
15. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



■ **Public Accountants**
4th Floor, Kompleks Antarabangsa,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia.

■ Phone : (03) 2144-2333
Fax : (03) 2141-0676
(03) 2144-5619
www.ey.com

Mail Address:
P.O. Box 10068
50704 Kuala Lumpur, Malaysia.

21 August 2001

The Board of Directors
Degem Berhad
No 45, 1st Floor, Jalan SS2/55
47300 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

1.0 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus to be dated 27 August 2001 in connection with a Public Issue of 7,000,000 new ordinary shares of RM1 each and an Offer for Sale of 1,400,000 ordinary shares of RM1 each at an issue/offer price of RM1.60 per ordinary share in Degem Berhad (hereinafter referred to as “Degem” or “the Company”) and the listing and quotation of the entire issued and paid-up share capital of Degem on the Second Board of the Kuala Lumpur Stock Exchange.

2.0 GENERAL INFORMATION

2.1 The Company

The Company was incorporated in Malaysia on 3 January 1997 as a private limited company under the name of Delta Riviera Sdn Bhd. On 27 February 1997, the Company changed its name to Degem Sdn Bhd. On 7 March 1997, the Company was converted into a public limited company and changed its name to Degem Berhad.

The authorised and issued and paid-up capital is RM50,000,000 and RM35,000,000 comprising 50,000,000 and 35,000,000 ordinary shares of RM1 each respectively.

The principal activity of the Company is investment holding.

15. ACCOUNTANTS' REPORT *(cont'd)*

2.2 Flotation Scheme

(i) Acquisition

Degem acquired 100% of the equity interest in PYT Jewel & Time Sdn Bhd together with its subsidiary companies for a total purchase consideration of RM39,065,304 satisfied by the issue of 34,999,998 new ordinary shares of RM1 each at an approximate issue price of RM1.12 per ordinary share in Degem.

The Acquisition was completed on 31 March 2001.

(ii) Public Issue

Degem will make a Public Issue for cash of 7,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per share for total cash proceeds of RM11,200,000.

On completion of the Acquisition and Public Issue, the Group comprise Degem as holding company and PYT Jewel & Time Sdn Bhd (together with its subsidiary companies) is a wholly owned subsidiary of Degem.

On completion of the Acquisition and Public Issue, the issued and fully paid-up share capital of Degem will increase from 2 ordinary shares of RM1 each to 42,000,000 ordinary shares of RM1 each analysed as follows:-

Issued and fully paid-up share capital	RM
Prior to implementation of Flotation Scheme	2
Acquisition	34,999,998
As at 31 March 2001	<u>35,000,000</u>
Public Issue	7,000,000
On completion of Flotation Scheme	<u>42,000,000</u>

15. ACCOUNTANTS' REPORT *(cont'd)*



2.3 The Companies Acquired As Subsidiary Companies of Degem Pursuant To The Flotation Scheme

Information on the subsidiary companies acquired by Degem pursuant to the Flotation Scheme, all of which are private limited companies incorporated in Malaysia, is as follows:-

2.3.1 P. Y. T. Jewel & Time Sdn Bhd (“P.Y.T.”)

P.Y.T. was incorporated in Malaysia on 30 October 1982 as a private limited company under the name of Thye Loong Goldsmiths & Jewellers Sdn Bhd. On 16 November 1984 and 8 December 1993, the company changed its name to Poh Yik Thye Jewellers Sdn Bhd and P. Y. T. Jewel & Time Sdn Bhd respectively. The authorised and issued and paid-up share capital is RM2,000,000 and RM1,914,750 comprising 2,000,000 and 1,914,750 ordinary shares of RM1 each respectively.

The principal activities of P.Y.T. are investment holding and trading in gold and jewellery.

2.3.2 P. Y. T. Jewellers Sdn Bhd (“P-Jewellers”)

P-Jewellers was incorporated on 14 August 1991 as a private limited company under the name of P. Y. T. Jewellers Sdn Bhd. The authorised and issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each respectively.

