

PROSPECTUS

UNIMECH GROUP BERHAD

Company Number : 407580-X
(Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE

OF 7,600,000 NEW ORDINARY SHARES

OF RM1.00 EACH AT AN ISSUE

PRICE OF RM2.30 PER ORDINARY SHARE

PAYABLE IN FULL ON APPLICATION

Adviser and Managing Underwriter



COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD
Company Number 18417-M

This Prospectus is dated 19 May 2000

THE APPROVAL OF THE SECURITIES COMMISSION ("SC") SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC ISSUE OF 7,600,000 NEW ORDINARY SHARES OF RM1.00 EACH IN UNIMECH GROUP BERHAD ("UGB") AT AN ISSUE PRICE OF RM2.30 PER ORDINARY SHARE. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF ANY INVESTMENT.

THE VALUATION OF THE PROPERTIES APPROVED BY THE SC PURSUANT TO THE RESTRUCTURING AND FLOTATION EXERCISE SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE CORPORATE PROPOSAL SUBMITTED, AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT PROPERTY FOR ANY PURPOSES.

THE KUALA LUMPUR STOCK EXCHANGE ("KLSE") ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE SECOND BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF UGB OR OF ITS ORDINARY SHARES.

THE ISSUE PRICE OF RM2.30 PER ORDINARY SHARE WAS DETERMINED AND AGREED UPON BY UGB AND COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD, AS ADVISER AND MANAGING UNDERWRITER, BASED ON VARIOUS RELEVANT FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASES USED.

A COPY OF THIS PROSPECTUS HAS BEEN LODGED WITH AND REGISTERED BY THE REGISTRAR OF COMPANIES, MALAYSIA WHICH TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following abbreviations and definitions shall apply throughout:-

- Acquisitions : Acquisition of UME(M), Acquisition of UME(KL), Acquisition of UME(JB), Acquisition of AVSB, Acquisition of UMP, Acquisition of Q-Flex, Acquisition of AFSB, Acquisition of AESB and Acquisition of Multi, collectively
- Acquisition of AESB : Acquisition by UGB of the entire issued and paid-up share capital of AESB 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
- Acquisition of AFSB : Acquisition by UGB of the entire issued and paid-up share capital of AFSB 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
- Acquisition of AVSB : Acquisition by UGB of the entire issued and paid-up share capital of AVSB 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
- Acquisition of Multi : Acquisition by UGB of the entire issued and paid-up share capital of Multi 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
- Acquisition of Q-Flex : Acquisition by UGB of the entire issued and paid-up share capital of Q-Flex 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
- Acquisition of UME(JB) : Acquisition by UGB of the entire issued and paid-up share capital of UME(JB) 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
- Acquisition of UME(KL) : Acquisition by UGB of the entire issued and paid-up share capital of UME(KL) comprising 1,200,000 ordinary shares of RM1.00 each for a purchase consideration of RM6,279,293 satisfied by an issue of 5,416,026 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up

DEFINITIONS (*Cont'd*)

Acquisition of UME(M)	:	Acquisition by UGB of the entire issued and paid-up share capital of UME(M) comprising 5,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM14,988,733 satisfied by 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
Acquisition of UMP	:	Acquisition by UGB of the entire issued and paid-up share capital of UMP 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
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
AESB	:	Arita Engineering Sdn. Bhd.
AFSB	:	Arita Flanges Industries Sdn. Bhd.
AVSB	:	Arita Valve Mfg (M) Sdn. Bhd.
Application Form	:	Application for the Issue Shares by way of a printed Application Form
CDS	:	Central Depository System
CIMB	:	Commerce International Merchant Bankers Berhad
Electronic Share Application	:	Application for the Issue Shares through a Participating Financial Institution's Automated Teller Machine ("ATM")
EPS	:	Earnings per share
FIC	:	Foreign Investment Committee
Issue Shares	:	7,600,000 new ordinary shares of RM1.00 each in UGB, which form the subject of the Public Issue
IPSB	:	Inventive Potentials Sdn. Bhd.
KLSE	:	Kuala Lumpur Stock Exchange
MCD or Central Depository	:	Malaysian Central Depository Sdn. Bhd., a subsidiary of the KLSE
MIH	:	Malaysian Issuing House Sdn. Bhd.
MITI	:	Ministry of International Trade and Industry
MT	:	Metric tonne
Multi	:	Multiplex Control & Engineering Services Pte. Ltd.
NTA	:	Net tangible assets

DEFINITIONS *(Cont'd)*

Participating Financial Institution(s)	:	Participating financial institutions for Electronic Share Applications as listed in Section 15.4(o) of this Prospectus
Public Issue	:	Public issue of 7,600,000 new ordinary shares of RM1.00 each in UGB at an issue price of RM2.30 per ordinary share to the Malaysian public, payable in full on application, subject to the terms and conditions of this Prospectus
Q-Flex	:	Q-Flex Industries (M) Sdn. Bhd.
Rights Issue	:	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
Rigel	:	Rigel Metalcraft (M) Sdn. Bhd.
RM and sen	:	Ringgit Malaysia and sen respectively
SC	:	Securities Commission
SGD	:	Singapore Dollars
share(s)	:	Ordinary share(s) of RM1.00 each
sq. m.	:	Square metre(s)
Transfers	:	Transfer of Unijin and Transfer of Rigel, collectively
Transfer of Rigel	:	Transfer of 800,400 ordinary shares of RM1.00 each representing 13.34% equity interest in Rigel from UME(M), 439,800 ordinary shares of RM1.00 each representing 7.33% equity interest in Rigel from UME(KL) and 439,800 ordinary shares of RM1.00 each representing 7.33% equity interest in Rigel from UME(JB) to UGB for a cash consideration of RM800,000, RM440,000 and RM440,000 respectively
Transfer of Unijin	:	Transfer of 364,000 ordinary shares of RM1.00 each representing 26% equity interest in Unijin from UME(KL) and 350,000 ordinary shares of RM1.00 each representing 25% equity interest in Unijin from UME(JB) to UGB for a cash consideration of RM364,000 and RM350,000 respectively
UGB or the Company	:	Unimech Group Berhad
UGB Group or the Group	:	UGB and its subsidiaries and associated company
UK	:	United Kingdom
UME(JB)	:	Unimech Engineering (J.B.) Sdn. Bhd.
UME(KL)	:	Unimech Engineering (K.L.) Sdn. Bhd.
UME(KTN)	:	Unimech Engineering (Kuantan) Sdn. Bhd.

Company Number : 407580-X

DEFINITIONS (*Cont'd*)

UME(M)	:	Unimech Engineering (M) Sdn. Bhd.
UMP	:	Unimech Projects Sdn. Bhd.
Unijin	:	Unijin Instruments Industries Sdn. Bhd.
USA	:	United States of America

TABLE OF CONTENTS

	PAGE
1. SUMMARY OF INFORMATION	1
1.1 History and Business	1
1.2 Ownership and Management	3
1.3 Investment Considerations	3
1.4 Prospects	4
1.5 Financial Highlights	4
1.6 Principal Statistics Relating to the Public Issue	6
2. CORPORATE INFORMATION	8
3. INTRODUCTION	12
4. INVESTMENT CONSIDERATIONS	14
4.1 No Prior Market for UGB Ordinary Shares	14
4.2 Political and Economic Considerations	14
4.3 Business Risks	14
4.4 Competition	14
4.5 Dependence on Key Personnel	15
4.6 Substantial Shareholders	15
4.7 Agency and Distributorship Products	15
4.8 Disclosure Regarding Forward Looking Statements	15
4.9 Financial Risks	15
5. INDUSTRY OVERVIEW AND PROSPECTS OF THE UGB GROUP	16
5.1 Overview of the Malaysian Economy	16
5.2 Overview of Valves and Piping Industry	17
5.3 Prospects and Future Plans of the UGB Group	21
6. SHARE CAPITAL	23
7. PARTICULARS OF THE PUBLIC ISSUE	24
7.1 Details of the Public Issue	24
7.2 Basis of Arriving at the Issue Price	24
7.3 Purposes of the Public Issue	25
7.4 Utilisation of Proceeds	25
7.5 Brokerage and Underwriting Commission	27
7.6 Moratorium on Sale of Shares	28
8. INFORMATION ON THE UGB GROUP	29
8.1 History and Business	29
8.2 Restructuring and Flotation Scheme	30
8.3 Changes in Share Capital	39
8.4 Profit and Dividend Records	39
8.5 Business Overview of the UGB Group	41
8.6 Subsidiaries and Associated Company	64
8.7 Landed Properties	66
8.8 Directors, Management Team and Employees	68

TABLE OF CONTENTS *(Cont'd)*

	PAGE
9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY	74
9.1 UME(M)	74
9.2 UME(KL)	75
9.3 UME(JB)	77
9.4 AVSB	78
9.5 UMP	80
9.6 Q-Flex	82
9.7 AFSB	83
9.8 AESB	85
9.9 Multi	87
9.10 Unijin	89
9.11 UME(KTN)	90
9.12 IPSB	91
9.13 Rigel	93
10. FINANCIAL INFORMATION	95
10.1 Working Capital, Borrowings, Contingent Liabilities and Capital Commitments	95
10.2 Consolidated Profit Forecast with Assumptions and Auditors' Letter Thereon	95
10.3 Dividend Forecast	98
10.4 Pro forma Consolidated Balance Sheets of Unimech Group Berhad as at 31 December 1999	99
11. ACCOUNTANTS' REPORT	104
12. DIRECTORS' REPORT	149
13. VALUATION CERTIFICATES	150
14. STATUTORY AND OTHER GENERAL INFORMATION	156
14.1 Share Capital	156
14.2 Articles of Association	156
14.3 Directors and Substantial Shareholders	163
14.4 General	165
14.5 Expenses and Commission	166
14.6 Material Litigation	166
14.7 Material Contracts	166
14.8 Public Takeovers	167
14.9 Letters of Consent	168
14.10 Documents Available for Inspection	168
14.11 Responsibility Statements	169
15. PROCEDURE FOR APPLICATION AND ACCEPTANCE	171
15.1 Opening and Closing of Application Lists	171
15.2 Methods of Application	171
15.3 Applications Using Application Forms	171
15.4 Applications Using Electronic Share Applications	175
15.5 Applications and Acceptances	181
15.6 CDS Accounts	182
15.7 Notice of Allotment	182
15.8 Formalising CDS Accounts	182
15.9 List of ADAs	183

1. SUMMARY OF INFORMATION

The information contained in this summary is derived from, and should be read in conjunction with, the full text of this Prospectus.

