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## REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 19 to 42. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary, to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 December 2000 and of the results of the operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 4 to the financial statements and we have considered their financial statements and the auditors' report thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiary companies were not subject to any qualifications and did not include any comment made under subsection (3) of Section 174 of the Act.

WONG LIU & PARTNERS  
A.F.0182  
Public Accountants

TANG YIN KHAM  
1728/3/02(J)  
Partner

Penang  
20 April 2001

The directors have pleasure in submitting their report and the audited financial statements of the group and of the Company for the year ended 31 December 2000.

#### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of its subsidiary companies are set out in Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the year under review.

#### RESULTS

	Group RM	Company RM
Profit after taxation & minority interest	6,066,688	2,543,338
Retained profit brought forward	14,042,155	-
Profit available for appropriation	<u>20,108,843</u>	<u>2,543,338</u>
First & final dividend of 8% less income tax at 28%	<u>(2,361,600)</u>	<u>(2,361,600)</u>
Retained profit carried forward	<u>17,747,243</u>	<u>181,738</u>

#### DIVIDENDS

A first and final dividend of 8% less income tax at 28% totalling RM2,361,600 has been recommended by the directors in respect of the year ended 31 December 2000, subject to the shareholders' approval.

#### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year except as disclosed in Note 29 to the financial statements.

#### DIRECTORS OF THE COMPANY

The names of the directors who served since the date of the last report are :-

##### Name of Directors

Hassan Gany Bin Sulthan *(Resigned on 7.3.2000)*  
 Phnuah Farn Farn *(Resigned on 7.3.2000)*  
 Lim Cheah Chooi *(Appointed on 6.3.2000)*  
 Dato' Kamal Mohd Hashim Bin Che Din *(Appointed on 6.3.2000)*  
 Lim Kim Guan *(Appointed on 6.3.2000)*  
 Siew Fook Kheong *(Appointed on 6.3.2000)*  
 Ngoi Foo Sing *(Appointed on 6.3.2000)*  
 Han Mun Kuan *(Appointed on 6.3.2000)*  
 Abdul Rafique bin Abdul Karim *(Appointed on 6.3.2000)*  
 Lee Yoke Khay *(Appointed on 6.3.2000)*  
 Tang King Tai @ Tan Khoon Hai *(Appointed on 6.3.2000)*  
 Norman bin A Rahman *(Appointed on 1.4.2000)*

In accordance with Article 83 of the Company's Articles of Association, Dato' Kamal Mohd Hashim bin Che Din, Messrs. Lim Kim Guan, Siew Fook Kheong, Ngoi Foo Sing, Han Mun Kuan, Abdul Rafique bin A Karim, Lee Yoke Khay, Tang King Tai @ Tan Khoon Hai and Norman bin A Rahman retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

#### DIRECTORS' INTEREST IN SHARES

Name of Directors	Ordinary shares of RM1/- each			Balance At 31.12.00
	Balance At 1.1.00	Bought	Sold	
Lim Cheah Chooi	-	15,607,937	-	15,607,937*
Dato' Kamal Mohd Hashim Bin Che Din	-	250,000	-	250,000
Lim Kim Guan	-	3,911,115	-	3,911,115*
Siew Fook Kheong	-	420,789	-	420,789*
Ngoi Foo Sing	-	3,311,709	-	3,311,709*
Han Mun Kuan	-	783,687	-	783,687*
Abdul Rafique bin A Karim	-	4,819,352	(2,809,352)	2,010,000
Lee Yoke Khay	-	10,000	-	10,000
Tang King Tai @ Tan Khoon Hai	-	150,119	(104,000)	46,119
Norman bin A Rahman	-	10,000	-	10,000

\* Certain shares are held through nominee companies

By virtue of their interest in the shares of the Company, the above directors are also deemed to have interest in the shares of its subsidiary companies to the extent the Company has an interest.

#### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than those included in the amount of emoluments received or receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest. Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except as disclosed in Note 31 to the financial statements.

#### SIGNIFICANT EVENTS

Significant events during the year are disclosed in Note 33 to the financial statements.

#### ISSUE OF SHARES

During the financial year, the following shares were issued by the Company :-

Class	Number	Term of Issue	Purpose of Issue
Ordinary shares of RM1.00 each	31,363,848	Otherwise than cash	For acquisition of subsidiary companies
Ordinary shares of RM1.00 each	2,036,150	Cash	Rights issue
Ordinary shares of RM1.00 each	7,600,000	Cash	Public issue

**OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES**

No options were granted to any person to take up unissued shares or debentures of the Company during the year under review.

**OTHER STATUTORY INFORMATION**

The directors have taken reasonable steps to ascertain that :-

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the directors of the Group and of the Company are not aware of any circumstances:-

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
- ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
- iii) which have arisen which render adherence to the existing method of valuation of assets and liabilities in the Group and in the Company misleading or inappropriate; and
- iv) not otherwise dealt with in this report or in the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :-

- i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; and
- ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2000 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

**AUDITORS**

The auditors, Messrs. Wong Liu & Partners have indicated their willingness to continue in office.

Signed in accordance with a  
resolution of the directors,

LIM CHEAH CHOOI

SIEW FOOK KHEONG

Penang  
20 April 2001

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2000

			1999
	Notes	RM	RM
PROPERTY, PLANT AND EQUIPMENT	(3)	19,820,458	14,048,613
ASSOCIATED COMPANY	(5)	1,588,798	1,712,000
INVESTMENT	(6)	1,361,126	985,206
GOODWILL AND CONSOLIDATION	(7)	517,920	83,911
DEFERRED EXPENDITURE	(8)	-	536,735
<b>CURRENT ASSETS</b>			
Inventories	(9)	37,249,927	24,011,881
Trade debtors	(10)	27,930,077	23,249,197
Other debtors, deposits & prepayments	(11)	1,772,390	897,376
Fixed deposits	(12)	1,665,016	2,489,942
Cash & bank balances		4,185,256	3,901,323
		<u>72,802,666</u>	<u>54,549,719</u>
<b>CURRENT LIABILITIES</b>			
Trade creditors		6,912,632	7,245,827
Other creditors & accruals		1,743,722	1,598,333
Amount owing to directors	(13)	376,575	565,317
Term loan	(14)	1,049,378	395,947
Bank borrowings	(15)	9,614,666	10,628,073
Proposed dividend		2,361,600	1,986,167
Provision for taxation		2,629,273	1,532,380
		<u>24,687,846</u>	<u>23,952,044</u>
<b>NET CURRENT ASSETS</b>		<u>48,114,820</u>	<u>30,597,675</u>
		<u>71,403,122</u>	<u>47,964,140</u>
Financed by :			
SHARE CAPITAL	(16)	41,000,000	31,363,850
RESERVES	(17)	26,064,707	14,040,969
SHAREHOLDERS' FUNDS		<u>67,064,707</u>	<u>45,404,819</u>
MINORITY INTEREST		1,127,466	189,076
<b>LONG TERM AND DEFERRED LIABILITIES</b>			
Term Loan	(14)	1,669,697	1,715,966
Hire purchase and finance lease creditors	(18)	1,296,352	464,469
Deferred taxation	(19)	244,900	189,810
		<u>71,403,122</u>	<u>47,964,140</u>