The principal activities of P-Jewellers are investment holding and trading in gold and jewellery.

P-Jewellers is a direct subsidiary of P.Y.T. (100%).

2.3.3 Tong Yek Jewellers Sdn Bhd (“Tong Yek”)

Tong Yek was incorporated on 1 March 1984. The authorised and issued and paid-up share capital is RM1,000,000 and RM540,000 comprising 1,000,000 and 540,000 ordinary shares of RM1 each respectively.

The principal activity of Tong Yek is investment holding. On 1 January 2000, Tong Yek transferred its manufacturing and trading operations to Inticraft Sdn Bhd (“Inticraft”), a wholly owned subsidiary of P.Y.T. pursuant to a rationalisation exercise by the Group in order to achieve a higher degree of production cost efficiency.

Tong Yek is a direct subsidiary of P.Y.T. (100%).

15. ACCOUNTANTS' REPORT (*cont'd*)



2.3.4 P. Y. Medal Mfg (M) Sdn Bhd (“P-Medal”)

P-Medal was incorporated on 8 November 1985 as a private limited company under the name of Poh Yik Thye Jewellers (K.L.) Sdn Bhd. On 20 December 1989, the company changed its name to P.Y. Medal Mfg (M) Sdn Bhd. The authorised and issued and paid-up share capital is RM1,000,000 and RM445,600 comprising 1,000,000 and 445,600 ordinary shares of RM1 each respectively.

The principal activity of P-Medal is trading in gold medals and badges. On 1 July 1999, P-Medal transferred its manufacturing operations to Inticraft Sdn Bhd (“Inticraft”), a wholly owned subsidiary of P.Y.T. pursuant to a rationalisation exercise by the Group in order to achieve a higher degree of production cost efficiency.

P-Medal is a direct subsidiary of P.Y.T. (100%).

2.3.5 P. Y. T. Manufacturing Sdn Bhd (“P-Manufacturing”)

P-Manufacturing was incorporated on 24 July 1991. The authorised and issued and paid-up share capital is RM200,000 and RM50,000 comprising 200,000 and 50,000 ordinary shares of RM1 each respectively.

P-Manufacturing is inactive as at 31 December 2000. On 1 July 1999, P-Manufacturing transferred its manufacturing and trading operations to Inticraft Sdn Bhd (“Inticraft”), a wholly owned subsidiary of P.Y.T. pursuant to a rationalisation exercise by the Group in order to achieve a higher degree of production cost efficiency.

P-Manufacturing is a direct subsidiary of Tong Yek (100%) which in turn is a direct subsidiary of P.Y.T. (100%).

2.3.6 Inticraft Sdn Bhd (“Inticraft”)

Inticraft was incorporated on 17 November 1997. The authorised and issued and paid-up share capital is RM500,000 comprising 500,000 ordinary shares of RM1 each respectively.

The principal activity of Inticraft is manufacturing and trading in gold and jewellery. The products manufactured by Inticraft are mainly sold to P.Y.T., P-Jewellers, Tong Yek, P-Medal, Diamond & Platinum and P-Ampang.

Inticraft has been granted Pioneer Status for a period of 5 years from 1 January 2000 to 31 December 2004.

Inticraft is a direct subsidiary of P.Y.T. (100%).

15. ACCOUNTANTS' REPORT *(cont'd)*



2.3.7 Diamond & Platinum Sdn Bhd (“Diamond & Platinum”)

Diamond & Platinum was incorporated in Malaysia on 3 September 1999 as a private limited company under the name of Diamond & Platinum Sdn Bhd. The authorised and issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each respectively.

The principal activity of Diamond & Platinum is trading in diamonds and jewellery.

Diamond & Platinum is a direct subsidiary of P.Y.T. (60%).

