
XI. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

The Board of Directors
Jotech Holdings Berhad
Lot 3 Persiaran Kemajuan
Seksyen 16
40200 Shah Alam
Selangor Darul Ehsan

19 June 2000

Dear Sirs

This report has been prepared for inclusion in the Prospectus to be dated 26 June 2000 in connection with the public issue of 6,000,000 new ordinary shares of RM1.00 each and the offer for sale of 1,120,000 ordinary shares of RM1.00 each in Jotech Holdings Berhad ("Jotech") at an issue/offer price of RM2.10 per ordinary share and the listing of and quotation for its 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

Jotech was incorporated as a private limited company on 24 February 1995 as A-Z Interstate Marketing (M) Sdn Bhd. The Company adopted the name of Jotech Holdings Sdn Bhd on 19 June 1995 and converted to a public limited company and assumed its present name on 28 September 1999. The principal activity of Jotech is that of investment holding.

1.2 Share Capital

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

	No. of ordinary shares of RM1.00 each	Total RM
Authorised	100,000,000	100,000,000
Issued and fully paid up	34,000,000	34,000,000

XI. ACCOUNTANTS' REPORT (Cont'd)

1.2.2 The movement in Jotech's issued and fully paid-up share capital since its incorporation are as follows:-

Date of allotment	No of shares	Par value RM	Purpose	Total RM
Ordinary Shares				
24 February 1995	2	1.00	Subscribers' shares	2
7 August 1995	450,000	1.00	Issue at par for the acquisition of the entire issued and paid up capital of Jotech Metal Fabrication Industries Sdn Bhd	450,002
7 August 1995	350,000	1.00	Working capital	800,002
27 May 1996	114,664	1.00	Bonus Issue of 1 for 7	914,666
6 December 1996	2,522,850	1.00	Rights Issue of 11 for 4	3,437,516
7 December 1996	3,363,801	1.00	Rights Issue of 1 for 1	6,801,317
19 December 1996	2,914,850	1.00	Issue for the acquisition of the entire issued and paid up capital of Prodelcon Sdn Bhd	9,716,167
24 May 2000	20,037,110	1.00	Bonus issue of approximately 2 for 1	29,753,277
5 June 2000	4,246,723	1.00	Rights issue of approximately 3 for 7	34,000,000

1.3 Listing Scheme

In connection with and as part of the listing of and quotation for the entire issue and paid up share capital of Jotech on the Second Board of the KLSE, Jotech undertakes the following restructuring scheme:-

- Bonus issue of 20,037,110 new Jotech shares credited as fully paid-up on the basis of approximately 2 new Jotech shares for every Jotech share held by capitalising RM15,456,475 from the retained profits and RM4,580,635 from the share premium reserve of Jotech.
- Rights issue of 4,246,723 new Jotech shares at par to the shareholders of Jotech on the basis of approximately 3 new Jotech shares for every 7 existing Jotech shares held before the Bonus Issue.
- Public issue and offer for sale of Jotech shares to be allotted in the following manner:-
 - (i) 2,000,000 new Jotech shares at an issue price of RM2.10 per Jotech shares will be reserved for eligible Directors, employees and business associates of Jotech Group;
 - (ii) 4,000,000 new Jotech shares at an issue price of RM2.10 per Jotech shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly to Bumiputera individuals, companies, societies, co-operatives and institutions; and

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

- (iii) 1,120,000 Jotech shares will be offered to Bumiputera investors approved by Ministry of International Trade and Industry ("MITI").

The above scheme was approved by the Securities Commission ("SC") on 8 March 2000 and 14 June 2000, the MITI on 26 January 2000, the Foreign Investment Committee on 23 February 2000 and the Ministry of Finance on 30 November 1999.

1.4 Subsidiary Companies

- 1.4.1 The subsidiary companies of Jotech under the listing scheme, all incorporated in Malaysia, as at the date of this report and their principal activities are as follows:-

Company	Principal activity	Effective Interest
Jotech Metal Fabrication Industries Sdn Bhd ("JoMetal")	Manufacture and fabrication of tools and dies and stamped metal components for electrical, consumer electronics and automotive industries.	100.0%
Prodelcon Sdn Bhd ("Prodelcon")	Manufacture of high precision tooling, die sets, semiconductor moulds and parts and high precision jigs and fixtures and the design and manufacture of turnkey automation systems.	100.0%
Multimatic Systems Sdn Bhd ("MMS")	Design, fabrication and commissioning of automatic handling equipment/systems for electronic and semiconductor industries.	100.0%

- 1.4.2 A summary of the particulars of the subsidiary companies are as follows :-

JoMetal

JoMetal was incorporated on 6 October 1989. The present authorised share capital of JoMetal is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 2,400,000 are issued and fully paid.