1.1 HISTORY AND BUSINESS

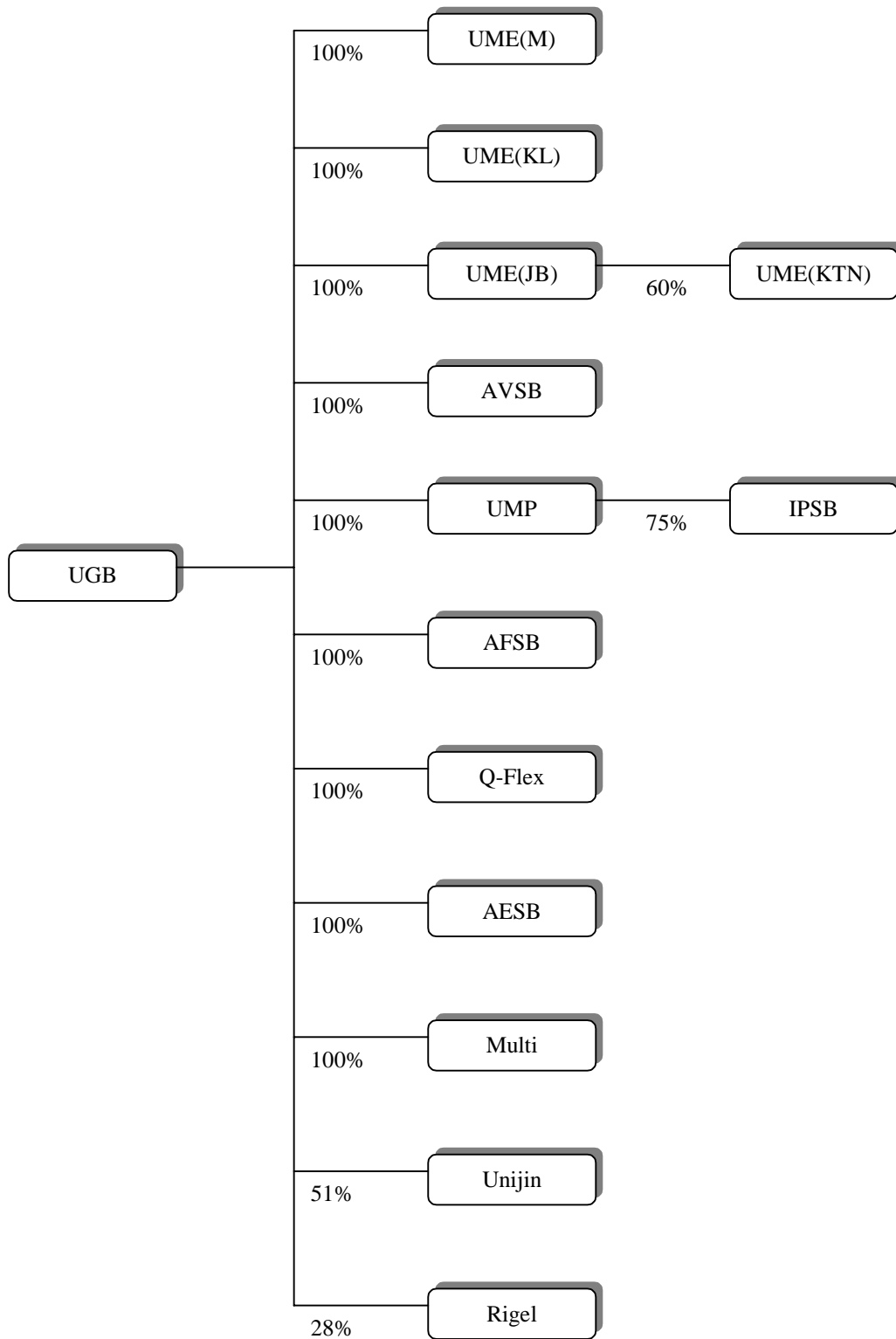
UGB was incorporated in Malaysia on 25 October 1996 as a private company limited by shares under the Companies Act, 1965 as Unimech Group Sdn. Bhd. It was converted to a public company limited by shares and assumed its present name on 8 November 1996.

UGB is principally an investment holding company, whilst the business activities of its subsidiaries and associated company are as follows:-

Name	Effective Equity Interest %	Business Activities
<i>Subsidiaries of UGB</i>		
UME(M)	100	Design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul services. Import, distribution and servicing of boilers, burners, valves and other industrial equipment and components. Principal agency and distributorship holder for the Group. Business activities cover the northern region of Peninsular Malaysia.
UME(KL)	100	Similar to UME(M) but business activities cover the central region of Peninsular Malaysia.
UME(JB)	100	Similar to UME(M), but business activities cover the southern region of Peninsular Malaysia as well as Sarawak and Sabah.
AVSB	100	Design and manufacture of valves, strainers, pipe fittings and chemical pumps for boilers.
UMP	100	Specialising in design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul services. Consultancy services on air pollution control, exhaust stack design, plant and process monitoring and recording systems.
AFSB	100	Engineering design and manufacture of all types of steel flanges.
Q-Flex	100	Design and manufacture of rubber-based industrial products including bellow type expansion joints, vibration absorption sheets, rollers, gaskets and polyurethane casting and extrusion products.
AESB	100	Similar to UME(M), but business activities cover Indonesia and Thailand. AESB also specialise in building air-conditioning and fire fighting systems design, installation, testing and commissioning.
Multi	100	Fabrication and installation of automation instruments/systems and control panels, distribution of level switches and gauges and related products. Business activities cover Singapore and the Philippines.
Unijin	51	Manufacturing of pressure gauges and field instruments.
<i>Subsidiary of UME(JB)</i>		
UME(KTN)	60	Similar to UME(M), but business activities cover the east coast of Peninsular Malaysia.
<i>Subsidiary of UMP</i>		
IPSB	75	Manufacturing of metal stampings and manufacture of metal parts and design of die casting mould.
<i>Associated Company of UGB</i>		
Rigel	28	Production of investment castings of stainless steel and non-ferrous metals.

1. SUMMARY OF INFORMATION (Cont'd)

The corporate structure of the UGB Group is as follows:-



1. SUMMARY OF INFORMATION *(Cont'd)*

1.2 OWNERSHIP AND MANAGEMENT

The management team of the UGB Group is headed by its Chairman and Group Managing Director, Lim Cheah Chooi. He is one of the founders of the UGB Group and has extensive experience in manufacturing, trading and commissioning of valves and piping engineering systems. Lim Cheah Chooi is the driving force behind the growth of the UGB Group and is responsible for the overall product and business development, and the Group's strategic plans and policies. He is supported by his brothers, Lim Kim Guan and Lim Yam Chiang, and other founding members of the UGB Group, namely Ngoi Foo Sing and Han Mun Kuan.

UGB has seven (7) substantial shareholders, namely Lim Cheah Chooi, Lim Kim Guan, Dato' Kamal Mohd. Hashim bin Che Din, Abdul Rafique bin Abdul Karim, Ngoi Foo Sing, Kelsom Bee binti Ali and Mohayat bin Paridan who will hold directly 33.4%, 8.8%, 3.7%, 16.6%, 7.6%, 4.9% and 4.7% respectively of the Company's enlarged issued and paid-up share capital after the Public Issue.

The key management team of the UGB Group comprises people with proven capabilities and experience in their respective fields of production, quality control, engineering design, production planning, marketing and human resources management, and have contributed significantly to the Group's success.