2.3.8 PYT Jewellers (Ampang) Sdn Bhd (“P-Ampang”)

P-Ampang was incorporated in Malaysia on 13 October 1999 as a private limited company under the name of Guwera Corporation Sdn Bhd. On 23 November 1999, the company changed its name to PYT Jewellers (Ampang) Sdn Bhd. The authorised and issued and paid-up capital is RM5,000,000 and RM2,000,000 comprising 5,000,000 and 2,000,000 ordinary shares of RM1 each respectively.

The principal activity of P-Ampang is trading in gold and jewellery.

P-Ampang is a direct subsidiary of P.Y.T. (90%).

2.3.9 Telenaga Sdn Bhd (“Telenaga”)

Telenaga was incorporated in Malaysia on 30 December 1996 as a private limited company under the name of Telenaga Sdn Bhd. The authorised and issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each respectively.

The principal activity of Telenaga is property investment.

Telenaga is a direct subsidiary of P-Jewellers (100%) which in turn is a direct subsidiary of P.Y.T. (100%).

2.3.10 Diamond Mart Sdn Bhd (“Diamond Mart”)

Diamond Mart was incorporated in Malaysia on 17 March 1997 as a private limited company under the name of Sanprise Sdn Bhd. On 8 February 1999, the company changed its name to Diamond Mart Sdn Bhd. The authorised and issued and paid-up capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1 each respectively.

The intended principal activity of Diamond Mart is property investment.

As at 31 March 2001, Diamond Mart has not commenced operations.

Diamond Mart is a direct subsidiary of P.Y.T. (100%).

15. ACCOUNTANTS' REPORT *(cont'd)*



3.0 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This report is based on audited financial statements which have been prepared in accordance with 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.

4.0 AUDITORS

We have been appointed auditors of the Company since its incorporation on 3 January 1997. Except for Telenaga and Diamond Mart, we have acted as auditors of the subsidiary companies for the relevant periods under review and have reported on the financial statements of these subsidiary companies without qualification. Our Auditors' Reports did not include any emphasis of matter.

The financial statements for Telenaga and Diamond Mart since the date of incorporation were audited by another firm of public accountants and were reported on without qualification. In addition, the Auditors' Reports did not include any emphasis of matter.

In the relevant financial periods under review, the financial accounting date of the subsidiaries is coterminous with the Company, namely 31 December except for Diamond Mart whereby its financial accounting date is 31 March.

15. ACCOUNTANTS' REPORT (cont'd)



5.0 SUMMARISED INCOME STATEMENTS

5.1 DEGEM GROUP

Following completion of the Acquisition on 31 March 2001, the summarised income statements of Degem Group set out below are based on the audited financial statements of Degem and its subsidiary companies and have been presented on the basis that the Acquisition had been in effect throughout the relevant periods under review.

	← Year ended 31 December →					3 months
	1996	1997	1998	1999	2000	ended 1.1.01 to 31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	75,828	91,060	53,957	66,444	88,039	18,069
Profit before depreciation and interest	11,726	11,110	7,296	11,590	14,535	3,635
Depreciation	(545)	(1,078)	(1,008)	(1,684)	(1,369)	(330)
Interest expense	(372)	(645)	(1,077)	(845)	(913)	(251)
Profit before taxation	10,809	9,387	5,211	9,061	12,253	3,054
Taxation	(3,864)	(3,238)	(1,184)	(12)	(2,724)	(684)
Profit after taxation	6,945	6,149	4,027	9,049	9,529	2,370
Minority interest	-	-	-	(131)	(837)	(138)
Profit after tax and minority interest	6,945	6,149	4,027	8,918	8,692	2,232
No. of ordinary shares ('000)	35,000	35,000	35,000	35,000	35,000	35,000
Earnings per share (sen)	19.84	17.57	11.51	25.48	24.83	6.38

Notes:-

- (1) The first income statement of Degem was presented for the financial year ended 31 December 2000 and represents preliminary and pre-operating expenses written off.
- (2) The Acquisition which was completed on 31 March 2001 is consolidated throughout the relevant periods under review using the merger method in accordance with Malaysian Accounting Standard 2.
- (3) The financial results of Inticraft, Diamond & Platinum, and Telenaga are included in the above proforma income statements only in respect of financial years ended 31 December 1999 and 2000 and financial period ended 31 March 2001 as these companies have not commenced business operations prior to the financial year ended 31 December 1999. Therefore there are no results of these companies included in the income statements of the Group prior to 31 December 1999.
- (4) As P-Ampang was only incorporated on 13 October 1999, the financial results included in year 2000 is based on the first audited financial statements for the period since incorporation to 31 December 2000.