Prodelcon

Prodelcon was incorporated on 10 November 1984. The present authorised share capital of Prodelcon is RM1,300,000 comprising 1,300,000 ordinary shares of RM1.00 each of which 1,249,000 are issued and fully paid.

MMS

MMS was incorporated on 5 September 1997. The present authorised share capital of MMS is RM500,000 comprising 500,000 ordinary shares of RM1.00 each of which 100,005 are issued and fully paid.

1.5 Accounts and Auditors

The present financial year end of Jotech Group is 31 December. KPMG have acted as the auditors of Jotech and its subsidiary companies since the financial year ended 31 December 1999. Prior to 1999, Jotech and its subsidiary companies were audited by other firms of accountants, Messrs. Arthur Andersen and Messrs. Coopers & Lybrand.

The Auditors' reports of Jotech Group for all the financial years/period ended 31 March 1994 to 31 December 1999 were not subject to any qualification.

XI. ACCOUNTANTS' REPORT (Cont'd)

2. Financial Performance

2.1 Jotech - The Group

2.1.1 Summary of Consolidated Results

We set out below the audited consolidated results of Jotech Group for the financial period ended 31 December 1995 and the four financial years ended 31 December 1999.

	Date of incorporation to 31 December				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	52,893	58,097	65,353	77,385	90,499
Profit before depreciation and interest	5,887	6,714	10,974	10,875	13,351
Depreciation	(1,402)	(1,249)	(1,782)	(2,678)	(3,016)
Interest expense	(631)	(464)	(584)	(1,640)	(1,314)
Interest income	1	22	7	51	166
Profit before taxation	3,855	5,023	8,615	6,608	9,187
Taxation	(1,428)	(1,251)	(2,067)	(910)	411
Profit after taxation	2,427	3,772	6,548	5,698	9,598
No. of ordinary shares of RM1.00 each ('000)	800	9,716	9,716	9,716	9,716
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	378*	1,383*	9,716	9,716	9,716
Earnings per share (RM)					
- Gross	12.20#	3.63	0.88	0.68	0.95
- Net	7.70#	2.72	0.67	0.58	0.99

Notes:-

* Weighted average number of ordinary shares.

On annualised basis.

(i) The increase in turnover and operating profit before taxation from 1995 onwards was mainly due to the increase in volume of business. In addition, the plant relocation by a major customer of JoMetal in 1998 had further contributed to the increase in turnover.

(ii) The profit before taxation for 1998 decreased from the level recorded in 1997 due to the effects of the economic downturn during 1998. The Group's performance improved during 1999 in tandem with the improved economic condition.

(iii) The effective tax rate for the financial period/year ended 31 December 1995 was higher than the statutory tax rate due to certain expenses being disallowed for tax purposes. The effective tax rate for the financial year ended 31 December 1996 to 1998 was lower than the statutory tax rate due to utilisation of reinvestment allowances.

(iv) Pursuant to the Income Tax (Amendment) Act, 1999, all income (except for dividend income) falling within the waiver year would be waived from income tax. Accordingly, no provision for taxation was made in respect of year ended 31 December 1999.

XI. ACCOUNTANTS' REPORT (Cont'd)

2.1.2 Notes to the Summary of Results**2.1.2.1 Basis of consolidation**

The consolidated results of Jotech group for the financial period ended 31 December 1995 and four financial years ended 31 December 1999 are based on the audited accounts of Jotech and its subsidiary companies.

The consolidated accounts incorporate the accounts of Jotech and all its subsidiaries made up to the end of the financial year. All inter-company transactions are eliminated on consolidation. All subsidiaries are consolidated on the acquisition method of accounting but apply merger relief as allowed by the Companies Act, 1965 except for JoMetal which is consolidated on the merger method of accounting according to the provisions of Malaysian Accounting Standard No.2.

Under the acquisition method of accounting but applying merger relief, the results of the subsidiaries acquired during the year are included from the date of acquisition. Under this method of accounting, where the consideration paid by the Company exceeds the nominal value of the issued share capital acquired, the difference is recorded as a merger reserve.

Under the merger method of accounting, the results of the subsidiaries are accounted for on a full year basis irrespective of the date of merger.

2.1.2.2 Prior year adjustments*Change in the basis of consolidation*

Jotech acquired JoMetal during the financial period 1995 and applied the acquisition method of consolidation accounting. With effect from 1 January 1996, the Group changed the method of consolidation from acquisition to the merger method in accordance with Malaysian of Accounting Standard No.2. Following the change in accounting policy, the results and balances for the period ended 31 December 1995 were restated using the merger method of consolidation. Accordingly, a prior year adjustment was made in the accounts for the year ended 31 December 1996.

