective tax rate in 1997, 1998, and 2001 was higher than the statutory tax rate due to certain expenses not deductible for tax purposes. No provision for income tax was made in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999.
- vi) The net EPS are calculated based on the profit after taxation over the number of ordinary shares in issue during the respective financial year.
- vii) There were no extraordinary and exceptional items during the years under review.

2.9.2 Summarised Balance Sheets of KVCS

	<----- As at 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	785	678	588	661	543
Current assets					
Ultimate holding company	-	1,106	846	1,363	2,215
Related companies	-	-	-	-	7
Other current assets	4,376	2,664	3,201	3,338	1,843
	4,376	3,770	4,047	4,701	4,065
Less : Current liabilities					
Ultimate holding company	560	-	-	-	-
Immediate holding company	362	429	343	306	-
Related companies	-	-	-	13	1
Other current liabilities	2,513	1,716	1,167	1,211	395
	3,435	2,145	1,510	1,530	396
Net current assets	941	1,625	2,537	3,171	3,669
	1,726	2,303	3,125	3,832	4,212
Financed by :-					
Share capital	100	100	100	100	100
Retained profits	1,626	2,203	3,025	3,732	4,112
Shareholder's funds	1,726	2,303	3,125	3,832	4,212
Net tangible assets (RM'000)	1,726	2,303	3,125	3,832	4,212
Net tangible assets per share (RM)	17.26	23.03	31.25	38.32	42.12

15. ACCOUNTANTS' REPORT (Cont'd)



2.10 KVC Electric (Perak) Sdn Bhd ("KVC PK")

The following financial information of KVC PK are based on the audited financial statements of KVC PK for the past five years ended 31 December 2001.

2.10.1 Summary of Results of KVC PK

	<-----Year ended 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,447	3,092	3,487	4,549	4,411
Profit before depreciation and interest	103	294	317	458	544
Depreciation	(27)	(38)	(35)	(35)	(25)
Interest expenses	(2)	(4)	(2)	(1)	(2)
Interest income	1	8	-	-	-
Profit before taxation	75	260	280	422	517
Less : Taxation	(30)	(83)	(2)	(135)	(155)
Profit after taxation	45	177	278	287	362
No. of ordinary shares of RM1.00 each in issue ('000)	100	100	100	100	100
Earnings per share (RM) Net	0.45	1.77	2.78	2.87	3.62

Notes:

- i) KVC PK recorded an increase in revenue and profit before taxation in 1998 and 1999 despite the economy slowdown mainly due to the increase in demand from a few major customers from the Maintenance Segment.
- ii) The significant increase in revenue and profit before taxation in 2000 was mainly attributable to the overall recovery of the Malaysian economy.
- iii) Despite a slight decrease in revenue in 2001, KVC PK recorded an increase in profit before taxation. This was attributable to higher product margin and tighter control of operating expenses exercised by the management of KVC PK.
- iv) The effective tax rate in 1997, 1998, 2000 and 2001 was higher than the statutory tax rate due to certain expenses not deductible for tax purposes. No provision for income tax was made in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999. The taxation reported in 1999 related to underprovision of income tax in previous years.

15. ACCOUNTANTS' REPORT (Cont'd)

- v) The net EPS are calculated based on the profit after taxation over the number of ordinary shares in issue during the respective financial year.
- vi) There were no extraordinary and exceptional items during the years under review.

2.10.2 Summarised Balance Sheets of KVCPC

	<----- As at 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	292	319	287	311	241
Current assets	1,257	1,125	1,140	2,185	2,022
Less : Current liabilities					
Holding companies	404	337	335	769	406
Related company	9	11	-	-	8
Other current assets	823	594	317	670	432
	1,236	942	652	1,439	846
Net current assets	21	183	488	746	1,176
	313	502	775	1,057	1,417
Financed by :-					
Share capital	100	100	100	100	100
Retained profits	210	388	666	952	1,314
Shareholder's funds	310	488	766	1,052	1,414
Deferred & long term liabilities	3	14	9	5	3
	313	502	775	1,057	1,417
Net tangible assets (RM'000)	310	488	766	1,052	1,414
Net tangible assets per share (RM)	3.10	4.88	7.66	10.52	14.14

15. ACCOUNTANTS' REPORT (Cont'd)



2.11 KVC Connectors Sdn Bhd ("KVCC")

The following financial information of KVCC are based on the audited financial statements of KVCC for the 16-month period ended 31 December 1997 and the past four years ended 31 December 2001.