1.3 INVESTMENT CONSIDERATIONS

Applicants for the Issue Shares should carefully consider, in light of their own financial circumstances and objectives, all of the information contained in this Prospectus and in particular, the following investment considerations, among others:-

- (i) Prior to this Public Issue, there was no public market for UGB ordinary shares.
- (ii) The UGB Group is subject to certain risks inherent in the manufacturing and distribution of valves and piping equipment and spare parts, and the undertaking of engineering projects relating to the local valves and piping industry. These include labour and raw material shortage, increases in costs of labour and raw materials, changes in business and conditions, and fluctuations in foreign exchange rates.
- (iii) The UGB Group faces competition from both local and foreign competitors.
- (iv) The Group believes that its continued success depends to a significant extent upon the abilities and continued efforts of its existing Directors and senior management.
- (v) This Prospectus contains forward looking statements i.e. those other than statements of historical facts. As such, any differences in the expectation of the Group from its actual performance may result in the Group's financial, business performance and plans to be materially different from that anticipated.

1. SUMMARY OF INFORMATION *(Cont'd)*

1.4 PROSPECTS

The growth prospects of the valves and piping industry are expected to remain favourable. The manufacturing sector, being the single largest source of demand for the industry, is expected to register positive growth rate of 8.0% in 2000 (*Source: The Malaysian Economic Report 1999/2000*). Incentives are expected to create new investments in the manufacturing sector, which will give rise to demand for new valves and piping components whilst the expansion of cumulative stock in manufacturing facilities will increase demand for new replacement parts and maintenance. As such the prospects of the UGB Group is expected to remain bright.

1.5 FINANCIAL HIGHLIGHTS

The following table sets out a summary of the pro forma consolidated results of the UGB Group for the past five (5) years ended 31 December 1999 prepared based on the audited accounts of the respective companies in the UGB Group and on the assumption that the UGB Group has been in existence throughout the years under review. The pro forma consolidated results are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus.

	<-----Year ended 31 December----->				
	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	35,865	43,886	51,096	54,338	56,666
Profit before taxation and exceptional items	6,567	8,387	8,995	9,604	11,210
Exceptional items	-	121	(63)	228	118
Profit before taxation after exceptional items	6,567	8,508	8,932	9,832	11,328
Taxation	(2,072)	(2,445)	(2,673)	(2,930)	(64)
Profit after taxation	4,495	6,063	6,259	6,902	11,263
Minority interests	(2)	5	51	77	(124)
Profit after taxation and minority interests	4,493	6,068	6,310	6,979	11,139
No. of ordinary shares assumed in issue ('000)	31,364	31,364	31,364	31,364	31,364
Gross EPS (sen)	20.93	27.14	28.64	31.59	35.72
Net EPS (sen)	14.33	19.35	20.12	22.25	35.52

Notes:-

(i) *The increases in turnover for the financial years ended 31 December 1996 and 31 December 1997 were mainly due to increasing demand for industrial products and services offered by the UGB Group following the growth of the local manufacturing industry. Profit before taxation continued to increase for the same period due to increase in turnover as well as improved economies of scale attained by the UGB Group.*

Turnover for the financial years ended 31 December 1998 and 31 December 1999 increased due to steady demand for valve and piping products, the substitution of imported valve and piping products by those locally made by the UGB Group and continuing demand for heating and boiler systems, which are central to many industrial processes. Turnover, however, increased at a lower rate compared to previous years as a result of the slowdown experienced by the Malaysian economy.

1. SUMMARY OF INFORMATION (Cont'd)

The growth in profit before taxation from financial years ended 31 December 1996 to 31 December 1998 was hampered by higher interest costs, raw materials costs, operating expenses, increased competition and lower selling prices. However, in line with the recovery in the Malaysian and Asian economies in the second half of 1999, the UGB Group experienced higher growth in its profit before taxation for its financial year ended 31 December 1999.

(ii) The exceptional items comprise the following:-

Year ended 31 December	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of leasehold land and building	121	-	-	-
Gain on disposal of investment	-	15	235	201
Diminution in value of quoted investment	-	(78)	(7)	(11)
Deficit in revaluation of fixed assets	-	-	-	(72)
Total	121	(63)	228	118

(iii) The effective tax rates for the financial years ended 31 December 1995 to 31 December 1998 were slightly higher than the statutory tax rate mainly due to certain expenses not being deductible for tax purposes. No provision for taxation was made for financial year ended 31 December 1999 as income earned in 1999 is waived from income tax. The taxation provision in 1999 related to deferred taxation liability.

(iv) The number of ordinary shares assumed in issue is arrived at after the Acquisitions but before the Rights Issue and Public Issue.

(v) There were no extraordinary items in the financial years under review.

(vi) The gross EPS is calculated based on the profit before taxation but after minority interests over the number of assumed issued and paid-up share capital of UGB of 31,363,850 ordinary shares of RM1.00 each.

(vii) The net EPS is calculated based on the profit after taxation and minority interests over the number of assumed issued and paid-up share capital of UGB of 31,363,850 ordinary shares of RM1.00 each.

(viii) The year-end for Multi had been changed from 31 March to 31 December in 1996 and from 30 June to 31 December in 1998 for IPSB. In preparing the pro forma consolidated profit and loss account, the results of Multi and IPSB prior to 31 March 1996 and 30 June 1998 were time apportioned to 31 December.

(ix) All inter-company transactions were eliminated on consolidation and the consolidated accounts reflect external transactions only.

1. SUMMARY OF INFORMATION (*Cont'd*)

1.6 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

(i) Share Capital

	RM
<i>Authorised</i>	
50,000,000 ordinary shares of RM1.00 each	<u>50,000,000</u>
<i>Issued and fully paid-up</i>	
33,400,000 ordinary shares of RM1.00 each	33,400,000
<i>To be issued and fully paid-up pursuant to the Public Issue</i>	
7,600,000 new ordinary shares of RM1.00 each	<u>7,600,000</u>
	<u>41,000,000</u>

(ii) Issue price per ordinary share (RM) 2.30

(iii) Pro forma Group NTA as at 31 December 1999

Pro forma Group NTA (RM'000)	62,491
<i>(after deducting listing expenses estimated at RM1,500,000)</i>	
Pro forma Group NTA per ordinary share (RM)	1.52
<i>(based on enlarged issued and paid-up share capital of 41,000,000 ordinary shares of RM1.00 each)</i>	

(iv) Consolidated Profit for the year ending 31 December **Forecast
2000**

Consolidated profit before taxation after minority interests (RM'000)	15,246
Consolidated profit after taxation and minority interest (RM'000)	11,750
Gross EPS (sen) [@]	37.19
Gross PE multiple based on the issue price of RM2.30 per ordinary share (times)	6.18
Net EPS (sen) [@]	28.66
Net PE multiple based on the issue price of RM2.30 per ordinary share (times)	8.03

Note:-

[@] *Based on the enlarged issued and paid-up share capital of 41,000,000 ordinary shares of RM1.00 each*

1. SUMMARY OF INFORMATION *(Cont'd)*

	Forecast 2000
(v) Dividend for the year ending 31 December	
Gross dividend per ordinary share (sen) [@]	8.00
Net dividend per ordinary share (sen) [@]	5.76
Gross dividend yield (%) <i>(based on the issue price of RM2.30 per ordinary share)</i>	3.48
Net dividend yield (%) <i>(based on the issue price of RM2.30 per ordinary share)</i>	2.50
Net dividend cover	4.98

Note:-
[@] *Based on the enlarged issued and paid-up share capital of 41,000,000 ordinary shares of RM1.00 each*

2. CORPORATE INFORMATION

DIRECTORS

Name	Address	Occupation	Nationality
Lim Cheah Chooi <i>(Executive Chairman/Group Managing Director)</i>	10, Lorong 10 Changkat Minden 11700 Gelugor Pulau Pinang	Company Director	Malaysian
Dato' Kamal Mohd Hashim bin Che Din <i>(Deputy Chairman)</i>	2-A, Jalan 9 Changkat Minden 11700 Gelugor Pulau Pinang	Company Director	Malaysian
Siew Fook Kheong <i>(Deputy Group Managing Director/ Group General Manager)</i>	66, Jalan Bagan 31 Taman Bagan 13400 Butterworth	Company Director	Malaysian
Lim Kim Guan <i>(Deputy Managing Director)</i>	2B, Jalan Zoo 11500 Ayer Itam Pulau Pinang	Company Director	Malaysian
Ngoi Foo Sing	12, Lorong SS 23/4B 47400 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Han Mun Kuan	19, Jalan Anggerik 49 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim	Company Director	Malaysian
Abdul Rafique bin Abdul Karim	37, Jalan Selangor 10400 Pulau Pinang	Company Director	Malaysian
Norman bin Abdul Rahman	90, Jalan 14/14 46100 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Lee Yoke Khay <i>(Independent Non-Executive Director)</i>	6, Lorong Mahsuri Dua 11950 Bayan Bayu Pulau Pinang	Advocate & Solicitor	Malaysian
Tan King Tai @ Tan Khoon Hai <i>(Independent Non-Executive Director)</i>	14N, Jalan Angsana Bandar Baru 11500 Ayer Hitam Pulau Pinang	Company Director	Malaysian

2. CORPORATE INFORMATION (Cont'd)

AUDIT COMMITTEE

Name	Responsibility	Directorship
Lee Yoke Khay	Chairman	Independent Non-Executive Director
Tan King Tai @ Tan Khoon Hai	Member of the Committee	Independent Non-Executive Director
Siew Fook Kheong	Member of the Committee	Deputy Group Managing Director/Group General Manager