## BALANCE SHEET AS AT 31 DECEMBER 2000

			1999
	Notes	RM	RM
PROPERTY, PLANT AND EQUIPMENT	(3)		25,146
INVESTMENT IN SUBSIDIARY COMPANIES	(4)		50,050,985
ASSOCIATED COMPANY	(5)		1,685,130
DEFERRED EXPENDITURE	(8)		-
<b>CURRENT ASSETS</b>			
Other debtors, deposits & prepayments		10,612	-
Cash & bank balances		282,751	2
		<u>293,363</u>	<u>2</u>
<b>CURRENT LIABILITIES</b>			
Other creditors & accruals		155,006	536,735
Proposed dividend		2,361,600	-
Provision for taxation		10,165	-
		<u>2,526,771</u>	<u>536,735</u>
<b>NET CURRENT LIABILITIES</b>			
		<u>(2,233,408)</u>	<u>(536,733)</u>
		<u>49,527,853</u>	<u>2</u>
Financed by :-			
SHARE CAPITAL	(16)		41,000,000
RESERVE	(17)		8,527,853
<b>SHAREHOLDERS' FUNDS</b>			
		<u>49,527,853</u>	<u>2</u>

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

		RM	1999 RM
Revenue	(20)	66,012,832	56,052,149
Cost of sales		(44,802,579)	(36,506,400)
Gross profit		<u>21,210,253</u>	<u>19,545,749</u>
Other operating income		872,354	505,801
Administration expenses		(7,315,834)	(5,750,834)
Selling & distribution expenses		(1,489,011)	(1,402,424)
Other operating expenses		(1,223,188)	(686,794)
Operating profit	(21)	<u>12,054,574</u>	<u>12,211,498</u>
Net financing costs	(22)	(1,323,214)	(1,275,495)
Exceptional items	(23)	(702,793)	118,055
Share of results of associated company		202,396	-
Profit before tax		<u>10,230,963</u>	<u>11,054,058</u>
Tax expense	(24)	(3,962,283)	(65,815)
Net profit after tax		<u>6,268,680</u>	<u>10,988,243</u>
Minority interest		(201,992)	(112,011)
Net profit for the year		<u><u>6,066,688</u></u>	<u><u>10,876,232</u></u>
Basic earnings per ordinary share (sen)	(25)	17.54	34.68



## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	RM	1999 RM
Revenue	(20)	3,741,030	-
Other operating income		7,138	-
Administration expenses		(115,802)	-
Other operating expenses		(130,910)	-
Operating profit	(21)	<u>3,501,456</u>	<u>-</u>
Net financing costs	(22)	14,882	-
Profit before tax		<u>3,516,338</u>	<u>-</u>
Tax expense	(24)	(973,000)	-
Net profit after tax for the year		<u><u>2,543,338</u></u>	<u><u>-</u></u>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2000

## Group

	Share Capital RM	Share Premium RM	Capital Reserve RM	Exchange Fluctuation Reserve RM	Retained Profit RM	Total RM
At 1 January 1999	2	-	-	-	-	2
Balance as per consolidated audited balance sheets at 1 January 1999	-	-	1,862,010	-	22,051,359	23,913,369
Increase in share capital to reflect the merger	31,363,848	-	-	-	-	31,363,848
Set-off against merger debit (Note 36)	-	-	(1,862,010)	-	(18,885,436)	(20,747,446)
Net profit after tax for the year	-	-	-	-	10,876,232	10,876,232
Translation difference	-	-	-	(1,186)	-	(1,186)
At 31 December 1999	31,363,850	-	-	(1,186)	14,042,155	45,404,819
Rights issue & public issue of share capital	9,636,150	-	-	-	-	9,636,150
Share premium (Note 29)	-	8,346,115	-	-	-	8,346,115
Net profit after tax for the year	-	-	-	-	6,066,688	6,066,688
Proposed first & final dividend of 8% less income tax at 28%	-	-	-	-	(2,361,600)	(2,361,600)
Translation difference	-	-	-	(27,465)	-	(27,465)
At 31 December 2000	41,000,000	8,346,115	-	(28,651)	17,747,243	67,064,707

## Company

	Share Capital RM	Share Premium RM	Retained Profit RM	Total RM
At 1 January 1999	2	-	-	2
At 31 December 1999	2	-	-	2
Issue of share capital	40,999,998	-	-	40,999,998
Share premium (Note 29)	-	8,346,115	-	8,346,115
Net profit after tax for the year	-	-	2,543,338	2,543,338
Proposed first & final dividend of 8% less income tax at 28%	-	-	(2,361,600)	(2,361,600)
At 31 December 2000	41,000,000	8,346,115	181,738	49,527,853

The notes set out on pages 26 to 42 form an integral part of these financial statements.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

	RM	Group 1999 RM	Company 1999 RM	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before taxation	10,230,963	11,054,057	3,516,338	-
Adjustment for :-				
Amortisation of goodwill	28,478	-	-	-
Deficit in revaluation of property, plant and equipment	-	72,472	-	-
Expenditure carried forward written off	47,293	-	-	-
(Profit)/loss from disposal of property, plant and equipment	(383,092)	27,994	-	-
Property, plant and equipment written off	6,179	-	-	-
Depreciation & amortisation	2,115,867	1,329,507	2,794	-
Expenditure carried forward written off	-	-	47,293	-
Profit on disposal of quoted investment	(91,486)	(201,552)	-	-
Provision for diminution in value of quoted investment	794,279	11,025	-	-
Share of results of associated company	(202,396)	-	-	-
Dividend received	(38,340)	(4,450)	(3,344,020)	-
Interest expenses	1,466,324	1,419,159	189,849	-
Interest received	(333,357)	(105,629)	(204,731)	-
Rental received	(195,580)	(187,514)	-	-
Operating profit before working capital changes	13,445,132	13,415,069	207,523	-
Increase in amount owing by subsidiary companies	-	-	(17,973,137)	-
Increase/(decrease) in associated company's account	405,346	(136,758)	(5,130)	-
Increase in inventories	(12,725,583)	(2,573,055)	-	-
Increase in debtors & deposits	(6,343,505)	(4,733,907)	(10,612)	-
Increase/(decrease) in creditors & accruals	789,961	(1,133,640)	(381,729)	187,740
Increase/(decrease) in bank borrowings	1,546,247	(499,798)	-	-
Decrease in amount owing to directors	(196,819)	(414,137)	-	-
Cash generated from/(used in) operations	(3,079,221)	3,923,774	(18,163,085)	187,740
Tax paid	(3,069,202)	(1,925,414)	(962,835)	-
Interest expenses	(1,466,324)	(1,419,159)	(189,849)	-
Net cash generated from/(used in) operating activities	(7,614,747)	579,201	(19,315,769)	187,740

The notes set out on pages 26 to 42 form an integral part of these financial statements.

