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**IX. ACCOUNTANTS' REPORT**

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**ACCOUNTANTS' REPORT**  
*(Prepared for inclusion in this Prospectus)*

12 September 2001

The Board of Directors  
Lipo Corporation Berhad  
Lot 1.02, First Floor  
Acctax Corporate Centre  
No. 2, Jalan Bawasah  
10050 Penang.

Dear Sirs,

**1. INTRODUCTION**

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Lipo Corporation Berhad (hereinafter referred to as "LIPO" or "the Company") to be dated 17 September 2001 in connection with the Public Issue of 13,050,000 new ordinary shares of RM1.00 each in LIPO at an issue price of RM1.40 per new ordinary share to the Bumiputera investors to be approved by the Ministry of International Trade and Industry, the Malaysian public, eligible employees of the LIPO Group and THBI, and customers and suppliers of the LIPO Group and the listing of and quotation for the entire enlarged issued and paid-up share capital of LIPO on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

**2. GENERAL INFORMATION**

**2.1 The Company**

The Company was incorporated in Malaysia on 16 August 1999 as Bright Consolidated Sdn. Bhd. and its name was changed to Lipo Corporation Sdn. Bhd. on 2 November 1999. On 1 December 2000, the Company was converted into a public limited company, Lipo Corporation Berhad.

The principal activity of the Company is that of an investment holding and provision of management services.

## IX. ACCOUNTANTS' REPORT (CONT'D)



The authorised and issued and paid-up share capital at date of incorporation was RM100,000 and RM2 comprising of 100,000 and 2 ordinary shares of RM1.00 each respectively. On 12 February 2000, 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 26 May 2001, the Company further increased its authorised share capital from RM50,000,000 to RM100,000,000 by way of a creation of an additional 50,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of LIPO since the date of incorporation are as follows:-

<u>Date of allotment</u>	<u>No. of ordinary shares of RM1.00 each allotted</u>	<u>Consideration/Type of issue</u>	<u>Total issued and paid-up share capital RM</u>
16/8/1999	2	Subscribers' shares	2
14/2/2000	26,059,998	Acquisition of subsidiaries	26,060,000
31/3/2000	6,500,000	Cash, at a premium of 20 sen per share	32,560,000
30/6/2000	1,000,000	Cash, at a premium of 50 sen per share	33,560,000
15/8/2001	3,713,000	Capitalisation of advances from THB Industries Bhd. ("THBI") of RM3,713,000 into 3,713,000 new ordinary shares of RM1.00 each in LIPO at par	37,273,000

## 2.2 Flotation Scheme

In connection with the listing of and quotation for the shares of LIPO on the Second Board of the KLSE, LIPO had implemented a flotation scheme which was approved by the Foreign Investment Committee, the MITI and the Securities Commission on 23 January 2001, 31 March 2001, 16 April 2001 and 31 July 2001 respectively. The details of the flotation scheme are as follows:-

### (i) Capitalisation of Shareholder's Advances

The Company capitalised advances from its shareholder, THB Industries Bhd (THBI) amounting to RM3,713,000 into 3,713,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.00 each. The Capitalisation of Shareholder's Advances was completed on 15 August 2001.

### (ii) Public Issue

The Company will make a Public Issue of 13,050,000 new ordinary shares of RM1.00 each at an issue price of RM1.40 per new ordinary share for total cash proceeds of RM16,370,000 net of estimated listing expenses of RM1,900,000.

**IX. ACCOUNTANTS' REPORT (CONT'D)****(iii) Listing and Quotation**

The listing of and quotation for LIPO's entire enlarged issued and fully paid-up share capital comprising 50,323,000 ordinary shares of RM1.00 each on the Second Board of the KLSE.

On completion of the capitalisation of the shareholder's advances and public issue, the issued and fully paid-up share capital of LIPO will increase from 33,560,000 ordinary shares of RM1.00 each to 50,323,000 ordinary shares of RM1.00 each analysed as follows:-

**Issued and fully paid-up share capital**

	RM
Prior to implementation of the Flotation Scheme	33,560,000
Capitalisation of Shareholder's Advances	3,713,000
Public Issue	<u>13,050,000</u>
	<u><u>50,323,000</u></u>