In order to ensure that the accounts are comparable, we have presented the 'adjusted' 1995 figures in this report.

Effect on summarised consolidated balances

	Period ended 31 December 1995 RM'000	Year ended 31 December 1996 RM'000
Unappropriated profit brought forward		
Jotech (per audited accounts)	-	755
Adjustments	1,160	2,832
As restated	1,160	3,587

XI. ACCOUNTANTS' REPORT (Cont'd)

2.1.2.3 Earnings per share

Gross earnings per share has been calculated based on profit before taxation whereas net earnings per share has been calculated based on profit after taxation attributable to shareholders of the Company.

The profit before taxation was not affected by any extraordinary or exceptional items.

2.1.2.4 Dividends

Details of dividends declared and paid by Jotech and its subsidiary companies for financial period ended 31 December 1995 and the four financial years ended 31 December 1999 are as follows:

a) Jotech

Financial year ended	Issued and paid-up share capital	Dividend	Gross dividend rate %	Tax rate	Net dividend RM
31.12.96	9,716,167	1st interim	100.00	30%	*560,000
		2nd interim	125.58	30%	*703,280
		2nd interim	124.41	Tax exempt	*995,315
31.12.99	9,716,167	Final	30.88	Tax exempt	3,000,000

* *Based on the issued and paid-up share capital of 800,002 ordinary shares of RM1.00 each at date of declaration.*

b) JoMetal

Financial year ended	Issued and paid-up share capital	Dividend	Gross dividend rate %	Tax rate	Net dividend RM
31.12.96	450,000	1st interim	222.22	30%	700,000
		2nd interim	223.26	30%	703,280
		2nd interim	221.18	Tax exempt	995,315
31.12.98	2,400,000	Interim	12.81	28%	221,392
31.12.99	2,400,000	Interim	62.92	Tax exempt	1,510,000

c) Prodelcon

Financial year ended	Issued and paid-up share capital	Dividend	Gross dividend rate %	Tax rate	Net dividend RM
31.3.94	1,249,000	Final	5.00	32%	42,466
31.12.99	1,249,000	Interim	120.90	Tax exempt	1,510,000

XI. ACCOUNTANTS' REPORT (Cont'd)

2.1.3 Summarised Consolidated Balance Sheets

	←----- As at 31 December ----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Fixed Assets	4,175	9,814	12,992	23,344	24,935
Goodwill on consolidation	-	5,959	6,360	6,095	5,830
Deferred expenditure	5	5	4	-	-
Current assets					
Stocks	3,650	5,252	10,296	8,452	10,655
Trade debtors	9,057	10,591	12,476	15,614	15,621
Other debtors	2,727	2,693	1,359	471	988
Related company balances	-	-	2,278	1,512	-
Fixed deposits	13	24	14	2,331	2,825
Cash and bank balances	237	5,800	3,811	3,294	7,370
	15,684	24,360	30,234	31,674	37,459
Less : Current liabilities					
Trade creditor	6,713	10,697	12,608	10,807	11,265
Other creditors and accruals	645	2,568	2,163	1,065	1,531
Related company balances	-	-	206	-	-
Hire purchase creditor	1,133	794	922	1,262	1,629
Bank borrowing	2,833	2,278	526	3,583	2,706
Provision for taxation	1,033	1,721	2,332	1,477	103
Proposed Dividend	-	-	-	-	3,000
	12,357	18,058	18,757	18,194	20,234
Net current assets	3,327	6,302	11,477	13,480	17,225
	7,507	22,080	30,833	42,919	47,990
Financed by:-					
Share capital	800	9,716	9,716	9,716	9,716
Share premium	1,650	4,754	4,720	4,580	4,580
Unappropriated profit	3,587	5,100	11,649	17,348	23,946
Shareholders' funds	6,037	19,570	26,085	31,644	38,242
Deferred & Long Term Liabilities	1,470	2,510	4,748	11,275	9,748
	7,507	22,080	30,833	42,919	47,990
Net Tangible Assets	6,032	13,606	19,721	25,549	32,412
Net Tangible Assets per share (RM)	7.54	1.40	2.03	2.63	3.34

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

2.2 Jotech - Company

The following financial information of Jotech is based on the audited accounts of Jotech for the financial period ended 31 December 1995 and the four financial years ended 31 December 1999.