15. ACCOUNTANTS' REPORT *(cont'd)*



(5) Diamond Mart has not commenced operations as at 31 March 2001. Notwithstanding the above, Diamond Mart has presented its first income statement for the financial period 31 December 2000 which represents preliminary and pre-operating expenses written off.

(6) The high effective tax rate of the Group for the years 1996 and 1997 is attributed to the non-deductibility of certain expenses for tax purposes.

The low effective tax rate for the year 1998 is principally attributed to the eligibility of certain expenses for tax deduction.

No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to under provision of tax in prior year.

The low effective tax rate for the financial year ended 31 December 2000 and the period ended 31 March 2001 is principally attributed to tax exempt profits of Inticraft, a subsidiary granted Pioneer Status.

(7) There were no extraordinary items in the relevant periods under review.

(8) The earnings per share of the Group is calculated based on the profit after taxation and minority interest and on the enlarged share capital of 35,000,000 ordinary shares of RM1 each, after the Acquisition but before the Public Issue.

15. ACCOUNTANTS' REPORT *(cont'd)*

5.2 DEGEM (Company Level)

	Year ended 31.12.00 RM'000	3 months ended 1.1.01 to 31.3.01 RM'000
Revenue	-	-
Loss before depreciation and interest	(24)	(2)
Depreciation	-	-
Interest expense	-	-
Loss before taxation	(24)	(2)
Taxation	-	-
Loss after taxation	(24)	(2)
No. of ordinary shares ('000)	2	35,000
Earnings per share (sen)	(1,200.00)	(0.006)

Notes:-

- (1) The first income statement of Degem was presented for the financial year ended 31 December 2000 and represents preliminary and pre-operating expenses written off.
- (2) There were no extraordinary items in the relevant years under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.3 P.Y.T. (Group Level)

	← Year ended 31 December →					3 months ended
	1996	1997	1998	1999	2000	1.1.01 to 31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	75,828	91,060	53,957	66,444	88,039	18,069
Profit before depreciation and interest	11,726	11,110	7,296	11,590	14,559	3,637
Depreciation	(545)	(1,078)	(1,008)	(1,684)	(1,369)	(330)
Interest expense	(372)	(645)	(1,077)	(845)	(913)	(251)
Profit before taxation	10,809	9,387	5,211	9,061	12,277	3,056
Taxation	(3,864)	(3,238)	(1,184)	(12)	(2,724)	(684)
Profit after taxation	6,945	6,149	4,027	9,049	9,553	2,372
Minority interest	-	-	-	(131)	(837)	(138)
Profit after tax and minority interest	6,945	6,149	4,027	8,918	8,716	2,234
No. of ordinary shares ('000)	1,915	1,915	1,915	1,915	1,915	1,915
Earnings per share (sen)	362.66	321.10	210.29	465.69	455.14	116.66

Notes:-

- (1) The high effective tax rate of the Group for the years 1996 and 1997 is attributed to the non-deductibility of certain expenses for tax purposes.

The low effective tax rate for the year 1998 is principally attributed to the eligibility of certain expenses for tax deduction.

No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999. The taxation charge in 1999 relates to under provision of tax in prior year.

The low effective tax rate for the financial year ended 31 December 2000 and the financial period ended 31 March 2001 is principally attributed to tax exempt profits of Inticraft, a subsidiary granted Pioneer status.

- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.4 P.Y.T. (Company Level)

	← Year ended 31 December →					3 months
	1996	1997	1998	1999	2000	ended
	RM'000	RM'000	RM'000	RM'000	RM'000	1.1.01 to
						31.3.01
						RM'000
Revenue	39,121	38,155	25,188	29,901	39,524	9,099
Profit before depreciation and interest	4,924	3,455	3,641	2,964	2,653	437
Depreciation	(209)	(493)	(455)	(495)	(636)	(159)
Interest expense	(312)	(481)	(945)	(574)	(481)	(113)
Profit before taxation	4,403	2,481	2,241	1,895	1,536	165
Taxation	(1,549)	(948)	(630)	-	(557)	(79)
Profit after taxation	2,854	1,533	1,611	1,895	979	86
No. of ordinary shares ('000)	1,915	1,915	1,915	1,915	1,915	1,915
Earnings per share (sen)	149.03	80.05	84.13	98.96	51.12	4.49

Notes:-

- (1) The high effective tax rate for the years 1996, 1997 and 2000 and for the 3 months period ended 31 March 2001 is attributed to the non-deductibility of certain expenses for tax purposes.

The low effective tax rate for the year 1998 is principally attributed to the eligibility of certain expenses for tax deduction.

No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999.

- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.5 P-JEWELLERS (Company Level)

	← Year ended 31 December →					3 months ended 1.1.01 to 31.3.01 RM'000
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	
Revenue	47,109	63,683	35,761	42,558	50,290	8,728
Profit before depreciation and interest	6,409	6,970	3,223	6,217	2,720	1,374
Depreciation	(229)	(402)	(365)	(389)	(321)	(76)
Interest expense	(51)	(148)	(117)	(103)	(169)	(74)
Profit before taxation	6,129	6,420	2,741	5,725	2,230	1,224
Taxation	(2,220)	(2,091)	(615)	-	(720)	(335)
Profit after taxation	3,909	4,329	2,126	5,725	1,510	889
No. of ordinary shares ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Earnings per share (sen)	390.86	432.92	212.57	572.47	151.05	88.90

Notes:-

- (1) The high effective tax rate for the years 1996, 1997 and 2000 attributed to the non-deductibility of certain expenses for tax purposes.

The low effective tax rate for the year 1998 is principally attributed to the eligibility of certain expenses for tax deduction.

No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999.

- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.6 TONG YEK (Company Level)

	← Year ended 31 December →					3 months ended
	1996	1997	1998	1999	2000	1.1.01 to 31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	11,137	14,073	9,241	13,424	3,979	-
Profit before depreciation and interest	490	695	690	591	43	4
Depreciation	(39)	(85)	(87)	(80)	(51)	(13)
Interest expense	(3)	(9)	(7)	(7)	(7)	(1)
Profit/(loss) before taxation	448	601	596	504	(15)	(10)
Taxation	(140)	(340)	(30)	-	(15)	-
Profit/(loss) after taxation	308	261	566	504	(30)	(10)
No. of ordinary shares ('000)	540	540	540	540	540	540
Earnings per share (sen)	57.04	48.33	104.81	93.33	(5.56)	(1.85)

Notes:-

- (1) On 1 January 2000, Tong Yek transferred its manufacturing and trading operations to Inticraft pursuant to a group rationalisation exercise in order to achieve a higher degree of production cost efficiency.
- (2) The high effective tax rate for the years 1996, 1997 and 2000 is attributed to the non-deductibility of certain expenses for tax purposes.

The low effective tax rate for the year 1998 is principally attributed to the eligibility of certain expenses for tax deduction.

No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999.