**2.3 LIPO Group of companies**

The subsidiaries of LIPO and their principal activities are as follows:-

<u>Name</u>	<u>Date of incorporation</u>	<u>Authorised share capital</u> RM/Baht *	<u>Issued and paid-up share capital</u> RM/Baht *	<u>Equity held</u> %	<u>Principal activities</u>
Paradigm Precision Components Sdn. Bhd. ("PPC")	15 May 1991	5,000,000	1,603,610	100	Manufacturing of precision machined components
Paradigm Precision Machining Sdn. Bhd. ("PPM") (Formerly known as Preciturn (M) Sdn. Berhad)	30 July 1990	1,000,000	800,000	100	Manufacturing of precision machined parts and components
Allied Stamping Corporation Sdn. Bhd. ("ASC")	3 October 1990	6,000,000	5,667,000	100	Manufacturing of precision metal stamping parts

## IX. ACCOUNTANTS' REPORT (CONT'D)



<u>Name</u>	<u>Date of incorporation</u>	<u>Authorised share capital</u> RM/Baht *	<u>Issued and paid-up share capital</u> RM/Baht *	<u>Equity held</u> %	<u>Principal activities</u>
Paradigm Precision Components (Thailand) Ltd. ("PPC-T")	13 July 2000	6,000,000*	6,000,000*	99.98	Manufacturing of metal products attribute from machining
Macgilent Technology Sdn. Bhd. ("MT") #	3 July 2000	100,000	2	100	Manufacturing of components and parts for electrical and electronic products, medical and scientific devices
Paradigm Precision Technologies Sdn. Bhd. ("PPT")	23 July 2000	100,000	2	100	Dormant

# MT has yet to commence operations as at the date hereof.

**Notes:-**

- (i) PPC was incorporated on 15 May 1991 as Jamol Sdn. Bhd. and on 2 August 1994, it assumed its present name.
- (ii) PPM was incorporated on 30 July 1990 as Preciturn (M) Sdn. Bhd. and on 29 November 2000, it assumed its present name.
- (iii) ASC was incorporated on 3 October 1990 as Fuji Hikari Precision Sdn. Bhd. and on 28 February 1996, it assumed its present name.

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**IX. ACCOUNTANTS' REPORT (CONT'D)**

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**3. BASIS OF ACCOUNTING AND ACCOUNTING POLICIES**

This report is based on audited accounts which have been prepared in accordance with applicable approved accounting standards issued by the Malaysian Accounting Standards Board and is presented on a basis consistent with the accounting policies normally adopted by the Group.

There were no changes in accounting policies and estimate by the Group except for PPM and ASC. PPM changed its depreciation rates of all fixed assets to 10% during the financial year ended 30 June 1999 to conform with the Group's policy. As a result of the change in accounting estimate, its depreciation charge for 1999 was reduced by approximately RM143,000. ASC changed its depreciation rate on moulds from 33.33% to 10% during the period ended 30 June 2000 but this change in accounting estimate does not have a material impact on its results for the 6 months period ended 30 June 2000.

**4. AUDITORS AND FINANCIAL ACCOUNTING DATES**

We have been the auditors of the LIPO Group of Companies for the years/period under review except for PPM, ASC and PPC-T. Prior to financial year/period ended 30 June 2000, PPM and ASC were audited by another firm of auditors. PPC-T is audited by a member firm of Ernst & Young International. The auditors' reports on all the accounts of the Company and its subsidiaries for the relevant financial years/period under review were not subject to any qualification.

With effect from financial period/year ended 30 June 2000, the financial accounting dates of all the companies in the LIPO Group are co-terminous with that of the Company.

**IX. ACCOUNTANTS' REPORT (CONT'D)****5. SUMMARISED INCOME STATEMENTS****5.1 Proforma Group**

We set out below the summarised proforma consolidated results of the LIPO Group as if the Group structure had been effective throughout the periods under review. The proforma consolidated results are based on the audited accounts of PPC, PPM and ASC and have been prepared on a time apportioned basis, where appropriate.