2.2.1 Summary of Results

	Date of incorporation to 31 December				
	1995 RM'000	<----- Year ended 31 December ----->			1999 RM'000
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	-	3,000	-	307	3,020
(Loss)/Profit before depreciation and interest	(81)	2,977	(56)	285	3,002
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Interest income	-	-	-	-	-
(Loss)/Profit before taxation	(81)	2,977	(56)	285	3,002
Less : Taxation	-	(597)	-	-	-
(Loss)/Profit after taxation	(81)	2,380	(56)	285	3,002
No. of ordinary shares of RM1.00 each in issue ('000)	800	9,716	9,716	9,716	9,716
(Loss)/earnings per share (RM)					
- Gross	(0.10)	0.31	(0.01)	0.03	0.31
- Net	(0.10)	0.24	(0.01)	0.03	0.31

Jotech's revenue mainly consists of dividend and management fee from subsidiaries. The favourable results in 1996, 1998 and 1999 was mainly due to dividend income received from subsidiary companies.

There were no extraordinary items during the financial period/years under review.

XI. ACCOUNTANTS' REPORT (Cont'd)

2.2.2 Summarised Balance Sheets

	<----- As at 31 December ----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Deferred expenditure	5	5	4	-	-
Investment in subsidiary companies	2,450	25,217	25,331	25,223	25,335
Current assets					
Other debtors	-	200	5	90	234
Related company balances	-	-	-	-	2,859
Fixed deposits	-	-	-	100	-
Cash and bank balances	-	1	-	10	-
	-	201	5	200	3,093
Less : Current liabilities					
Other creditors and accruals	83	7	6	10	13
Related company balances	3	3	67	-	-
Provision for taxation	-	56	-	-	-
Proposed dividend	-	-	-	-	3,000
	86	66	73	10	3,013
Net current assets/(liabilities)	(86)	135	(68)	190	80
	2,369	25,357	25,267	25,413	25,415
Financed by:-					
Share capital	800	9,716	9,716	9,716	9,716
Share premium	1,650	4,754	4,720	4,581	4,581
Merger reserve	-	10,846	10,846	10,846	10,846
(Accumulated losses)/ Unappropriated profit	(81)	41	(15)	270	272
Shareholders' funds	2,369	25,357	25,267	25,413	25,415
Net Tangible Assets	2,364	25,352	25,263	25,413	25,415
Net Tangible Assets per share (RM)	2.96	2.61	2.60	2.62	2.61

XI. ACCOUNTANTS' REPORT (Cont'd)

2.3 JoMetal

The following financial information of JoMetal is based on the audited accounts of JoMetal for the past five period/years ended 31 December 1999.

2.3.1 Summary of Results

	15 months period ended	<----- Year ended 31 December ----->			
	31 December 1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	52,893	57,696	51,287	63,189	72,236
Profit before depreciation and interest	5,969	6,590	5,572	6,163	7,612
Depreciation	(1,402)	(1,222)	(1,089)	(1,503)	(1,803)
Interest expense	(632)	(464)	(225)	(1,099)	(954)
Interest income	1	1	1	1	30
Profit before taxation	3,936	4,905	4,259	3,562	4,885
Less: Taxation	(1,428)	(1,157)	(1,410)	(235)	-
Profit after taxation	2,508	3,748	2,849	3,327	4,885
No. of ordinary shares of RM 1.00 each in issue ('000)	450	450	2,400	2,400	2,400
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	450	450	861*	2,400	2,400
Earnings per share (RM)					
- Gross	6.99#	10.90	4.95	1.48	2.04
- Net	4.46#	8.33	3.30	1.39	2.04

Notes:-

- * Weighted average number of ordinary shares.
- # On annualised basis.
- (i) The increase in turnover and operating profit before taxation from 1994 onwards was mainly due to the increase in volume of business. JoMetal suffered a decline in turnover in 1997 as a result of regional economic crisis. The plant relocation by a major customer had contributed to the increase in turnover in 1998.
- (ii) The profit before taxation for 1997 and 1998 decreased from the level recorded in 1996 due to the effects of the economic downturn. JoMetal's performance improved during 1999 in tandem with the improved economic condition.
- (iii) The effective tax rate for the financial period/year ended 31 December 1995 and 1997 was higher than the statutory tax rate due to certain expenses being disallowed for tax purposes. The effective tax rate for the financial year ended 31 December 1996 and 1998 was lower than the statutory tax rate due to utilisation of reinvestment allowances.
- (iv) Pursuant to the Income Tax (Amendment) Act, 1999, all income (except for dividend income) falling within the waiver year would be waived from income tax. Accordingly, no provision for taxation was made in respect of year ended 31 December 1999.
- (v) There were no extraordinary items during the financial years/periods under review.