- (3) There were no extraordinary items in the relevant periods under review.
- (4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.7 P-MEDAL (Company Level)

	← Year ended 31 December →					3 months ended
	1996	1997	1998	1999	2000	1.1.01 to 31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,176	1,156	1,208	1,202	681	-
Profit before depreciation and interest	261	385	404	32	38	4
Depreciation	(47)	(52)	(56)	(43)	(2)	(1)
Interest expense	(6)	(6)	(6)	(6)	(2)	-
Profit before taxation	208	327	342	(17)	34	3
Taxation	(62)	(86)	(105)	7	(10)	-
Profit after taxation	146	241	237	(10)	24	3
No. of ordinary shares ('000)	446	446	446	446	446	446
Earnings per share (sen)	32.74	54.04	53.14	(2.24)	5.38	0.67

Notes:-

- (1) During the financial year ended 1999, P-Medal wound down its manufacturing and trading operations in gold and jewellery following the transfer of its manufacturing operations to Inticraft pursuant to a group rationalisation exercise in order to achieve a higher degree of production cost efficiency.
- (2) The high effective tax rate for the years 1996, 1998 and 2000 is attributed to the non-deductibility of certain expenses for tax purposes.

The low effective tax rate for the year 1997 is principally attributed to reversal of an over provision of taxation in prior year.

No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999. The taxation in 1999 represents reversal of provision for deferred tax.

- (3) There were no extraordinary items in the relevant periods under review.
- (4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.8 P-MANUFACTURING (Company Level)

	← Year ended 31 December →					3 months ended
	1996	1997	1998	1999	2000	1.1.01 to 31.3.01
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	3,193	3,095	3,065	1,946	-	-
Profit before depreciation and interest	90	91	156	83	(5)	(1)
Depreciation	(22)	(46)	(46)	(26)	(5)	-
Interest expense	-	(2)	(2)	(2)	(3)	-
Profit/(loss) before taxation	68	43	108	55	(13)	(1)
Taxation	(23)	(13)	(33)	18	-	-
Profit/(loss) after taxation	45	30	75	73	(13)	(1)
No. of ordinary shares ('000)	50	50	50	50	50	50
Earnings per share (sen)	90.00	60.00	150.00	146.00	(26.00)	(2.00)

Notes:-

(1) During the financial year ended 1999, P-Manufacturing wound down its manufacturing and trading operations in gold and jewellery following the transfer of its manufacturing and trading operations to Inticraft pursuant to a group rationalisation exercise in order to achieve a higher degree of production cost efficiency. P-Manufacturing ceased operations in year 2000.

(2) The high effective tax rate for the years 1996, 1997 and 1998 is attributed to the non-deductibility of certain expenses for tax purposes.

No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999. The taxation in 1999 represents reversal of provision for deferred tax.

(3) There were no extraordinary items in the relevant periods under review.

(4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.9 INTICRAFT (Company Level)

	Period from 17.11.97 to 31.12.98 RM'000	Year ended 31 December 1999 RM'000	2000 RM'000	3 months ended 1.1.01 to 31.3.01 RM'000
Revenue	-	2,542	46,501	9,279
Profit before depreciation and interest	-	554	7,966	1,623
Depreciation	-	(46)	(124)	(29)
Interest expense	-	-	-	-
Profit before taxation	-	508	7,842	1,594
Taxation	-	(22)	(682)	(161)
Profit after taxation	-	486	7,160	1,433
No. of ordinary shares ('000)	*	500	500	500
Earnings per share (sen)	-	97.20	1,432.00	286.60

* RM2

Notes:-

- (1) Inticraft was incorporated on 17 November 1997. Inticraft commenced manufacturing and trading operations in gold and jewellery following the transfer of the manufacturing operations from P-Manufacturing and P-Medal in 1999 and from Tong Yek in 2000 pursuant to a group rationalisation exercise in order to achieve a higher degree of production cost efficiency.

The first audited financial statements cover the period from 17 November 1997 to 31 December 1998.

- (2) The low effective tax rate in year 2000 and the 3 months period ended 31 March 2001 is principally attributed to tax exempt profits arising from Pioneer Status granted to Inticraft.

No provision for taxation has been made in 1999 as income earned in basis year 1999 is exempted from tax in accordance with the provisions of the Income Tax (Amendment) Act 1999. The taxation in 1999 represents provision for deferred tax.