	< ----- Proforma Group ----- >					Audited Group 9 months ended
	< ----- Year ended 30 June ----- >					31 March
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	12,827	21,315	25,659	28,936	41,648	37,476
Profit before interest, depreciation and amortisation	4,492	6,528	7,986	9,791	13,141	10,439
Interest expense	(543)	(670)	(986)	(1,067)	(949)	(804)
Depreciation	(1,723)	(2,113)	(2,687)	(2,866)	(3,418)	(3,290)
Amortisation	-	-	-	-	(4)	-
Profit before tax	2,226	3,745	4,313	5,858	8,770	6,345
Taxation	(57)	(143)	(325)	-	(432)	10
Profit after tax	2,169	3,602	3,988	5,858	8,338	6,355
No. of ordinary shares in issue ( '000) (vii)	33,560	33,560	33,560	33,560	33,560	33,560
Gross earnings per share (EPS) (sen) (viii)	6.63	11.16	12.85	17.46	26.13	25.21
Net earnings per share (EPS) (sen) (viii)	6.46	10.73	11.88	17.46	24.85	25.25

## IX. ACCOUNTANTS' REPORT (CONT'D)

**Notes:-**

(i) *The proforma consolidated results for the financial years ended 30 June 1996 to 30 June 2000 are prepared on the basis that the Group structure had been effective throughout the periods under review and have been prepared on a time apportioned basis as the subsidiary companies had different financial year ends prior to the financial period ended 30 June 2000. The proforma consolidated results for these years have been prepared on a time apportioned basis to 30 June based on the audited accounts for all its subsidiary companies. All under/overprovision of taxation made in the subsidiary companies' audited accounts have been adjusted to the relevant years concerned.*

(ii) *The audited consolidated results for the financial period ended 30 June 2000 is as follows: -*

	RM'000
Turnover	<u>23,169</u>
Profit before interest and depreciation	7,473
Interest expense	(481)
Depreciation	<u>(1,818)</u>
Profit before taxation	5,174
Taxation	<u>(176)</u>
Profit after taxation	<u>4,998</u>
Weighted average no. of ordinary shares in issue ('000)	<u>13,110</u>
Gross earnings per share (sen)	<u>45.10</u>
Net earnings per share (sen)	<u>43.57</u>

(iii) *The consolidated results for the 9 months ended 31 March 2001 are based on actual audited results of the Company, PPC, PPM, ASC, PPC-T, MT and PPT.*

(iv) *The proforma Group's turnover for the financial year ended 30 June 1997 increased significantly by RM8.488 million or 66% mainly due to the huge orders received from several key customers of ASC who were involved in the telecommunication and automotive industries and the higher demand from PPM's existing customers who were involved in the electrical/electronics related industries. PPC also registered a higher turnover growth as a result of the robust growth in the semiconductor related industries. In line with the higher Group turnover, the Group's profit before tax increased by RM1.519 million or 68%.*

**IX. ACCOUNTANTS' REPORT (CONT'D)**



*The proforma Group's turnover for the financial year ended 30 June 1998 increased by RM4.344 million or 20% as a result of the appreciation of foreign currencies against Ringgit Malaysia as a significant portion of the Group's turnover were denominated in US Dollars, Japanese Yen and Singapore Dollars. As a result of the above, the Group's profit before tax increased by RM0.568 million or 15% as compared to 1997.*

*The proforma Group's turnover for the financial year ended 30 June 1999 increased moderately by RM3.277 million or 13% mainly due to the higher contribution from PPC, which secured a number of new customers involved in the telecommunication industry. The Group's profit before tax increased by RM1.545 million or 36% due to higher selling prices and better margins earned from the sales of telecommunication products.*

*The proforma Group's turnover for the financial year ended 30 June 2000 recorded a significant increase of RM12.712 million or 44% due to the higher contribution from PPC, whose performance was attributable to the robust growth in the telecommunication and semiconductor related industries. The Group's profit before tax increased by RM2.912 million or 50% in tandem with the increase in the Group's turnover.*

*For the financial period ended 31 March 2001, the proforma Group's turnover was RM37.476 million and the Group's profit before tax stood at RM6.345 million. Approximately 76% of the Group's turnover were collectively contributed by the telecommunication, electronic and electrical and semiconductor related industries.*

- (v) *The effective tax rates of the Group for the financial years/period under review were lower than the statutory tax rates mainly because of certain tax incentives such as pioneer status and reinvestment allowance incentives enjoyed by some of the subsidiary companies as well as the utilisation of unabsorbed capital allowances and tax losses against its chargeable income by ASC.*

*In 1999, the tax on chargeable income was waived under Section 8 of the Income Tax (Amendment) Act, 1999.*

*In addition, the potential tax liability relating to excess capital allowance over depreciation of a subsidiary company amounting to RM1,417,000 and RM1,801,000 in year 2000 and period ended 31 March 2001 respectively has not been provided as it is anticipated that the tax effects of such deferrals will continue in the foreseeable future.*