XI. ACCOUNTANTS' REPORT (Cont'd)

2.3.2 Summarised Balance Sheets

	←----- As at 31 December ----->					
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Fixed assets	3,425	4,175	3,284	2,729	12,660	14,339
Investment						
Current assets						
Stocks	2,161	3,649	3,739	8,215	6,401	7,101
Trade debtors	6,823	9,058	9,111	8,727	12,606	11,199
Other debtors	1,249	2,727	2,434	1,087	255	250
Related company balances	270	-	-	-	111	90
Fixed deposits	13	13	13	13	13	-
Cash and bank balances	505	237	4,162	3,766	2,070	6,488
	11,021	15,684	19,459	21,808	21,456	25,128
Less : Current liabilities						
Trade creditors	8,342	6,713	9,563	11,541	9,372	8,873
Other creditors and accruals	532	558	989	771	701	1,001
Related company balances	-	2,000	1,832	-	-	1,000
Hire purchase creditors	746	1,133	794	324	548	970
Bank borrowings	1,996	2,833	2,278	-	3,230	2,180
Provision for taxation	495	1,033	1,568	1,431	260	103
Dividend payable	-	-	-	-	-	1,510
	12,111	14,270	17,024	14,067	14,111	15,637
Net current assets/(liabilities)	(1,090)	1,414	2,435	7,741	7,345	9,491
	2,335	5,589	5,719	10,470	20,005	23,830
Financed by:-						
Share capital	450	450	450	2,400	2,400	2,400
Unappropriated profit	1,160	3,668	5,017	7,866	10,972	14,348
Shareholders' funds	1,610	4,118	5,467	10,266	13,372	16,748
Deferred & long term liabilities	725	1,471	252	204	6,633	7,082
	2,335	5,589	5,719	10,470	20,005	23,830
Net Tangible Assets	1,610	4,118	5,467	10,266	13,372	16,748
Net Tangible Assets per share (RM)	3.58	9.15	12.15	4.28	5.57	6.98

XI. ACCOUNTANTS' REPORT (Cont'd)

2.4 Prodelcon

The following financial information of Prodelcon is based on the audited accounts of Prodelcon for the past three years ended 31 March 1994 to 31 March 1997, 9 months period ended 31 December 1997 and the two years ended 31 December 1998 and 1999.

2.4.1 Summary of Results

	<-----31 March----->			Nine month period ended 31 December	<---31 December --->	
	1995 RM'000	1996 RM'000	1997 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	3,071	5,876	10,412	11,003	13,743	18,217
Profit before depreciation and interest	1,020	2,219	4,945	4,239	4,808	6,271
Depreciation	(312)	(458)	(697)	(693)	(1,091)	(1,178)
Interest expense	(100)	(111)	(193)	(360)	(541)	(360)
Interest income	-	-	38	6	50	137
Profit before taxation	608	1,650	4,093	3,192	3,226	4,870
Less: Taxation	(121)	(269)	(567)	(873)	(639)	375
Profit after taxation	487	1,381	3,526	2,319	2,587	5,245
No. of ordinary shares of RM1 each in issue (*'000)	1,249	1,249	1,249	1,249	1,249	1,249
Earnings per share (RM)						
- Gross	0.49	1.32	3.28	3.41#	2.58	3.90
- Net	0.39	1.11	2.82	2.48#	2.07	4.20

Notes:-

On an annualised basis.

(i) The increase in turnover from 1995 onwards and profit before taxation for the financial years ended 31 March 1994 to 1997 was mainly due to the increase in volume of business.

(ii) The profit before taxation for the financial period/years ended 31 December 1997 and 1998 decreased from the level recorded in 1996 due to the effects of the economic downturn. Prodelcon's performance improved during 1999 in tandem with the improved economic condition.

(iii) The effective tax rates for the financial years ended 31 March 1994 to 31 December 1998 were lower than the statutory rates in force due to utilisation of reinvestment allowances from additional capital expenditure incurred.

(iv) Pursuant to the Income Tax (Amendment) Act 1999, all income (except dividend income) which fall within the waiver year would be waived from income tax. Accordingly, no provision for taxation was made in the accounts for the period ended 30 June 1999.

(v) There were no extraordinary items during the financial years/periods under review.