	Notes	Group		Company	
		RM	1999 RM	RM	1999 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(5,584,259)	(1,447,636)	(27,940)	-
Proceeds from disposal of property, plant and equipment		704,766	445,630	-	-
Proceeds from disposal of quoted investment		1,275,832	-	-	-
Proceeds from disposal of unquoted investment		-	1,179,838	-	-
Cash flow on acquisition of subsidiary companies	(26)	(593,217)	-	-	-
Cash flow on acquisition of associated companies		-	(912,000)	(1,680,000)	-
Purchase of unquoted investment		-	-	(714,000)	-
Purchase of quoted investment		(3,155,514)	(390,943)	-	-
Interest received		333,357	105,629	204,731	-
Dividend received		38,340	187,514	3,344,020	-
Rental received		195,580	4,450	-	-
Net cash generated from / (used in) investing activities		(6,785,115)	(827,518)	1,126,811	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend paid		(1,984,305)	-	-	-
Share issued		19,516,150	-	19,516,150	-
Listing expenses		(1,044,443)	(187,740)	(1,044,443)	(187,740)
Loan drawdown		(3,998,076)	-	5,000,000	-
Repayment of loan		4,600,089	(264,587)	(5,000,000)	-
Repayment of hire purchase and finance lease		(645,040)	(445,280)	-	-
Net cash inflow/(outflow) from financing activities		16,444,375	(897,607)	18,471,707	(187,740)
Effect of exchange rate changes on cash and cash equivalents		(25,852)	(1,734)	-	-
Net increase / (decrease) in cash and cash equivalents		2,018,661	(1,147,658)	282,749	-
Cash and cash equivalents at beginning of year		(1,454,230)	(306,572)	2	2
Cash and cash equivalents at end of year	(27)	<u>564,431</u>	<u>(1,454,230)</u>	<u>282,751</u>	<u>2</u>

The notes set out on pages 26 to 42 form an integral part of these financial statements.

## 1. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of its subsidiary companies are set out in Note 4 to the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting Convention

The financial statements of the Group and of the Company have been drawn up under the historical cost convention as modified by the revaluation of certain property, plant and equipment of the Group and of the Company and comply with applicable approved accounting standards in Malaysia.

### 2.2 Property, Plant and Equipment

Property, plant and equipment, except for freehold lands, leasehold land and certain buildings which are stated at valuation, are stated at cost less accumulated depreciation.

Surpluses arising from revaluation are dealt with in the capital reserve account. Any deficit arising is offset against the capital reserve to the extent of a previous increase for the same property. In other cases, a decrease in carrying amount will be charged to the Income Statement.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the Income Statement unless it reverses a previous revaluation in which case it will be charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

### 2.3 Depreciation

Depreciation of the property, plant and equipment is calculated to write off the cost or valuation of each asset on the straight line basis over its expected useful life. The principal annual rates used for this purpose are :-

Freehold buildings	2%
Plant, machinery & equipment	10%
Heavy moving equipment & motor vehicles	10% - 20%
Electrical installation & renovation	10%
Furniture, fittings & office equipment	10%
Mould, tools & implement	10%

Freehold land is not depreciated and leasehold land is amortised over the remaining lease period.

## 2.4 Investments

Investments are stated at cost less provision for diminution in value where such diminution in value is considered by the directors to be of a permanent nature.

Quoted investment is stated at the lower of cost and market value.

## 2.5 Basic of Consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The results of all the subsidiary companies are consolidated on the following basis :-

SUBSIDIARY COMPANIES	METHODS OF CONSOLIDATION
Unimech Engineering (M) Sdn. Bhd.	Merger accounting
Unimech Engineering (KL) Sdn. Bhd.	Merger accounting
Unimech Engineering (JB) Sdn. Bhd.	Merger accounting
Unimech Projects Sdn. Bhd.	Merger accounting
Arita Valve Mfg. (M) Sdn. Bhd.	Merger accounting
Arita Flanges Industries Sdn. Bhd.	Merger accounting
Multiplex Control & Engineering Services Pte. Ltd.	Merger accounting
Arita Engineering Sdn. Bhd.	Merger accounting
Q-Flex Industries (M) Sdn. Bhd.	Merger accounting
Unijin Instruments Industries Sdn. Bhd.	Acquisition accounting

Under the merger method of accounting, the results of the subsidiary companies are presented as if the companies had been combined throughout the current and previous financial years. The difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiary companies acquire is taken to merger reserve. Any merger debit arising is written off against capital reserves and retained profits.

Under the acquisition method, the results of the subsidiary companies acquired or disposed during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the date of disposal as appropriate. The difference between the acquisition cost and the fair value of the net assets of the subsidiary companies is reflected as goodwill or reserve on consolidation, where appropriate.

Inter-company transactions are eliminated on consolidation.

Goodwill on consolidation is being amortised over a period of 25 years commencing from the financial year ended 31 December 2000.

## 2.6 Associates

Associates are those enterprise in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

## 2.7 Inventories

Inventories are stated at the lower of cost and net realisable value after adequate provision has been made for all deteriorated, damaged, obsolete, or slow moving inventories. Cost is determined on the first-in, first-out basis. The cost of inventories comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

## 2.8 Income Recognition

Revenue from the sale of goods is based on the value invoiced less returns and is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer.

Dividend income is recognised based on received and receivable basis.

Interest income is recognised on accrual basis.

## 2.9 Deferred Taxation

Provision is made by using the liability method for taxation deferred in respect of all material timing differences except where no liability is expected to arise in the foreseeable future and there are no indications they will reverse thereafter. Deferred tax benefits are recognised only where there is reasonable expectation of realisation in due course.

## 2.10 Hire Purchase and Finance Lease

Assets acquired under the hire purchase and finance lease instalment plans are capitalised as property, plant and equipment and the corresponding obligations are taken up as liabilities. The interest element is charged to the Income Statement over the period of the respective arrangements.