- (vi) *There were no extraordinary or exceptional items during the years/period under review.*
- (vii) *The number of shares in issue throughout the years/period under review is assumed to be 33,560,000, which excludes the Capitalisation of Advances and Public Issue.*
- (viii) *The gross earnings per share is calculated based on profit before tax while the net earnings per share is calculated based on profit after tax over the number of shares in issue of 33,560,000. The gross EPS and net EPS for the 9 months ended 31 March 2001 have been calculated based on the annualised profit before tax of RM8,460,000 and annualised profit after tax of RM8,473,000.*



## IX. ACCOUNTANTS' REPORT (CONT'D)



## 5.2 LIPO

The summarised income statement of LIPO based on the audited accounts for the financial period ended 30 June 2000 and the financial period ended 31 March 2001, are set out below:-

	Financial period 16 August 1999 to 30 June 2000 RM'000	9 months ended 31 March 2001 RM'000
Turnover	268	227
Profit/(Loss) before interest, depreciation and amortisation	231	(171)
Interest expense	-	-
Depreciation	-	(2)
Amortisation	-	-
Profit/(Loss) before taxation	231	(173)
Taxation	-	-
Profit/(Loss) after taxation	231	(173)
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	13,110	33,560
Gross earnings/(loss) per share (sen) (iv)	2.01	(0.69)
Net earnings/(loss) per share (sen) (iv)	2.01	(0.69)

**Notes:-**

- (i) The Company was incorporated on 16 August 1999 and prepared its first set of audited accounts for the period from 16 August 1999 to 30 June 2000.
- (ii) There was no tax charge for the financial period 2000 as the dividends receivable from subsidiary companies were tax exempt.

**IX. ACCOUNTANTS' REPORT (CONT'D)**

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- (iii) There were no extraordinary or exceptional items during the period under review.*
  
- (iv) The gross EPS and net EPS have been calculated based on the annualised profit before taxation and annualised profit after taxation of RM264,000 for the financial period ended 30 June 2000 and annualised loss before taxation and annualised loss after taxation of RM231,000 for the financial period ended 31 March 2001 and the weighted average number of ordinary shares of RM1.00 each in issue during the period.*

**IX. ACCOUNTANTS' REPORT (CONT'D)****5.3 PPC**

The summarised income statement of PPC, based on the audited accounts for the five (5) financial years ended 30 June 2000 and for the financial period ended 31 March 2001, are set out below:-

	← Year ended 30 June →					9 months ended
	1996	1997	1998	1999	2000	31 March 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	2,534	4,208	6,549	9,489	18,362	18,616
Profit before interest, depreciation and amortisation	1,604	1,768	3,044	4,094	6,399	6,163
Interest expense	-	-	(17)	(69)	(167)	(305)
Depreciation	(277)	(434)	(717)	(914)	(1,259)	(1,295)
Amortisation	-	-	-	-	-	-
Profit before taxation	1,327	1,334	2,310	3,111	4,973	4,563
Taxation	(57)	(143)	(273)	-	(220)	98
Profit after taxation	1,270	1,191	2,037	3,111	4,753	4,661
Dividends	-	-	-	-	160	-
Gross dividend rate	-	-	-	-	10%	-
No. of ordinary shares of RM1.00 each in issue ('000)	1,604	1,604	1,604	1,604	1,604	1,604
Gross earnings per share (sen) (iv)	82.73	83.17	144.01	193.95	310.04	379.30
Net earnings per share (sen) (iv)	79.18	74.25	127.00	193.95	296.32	387.45

## IX. ACCOUNTANTS' REPORT (CONT'D)

**Notes:-**

- (i) *The turnover for the past few years has increased as a result of the Company's move to venture into new market segments, such as telecommunication and semiconductor related industries, coupled with the increase in machine capacity to meet the orders of new customers secured as well as the increase in demand from existing customers. In addition, the increase in year 2000 was also partly attributable to the booming semiconductor industry which resulted in higher demands for gold wire spool.*
- (ii) *The results for the last five financial years ended 30 June 2000 have been adjusted for the under/over provisions of income tax by allocating the income tax to the respective financial years/period as follows:-*

	←———— Year ended 30 June —————→					9 months ended 31 March 2001
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Taxation -						
As per audited accounts	97	(155)	(229)	8	(259)	98
Adjustment on prior year's tax	(154)	12	(44)	(8)	39	-
As adjusted	(57)	(143)	(273)	-	(220)	98