XI. ACCOUNTANTS' REPORT (Cont'd)

2.4.2 Summarised Balance Sheets

	← As at 31 March →			← As at 31 December →		
	1995 RM'000	1996 RM'000	1997 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Fixed assets	2,719	4,701	8,930	10,263	10,433	10,375
Investment	-	-	-	-	100	100
Current assets						
Stocks	474	1,170	2,128	2,081	2,033	3,409
Trade debtors	948	1,756	2,411	3,748	4,411	4,320
Other debtors	218	162	497	132	127	504
Related company balances	-	-	281	2,278	284	1,445
Fixed deposits	2	2	10	2	2,218	2,825
Cash and bank balances	5	247	311	45	1,143	632
	1,647	3,337	5,638	8,286	10,216	13,135
Less : Current liabilities						
Trade creditors	217	859	1,345	1,067	1,400	2,168
Other creditors and accruals	945	1,916	2,205	1,729	344	506
Hire purchase creditors	-	-	-	-	714	659
Bank borrowings	275	-	-	782	353	526
Provision for taxation	82	97	379	900	1,218	-
Dividend payable	-	-	-	-	-	1,510
	1,519	2,872	3,929	4,478	4,029	5,369
Net current assets	128	465	1,709	3,808	6,187	7,766
	2,847	5,166	10,639	14,071	16,720	18,241
Financed by:-						
Share capital	1,249	1,249	1,249	1,249	1,249	1,249
Unappropriated profit	1,053	2,434	5,960	8,278	10,865	14,327
Shareholders' funds	2,302	3,683	7,209	9,527	12,114	15,576
Deferred & long term liabilities	545	1,483	3,430	4,544	4,606	2,665
	2,847	5,166	10,639	14,071	16,720	18,241
Net Tangible Assets	2,302	3,683	7,209	9,527	12,114	14,327
Net Tangible Assets per share (RM)	1.84	2.95	5.77	7.62	9.70	11.47

XI. ACCOUNTANTS' REPORT (Cont'd)

2.5 MMS

The following financial information of MMS is based on the audited accounts of MMS from the date of incorporation to 31 December 1998 and the financial year ended 31 December 1999.

2.5.1 Summary of Results

	Date of incorporation to 31 December 1998 RM'000	Year ended 31 December 1999 RM'000
Turnover	453	460
Profit before depreciation and interest	39	24
Depreciation	(18)	(35)
Interest expense	-	-
Interest income	-	-
Profit/(loss) before taxation	21	(11)
Less: Taxation	(36)	36
(Loss)/profit after taxation	(15)	25
No. of ordinary shares of RM1 each in issue ('000)	100	100
(Loss)/earnings per share (RM)		
- Gross	0.21	(0.11)
- Net	(0.15)	0.25

There were no extraordinary items during the financial year/period under review.

XI. ACCOUNTANTS' REPORT (Cont'd)

2.5.2 Summarised Balance Sheets

	<--- As at 31 December --->	
	1998	1999
	RM'000	RM'000
Fixed assets	251	222
Current assets		
Stocks	19	145
Trade debtors	210	102
Cash and bank balances	71	210
	300	457
Less: Current liabilities		
Trade creditor	137	224
Other creditors and accruals	9	11
Amount due to holding company	284	334
	430	569
Net current liabilities	130	112
	121	110
Financed by:-		
Share capital	100	100
(Accumulated loss)/ Unappropriated profits	(15)	10
Shareholders' funds	85	110
Deferred & long term liabilities	36	-
	121	110
Net Tangible Assets	85	110
Net Tangible Assets per share (RM)	0.85	1.10

XI. ACCOUNTANTS' REPORT (Cont'd)

3. Statements of Assets and Liabilities

The following is a statement of assets and liabilities of the Jotech Group and Jotech which have been prepared based on the audited accounts as at 31 December 1999.

	Note	Group RM'000	Company RM'000
Fixed Assets	5.1	24,935	-
Investments in subsidiaries	5.2	-	25,335
Goodwill on consolidation	5.3	5,830	-
Current Assets			
Stocks	5.4	10,655	-
Trade debtors	5.5	15,621	-
Other debtors, deposits and prepayments		988	234
Fixed deposits with licensed banks		2,825	-
Cash and bank balances		7,370	-
		37,459	234
Current Liabilities			
Trade creditors		11,265	-
Other creditors and accrued liabilities	5.6	1,531	13
Amount due to a subsidiary company		-	161
Finance lease and hire-purchase creditors	5.7	1,629	-
Bank borrowings	5.8	2,706	-
Taxation		103	-
Proposed dividend		3,000	-
		20,234	174
Net Current Assets		17,225	60
		47,990	25,395
Financed by :			
Capital and Reserves			
Share Capital	5.9	9,716	9,716
Reserves	5.10	28,526	15,679
Shareholders' Funds		38,242	25,395
Long Term and Deferred Liabilities			
Finance lease and hire-purchase creditors	5.7	2,108	-
Deferred taxation	5.11	526	-
Term Loans	5.12	7,114	-
		9,748	-
		47,990	25,395
NTA per share (RM)		3.33	2.61

XI. ACCOUNTANTS' REPORT (Cont'd)

4. Significant Accounting Policies

The accounts of the Jotech Group and Jotech have been prepared in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia.

All significant accounting policies, which have been consistently applied throughout the period under review, are set out below.

Basis of preparation

The accounts are prepared under the historical cost and in compliance with approved accounting standards in Malaysia.

Basis of Consolidation

The Jotech Group accounts incorporate the audited accounts of Jotech and its subsidiary companies. The results of the subsidiary companies are included in the Consolidated Accounts from the date of acquisition. All material related company transactions and balances have been eliminated on consolidation.