## 2.11 Bad and doubtful debts

All known bad debts are written off and specific provision made for all known doubtful debts.

## 2.12 Foreign Currencies Translation

Transactions in foreign currencies during the year are translated into Ringgit Malaysia at the exchange rates prevailing at the dates of transactions. Assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at exchange rates approximating those prevailing on that date. All exchange gains and losses arising from currency translation are included in the Income Statements.

Assets, liabilities and income statement of the foreign subsidiary are translated into Ringgit Malaysia at the rates of exchange approximating those ruling at balance sheet date.

Exchange difference resulting from retranslating the opening net investment in the foreign subsidiary at the closing exchange rate are taken directly to the Exchange Fluctuation Reserve.

The closing rates used in translation are as follows :-

SGD RM2.164

USD RM3.800

## 2.13 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

## 2.14 Net Financing Costs

Net financing costs comprise interest payable on borrowings and interest receivables on funds invested. All interest and other cost incurred in connection with borrowings are expensed as incurred as part of net financing cost.

## 2.15 Expenditure Carried Forward

The preliminary and pre-operating expenses are written off to the Income Statement from the date of commencement of operations.

Listing expenses are set off against Share Premium Account during the year.

3. PROPERTY, PLANT AND EQUIPMENT

Group	At Valuation										At Cost		
	Freehold buildings	Freehold lands	Leasehold lands & buildings	Freehold buildings	Freehold lands	Electrical installation & renovation	Furniture, fittings & office equipment	Leasehold lands & buildings	Heavy moving equipment & motor vehicles	Plant & machinery & equipment	Mould tools & implement	Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<b>Cost/Valuation</b>													
At 1 January 2000	2,278,025	2,041,975	3,850,000	353,795	128,000	410,438	1,957,368	-	3,351,626	4,319,403	627,376	19,318,006	
Assets of subsidiary companies acquired	-	-	-	-	-	65,014	232,004	-	99,970	909,352	72,804	1,379,144	
Exchange adjustment	-	-	-	-	-	(577)	(2,230)	-	(7,842)	(272)	-	(10,921)	
Additions	58,940	-	-	650,108	335,541	93,710	376,595	431,620	2,381,383	2,692,996	119,3947	140,287	
Disposals	-	-	-	-	-	-	(10,475)	-	(1,075,636)	(20,000)	(22,700)	(1,128,811)	
Write-offs	-	-	-	-	-	-	-	-	(2,000)	-	-	(2,000)	
At 31 December 2000	2,336,965	2,041,975	3,850,000	1,003,903	463,541	568,585	2,553,262	431,620	4,747,501	7,901,479	796,872	26,695,705	
<b>Accumulated Depreciation</b>													
At 1 January 2000	45,560	-	74,880	7,076	-	140,230	991,728	-	2,163,010	1,702,059	144,850	5,269,393	
Assets of subsidiary companies acquired	-	-	-	-	-	13,462	26,715	-	2,166	242,228	13,898	298,469	
Exchange adjustment	-	-	-	-	-	(444)	(1,751)	-	(3,127)	(203)	-	(5,525)	
Charge for the year	46,739	-	74,881	20,077	-	50,670	255,322	13,488	744,887	830,115	79,688	115,867	
Disposals	-	-	-	-	-	-	(1,429)	-	(797,128)	(2,400)	-	(800,957)	
Write-offs	-	-	-	-	-	-	-	-	(2,000)	-	-	(2,000)	
At 31 December 2000	92,299	-	149,761	27,153	-	203,918	1,270,585	13,488	1,107,808	2,771,799	238,436	6,875,247	
<b>Net Book Value</b>													
At 31 December 2000	2,244,666	2,041,975	3,700,239	976,750	463,541	364,667	1,282,677	418,132	2,639,693	5,129,680	558,438	19,820,458	
At 31 December 1999	2,232,465	2,041,975	3,775,120	346,719	128,000	270,208	965,640	-	1,188,616	2,617,344	482,526	14,048,613	
<b>Depreciation for the year ended 31 December 1999</b>													
	45,560	-	74,880	7,076	-	35,483	198,177	-	460,418	445,175	62,738	1,329,507	



3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Furniture, fittings & office equipment RM	
Cost	-	
At 1 January 2000	27,940	
Additions	<u>27,940</u>	
At 31 December 2000	<u><u>27,940</u></u>	
Accumulated Depreciation	-	
At 1 January 2000	-	
Charge for the year	<u>2,794</u>	2,794
At 31 December 2000	<u><u>2,794</u></u>	
Net Book Value		
At 31 December 2000	<u><u>25,146</u></u>	
At 31 December 1999	<u><u>-</u></u>	
Depreciation for the year ended 31 December 1999	<u><u>-</u></u>	

The freehold lands and buildings were revalued by the directors on an open market value basis for existing use based on a valuation carried out by independent professional valuers in May 1999. As allowed by the transitional provisions contained in IAS 16 (Revised), Property, Plant and Equipment, issued by the Malaysian Accounting Standards Board, the assets have been stated on the basis of their valuation.

The net book value of those revalued assets stated at their original cost less accumulated depreciation are as follows:-

GROUP

	Cost RM	Accumulated Depreciation RM	Net Book Value RM	
As at 31.12.00				
Freehold buildings	2,337,121	271,536	2,065,585	
Freehold land	1,033,833	-	1,033,833	
Leasehold buildings	2,026,607		1,740,895	285,712
Leasehold land	334,365	35,604	298,761	
Leasehold land & buildings	<u>1,159,816</u>	<u>90,863</u>	<u>1,068,953</u>	
	<u><u>6,891,742</u></u>	<u><u>683,715</u></u>	<u><u>6,208,027</u></u>	

	Cost RM	Accumulated Depreciation RM	Net Book Value RM	
As at 31.12.99				
Freehold buildings	2,278,181	224,794	2,053,387	
Freehold land	1,033,833	-	1,033,833	
Leasehold buildings	334,365		302,541	31,824
Leasehold land	2,026,607	245,180	1,781,427	
Leasehold land & buildings	<u>1,159,816</u>	<u>65,650</u>	<u>1,094,166</u>	
	<u><u>6,832,802</u></u>	<u><u>567,448</u></u>	<u><u>6,265,354</u></u>	

The property, plant and equipment of certain subsidiary companies with net book value amounting to RM4,892,742 (1999 : RM4,956,430) have been charged to various banks for term loan and bank overdraft facilities granted to the subsidiary companies concerned.