*The effective tax rates for the past few years were lower than the statutory rates as the Company had been granted pioneer status under the Promotion of Investments Act 1986 for a period of 5 years, commencing on 1 September 1994 and expired on 31 August 1999. Under the pioneer status tax incentives, tax payable on the Company's statutory income will be exempted 70% from income tax. The effective tax rate for 2000 was relatively low due to pioneer status (which expired on 31 August 1999) and the availability of capital allowances to set-off against its chargeable income and reinvestment allowance incentives claimed by the Company. The disproportionate tax charge for the period ended 31 March 2001 is due to the availability of capital allowances to set-off against its chargeable income and reinvestment allowance incentive claimed by the Company.*

*In addition, the potential tax liability relating to excess capital allowance over depreciation of the Company amounting to RM1,417,000 and RM1,801,000 in year 2000 and period ended 31 March 2001 respectively has not been provided as it is anticipated that the tax effects of such deferrals will continue in the foreseeable future.*

**IX. ACCOUNTANTS' REPORT (CONT'D)**

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- (iii) There were no extraordinary or exceptional items in the relevant years/period under review.*
- (iv) The gross earnings per share is calculated based on profit before taxation while the net earnings per share is calculated based on the profit after taxation and the number of ordinary shares of RM1.00 each in issue in the relevant years/ period under review.*

*The gross EPS and net EPS for the financial period ended 31 March 2001 have been calculated based on the annualised profit before taxation of RM6,084,000 and annualised net profit after taxation of RM6,215,000 and the number of ordinary shares of RM1.00 each in issue during the period.*

## IX. ACCOUNTANTS' REPORT (CONT'D)



## 5.4 PPM (Formerly known as Preciturn (M) Sdn. Bhd.)

The summarised income statement of PPM, based on the audited accounts for the two (2) financial years ended 31 July 1997 and three (3) financial period/years ended 30 June 2000 and for the financial period ended 31 March 2001, are set out below:-

	← Year ended → 31 July		11 months ended	← Year ended → 30 June		9 months ended
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	5,674	7,659	6,988	7,625	10,013	5,051
Profit before interest, depreciation and amortisation	1,655	2,113	2,052	1,995	2,794	1,268
Interest expense	(247)	(242)	(228)	(208)	(165)	(138)
Depreciation	(687)	(736)	(785)	(714)	(836)	(692)
Amortisation	-	-	-	-	(4)	-
Profit before taxation	721	1,135	1,039	1,073	1,789	438
Taxation	-	-	(52)	-	(212)	(88)
Profit after taxation	721	1,135	987	1,073	1,577	350
Dividends	305	-	237	-	80	-
Gross dividend rate	54%	-	42%	-	10%	-
Weighted average no. of ordinary shares of RM1.00 each in issue ('000)	565	565	672	800	800	800
Gross earnings per share (sen) (iv)	127.61	200.88	168.60	134.13	223.63	72.99
Net earnings per share (sen) (iv)	127.61	200.88	160.27	134.13	197.13	58.33

## IX. ACCOUNTANTS' REPORT (CONT'D)

**Notes:-**

- (i) Turnover increased in 1997 due to the increase in demand from the electrical/electronics related industries which resulted in more orders received from existing customers.

The rate of increase in turnover remained relatively stagnant from 1997 - 1999 as the demand for automotive and electrical/electronic products remained soft due to the economic downturn. However, sales improved significantly in 2000 as the Company managed to capitalise on the opportunities available due to the recovery in the automotive industry where sales to its existing customers increased, coupled with the emergence of several new customers which played a fairly important role in boosting the Company's sales for the year.

- (ii) The results for the last five financial years/periods ended 30 June 2000 have been adjusted for the under/over provisions of income tax by allocating the income tax to the relevant years/periods as follows:-

← Year ended →		11 months	← Year ended →	9 months	
31 July		ended	30 June	ended	
1996	1997	1998	1999	2000	2001
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

## Taxation -

As per audited accounts	-	-	-	(52)	(212)	(88)
Adjustment on prior year's tax	-	-	(52)	52	-	-
As adjusted	-	-	(52)	-	(212)	(88)

The Company had been granted pioneer status under the Promotion of Investments Act 1986 for a period of five (5) years commencing on 1 January 1991 and it expired on 31 December 1995. There was no taxation charge for 1996 post pioneer income and 1997 because of the utilisation of capital allowances to offset against its chargeable income. The effective tax rate for 1998 was relatively low due to the utilisation of capital allowances and also reinvestment allowance incentives claimed by the Company. There was no taxation charge for 1999 as tax on chargeable income was waived under Section 8 of the Income Tax (Amendment) Act 1999. The effective tax rate for 2000 and for the period ended 31 March 2001 was lower than the statutory rate of 28% mainly due to reinvestment allowance incentives claimed by the Company.