Subsidiary companies which satisfy the merger relief provisions of Section 60(4) of the Companies Act, 1965 have been consolidated using the acquisition method and the new shares issued for the acquisitions have been recorded at their nominal value in the accounts of Jotech. On consolidation, the premiums arising from the new shares issued have been recorded as a merger reserve. The merger reserve has been used to write-off the goodwill arising on the acquisition of the said subsidiary companies.

Fixed Assets and Depreciation

Freehold land is not depreciated while leasehold land is amortised over the period of the lease. Buildings are depreciated on a straight line basis over 30 to 50 years.

Depreciation of other fixed assets is provided on a straight line basis so as to write-off the cost of the assets over their estimated useful lives.

The annual rates of depreciation adopted are as follows:-

Land and buildings	2%
Office and other equipment	10 to 20%
Plant and machinery	10 to 20%
Motor vehicles	20%

Investment in Subsidiary Companies

Investment in unquoted subsidiary companies, which is eliminated on consolidation, is stated in Jotech's accounts at cost. Provision for diminution in value is made when there is a permanent diminution in value of the investment.

Affiliated Company

An affiliated company is a company which holds a long term interest of not less than 20% but not exceeding 50% in the equity capital of Jotech and exercises significant control over the financial and operating policies of Jotech.

Goodwill on Consolidation

Goodwill on consolidation represents the difference of the purchase price over the fair value of the net assets of the subsidiary companies at the date of acquisition. Goodwill on consolidation is amortised on a straight line basis over a period of 25 years.

XI. ACCOUNTANTS' REPORT (Cont'd)

Cash and Cash Equivalents

Cash and cash equivalents comprised cash and bank balances, deposits with banks net of short term borrowings.

Stocks

Stocks are valued at the lower of cost and net realisable value. In arriving at the net realisable value, due allowance is made for obsolete and slow moving stocks. Cost is determined on the first-in-first-out (FIFO) basis and includes all direct expenditure incurred in bringing the stocks to their present location and condition.

Accounting for Hire Purchases and Leasing

Fixed assets under hire purchase and leasing arrangements are capitalised and depreciated over their estimated useful lives, and the corresponding obligation relating to the remaining capital payments are treated as a liability. Financing charges for hire purchase are charged to the profit and loss account over the period of the primary hire purchase or leasing using the sum of digits method.

Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

Foreign Currency Translation

Assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those ruling on balance sheet date. Transactions during the year are converted at rates ruling on the transaction dates. Gains or losses in exchange are dealt with through the profit and loss account.

XI. ACCOUNTANTS' REPORT (Cont'd)

5. Notes to the Statement of Assets and Liabilities
5.1 Fixed Assets

Group	←----- At cost ----->				Total RM'000
	Land and buildings RM'000	Motor vehicles RM'000	Office and other equipment RM'000	Plant and machinery RM'000	
Cost					
At 1 January 1999	11,868	1,215	2,262	17,998	33,343
Additions	3	544	608	3,517	4,671
Disposals	-	(277)	(28)	(47)	(352)
At 31 December 1999	11,871	1,482	2,842	21,468	37,662
Accumulated Depreciation					
At 1 January 1999	191	798	485	8,524	9,999
Charge for the year	184	172	284	2,376	3,016
Disposals	-	(232)	(14)	(41)	(288)
At 31 December 1999	375	738	755	10,859	12,727
Net Book Value					
At 31 December 1999	11,496	744	2,087	10,609	24,935
At 31 December 1998	11,677	416	1,777	9,474	23,344
Depreciation charge for the year ended 31 December 1998					
	136	175	223	2,144	2,678

Certain fixed assets of the Jotech Group are charged to a financial institution to secure credit facilities for a subsidiary company.

The net book value of the Jotech Group's fixed assets acquired under hire purchase and finance lease arrangements as at 31 December 1999 amounted to RM4,634,000 (1998 - RM3,522,000).

5.2 Investments

	Jotech RM'000
Subsidiary companies	
At cost	<u>25,335</u>

The details of the subsidiary companies are listed in Section 1.4.

XI. ACCOUNTANTS' REPORT (Cont'd)

5.3 Goodwill On Consolidation

	Jotech Group RM'000
Goodwill on consolidation	
At 1 January	6,095
Amortised during the year	(265)
At 31 December	<u>5,830</u>

5.4 Stocks

	Jotech Group RM'000
Raw materials	5,939
Work in progress	2,870
Finished goods	2,046
Consumables goods	135
	<u>10,990</u>
Less : Provision for obsolete stocks	(335)
	<u>10,655</u>

5.5 Trade Debtors

Included in trade debtors is an amount of RM623,000 (1998 : RM1,349,000) owing by a subsidiary of an affiliated company.