COMPANY SECRETARY

Lim Saw Im
(LS 00126)
352-6-1 Gat Lebu Macallum
10300 Pulau Pinang

Goh Siew Siew
(MAICSA 7012512)
498, Jalan Asaad
09000 Kulim
Kedah Darul Aman

REGISTERED OFFICE

Wisma Unimech
4934, Jalan Chain Ferry
12100 Butterworth
Pulau Pinang

PRINCIPAL BANKERS

Hong Leong Bank Berhad
2828-G-02 & 2828-1-02,
Jalan Bagan Luar
12000 Butterworth
Pulau Pinang

Malayan Banking Berhad
345-H Bangunan Kelab Glugor
Jalan Sultan Azlan Shah
11700 Gelugor
Pulau Pinang

**AUDITORS AND REPORTING
ACCOUNTANTS**

Wong Liu & Partners
Public Accountants
1st Floor, 6762, Jalan Kampong Gajah
12200 Butterworth
Pulau Pinang

SOLICITORS FOR THE LISTING

Lee Perara & Tan
Advocates & Solicitors
No. 55, Jalan Thambapillai
Off Jalan Tun Sambanthan
Brickfields
50470 Kuala Lumpur

2. CORPORATE INFORMATION (Cont'd)

VALUERS

Henry Butcher, Lim & Long (North) Sdn. Bhd.
2708, Chain Ferry Road
Kimsar Garden
13700 Prai
Pulau Pinang

Henry Butcher, Lim & Long (N) Sdn. Bhd.
142-M Jalan Burma
10050 Penang

Henry Butcher, Lim, Long & Teoh (South) Sdn. Bhd.
52 & 52A, Jalan Kuning
Taman Pelangi
80400 Johor Bahru
Johor Darul Takzim

Henry Butcher, Lim & Long Sdn. Bhd.
25, Jalan Yap Ah Shak
Off Jalan Dang Wangi
50300 Kuala Lumpur

MANAGEMENT CONSULTANT

PKF Management Consulting
8A, 8th Floor
Wisma Harwant
106, Jalan Tunku Abdul Rahman
50100 Kuala Lumpur

REGISTRAR

Plantation Agencies Sdn. Bhd.
Standard Chartered Bank Chambers
Lebuh Pantai
10300 Pulau Pinang

ISSUING HOUSE

Malaysian Issuing House Sdn. Bhd.
27th Floor, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur

***ADVISER AND MANAGING
UNDERWRITER***

Commerce International Merchant Bankers Berhad
10th Floor, Commerce Square
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur

2. CORPORATE INFORMATION *(Cont'd)*

UNDERWRITERS

CIMB Securities Sdn. Bhd.
9th Floor, Commerce Square
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur

K&N Kenanga Berhad
13th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur

Hwang-DBS Securities Berhad
Levels 8, Wisma Sri Pinang
60, Green Hall
10200 Pulau Pinang

LISTING SOUGHT

Second Board of the KLSE

3. INTRODUCTION

This Prospectus is dated 19 May 2000.

A copy of this Prospectus has been lodged with and registered by the Registrar of Companies, Malaysia who takes no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act 1965, the KLSE has prescribed UGB as a CDS counter. In consequence thereof, the shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

Approval-in-principle from the KLSE has been obtained on 11 May 2000 for admission to the Official List of the Second Board of the KLSE and for permission to deal in and for the listing of and quotation of the entire issued and fully paid-up ordinary shares of RM1.00 in UGB, including the Public Issue Shares which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to the SC's Policies and Guidelines on Issue/Offer of Securities, the Company is required to have at least 25% of the issued and paid-up capital of the Company at the time of listing in the hands of public shareholders and a minimum number of 750 public shareholders holding not less than 1,000 shares each of which at least 500 shareholders are members of the public who are not employees of the Company and its subsidiaries upon listing. The Company is expected to achieve this at the point of listing. However, in the event the above requirement is not met, the Company may not be allowed to proceed with its listing plan.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account and he should then not enter the preferred ADA Code. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by UGB. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of UGB or the Group since the date hereof.

The distribution of this Prospectus and the sale of the Issue Shares are subject to Malaysian laws and the Company and its Adviser take no responsibility for the distribution of this Prospectus and the sale of the Issue Shares outside Malaysia.

Approval has been obtained from the SC on 16 December 1999, 28 February 2000 and 5 May 2000 on the restructuring and flotation scheme detailed in this Prospectus. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue. Investors should rely on their own evaluation to assess the merits and risks of any investment. The valuation of the properties approved by the SC shall only be utilised for the purpose of the corporate proposal submitted and shall not be construed as an endorsement by the SC on the value of the subject assets for any other purpose.

3. INTRODUCTION *(Cont'd)*

The SC and the KLSE assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Second Board of the KLSE is not to be taken as an indication of the merits of UGB or of its ordinary shares.

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to subscribe any Issue Shares in any jurisdiction where such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restriction.

If you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or any other professional adviser.

4. INVESTMENT CONSIDERATIONS

Applicants for the Issue Shares should carefully consider, in light of their own financial circumstances and objectives, all of the information contained in this Prospectus and in particular, the following investment considerations (which are not exhaustive):-

4.1 NO PRIOR MARKET FOR UGB ORDINARY SHARES

Prior to this Public Issue, there was no public market for UGB ordinary shares. There can be no assurance that an active market for UGB ordinary shares will develop upon its listing on the Second Board of the KLSE or that, if developed, such market will be sustained. The price at which UGB ordinary shares will trade on the Second Board of the KLSE upon or subsequent to its listing will be dependent upon market forces. The issue price of RM2.30 per ordinary share has been determined after taking into consideration a number of factors, including but not limited to, the Group's historical performance, the capabilities of its management, the prevailing market conditions, prospects of the Group and the industries in which it operates.

4.2 POLITICAL AND ECONOMIC CONSIDERATIONS

The UGB Group's future growth and level of profitability are expected to be closely linked to the economic developments in Malaysia and the South East Asia region. Any adverse development in political and economic uncertainties in Malaysia and the South East Asia region in which the Group serves could materially and adversely affect the financial performance of the Group.

4.3 BUSINESS RISKS

The UGB Group is subject to certain risks inherent in the manufacturing and distribution of valves and piping equipment and spare parts, and the undertaking of engineering projects relating to the local valves and piping industry. These include labour and raw material shortage, increases in costs of labour and raw materials, changes in business and conditions and fluctuations in foreign exchange rates.

4.4 COMPETITION

While no assurance can be given that the UGB Group will be able to maintain its existing customer base, it is pertinent to note that the Group has been able to chart continued growth in its businesses. This is the result of the Group's continued effort to provide high quality products and sales services to its existing customers as well as attracting new ones.

Though the Group's main customers are from a wide and varied spectrum in the industrial sector, the Group is not insulated from competition from both local and foreign producers of industrial equipment. In this aspect, the Group continually seeks to increase its competitiveness through, inter-alia expansion of its distribution network, improving its quality of service and products, and diversifying into manufacturing of import substitutes. Nonetheless, no assurance can be given that the UGB Group will be able to maintain or increase its market share in the future.

4. INVESTMENT CONSIDERATIONS (Cont'd)

4.5 DEPENDENCE ON KEY PERSONNEL

The UGB Group believes that its continuing success will depend, to a significant extent, upon the abilities and continuing efforts of its existing Directors and senior management. The loss of any of the key members of the Group's Directors and senior management could affect the Group's performance. In this aspect, the Group has managed to retain a large number of its key personnel as well as ensuring low turnover of its skilled personnel. This is evident from the details of the Senior Management as disclosed in Section 8.8.2, where most of them have over six (6) years of service with the Group. Every effort is presently made to groom younger members of the senior management to ensure a smooth transition in the management team, should changes occur.

4.6 SUBSTANTIAL SHAREHOLDERS

The Company has seven (7) substantial shareholders, namely Lim Cheah Chooi, Lim Kim Guan, Dato' Kamal Mohd. Hashim bin Che Din, Abdul Rafique bin Abdul Karim, Ngoi Foo Sing, Kelsom Bee binti Ali and Mohayat bin Paridan who will control a total of 79.7% direct equity interest in the Company after the Public Issue as disclosed in Section 14.3(viii) of this Prospectus. As a result, it is likely that the said substantial shareholders will be able to effectively control the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

4.7 AGENCY AND DISTRIBUTORSHIP PRODUCTS

Loss of a major agency or distributorship can affect the Group's sales and consequently its profits. However, the Directors believe that due to its strong relationship with principals whom it had developed over the years, the loss of any agency or distributorship currently held by the Group is unlikely. The active efforts presently undertaken by the Group to expand and develop its manufacturing activities to produce import substitute products will reduce its reliance on agency and distributorship products. Accordingly, any negative effect from a loss of any agency or distributorship will be minimised.

4.8 DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements i.e. those other than statements of historical facts. Although the Group believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such expectations will prove to have been correct. Any differences in the expectation of the Group from its actual performance may result in the Group's financial and business performance and plans to be materially different from anticipated.

4.9 FINANCIAL RISKS

The Group's revenues and cashflows from existing and future contracts and sales orders are and will be dependent on the progress of the projects and orders in terms of timing, delivery and work carried out, which may directly affect the income to be recognised and cashflows in the relevant financial periods of the Group. Therefore, late completion of contract works or late payment by debtors can have an impact on the profitability and cashflow of the Group.