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**IX. ACCOUNTANTS' REPORT (CONT'D)**

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- (iii) *There were no extraordinary or exceptional items in the relevant years/periods under review.*
- (iv) *The gross earnings per share is calculated based on profit before taxation while the net earnings per share is calculated based on the profit after taxation and the weighted average number of ordinary shares of RM1.00 each in issue in the relevant years/periods under review.*

*The gross EPS and net EPS for the financial period ended 30 June 1998 have been calculated based on the annualised profit before taxation of RM1,133,000 and annualised net profit after taxation of RM1,077,000 and the weighted average number of ordinary shares of RM1.00 each in issue during the period.*

*The gross EPS and net EPS for the financial period ended 31 March 2001 have been calculated based on the annualised profit before taxation of RM584,000 and annualised net profit after taxation of RM467,000 and the weighted average number of ordinary shares of RM1.00 each in issue during the period.*



**IX. ACCOUNTANTS' REPORT (CONT'D)****5.5 ASC**

The summarised income statement of ASC, based on the audited accounts for the four (4) financial years ended 31 December 1999, one (1) financial period ended 30 June 2000 and for the financial period ended 31 March 2001, are set out below:-

	← Year ended 31 December →				6 months	9 months
	1996	1997	1998	1999	ended 30 June 2000	ended 31 March 2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	7,264	11,963	11,005	12,850	7,930	15,156
Profit before interest, depreciation and amortisation	3,341	2,030	3,397	4,029	2,072	3,066
Interest expense	(317)	(538)	(904)	(676)	(279)	(361)
Depreciation	(850)	(1,043)	(1,205)	(1,270)	(687)	(1,229)
Amortisation	-	-	-	-	-	-
Profit before taxation	2,174	449	1,288	2,083	1,106	1,476
Taxation	-	-	-	-	-	-
Profit after taxation	2,174	449	1,288	2,083	1,106	1,476
No. of ordinary shares of RM1.00 each in issue ('000)	5,667	5,667	5,667	5,667	5,667	5,667
Gross earnings per share (sen) (iv)	38.36	7.92	22.73	36.76	39.03	34.73
Net earnings per share (sen) (iv)	38.36	7.92	22.73	36.76	39.03	34.73

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**IX. ACCOUNTANTS' REPORT (CONT'D)**

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**Notes:-**

- (i) *The turnover has increased for the past years as the Company became more established in the market place, resulting in new customers being secured especially in the telecommunication and automotive industries. Moreover, the Company also managed to introduce new range of services such as computer numeric control, punching, painting and plating as an additional competitive edge over its existing competitors in the market.*
- (ii) *There was no tax charge for the years/period concerned as ASC had sufficient unabsorbed capital allowance, unabsorbed tax losses brought forward and reinvestment allowances to set-off against the tax adjusted income. In 1999, tax on chargeable income was waived under Section 8 of the Income Tax (Amendment) Act 1999.*
- (iii) *There were no extraordinary or exceptional items in the relevant years/periods under review.*
- (iv) *The gross earnings per share is calculated based on profit before taxation while the net earnings per share is calculated based on the profit after taxation and the number of ordinary shares of RM1.00 each in issue in the relevant years/periods under review.*

*The gross EPS and net EPS for the financial period ended 30 June 2000 have been calculated based on the annualised profit before taxation and annualised net profit after taxation of RM2,212,000 and the number of ordinary shares of RM1.00 each in issue during the period.*

*The gross EPS and net EPS for the financial period ended 31 March 2001 have been calculated based on the annualised profit before taxation and annualised net profit after taxation of RM1,968,000 and the number of ordinary shares of RM1.00 each in issue during the period.*

**IX. ACCOUNTANTS' REPORT (CONT'D)****5.6 PPC-T**

The summarised income statement of PPC-T, based on the audited accounts for the financial period ended 31 March 2001, is set out below:-