Included in the net book value of property, plant and equipment are the following assets which are acquired by way of hire purchase/finance lease instalment plans :-

	GROUP	
	2000 RM	1999 RM
Machinery	206,440	181,580
Motor vehicles	<u>2,299,115</u>	<u>1,079,143</u>

## 4. SUBSIDIARY COMPANIES

	Company	
	2000	1999
	RM	RM
Unquoted shares in subsidiary companies at cost	32,077,848	-
Amount owing by subsidiary companies	17,973,137	-
	<u>50,050,985</u>	<u>-</u>

Particulars of the subsidiary companies are as follows :-

<u>Name of Company</u>	<u>Effective Equity Held</u> %	<u>Principal Activities</u>
Unimech Engineering (M) Sdn. Bhd.	100	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems
Unimech Engineering (KL) Sdn. Bhd.	100	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems
Unimech Engineering (JB) Sdn. Bhd.	100	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems
Arita Valve Mfg. (M) Sdn. Bhd.	100	Design and manufacture of valves, strainers, pipe fittings and chemical pumps for boilers
Unimech Projects Sdn. Bhd.	100	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems
Arita Flanges Industries Sdn. Bhd.	100	Engineering design and manufacture of all type of steel flanges
Q-Flex Industries (M) Sdn. Bhd.	100	Manufacture of rubber flexible joint and mould products
Arita Engineering Sdn. Bhd.	100	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems
Multiplex Control & Engineering Services Pte. Ltd. *	100	Fabrication and installation of automation instruments /systems and control panels, buying and selling of level switches and gauges and related products
Unijin Instruments Industries Sdn. Bhd.	51	Manufacturing of pressure gauges and thermometer

Subsidiary company of Unimech Engineering (J.B) Sdn. Bhd.

<u>Name of Company</u>	<u>Effective Equity Held</u> %	<u>Principal Activities</u>
Purcoat International (M) Sdn. Bhd.	70	Manufacture all kinds of coating materials, chemical & cementitious products.
Performance Coatings Technology & Engineering Sdn. Bhd.	51	To supply coating materials and to engage in engineering works

Subsidiary company of Unimech Engineering (J.B) Sdn. Bhd.

<u>Name of Company</u>	<u>Effective Equity Held</u> %	<u>Principal Activities</u>
Unimech Engineering (Kuantan) Sdn. Bhd.	60	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems

Subsidiary company of Unimech Projects Sdn. Bhd.

<u>Name of Company</u>	<u>Effective Equity Held</u> %	<u>Principal Activities</u>
Inventive Potentials Sdn. Bhd. *	75	Manufacture of metal stamped parts and design of die casting moulds.

Subsidiary company of Purcoat International (M) Sdn. Bhd.

<u>Name of Company</u>	<u>Effective Equity Held</u> %	<u>Principal Activities</u>
Origin Chemical Technology Sdn. Bhd.	49	Trading in all kinds of coating materials, chemical & cementitious products.

All the subsidiary companies are incorporated in Malaysia except Multiplex Control & Engineering Services Ptd. Ltd. which is incorporated in the Republic of Singapore.

\* *Subsidiary companies audited by other auditors*

#### 5. ASSOCIATED COMPANY

<u>Name of Company</u>	<u>Principal Activities</u>	<u>Effective Equity Held</u>	<u>Place of Incorporation</u>
Rigel Metalcraft (M) Sdn. Bhd. *	Production of investment castings of stainless steel and non-ferrous metals	28%	Malaysia

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Investment in associated company at cost	1,712,000	1,712,000	1,685,130	-
Share of post acquisition results of associated company	202,075	-	-	-
Premium on acquisition amortised	(6,899)	-	-	-
Interest in associated company (Note 5.1)	1,907,176	1,712,000	-	-
Amount due to associated company	(318,378)	-	-	-
	<u>1,588,798</u>	<u>1,712,000</u>	<u>1,685,130</u>	<u>-</u>

\* *Associated company audited by another auditor*

## 5.1 Interest in Associated Company

	Group	
	2000 RM	1999 RM
Share of net tangible assets	1,741,597	-
Premium on acquisition of associated company	<u>165,579</u>	<u>-</u>
	<u>1,907,176</u>	<u>-</u>
The movement of premium on acquisition of associated company during the financial year is as follows :-		
Balance at beginning of financial year	-	-
Arising during the financial year	202,075	-
Amortisation for the financial year	<u>(6,899)</u>	<u>-</u>
Balance at end of financial year	<u>195,176</u>	<u>-</u>

## 6. INVESTMENT

	Group	
	2000 RM	1999 RM
Quoted investment	2,119,555	159,263
Provision for diminution in value	<u>(794,429)</u>	<u>(11,025)</u>
	1,325,126	148,238
Unquoted investment	<u>36,000</u>	<u>836,968</u>
	<u>1,361,126</u>	<u>985,206</u>
Cost of quoted investment	<u>2,130,580</u>	<u>1,820,238</u>
Market value of quoted investment	<u>1,325,205</u>	<u>2,804,476</u>

## 7. GOODWILL ON CONSOLIDATION

	Group	
	2000 RM	1999 RM
Balance at 1 January	83,911	83,911
Arising on acquisition of subsidiary companies	<u>455,588</u>	<u>-</u>
	539,499	83,911
Less : Amount amortised during the year	<u>21,579</u>	<u>-</u>
Balance at 31 December	<u>517,920</u>	<u>83,911</u>

## 8. EXPENDITURE CARRIED FORWARD

	Group & Company	
	2000 RM	1999 RM
Preliminary expenses	42,800	42,800
Pre-operating expenses	4,493	4,493
Listing expenses	<u>1,533,885</u>	<u>489,442</u>
	1,581,178	536,735
Listing expenses written off against share premium (Note 29)	<u>(1,533,885)</u>	<u>-</u>
Preliminary and pre-operating expenses written off	<u>(47,293)</u>	<u>-</u>
	<u>-</u>	<u>536,735</u>

## 9. INVENTORIES

Details of inventories are as follows :-

	Group	
	2000	1999
	RM	RM
Raw materials	3,508,871	2,452,547
Work-in-progress	360,751	368,870
Finished goods	<u>33,380,305</u>	<u>21,190,464</u>
	<u>37,249,927</u>	<u>24,011,881</u>

## 10. TRADE DEBTORS

	Group	
	2000	1999
	RM	RM
Trade debtors	28,016,620	23,289,503
Provision for doubtful debts	<u>(86,543)</u>	<u>(40,306)</u>
	<u>27,930,077</u>	<u>23,249,197</u>

## 11. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS - GROUP

- (i) Included herein is an amount of RM491,958 being application for 80% shareholding in P.T. Arita Indonesia Manufacturing, a company incorporated in Indonesia.
- (ii) Included herein is an amount of RM175,000 being application for 51% shareholding in P.T. Arita Prima Indonesia, a company incorporated in Indonesia.
- (iii) Included herein is an amount of RM80,015 being progress payments made in respect of a freehold land and building which is still under construction.