5. INDUSTRY OVERVIEW AND PROSPECTS OF THE UGB GROUP

5.1 OVERVIEW OF THE MALAYSIAN ECONOMY

The performance of the Malaysian economy in 1998 was adversely affected by the severe deflationary impact of the regional financial crisis, causing Malaysia's Real Gross Domestic Product ("GDP") to contract for the first time since 1985. GDP contracted by an unprecedented 7.5% in 1998.

However, the Malaysian economy has since rebounded to record positive average GDP growth of 1.4% and 9.4% respectively for the first and second halves of 1999 for an average GDP growth of 5.4% for the year. This has far exceeded Bank Negara Malaysia's ("BNM") forecast of 1.0% GDP growth for 1999.

The economic recovery has been underpinned by policies initiated by the National Economic Action Council in line with its National Economic Recovery Plan as well as other favourable domestic and external developments. The imposition of selective exchange controls and the pegging of the ringgit at RM3.80=US\$1 since 2 September 1998 brought stability and, consequently, confidence in the financial markets. Fiscal stimulus provided through an expansionary budget in 1999, the easing of monetary policies as well as enhanced efforts to speed up the implementation of approved public sector projects have assisted in reviving domestic demand associated with public sector spending and private consumption. Reforms introduced by the Government to strengthen and restructure the banking system have enabled the banking sector to carry out its intermediation function more effectively and, thereby, support the economic recovery process.

These policy initiatives, coupled with the strong pick up in external demand following improvements in economic conditions in East Asia as well as continued robust growth in the United States of America, have spurred output increases especially in the manufacturing sector. Manufacturing production has strengthened further in 1999, growing by an average of 14.0% for the year on the back of continued strong growth in the electrical products, electronics, chemicals, construction-related materials and transport equipment industries.

Prospects of economic growth for year 2000 are increasingly promising. Expansion of the global economy is expected to remain strong with output growth of about 4 per cent. The economies of Malaysia's trading partners in East Asia are expected to continue to recover. Economies in Europe are gradually improving while the United States economy remains strong. Against the background of these developments, as well as the pragmatic policies and measures undertaken by the Government to further strengthen the economic recovery, GDP is expected to expand at 5.8 per cent.

(Source: The 2000 Budget Speech by Y.B. Tun Daim Zainuddin, Minister of Finance Malaysia, introducing the Supply Bill (2000) at the Dewan Rakyat on 25 February 2000, The Malaysian Economic Report 1999/2000, BNM Annual Report 1998 and 1999, BNM Press Release - Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 1999)

5. INDUSTRY OVERVIEW AND PROSPECTS OF THE UGB GROUP (Cont'd)

5.2 OVERVIEW OF VALVES AND PIPING INDUSTRY

The valves and piping industry provides components that distribute, control and monitor the flow of gases and liquids. The industry also provides engineering services that design, install and maintain piping systems. Valves and piping components can be categorised under four (4) main classifications as follows:-

- (i) Valves;
- (ii) Pipe fittings;
- (iii) Rubber expansion products; and
- (iv) Instruments or gauges.

Even though relatively small in size, these components provide critical support to the overall efficient production of a whole host of manufacturing and service industries as they are being used in conjunction with boilers or burners in an integrated system.

The growth prospects of the valves and piping industry are favourable. The manufacturing sector, the single largest source of demand for the industry, is expected to register positive growth of 1% in 1999¹. Incentives are expected to spur on investment in the manufacturing sector, which will give rise to demand for new valves and piping components. The replacement market will expand continuously as the cumulative stock of manufacturing facilities would eventually need to be replaced. The fixed exchange rate has also made locally manufactured valves and piping components more competitive, both in the domestic and export markets.

The valves and piping industry is a fragmented industry but it can be differentiated into two broad categories, namely "net exports" and "local production". The differentiation and classification is for the following two reasons:-

- (i) to provide a clearer understanding and perspective of the valves and piping industry; and
- (ii) to delineate the size of the industry in Malaysia.

Net exports

Malaysia has been a traditional net importer of tubes, pipes, valves and instruments. Most of these products and components are being imported into Malaysia for domestic applications and installations. The annual import and export value of these products can be illustrated as follows:-

	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 10-months RM'000	5-YR CAGR * %
Imports	2,447,431	1,887,497	2,570,175	2,444,993	2,674,259	2,324,078	(1.0)
Exports	546,442	662,813	974,587	1,319,531	1,932,043	986,699	12.5
Net Exports	(1,900,989)	(1,224,684)	(1,595,588)	(1,125,462)	(742,216)	(1,337,379)	(6.8)

* *Compounded Annual Growth Rate*

(Source: Department of Statistics, Malaysia)

¹ Source: Bank Negara Malaysia Annual Report, 1998

5. INDUSTRY OVERVIEW AND PROSPECTS OF THE UGB GROUP (Cont'd)

Local production

There are three (3) classifications, which are available to serve as an indicator of the growth of the domestic valves and piping industry. The classifications are "basic metal industries", "fabricated metal products" and "welded iron, and steel pipes, and tubes and fittings". The definition of "basic metal industries" and "fabricated metal products" are as follows:-

Publications	Industry Description	Definition
Monthly Manufacturing Statistics	Tin Smelting Industries And Other Non-Ferrous Metal Basic Industries (industry code 37201, 37209)	The manufacture of primary non-ferrous metal products other than tin, consisting of all processes from smelting, alloying and refining, rolling and drawing and founding and casting; that is, the production of ingots, bars and billets; sheets, strips, circles, sections, rods, tubes, pipes and wire rods; casting and extrusion. Establishments with the main activity of producing wire and cable are classified elsewhere.
Monthly Manufacturing Statistics	Manufacture Of Other Fabricated Metal Products, Not Elsewhere Classified (industry code 38199)	The manufacture of fabricated metal products such as metal stampings; screw machine products; safes and vaults; furnaces, stoves and other space heaters, non-electrical; enameled iron and metal sanitary ware and plumbers' brass goods; valve and pipe fittings ; small metal ware; and all other fabricated metal products. The manufacture of specialized parts of automobiles, aircraft, ships, machinery and equipment are classified elsewhere.

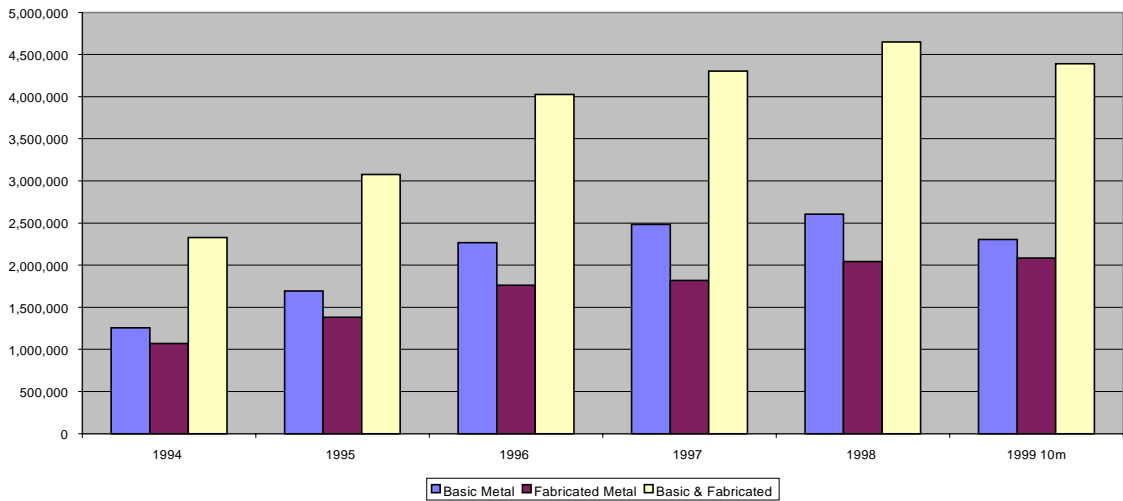
(Source: Department of Statistics, Malaysia)

The two (2) categories of "basic metal industries" and "fabricated metal products" continued to achieve sales growth of 4.9% to RM2.61 billion and 12.3% to RM2.04 billion respectively in 1998, even though Malaysia's real GDP had contracted by 6.7% during the same period. The combined turnover of the two (2) industries is RM4.65 billion in 1998, an increase of 8.0% from 1997. Based on the first 10 months data of 1999 and if it is annualised, the "basic metal industries" and "fabricated metal products" would have continued to expand at the rate of 6.1% and 22.5% respectively. Industries and manufacturing firms encapsulated in these two broad categories provide critical support to overall economic activities as their manufactured outputs and services are being used in other manufacturing sectors as well as being primary commodities themselves.