- (3) There were no extraordinary items in the relevant periods under review.
- (4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.10 DIAMOND & PLATINUM (Company Level)

	Period from 3.9.99 to 31.12.99 RM'000	Year ended 31.12.00 RM'000	3 months ended 1.1.01 to 31.3.01 RM'000
Revenue	1,533	13,694	4,095
Profit before depreciation and interest	390	2,921	465
Depreciation	(48)	(115)	(30)
Interest expense	-	(5)	(1)
Profit before taxation	342	2,801	434
Taxation	(15)	(784)	(141)
Profit after taxation	327	2,017	293
No. of ordinary shares ('000)	100	1,000	1,000
Earnings per share (sen)	327.00	201.70	29.3

Notes:-

- (1) Diamond & Platinum was incorporated on 3 September 1999. Accordingly, the first audited financial statements cover the period from 3 September 1999 to 31 December 1999.
- (2) The high effective tax rate for the 3 months period ended 31 March 2001 is attributed to the non-deductibility of certain expenses for tax purposes.
- (3) There were no extraordinary items in the relevant periods under review.
- (4) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT *(cont'd)*

5.11 P-AMPANG (Company Level)

	Period from 13.10.99 to 31.12.00 RM'000	3 months ended 1.1.01 to 31.3.01 RM'000
Revenue	5,492	1,131
Profit before depreciation and interest	516	299
Depreciation	(84)	(14)
Interest expense	(4)	(1)
Profit before taxation	428	284
Taxation	(128)	(81)
Profit after taxation	300	203
No. of ordinary shares ('000)	2,000	2,000
Earnings per share (sen)	15.00	10.15

Notes:-

- (1) P-Ampang was incorporated on 13 October 1999. Accordingly, the first audited financial statements cover the period from 13 October 1999 to 31 December 2000.
- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.12 TELENAGA (Company Level)

	Period from 30.12.96 to 31.12.97 RM'000	Year ended 31 December			3 months ended 1.1.01 to 31.3.01 RM'000
		1998 RM'000	1999 RM'000	2000 RM'000	
Revenue	-	-	248	294	21
Profit before depreciation and interest	-	-	233	240	-
Depreciation	-	-	(31)	(31)	(8)
Interest expense	-	-	(153)	(245)	(60)
Profit/(loss) before taxation	-	-	49	(36)	(68)
Taxation	-	-	-	(2)	-
Profit/(loss) after taxation	-	-	49	(38)	(68)
No. of ordinary shares ('000)	*	*	1,000	1,000	1,000
Earnings per share (sen)	-	-	4.90	(3.80)	(6.80)

* RM2

Notes:-

- (1) Telenaga was incorporated on 30 December 1996 and commenced operations in 1999. Accordingly, the first audited financial statements cover the period from 30 December 1996 to 31 December 1997.
- (2) There were no extraordinary items in the relevant periods under review.
- (3) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.

15. ACCOUNTANTS' REPORT (cont'd)



5.13 DIAMOND MART (Company Level)

	Period from 17.3.97 to 31.3.98 RM'000	Year ended 31 March 1999 RM'000	2000 RM'000	Period from 1.4.00 to 31.12.00 RM'000	Period from 31.12.00 to 31.3.01 RM'000
Revenue	-	-	-	-	-
Profit before depreciation and interest	-	-	-	(11)	(5)
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Profit before taxation	-	-	-	(11)	(5)
Taxation	-	-	-	-	-
Profit after taxation	-	-	-	(11)	(5)
No. of ordinary shares ('000)	*	*	100	100	100
Earnings per share (sen)	-	-	-	(11.00)	(5.00)

* RM2

Notes:-

- (1) Diamond Mart was incorporated on 17 March 1997. Accordingly, the first audited financial statements cover the period from 17 March 1997 to 31 March 1998. No income statement has been presented up to 31 March 2000 as Diamond Mart has not commenced operations. The financial results in the period from 1 April 2000 to 31 December 2000 represent preliminary and pre-operating expenses written off.
- (2) The earnings per share is calculated based on the profit after taxation and on the number of ordinary shares in issue in the relevant periods under review.