## 12. FIXED DEPOSITS - GROUP

The fixed deposits of RM1,246,576 (1999 : RM2,246,576) are pledged to local banks as securities for bank facilities granted to the subsidiary companies.

## 13. AMOUNT OWING TO DIRECTORS - GROUP

The amount owing to directors is unsecured, interest free with no fixed repayment terms.

## 14. TERM LOAN

	Group	
	2000	1999
	RM	RM
Amount repayable		
- Within 1 year	1,049,378	395,947
- From 1 to 2 years	712,593	402,371
- From 2 to 5 years	333,613	506,355
- After 5 years	<u>623,491</u>	<u>807,240</u>
	<u>2,719,075</u>	<u>2,111,913</u>
Less : Portion due within 1 year	<u>1,049,378</u>	<u>395,947</u>
Portion due after 1 year	<u>1,669,697</u>	<u>1,715,966</u>

The term loans obtained from a local bank is secured by :-

- (i) a fixed charge against the subsidiary companies' leasehold lands & buildings;
- (ii) a fixed and floating charge against the subsidiary companies' present and future assets ; and
- (iii) a guarantee by the directors of the subsidiary companies concerned.

The term loan bear interest at rates ranging from 0.35% to 3.5% per annum above the bank's base lending rate.

## 15. BANK BORROWINGS

	Group & Company	
	2000 RM	1999 RM
Bank overdrafts	5,285,841	7,845,495
Bankers' acceptance	877,000	1,332,000
Trust receipts	<u>3,451,825</u>	<u>1,450,578</u>
Total	<u>9,614,666</u>	<u>10,628,073</u>

Bank borrowings obtained from a local bank is secured by :-

- (i) a fixed charge against the subsidiary companies' landed properties;
- (ii) a fixed and floating charge against the subsidiary companies' present and future assets;
- (iii) a pledge of fixed deposits belonging to the directors and subsidiary companies; and
- (iv) a guarantee by the directors of the subsidiary companies concerned.

The subsidiary companies are in the process of replacing the above securities by a corporate guarantee from the Company and a negative pledge by the subsidiary companies concerned.

The bank borrowings bear interest at rates ranging from 1% to 2.5% per annum above the bank's base lending rate.

## 16. SHARE CAPITAL

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Ordinary shares of RM1/- each				
Authorised :	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid :				
Balance at beginning of year	2	2	2	2
Issued at approximately RM1.16 per ordinary share as consideration for the acquisition of subsidiary Companies	31,363,848	-	31,363,848	-
Rights issue at RM1.00 per share, for cash	2,036,150	-	2,036,150	-
Public issue at RM2.30 per share, for cash	<u>7,600,000</u>	-	<u>7,600,000</u>	-
	<u>41,000,000</u>	<u>2</u>	<u>41,000,000</u>	<u>2</u>
Increase in share capital to reflect the merger	-	<u>31,363,848</u>	-	-
Balance at end of year	<u>41,000,000</u>	<u>31,363,850</u>	<u>41,000,000</u>	<u>2</u>

During the year under review, the Company issued 31,363,848 shares of RM1 each as consideration for the acquisition of subsidiary companies. The acquisition is accounted for under the merger method of accounting. Consequently, this issue is presented above as if it had already been effected prior to the first day of the previous accounting period. The comparative figures for the issued and paid-up capital of the Group had therefore been restated accordingly.

## 17. RESERVES

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Distributable :				
Retained profits	17,747,243	14,042,155	181,738	-
Non-distributable :				
Share premium (Note 29)	8,346,115	-	8,346,115	-
Exchange fluctuation reserve	(28,651)	(1,186)	-	-
	<u>26,064,707</u>	<u>14,040,969</u>	<u>8,527,853</u>	<u>-</u>

Subject to agreement with the Inland Revenue Board, the Company has tax credits under Section 108 of the Income Tax Act, 1967 to frank approximately RM140,400 of its retained profit as at 31 December 2000, if paid out as dividends.

The Company will be liable to incur additional tax liability of approximately RM16,100 if all its retained profit as at 31 December 2000 is to be distributed by way of dividends.

## 18. HIRE PURCHASE AND FINANCE LEASE CREDITORS

	Group	
	2000 RM	1999 RM
Gross amount repayable	2,349,125	1,068,128
Less : Interest in suspense	<u>546,568</u>	<u>258,254</u>
	1,802,557	809,874
Less : Portion due within 1 year (included in other creditors and accruals)	<u>506,205</u>	<u>345,405</u>
Portion due after 1 year	<u>1,296,352</u>	<u>464,469</u>

## 19. DEFERRED TAXATION

	Group	
	2000 RM	1999 RM
Balance at 1 January	189,810	276,600
Amount transfer (to)/from Income Statement	<u>55,090</u>	<u>(86,790)</u>
Balance at 31 December	<u>244,900</u>	<u>189,810</u>

The above balance comprises of deferred tax provided for timing differences arising from the excess of capital allowances over depreciation.

## 20. REVENUE

Revenue of the Group represents gross invoiced value of sales less goods returned and discount allowed.

Revenue for the Company represents management fee, interest and dividend received and receivable.

## 21. OPERATING PROFIT

Operating profit is arrived at :-

	Group		Company	
	2000	1999	2000	1999
After charging :-	RM	RM	RM	RM
Audit fee	92,559	84,430	5,000	-
Amortisation of goodwill	21,579	-	-	-
Bad debts written off	172,116	46,026	-	-
Depreciation & amortisation	2,115,867	1,329,507	2,794	-
Directors' commission	561,837	527,885	-	-
Directors' fee	60,000	70,875	60,000	-
Directors' incentive	-	5,000	-	-
Directors' remuneration	1,311,818	922,368	-	-
Hiring of machinery	6,724	9,280	-	-
Loss on disposal of property, plant and equipment	50	27,994	-	-
Loss on foreign exchange	404,919	151,314	-	-
Property, plant and equipment written off	4,848	-	-	-
Rental of equipment	5,210	20,742	-	-
Rental of factory	52,000	50,400	-	-
Rental of motor vehicles	-	9,080	-	-
Rental of office equipment	913	-	-	-
Rental of premises	189,380	115,764	-	-
Staff cost (excluding directors' remuneration)	<u>4,514,993</u>	<u>3,508,421</u>	-	-
And crediting :-				
Gain on foreign exchange	54,979	1,101	-	-
Management fee received	-	-	288,809	-
Dividend received	38,340	4,450	-	-
Hiring of van	50	450	-	-
Provision for doubtful debts	36,509	6,763	-	-
Rental received	245,194	187,514	-	-
Profit from disposal of property, plant and equipment	<u>381,810</u>	<u>-</u>	<u>-</u>	<u>-</u>