5. INDUSTRY OVERVIEW AND PROSPECTS OF THE UGB GROUP (Cont'd)

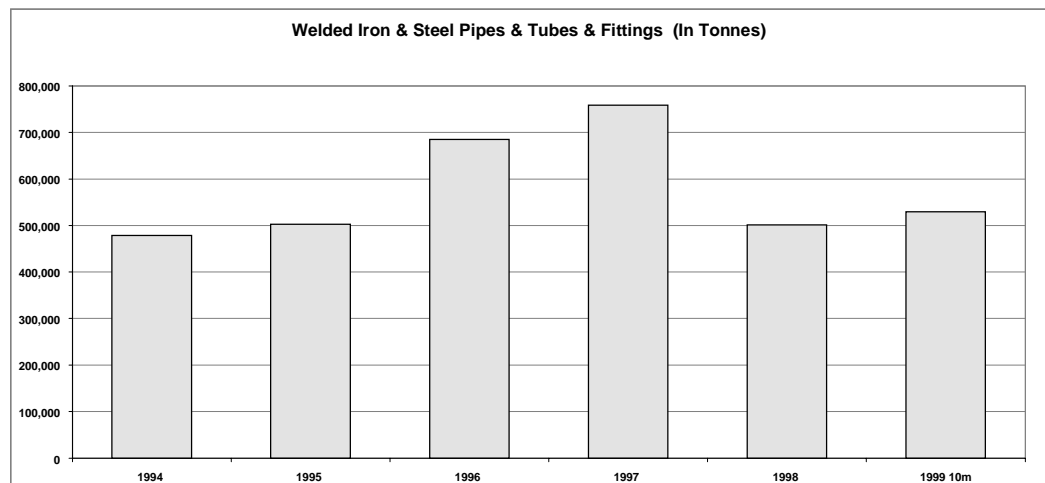
The table below sets out the sales value of basic metal industries and fabricated metal products for the past six (6) years.

Basic Metal Industries & Fabricated Metal Products RM '000



(Source: Department of Statistics, Malaysia)

The Department of Statistics also publishes the production data for selected manufacturing industries on a monthly basis. For details relating to the valves and piping industry, the most suitable industry classification is the "welded iron, and steel pipes, and tubes and fittings". This can be illustrated as follows:-



(Source: Department of Statistics, Malaysia)

5. INDUSTRY OVERVIEW AND PROSPECTS OF THE UGB GROUP *(Cont'd)*

Even though the statistical classification is much more reflective and is a better indicator of the market size of the "local production" of the valves and piping industry, straightforward comparison is not possible.

The growth rate of the valves and piping industry hinged critically on the manufacturing sector as it is the largest single source of sectoral demand. The manufacturing sector requires valves, pipes, tubes and instruments for two main reasons:-

- (i) as components for industrial equipment production processes, whether under expansion or investment circumstances; and
- (ii) as replacements for those worn-out or performance-impaired components.

Between 1995 and 1999, the domestic valves and piping industry, reflected by the "welded iron, and steel pipes, and tubes and fittings" data, has overall expanded and contracted in tandem with the overall economic GDP growth.

Even though Malaysia is a net importer of pipes and tubes fittings, net imports has declined substantially from RM1.90 billion in 1994 to RM742.2 million in 1998 due to strong growth in exports. In the first 10 months of 1999, due to lower exports, net imports increased again, as the overall level of imports did not decline commensurately. Nevertheless, the 5-year Compounded Annual Growth Rate ("CAGR") of exports of 12.5% is higher compared to the CAGR of imports of merely -1.0%.

The support from the Government through its policies and incentives has encouraged the development and growth of the domestic valves and piping industry. The general lack of growth in imports between 1994 and 1999, with a CAGR of -1.0% compared to the manufacturing sector's growth, highlighted that import-substitution is an ongoing process in the valves and piping industry. In 1998, despite slowdown in Asia-Pacific economies, exports increased by 46.4% to RM1.93 billion as the weaker RM has enhanced the competitiveness of locally manufactured products and valves and piping components. In the first 10 months in 1999, total exports amounted to RM986 Million.

The emergence of domestic manufacturers that have capabilities and expertise to make valves, piping and instruments products that comply with international industrial standards has made import-substitution possible and reduced, to some degree, Malaysia's reliance on imported components. As valves and piping products are homogeneous products, cost competitiveness enhanced by a relatively weaker RM and lower cost of production has provided a window of opportunity to domestic manufacturers as they expand their sales into overseas markets. With rapidly declining net imports and a growing local production, the overall domestic valves and piping industry is believed to have expanded strongly between 1994 and 1999.

(Source: The Overview of Valves and Piping Industry is extracted from the Valves and Piping Industry Assessment Report prepared by PKF Management Consulting Sdn. Bhd. dated 13 March 2000)

5. INDUSTRY OVERVIEW AND PROSPECTS OF THE UGB GROUP *(Cont'd)*

5.3 PROSPECTS AND FUTURE PLANS OF THE UGB GROUP

The growth prospects of the valves and piping industry are expected to remain favourable. The manufacturing sector, being the single largest source of demand for the industry, is expected to register positive growth rate of 8.0% in 2000 (*Source: The Malaysian Economic Report 1999/2000*). Incentives are expected to create new investments in the manufacturing sector, which will give rise to demand for new valves and piping components whilst the expansion of cumulative stock in manufacturing facilities will increase demand for new replacement parts and maintenance. As such the prospect of the UGB Group is expected to remain bright.

The Group's main strategy for future growth is to further consolidate and expand its existing core business. As such, the Group intends to undertake the following plans:-

(i) *Expansion of Manufacturing Capacity*

The UGB Group intends to expand its manufacturing capacity and broaden its range of manufactured products. UGB will allocate approximately RM3.3 million from the proceeds of the Rights Issue and Public Issue for purchases of machinery and equipment to increase the production capacity of its plants.

As an ongoing process to increase the product range, UGB's subsidiary, AVSB is planning to manufacture various sizes of stainless steel ball valves to include 2-piece and 3-piece body, check valves, gate valves, and pipe fittings. Meanwhile, Q-Flex would focus on its key products and produce bigger sizes rubber expansion bellow with diameter of more than one (1) meter. Unijin currently manufactures pressure gauges for heat and steam, water, and oil and gas industries and plans to expand its products to include thermometers and more complex range of pressure gauges and vacuum gauges.

The expansion and upgrading of the production facilities will directly support the Group's plan to capture and command a greater share of its manufactured products in the local market as import substitutes, as well as open avenues for exports. As such, the Group also intends to increase its product awareness by participating in more local and international trade exhibitions.

5. INDUSTRY OVERVIEW AND PROSPECTS OF THE UGB GROUP *(Cont'd)*

(ii) Expansion of Distribution Base and Penetration of New Markets

With four (4) key subsidiaries involved in manufacturing and seven (7) in engineering services, and distributorship and agencies, the Group's activities are well spread and diversified. The seven (7) subsidiaries which are engaged in engineering services, and distributorships and agencies are strategically located to cover key industrial areas in Malaysia. Such strategic placements have reduced the response time to customers needs and helped to capture a wide clientele base. In addition, the Group's sales support staff, together with its marketing team will continue to work closely with the distributors and agents throughout Malaysia in relation to sales orders/inquiries, promotional activities and feedback on customer services and new product developments.

Besides having a wide coverage in Malaysia, the UGB Group will also continue to expand its penetration into various markets such as Singapore, Thailand, Vietnam, Philippines, Indonesia, South Korea, Australia, Hong Kong, USA and Italy.

However, for long term business and strategic expansion plans, the UGB Group is presently considering the viability of establishing additional distribution centers and manufacturing plants in other ASEAN countries. With manufacturing plants in Malaysia and other ASEAN countries, the UGB Group would be able to allocate production requirements according to cost competitiveness while having the flexibility of designating certain plants to specialise in the production of more complex and sophisticated components.

(iii) Upgrade of Research and Development Facilities

The Group recognises the significance of research and development of its products to enable it to maintain a competitive edge in the market. In this respect, the Group plans to further upgrade its research and development facilities by investing approximately RM600,000 in new sophisticated equipment such as CAD system, mould design and making system, high pressure test equipment and other quality and standard checking tools.

The Group plans to increase the involvement of its research and development activities in all facets of product design and process innovation to enable it to move towards the production of greater value-added products as well as improving current production techniques and processes.

6. SHARE CAPITAL

	RM
<i>Authorised</i>	
50,000,000 ordinary shares of RM1.00 each	<u>50,000,000</u>
<i>Issued and fully paid-up</i>	
33,400,000 ordinary Shares of RM1.00 each	33,400,000
<i>To be issued and fully paid-up pursuant to the Public Issue</i>	
7,600,000 new ordinary shares of RM1.00 each	<u>7,600,000</u>
	<u>41,000,000</u>

The Issue Shares, which are to be issued at RM2.30 per ordinary share, are payable in full on application.

There is only one class of shares in the Company, namely ordinary shares of RM1.00 each. The Issue Shares shall rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and be entitled to any dividends, rights, allotments and/or other distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the shareholders of ordinary shares in the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company, in accordance with its Articles of Association.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder, shall have one vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

7. PARTICULARS OF THE PUBLIC ISSUE

7.1 DETAILS OF THE PUBLIC ISSUE

The Public Issue is subject to the terms and conditions of this Prospectus and the Issue Shares will be allocated in the following manner:-

(i) **Eligible Directors, Employees and/or Other Persons of the UGB Group**

2,050,000 of the Issue Shares have been reserved for the eligible Directors, employees and/or other persons who have contributed to the success of the UGB Group (such as suppliers, distributors, dealers or customers).