	<b>Financial period 13 July 2000 to 31 March 2001 RM'000</b>
Turnover	1,442
Profit before interest, depreciation and amortisation	155
Interest expense	-
Depreciation	(70)
Amortisation	-
Profit before taxation	85
Taxation	-
Profit after taxation	85
No. of ordinary shares of Baht 100 each in issue ('000)	60
Gross earnings per share (sen) (v)	188.89
Net earnings per share (sen) (v)	188.89

**Notes:-**

- (i) *The Company was incorporated on 13 July 2000 and prepared its first set of audited accounts for the period from 13 July 2000 to 31 March 2001.*
- (ii) *The income statement of the Company are translated into Ringgit Malaysia at the average rates of exchange for the financial period.*
- (iii) *There was no tax charge for the financial period 2001 as the Company's business income is exempted from income tax for a period of three years under the Investment Promotion Act, B.E. 2520 1977 of Thailand commencing from 18 December 2000.*

**IX. ACCOUNTANTS' REPORT (CONT'D)**

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- (iv) There were no extraordinary or exceptional items during the period under review.*
- (v) The gross EPS and net EPS have been calculated based on the annualised net profit before taxation and annualised net profit after taxation of RM113,000 and the number of ordinary shares of Baht 100 each in issue in the period under review.*

**IX. ACCOUNTANTS' REPORT (CONT'D)****5.7 MT**

The summarised income statement of MT, based on the audited accounts for the financial period ended 31 March 2001, is set out below:-

	<b>Financial period 3 July 2000 to 31 March 2001 RM'000</b>
Turnover	-
Loss before interest, depreciation and amortisation	(4)
Interest expense	-
Depreciation	-
Amortisation	-
Loss before taxation	(4)
Taxation	-
Loss after taxation	(4)
No. of ordinary shares of RM1.00 each in issue	*
Gross loss per share (RM) (iii)	2,667
Net loss per share (RM) (iii)	2,667

\* Represents 2 ordinary shares of RM1.00 each

**Notes:-**

- (i) *The Company was incorporated on 3 July 2000 and prepared its first set of audited accounts for the period from 3 July 2000 to 31 March 2001. The Company has not commenced operations.*
- (ii) *There were no extraordinary or exceptional items during the period under review.*
- (iii) *The gross loss per share and net loss per share have been calculated based on the annualised net loss before taxation and annualised net loss after taxation of RM5,333 and the number of ordinary shares of RM1.00 each in issue in the period under review.*

**IX. ACCOUNTANTS' REPORT (CONT'D)****5.8 PPT**

The summarised income statement of PPT, based on the audited accounts for the financial period ended 31 March 2001, is set out below:-

	<b>Financial period 23 July 2000 to 31 March 2001 RM'000</b>
Turnover	-
Loss before interest, depreciation and amortisation	(3)
Interest expense	-
Depreciation	-
Amortisation	-
Loss before taxation	(3)
Taxation	-
Loss after taxation	(3)
No. of ordinary shares of RM1.00 each in issue	*
Gross loss per share (RM) (iii)	(2,250)
Net loss per share (RM) (iii)	(2,250)

\* Represents 2 ordinary shares of RM1.00 each

**Notes:-**

- (i) *The Company was incorporated on 23 July 2000 and prepared its first set of audited accounts for the period from 23 July 2000 to 31 March 2001. The Company has not commenced operations.*
- (ii) *There were no extraordinary or exceptional items during the period under review.*
- (iii) *The gross loss per share and net loss per share have been calculated based on the annualised net loss before taxation and annualised net loss after taxation of RM4,500 and the number of ordinary shares of RM1.00 each in issue in the period under review.*

**IX. ACCOUNTANTS' REPORT (CONT'D)****6. DIVIDENDS**

No dividend has been paid or declared by LIPO since its incorporation. No dividend has been declared by the subsidiary companies within the Group during the relevant periods under review except for the financial years/period as follows:-

<u>Subsidiary company</u>	<u>Issued and paid-up share capital</u> RM	<u>Gross dividend rate</u>	<u>Tax rate</u>	<u>Net dividend</u> RM
Financial year/period ended:-				
<b>31 July 1996</b>				
- PPM	565,000	54%	Tax-exempt	305,100
<b>30 June 1998</b>				
- PPM	565,000	42%	Tax-exempt	237,300
<b>30 June 2000</b>				
- PPC	1,604,000	10%	Tax-exempt	160,400
- PPM	800,000	10%	Tax-exempt	80,000