## 22. NET FINANCING COSTS

	Group		Company	
	2000 RM	RM	2000 RM	1999 RM
Interest payable				
Bank overdraft	643,617	586,876	45,446	-
Bills payable	316,989	420,569	-	-
Hire purchase	152,550	102,009	-	-
Finance lease	20,149	30,394	-	-
Term loan	322,772	208,095	144,403	-
Directors	-	32,850	-	-
Others	244	331	-	-
	<u>1,456,321</u>	<u>1,381,124</u>	<u>189,849</u>	<u>-</u>
Interest receivable				
Bank	(30,630)	(22,187)	-	-
Fixed deposit	(102,477)	(77,146)	(14,484)	-
Subsidiary companies	-	-	(190,247)	-
Others	-	(6,296)	-	-
	<u>1,323,214</u>	<u>1,275,495</u>	<u>(14,882)</u>	<u>-</u>

## 23. EXCEPTIONAL ITEMS

	Group	
	2000 RM	1999 RM
Profit from disposal of quoted investment	91,636	201,552
Provision for diminution in value of quoted investment	(794,429)	(11,025)
Deficit in revaluation of property, plant and equipment	-	(72,472)
	<u>(702,793)</u>	<u>118,055</u>

## 24. TAX EXPENSE

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Current taxation				
Provision for current year	3,812,703	78,082	973,000	-
Under/(over)provision for prior year	94,490	74,523	-	-
	<u>3,907,193</u>	<u>152,605</u>	<u>973,000</u>	<u>-</u>
Deferred taxation	55,090	(86,790)	-	-
Total	<u>3,962,283</u>	<u>65,812</u>	<u>973,000</u>	<u>-</u>

The effective tax rate of the Group for the current financial year is higher than the statutory tax rate due to certain expenses not being deductible for tax purposes.

The effective tax rate of the Company for the current financial year is lower than the statutory tax rate due to certain foreign income not subjected to tax.

There was no tax charge on the business income of the Group in 1999 due to the tax waiver granted under the Income Tax (Amendment) Act, 1999.

## 25. BASIC EARNINGS PER SHARE - GROUP

The basic earnings per share has been calculated based on the profit attributable to the shareholders of RM6,066,688 (1999 : RM10,876,232) and the weighted average number of 34,597,535 (1999 : 31,363,850) ordinary shares of RM1.00 each in issue during the financial year.

## 26. ACQUISITION OF SUBSIDIARY COMPANIES, NET OF CASH AND CASH EQUIVALENTS ACQUIRED

	Group	
	2000 RM	1999 RM
Cash and bank balances	228,792	-
Property, plant and equipment	1,080,674	-
Investment	70,000	-
Inventories	516,577	-
Debtors	828,899	-
Creditors	(908,123)	-
Minority shareholders' interest	(736,398)	-
Share of net assets acquired	1,080,421	-
Goodwill on acquisition	455,588	-
Total acquisition price	1,536,009	-
Acquisition price not involving cash flow	(714,000)	-
Cash & cash equivalents of subsidiaries acquired	(228,792)	-
Cash flow on acquisition net of cash acquired	<u>593,217</u>	<u>-</u>

## 27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amount:-

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Fixed deposits	1,665,016	2,489,942	-	-
Cash & bank balances	4,185,256	3,901,323	282,751	2
Bank overdrafts	(5,285,841)	(7,845,495)	-	-
	<u>564,431</u>	<u>(1,454,230)</u>	<u>282,751</u>	<u>2</u>

## 28. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group acquired property, plant and equipment with aggregate costs of RM7,140,287 (1999 : RM1,761,074) of which RM1,556,028 (1999 : RM313,438) was acquired by way of hire purchase. Cash payments of RM5,584,259 (1999 : RM1,447,636) were made to purchase the fixed assets.

## 29. SHARE PREMIUM

	Group & Company	
	2000 RM	1999 RM
Non-distributable		
In respect of share premium arising from issuance of shares	9,880,000	-
Less : Listing expenses written off	1,533,885	-
	<u>8,346,115</u>	<u>-</u>

## 30. SIGNIFICANT INTER-COMPANY TRANSACTIONS

Significant inter-company transactions for the year under review is as follows :-

	Company	
	2000	1999
	RM	RM
Interest received from subsidiary companies	190,247	-
Dividend received from subsidiary companies	3,452,220	-
Management fee received from subsidiary companies	288,810	-
	<u>288,810</u>	<u>-</u>

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions with certain directors of the Company :-

	Company	
	2000	1999
	RM	RM
Purchase consideration paid for the acquisition of companies satisfied by the issuance of 31,363,848 new ordinary shares of RM1/- each of the Company at approximately RM1.16 per share	31,363,848	-
	<u>31,363,848</u>	<u>-</u>

The above transactions are entered into pursuant to the restructuring scheme approved by the relevant authorities.

## 32. SEGMENTAL INFORMATION

## BUSINESS SEGMENTS

2000	Turnover	Profit Before Taxation	Total Assets Employed
	RM	RM	RM
Engineering	34,856,775	4,157,863	34,451,989
Distribution	14,021,126	3,438,627	26,733,991
Manufacturing	17,134,931	2,634,473	34,904,988
	<u>66,012,832</u>	<u>10,230,963</u>	<u>96,090,968</u>
1999	Turnover	Profit Before Taxation	Total Assets Employed
	RM	RM	RM
Engineering	22,488,122	4,598,002	27,349,010
Distribution	17,398,587	3,383,403	21,768,308
Manufacturing	16,165,440	3,072,653	22,798,866
	<u>56,052,149</u>	<u>11,054,058</u>	<u>71,916,184</u>

## 33. SIGNIFICANT EVENTS

Significant events which occurred during the financial year are set out as follows :-

- the acquisition by Unimech Group Berhad ("UGB") of the entire issued and paid-up share capital of Unimech Engineering (M) Sdn. Bhd. comprising 5,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM14,988,733 satisfied an issue of 12,928,106 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up;
- the acquisition by UGB of the entire issued and paid-up share capital of Unimech Engineering (KL) Sdn. Bhd. comprising 1,200,000 ordinary shares of RM1.00 each for a purchase consideration of RM6,279,293 satisfied RM1.16 per share, credited as fully paid-up;