(ii) **Bumiputera Investors Approved by MITI**

1,950,000 of the Issue Shares have been reserved for Bumiputera investors approved by MITI; and

(iii) **Malaysian Investing Public**

3,600,000 of the Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Issue Shares under paragraphs (i) and (ii) above will not be underwritten. Any Issue Shares not subscribed for under paragraph (i) will be reallocated to the other eligible Directors, employees and /or other persons of the UGB Group until all such Issue Shares are fully subscribed by them. The Issue Shares under paragraph (iii) above will be underwritten by the Managing Underwriter and Underwriters as set out in Section 2 of this Prospectus at an underwriting commission of one and a half per cent (1.5%) of the issue price of RM2.30 per ordinary share.

7.2 BASIS OF ARRIVING AT THE ISSUE PRICE

The issue price of RM2.30 per ordinary share has been agreed upon by UGB and was determined based on the following factors:-

- (i) The Group's financial and operating history and conditions as outlined in Section 8 and 9 of this Prospectus;
- (ii) Prospects of the Group and the industry in which it operates as outlined in Section 5 of this Prospectus;
- (iii) The forecast net EPS of 28.66 sen for the year ending 31 December 2000, computed based on the enlarged issued and paid-up share capital of 41,000,000 ordinary shares of RM1.00 each, and the forecast net PE multiple of approximately 8.03 times; and
- (iv) The pro forma Group NTA per share of RM1.52 as at 31 December 1999.

7. PARTICULARS OF THE PUBLIC ISSUE *(Cont'd)*

7.3 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:-

- (i) To provide an opportunity for the Malaysian public, eligible employees and other persons who have contributed to the Group's success to participate in the continuing growth of the Group by way of equity participation;
- (ii) To enable UGB to gain access to the capital market to raise funds for working capital, future expansion, modernisation and the continuing growth of the Group; and
- (iii) To obtain a listing of and quotation for the entire enlarged issued and paid-up share capital of UGB on the Second Board of the KLSE.

7.4 UTILISATION OF PROCEEDS

The gross proceeds of RM2,036,150 from the Rights Issue and RM17,480,000 from the Public Issue, totalling RM19,516,150, shall accrue entirely to the Company and will be utilised in the following manner:-

	RM
Refinance the purchase of equipment for product research and development ⁽ⁱ⁾	600,000
Refinance the purchase of machinery and equipment for production ⁽ⁱⁱ⁾	3,300,000
Repayment of bank borrowings ⁽ⁱⁱⁱ⁾	9,700,000
Working capital	4,416,150
Listing expenses ^(iv)	1,500,000
Total	19,516,150

Note:-

- (i) *The equipment for product research and development to be refinanced are as follows:-*

	Cost RM
<i>CAD system</i>	<i>200,000</i>
- <i>Computer software system used to draft and design products with various specifications and standards.</i>	
<i>Mould design and making system</i>	<i>150,000</i>
- <i>Tools and equipment used to design and prepare moulds for making new products.</i>	
<i>High pressure testing equipment</i>	<i>170,000</i>
- <i>Equipment used to test pressure of products such as valves, pipe fittings, pressure gauges, rubber bellows, etc.</i>	
<i>Quality and standard checking tools</i>	<i>80,000</i>
- <i>Tools and measuring devices used to check quality and specification compliance of products made.</i>	
	600,000

7. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(ii) *The breakdown of the machinery and equipment for production by the Group are as follows:-*

AVSB	Cost	Expected Date of Installation
<i>CNC Machine Center</i>	<i>213,000</i>	<i>May 2000</i>
<i>CNC Lathe and Mill Machine</i>	<i>742,000</i>	<i>May 2000</i>
<i>Specialized multi-function machine for production of safety valves, pressure relief/reducing valves, gate valves and globe valves and check valves</i>	<i>545,000</i>	<i>May 2000</i>
Total	<u>1,500,000</u>	

It is expected that the existing production capacity will increase by 40%

Unijin	Cost	Expected Date of Installation
<i>Calibration machine and tools</i>	<i>120,000</i>	<i>May 2000</i>
<i>Quality and standards checking tools and equipment</i>	<i>228,000</i>	<i>May 2000</i>
<i>Assembly tools and equipment</i>	<i>152,000</i>	<i>May 2000</i>
Total	<u>500,000</u>	

It is expected that the existing production capacity will increase by 60%

AFSB	Cost	Expected Date of Installation
<i>Multi Function Drilling Machine</i>	<i>74,000</i>	<i>May 2000</i>
<i>CNC Machine center</i>	<i>426,000</i>	<i>May 2000</i>
Total	<u>500,000</u>	

It is expected that the existing production capacity will increase by 50%

Q-Flex	Cost	Expected Date of Installation
<i>Automatic hydraulic and pneumatic system for upgrading the existing production lines</i>	<i>800,000</i>	<i>May 2000</i>

It is expected that the existing production capacity will increase by 40%

Total Cost	<u>3,300,000</u>	
-------------------	-------------------------	--

7. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(iii) UGB will utilise RM9.7 Million of the Public Issue Proceeds to repay bank borrowings secured to finance working capital requirements as follows:-

Type of Facility	Limit of Facility RM	Amount outstanding as at 08.05.2000 RM	Amount to be repaid RM
Letter of Credit/ Trust Receipt/ Bankers Acceptance/ Shipping Guarantee	12,700,000	8,101,100	3,319,000
Overdraft	7,200,000	5,959,376	6,381,000
Total		<u>14,060,476</u>	<u>9,700,000</u>

Interest savings arising from the repayment of the Bank Borrowings are estimated to be approximately RM853,600 per annum based on the interest rates as at 8 May 2000 which range from 8.55 to 9.8% p.a.

Total Borrowings of the Group amount to RM18.73 million as at 8 May 2000.

(iv) Listing expenses include, inter-alia, underwriting commission and brokerage, fees for professional advisers of the restructuring and flotation scheme and fees for the approving authorities.

7.5 BROKERAGE AND UNDERWRITING COMMISSION

Brokerage relating to all the Issue Shares will be paid by the Company, at the rate of one per cent (1%) of the issue price of RM2.30 per ordinary share in respect of successful applications which bears the stamp of either CIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH.

Underwriting commission is payable by the Company at the rate of one and a half per cent (1.5%) of the issue price of RM2.30 per ordinary share on the Issue Shares underwritten.

7. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

7.6 MORATORIUM ON SALE OF SHARES

The SC in approving the flotation of UGB on the Second Board of the KLSE has imposed a moratorium on the disposal of shares by the promoters and substantial shareholders of UGB.

Certain promoters and substantial shareholders of UGB will not be allowed to sell, transfer or assign their shareholdings in UGB amounting in aggregate to 18,450,000 shares, representing 45% of the enlarged issued and paid-up share capital of UGB within one (1) year from the date of admission of UGB to the official list of the Second Board of the KLSE.

Thereafter, in every subsequent year, each of the aforesaid promoters and substantial shareholders is permitted to sell, transfer or assign only up to a maximum of one-third (1/3), on a straight-line basis, of their respective shareholdings in UGB which are under moratorium.

The shareholders and number of shares held by each of them to be placed under moratorium as imposed by SC and the KLSE are as follows:-

Shareholders	No. of ordinary shares held after the Public Issue	% of enlarged share capital	No. of ordinary shares placed under moratorium	% of enlarged share capital
Lim Cheah Chooi	13,684,937	33.4	13,684,937	33.4
Abdul Rafique bin Abdul Karim	6,819,352	16.6	2,000,000	4.8
Ngoi Foo Sing	3,105,709	7.6	1,382,531	3.4
Lim Kim Guan	3,627,115	8.8	1,382,532	3.4
TOTAL	27,237,113	66.4	18,450,000	45.0

The restriction is specially endorsed on the share certificates representing the respective shareholdings of UGB which are under moratorium as follows:-

"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly the shares comprised herein will not constitute good delivery pursuant to the rules of the Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

The restriction, which is fully accepted by the aforesaid promoters and substantial shareholders, is specially endorsed on the share certificates representing the respective shareholdings of the aforesaid promoters and substantial shareholders which are under moratorium to ensure that UGB's registrar does not register any transfer not in compliance with the restriction imposed by the SC and the KLSE.

8. INFORMATION ON THE UGB GROUP (Cont'd)

8.1. HISTORY AND BUSINESS

UGB was incorporated in Malaysia on 25 October 1996 as a private company limited by shares under the Companies Act, 1965 as Unimech Group Sdn. Bhd. It was converted to a public company limited by shares and assumed its present name on 8 November 1996.