2.11.1 Summary of Results of KVCC

	29 August 1996 to				
	31 December	<-----Year ended 31 December ----->			
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	378	1,768	2,578	5,180	6,154
(Loss)/Profit before depreciation and interest	(35)	67	252	308	415
Depreciation	(6)	(6)	(7)	(25)	(26)
Interest expenses	-	-	-	-	-
Interest income	-	-	-	-	-
(Loss)/Profit before taxation	(41)	61	245	283	389
Less : Taxation	(2)	(4)	(1)	(105)	(120)
(Loss)/Profit after taxation	(43)	57	244	178	269
No. of ordinary shares of RM1.00 each in issue ('000)	-*	-*	-*	100	100
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	-*	-*	-*	25**	100
(Loss)/Earnings per share (RM)					
Net	(21,756)	28,479	121,828	7.12	2.69

* Consists of 2 ordinary share of RM1.00 each

** Weighted average number of ordinary shares in issue has been adjusted for the new issue of 99,998 ordinary shares of RM1.00 each on 5 October 2000

15. ACCOUNTANTS' REPORT (Cont'd)



Notes:

- i) KVCC commenced its operations on 13 May 1997 and holds the agency for AMP products for the electrical and electronic connectors and interconnection system.
- ii) The significant increase in turnover in 1998 was mainly due to the increase in market share for KVCC's agency products.
- iii) The recovery of Malaysian economy in 1999 contributed positively to the increase in revenue of KVCC. Better product margin contributed to the higher profit before taxation.
- iv) In 2000, the revenue of KVCC increased significantly due to the increase in demand from customers in the manufacturing sector. However, profit before taxation only increased marginally due to lower gross profit margin and higher operating expenses recorded in 2000 as compared to 1999.
- v) Revenue and profit before taxation increased substantially in 2001 with higher demand for KVCC's agency products from existing customers.
- vi) The effective tax rate in 1998 was lower than the statutory tax rate mainly due to the utilisation of unabsorbed tax losses and capital allowance. No provision for income tax was made in 1999 in view of the income tax waiver under the Income Tax (Amendment) Act, 1999. The taxation reported in 1997 and 1999 related to deferred taxation. The effective tax rate for 2000 and 2001 was higher than the statutory tax rate due to certain expenses disallowed for tax purposes.
- vii) The net EPS are calculated based on the profit after taxation over the weighted average number of ordinary shares in issue during the respective financial year.
- viii) There were no extraordinary and exceptional items during the period/years under review.

15. ACCOUNTANTS' REPORT (Cont'd)



2.11.1 Summarised Balance Sheets of KVCC

	<----- As at 31 December ----->				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Plant and equipment	34	28	26	130	94
Current assets					
Ultimate holding company	-	-	-	-	1
Related companies	-	-	-	28	2
Other current assets	520	755	905	1,661	1,634
	520	755	905	1,689	1,637
Less : Current liabilities					
Ultimate holding company	-	-	-	81	-
Immediate holding company	-	-	-	24	-
Related companies	-	-	-	7	25
Other current liabilities	595	767	671	1,170	892
	595	767	671	1,282	917
Net current (liabilities)/assets	(75)	(12)	234	407	720
	(41)	16	260	537	814
(Represented)/Financed by :-					
Share capital	*	*	*	100	100
(Accumulated loss)/ Retained profits	(43)	14	257	434	704
(Deficit)/surplus in shareholder's funds	(43)	14	257	534	804
Deferred & long term liabilities	2	2	3	3	10
	(41)	16	260	537	814
Net tangible (liabilities)/ assets (RM'000)	(43)	14	257	534	804
Net tangible (liabilities)/ assets per share (RM)	(21,500)	7,000	128,500	5.34	8.04

* Consists of 2 ordinary shares of RM1.00 each

15. ACCOUNTANTS' REPORT (Cont'd)



2.12 KVC Electric (Malacca) Sdn Bhd ("KVCMC")

The following financial information of KVCMC are based on the audited financial statements of KVCMC for the 14-month period ended 31 December 1997 and the past four years ended 31 December 2001.

2.12.1 Summary of Results of KVCMC

	<i>14 months period ended</i>				
	<i>31 December 1997</i>	<i><-----Year ended 31 December -----></i>			
	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Revenue	1,747	1,835	2,612	2,722	3,344
Profit before depreciation and interest	44	117	121	189	239
Depreciation	(15)	(15)	(18)	(18)	(29)
Interest expense	(2)	-	-	-	-
Interest income	-	1	-	-	-
Profit before taxation	27	103	103	171	210
Less : Taxation	(12)	(31)	-	(69)	(76)
Profit after taxation	15	72	103	102	134
No of ordinary shares of RM 1.00 each in issue ('000)	-*	100	100	100	100
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	.*	8**	100	100	100
Earnings per share (RM)					
Net	7,353	9.00	1.03	1.02	1.34

* Consists of 2 ordinary share of RM1.00 each

** Weighted average number of ordinary shares in issue has been adjusted for the new issue of 99,998 ordinary shares of RM1.00 each on 16 December 1998