5.6 Other Creditors And Accrued Liabilities

Included in other creditors of the Jotech Group is an amount of RM125,000 (1998 : RM75,000) representing management fees payable to an affiliated company.

5.7 Finance lease and hire purchase creditors

	Jotech Group RM'000
Amount due within one year	1,629
Amount due later than one year	2,108
	<u>3,737</u>

XI. ACCOUNTANTS' REPORT (Cont'd)

5.8 Bank borrowings

	Jotech Group RM'000
Trade financing facilities (secured) (Note 5.12)	1,206
Bankers' acceptance (unsecured)	1,500
	<u>2,706</u>

The bankers' acceptance bears interest at 4.7% to 7.8% (1998 - 6.2% to 14.5%) per annum above the lending bank's base lending rate.

5.9 Share Capital

	Jotech RM'000
Ordinary shares of RM1 each :	
Authorised	100,000
Issued and fully paid	<u>9,716</u>

5.10 Reserves

	Jotech Group RM'000	Jotech RM'000
Non distributable :		
Share premium	4,581	4,581
Merger reserve	-	10,846
	<u>4,581</u>	<u>15,427</u>
Distributable :		
Unappropriated profit	23,945	252
	<u>28,526</u>	<u>15,679</u>

5.11 Deferred Taxation

	Jotech Group RM'000
At 1 January	964
Transfer to profit and loss	(438)
At 31 December	<u>526</u>

Subject to agreement with the Inland Revenue Board, the Jotech Group has unutilised Reinvestment Allowances amounting to RM Nil (1998 : RM 1,941,000).

XI. ACCOUNTANTS' REPORT (Cont'd)

5.12 Term loans (secured)

	Jotech Group RM'000
Amount due not later than one year (Note 5.8)	1,206
Amount due later than one year and not later than five years	7,114
	<u>8,320</u>

The term loans are secured by the following :

- (i) fixed charge over the freehold land and building of its subsidiary company;
- (ii) corporate guarantee by Jotech;
- (iii) a negative pledge over the assets of a subsidiary company;
- (iv) fixed and floating charges over the fixed assets of a subsidiary company.

The term loans bears interest at 1.5% (1998 – 1.5%) above the banks' base lending rate and 4% (1998 - 4%) per annum respectively.

5.13 Capital commitments

	Jotech Group RM'000
Approved and contracted for	<u>464</u>

5.14

Contingent Liabilities	Jotech Group RM'000	Jotech RM'000
Corporate guarantees in favour of licensed banks for facilities of granted to its subsidiary companies.	<u>-</u>	<u>11,700</u>

XI. ACCOUNTANTS' REPORT (Cont'd)

5.15 NTA Cover

Based on the statement of assets and liabilities of Jotech Group as at 31 December 1999, the net tangible assets cover per share after the bonus issue, rights issue and public issue is calculated as follows:-

	Jotech Group RM'000
Net tangible assets of Jotech Group	32,412
Add : Proceeds from rights issue	4,247
Proceeds from public issue	12,600
	<hr/> 49,259
Less : Estimated listing expenses	(1,100)
	<hr/> 48,159
No. of ordinary shares of RM1.00 in issue ('000)	9,716
Add : Bonus Issue	20,037
Rights Issue	4,247
Public Issue	6,000
	<hr/> 40,000
Net tangible assets per ordinary share (RM)	<hr/> 1.20

5.16 Audited Accounts

No audited accounts of Jotech and its subsidiary companies have been made up in respect of any period subsequent to 31 December 1999.

Yours faithfully,

KPMG
Firm Number: AF0758
Public Accountants

HEW LEE LAM SANG
Partner
Approval Number: 1862/10/01(J)

XII. DIRECTORS' REPORT

Registered Office:-

Lot 3, Persiaran Kemajuan
Seksyen 16
40200 Shah Alam
Selangor Darul Ehsan

21 June 2000

The Shareholders
Jotech Holdings Berhad

Dear Sir/Madam

On behalf of the Directors of Jotech Holdings Berhad ("Jotech"), I report after due inquiry that during the period from 31 December 1999 (being the date to which the last audited accounts of Jotech and its subsidiaries ("Group") have been made up) to 15 June 2000, being a date not earlier than fourteen days before the issue of this Prospectus):-

- (a) the business of the Group, in the opinion of the Board of Directors, has been satisfactorily maintained;
- (b) in the opinion of the Board of Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities which have arisen by reason of any guarantees given by the Group; and
- (e) since the last audited accounts of the Group and save as disclosed in the Proforma Consolidated Balance Sheets in Section X of this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profit of the Group.

Yours faithfully
For and on behalf of
the Board of Directors of Jotech Holdings Berhad

Datuk Haji Sarip bin Hamid
Executive Chairman