- c) the acquisition by UGB of the entire issued and paid-up share capital of Unimech Engineering (JB) Sdn. Bhd. comprising 90,002 ordinary shares of RM1.00 each for a purchase consideration of RM5,985,813 satisfied by an issue of 5,163,273 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up;
- d) the acquisition by UGB of the entire issued and paid-up share capital of Arita Valve Mfg. (M) Sdn. Bhd. comprising 2,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM3,633,383 satisfied by an issue of 3,134,102 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid up;
- e) the acquisition by UGB of the entire issued and paid-up share capital of Unimech Engineering Projects Sdn. Bhd. comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM1,771,849 satisfied by an issue of 1,528,371 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up;
- f) the acquisition by UGB of the entire issued and paid-up share capital of Q-Flex Industries (M) Sdn. Bhd. comprising 500,000 ordinary shares of RM1.00 each for a purchase consideration of RM1,305,426 satisfied by an issue of 1,126,041 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up;
- g) the acquisition by UGB of the entire issued and paid-up share capital of Arita Flanges Industries Sdn. Bhd. comprising 500,000 ordinary shares of RM1.00 each for a purchase consideration of RM1,037,819 satisfied by an issue of 895,208 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up;
- h) the acquisition by UGB of the entire issued and paid-up share capital of Arita Engineering Sdn. Bhd. comprising 100,000 ordinary shares of RM1.00 each for a purchase consideration of RM826,862 satisfied by an issue of 713,236 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up;
- i) the acquisition by UGB of the entire issued and paid-up share capital of Multiplex Control & Engineering Services Pte Ltd. comprising 100,000 ordinary shares of SGD1.00 each for a purchase consideration of RM532,684 satisfied by an issue of 459,485 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up;
- j) the transfer of 364,000 ordinary shares of RM1.00 each representing 26% equity interest in Unijin Instruments Industries Sdn. Bhd. from Unimech Engineering (KL) Sdn. Bhd. to UGB and 350,000 ordinary shares of RM1.00 each representing 25% equity interest in Unijin from Unimech Engineering (J.B.) Sdn. Bhd. to UGB for a cash consideration of RM364,000 and RM350,000 respectively;
- k) the transfer of 800,400 ordinary shares of RM1.00 each representing 13.34% equity interest in Rigel Metalcraft (M) Sdn. Bhd. from Unimech Engineering (M) Sdn. Bhd. to UGB and 439,800 ordinary shares of RM1.00 each representing 7.33% equity interest in Rigel from Unimech Engineering (KL) Sdn. Bhd. to UGB and 439,800 ordinary shares of RM1.00 each representing 7.33% equity interest in Rigel from Unimech Engineering (JB) Sdn. Bhd. to UGB for a cash consideration of RM800,000, RM440,000 and RM440,000 respectively;
- l) the rights issue of 2,036,150 new ordinary shares of RM1.00 each in UGB at par on the basis of approximately 64.9203 new ordinary shares for every 1,000 ordinary shares held after the Acquisitions and Transfers; and
- m) the public issue of 7,600,000 new ordinary shares of RM1.00 each in UGB at an issue price of RM2.30 per share payable in full upon application.

## 34. CAPITAL COMMITMENT

	2000 RM	Group 1999 RM
Property, plant and equipment :		
Contract but not provided for	<u>318,352</u>	<u>435,352</u>

## 35. EMPLOYEE INFORMATION

Group	2000 RM	1999 RM
The number of employees (including executive directors) employed at end of year	<u>254</u>	<u>198</u>

## 36. COMPARATIVE FIGURES

The acquisition of all the subsidiary companies except Unijin Instruments Industries Sdn. Bhd. during the year is accounted for using the merger method of accounting in accordance with Malaysian Accounting Standard No. 2. The details of the acquisition are as follows :-

	Company 2000 RM
Nominal value of the share capital of the subsidiary companies acquired	10,616,402
Number of ordinary shares RM1 each in the Company issued as purchase consideration	<u>31,363,848</u>
Merger debit	<u>20,747,446</u>
The merger debit has been applied against the following :	
Capital reserve	1,862,010
Retained profits	<u>18,885,436</u>
	<u>20,747,446</u>

In accordance with the principles of merger accounting, the results and financial position of the Group have been presented as if the subsidiary companies had been combined with the Group throughout the current and previous accounting periods. Accordingly, the comparative figures have been restated.

## 37. SUBSEQUENT EVENT

Subsequent to balance sheets date, the subsidiary companies namely,

- (i) Arita Valve Mfg. Sdn. Bhd., acquired 80% shareholding in P.T. Arita Indonesia Manufacturing, a company incorporated in Indonesia; and
- (ii) Arita Engineering Sdn. Bhd., acquired 51% shareholding in P.T. Arita Prima Indonesia, a company incorporated in Indonesia.

We, the undersigned being two of the directors of Unimech Group Berhad, state that in the opinion of the directors, the financial statements set out on pages 26 to 42 are drawn up in accordance with the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2000 and the results and the cash flows for the year ended on that date.

On Behalf of the Directors,

LIM CHEAH CHOOI

Penang  
20 April 2001

SIEW FOOK KHEONG

I, Lim Cheah Chooi, I/C No. 490612-07-5527, the director responsible for the financial management of Unimech Group Berhad, do solemnly declare that to the best of my knowledge and belief, the financial statements set out on pages 19 to 42 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed Lim Cheah Chooi at )  
Butterworth in the State of Penang )  
on this day of 20 April 2001 )

LIM CHEAH CHOOI

Before me,

Abdullah bin Awang  
Pesuruhjaya Sumpah  
(Commissioner for Oaths)

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**FORM OF PROXY**

I/ We \_\_\_\_\_

Of \_\_\_\_\_

being a member/members of Unimech Group Berhad, hereby appoint

\_\_\_\_\_ of \_\_\_\_\_

or failing him the Chairman of the meetings as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company, to be held on Thursday, 24 May 2001 at 11.00a.m and at any adjournment thereof.

Please indicate the manner in which you wish your votes should be cast, with a tick (✓) in the appropriate spaces below. Unless voting instruction are specified therein, the proxy will vote or abstain from voting as he/she thinks fit.

	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
Ordinary Resolution 11		
Ordinary Resolution 12		
Ordinary Resolution 13		
Ordinary Resolution 14		

No. of Shares Held

\_\_\_\_\_  
Signature of Members

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2001

## Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.
2. The Form of Proxy must be deposited at the Company's Registered Office at Wisma Unimech, 4934, Jalan Chain Ferry, 12100 Butterworth not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meetings. Where a member appoints more than one proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

Affix  
Stamp

The Company Secretary  
UNIMECH GROUP BERHAD  
4934, Jalan Chain Ferry  
12100 Butterworth, Pulau Pinang.