Following the restructuring and flotation scheme as outlined in Section 8.2 below, the Company emerged as an investment holding company whilst its subsidiaries and associated company business activities are as follows:-

Name	Effective Equity Interest %	Business Activities
<i>Subsidiaries of UGB</i>		
UME(M)	100	Design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul services. Import, distribution and servicing of boilers, burners, valves and other industrial equipment and components. Principal agency and distributorship holder for the Group. Business activities cover the northern region of Peninsular Malaysia.
UME(KL)	100	Similar to UME(M) but business activities cover the central region of Peninsular Malaysia.
UME(JB)	100	Similar to UME(M), but business activities cover the southern region of Peninsular Malaysia as well as Sarawak and Sabah.
AVSB	100	Design and manufacture of valves, strainers, pipe fittings and assembly of chemical pumps for boilers.
UMP	100	Specialising in design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul services. Consultancy services on air pollution control, exhaust stack design, plant and process monitoring and recording systems.
AFSB	100	Engineering design and manufacture of all types of steel flanges.
Q-Flex	100	Design and manufacture of rubber-based industrial products including bellow type expansion joints, vibration absorption sheets, rollers, gaskets and polyurethane casting and extrusion products.
AESB	100	Similar to UME(M), but business activities cover Indonesia and Thailand. AESB also specialise in building air-conditioning and fire fighting systems design, installation, testing and commissioning.
Multi	100	Fabrication and installation of automation instruments/systems and control panels, distribution of level switches and gauges and related products. Business activities cover Singapore and Philippines.
Unijin	51	Manufacturing of pressure gauges and field instruments.
<i>Subsidiary of UME(JB)</i>		
UME(KTN)	60	Similar to UME(M), but business activities cover the east coast of Peninsular Malaysia.
<i>Subsidiary of UMP</i>		
IPSB	75	Manufacturing of metal stampings and manufacture of metal parts and design of die casting mould.
<i>Associated Company of UGB</i>		
Rigel	28	Production of investment castings of stainless steel and non-ferrous metals.

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

8.2 RESTRUCTURING AND FLOTATION SCHEME

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of UGB on the Second Board of the KLSE, the Company undertook a restructuring exercise which was approved by the MITI on 31 July 1999, 3 February 2000 and 28 February 2000, FIC on 17 August 1999 and 24 March 2000 and the SC on 16 December 1999, 28 February 2000 and 5 May 2000, involving the following:-

8.2.1 Acquisitions

On 24 May 1999, UGB entered into separate conditional share Sale and Purchase Agreements with several parties for the following Acquisitions:-

(i) Acquisition of UME(M)

The acquisition by UGB of the entire issued and paid-up share capital of UME(M) comprising 5,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM15,488,733 satisfied by an issue of 13,360,348 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up.

On 4 March 2000, UGB entered into a Consolidated, Amended and Restated Sale & Purchase Agreement pursuant to the revision in the purchase consideration from RM15,488,733 to RM14,988,733 as approved by the SC on 16 December 1999 to be satisfied by 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 12,928,106 new ordinary shares issued as consideration for the acquisition were issued to the vendors of UME(M) in the following proportions:-

Vendors of UME(M)	No. of UME(M) shares acquired	%	No. of new UGB shares issued
Lim Cheah Chooi	2,587,500	51.75	6,690,295
Lim Kim Guan	862,500	17.25	2,230,098
Abdul Rafique bin Abdul Karim	1,070,000	21.40	2,766,615
Kelsom Bee binti Ali	240,000	4.80	620,549
Dato' Kamal Mohd Hashim bin Che Din	240,000	4.80	620,549
	5,000,000	100.00	12,928,106

The purchase consideration of RM14,988,733 for the Acquisition of UME(M) was arrived at based on the audited NTA of UME(M) as at 31 December 1998 of RM13,784,018 adjusted for the revaluation surplus of its landed properties amounting to RM1,204,715 as detailed in Section 8.7 of this Prospectus.

The Acquisition of UME(M) was completed on 5 March 2000.

8. INFORMATION ON THE UGB GROUP (Cont'd)

(ii) Acquisition of UME(KL)

The acquisition by UGB of the entire issued and paid-up share capital of UME(KL) comprising 1,200,000 ordinary shares of RM1.00 each for a purchase consideration of RM6,399,293 satisfied by an issue of 5,519,934 new ordinary shares of RM1.00 each in UGB at an issue price of approximately RM1.16 per share, credited as fully paid-up.

On 4 March 2000, UGB entered into a Consolidated, Amended and Restated Sale & Purchase Agreement pursuant to the revision in the purchase consideration from RM6,399,293 to RM6,279,293 as approved by the SC on 16 December 1999 to be satisfied by an issue of 5,416,026 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 5,416,026 new ordinary shares issued as consideration for the acquisition were issued to the vendors of UME(KL) in the following proportions:-

Vendors of UME(KL)	No. of UME(KL) shares acquired	%	No. of new UGB shares issued
Lim Cheah Chooi	414,000	34.50	1,868,529
Ngoi Foo Sing	414,000	34.50	1,868,529
Abdul Rafique bin Abdul Karim	256,800	21.40	1,159,030
Kelsom Bee binti Ali	57,600	4.80	259,969
Dato' Kamal Mohd Hashim bin Che Din	57,600	4.80	259,969
	1,200,000	100.00	5,416,026

The purchase consideration of RM6,279,293 for the Acquisition of UME(KL) was arrived at based on the audited NTA of UME(KL) as at 31 December 1998 of RM6,268,477 adjusted for the net revaluation surplus of its landed properties amounting to RM10,817, as detailed in Section 8.7 of this Prospectus.

The Acquisition of UME(KL) was completed on 5 March 2000.

(iii) Acquisition of UME(JB)

The acquisition by UGB of the entire issued and paid-up share capital of UME(JB) 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.

8. INFORMATION ON THE UGB GROUP (Cont'd)

The 5,163,273 new ordinary shares issued as consideration for the acquisition were issued to the vendors of UME(JB) in the following proportions:-

Vendors of UME(JB)	No. of UME(JB) shares acquired	%	No. of new UGB shares issued
Lim Cheah Chooi	37,951	42.16	2,177,189
Lim Kim Guan	10,351	11.50	593,821
Ngoi Foo Sing	6,900	7.67	395,842
Han Mun Kuan	6,900	7.67	395,842
Abdul Rafique bin Abdul Karim	19,260	21.40	1,104,915
Kelsom Bee binti Ali	4,320	4.80	247,832
Dato' Kamal Mohd Hashim bin Che Din	4,320	4.80	247,832
	90,002	100.00	5,163,273

The purchase consideration of RM5,985,813 for the Acquisition of UME(JB) was arrived at based on the audited NTA of UME(JB) and its subsidiary as at 31 December 1998 of RM5,941,376 adjusted for the revaluation surplus of its landed property amounting to RM44,437, as detailed in Section 8.7 of this Prospectus.

The Acquisition of UME(JB) was completed on 5 March 2000.

(iv) Acquisition of AVSB

The acquisition by UGB of the entire issued and paid-up share capital of AVSB 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.

The 3,134,102 new ordinary shares issued as consideration for the acquisition were issued to the following vendors of AVSB in the following proportions:-

Vendors of AVSB	No. of AVSB shares acquired	%	No. of new UGB shares issued
Lim Cheah Chooi	726,800	36.34	1,138,933
Lim Kim Guan	165,600	8.28	259,503
Lim Yam Chiang	138,000	6.90	216,253
Ngoi Foo Sing	280,600	14.03	439,714
Han Mun Kuan	69,000	3.45	108,127
Abdul Rafique bin Abdul Karim	428,000	21.40	670,698
Kelsom Bee binti Ali	96,000	4.80	150,437
Dato' Kamal Mohd Hashim bin Che Din	96,000	4.80	150,437
	2,000,000	100.00	3,134,102

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

The purchase consideration of RM3,633,383 for the Acquisition of AVSB was arrived at based on the audited NTA of AVSB as at 31 December 1998 of RM3,035,341 adjusted for the revaluation surplus of its landed property amounting to RM598,042, as detailed in Section 8.7 of this Prospectus.

The Acquisition of AVSB was completed on 5 March 2000.

(v) ***Acquisition of UMP***

The acquisition by UGB of the entire issued and paid-up share capital of UMP 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.

The 1,528,371 new ordinary shares issued as consideration for the acquisition were issued to the vendors of UMP in the following proportions:-

Vendors of UMP	No. of UMP shares acquired	%	No. of new UGB shares issued
Tan Yee Hean	98,000	9.80	149,780
Lim Cheah Chooi	310,507	31.05	474,570
Lim Kim Guan	103,493	10.35	158,176
Siew Fook Kheong	40,000	4.00	61,135
Ang Teng Wee	69,000	6.90	105,458
Sim Kim Chooi	69,000	6.90	105,458
Abdul Rafique bin Abdul Karim	214,000	21.40	327,070
Kelsom Bee binti Ali	48,000	4.80	73,362
Dato' Kamal Mohd Hashim bin Che Din	48,000	4.80	73,362
	1,000,000	100.00	1,528,371

The purchase consideration of RM1,771,849 for the Acquisition of UMP was arrived at based on the audited NTA of UMP adjusted for goodwill of RM83,785 arising from its acquisition of IPSB as at 31 December 1998.

The Acquisition of UMP was completed on 5 March 2000.

8. INFORMATION ON THE UGB GROUP (Cont'd)

(vi) Acquisition of Q-Flex

The acquisition by UGB of the entire issued and paid-up share capital of Q-Flex 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.

The 1,126,041 new ordinary shares issued as consideration for the acquisition were issued to the vendors of Q-Flex in the following proportions:-

Vendors of Q-Flex	No. of Q-Flex shares acquired	%	No. of new UGB shares issued
Lim Cheah Chooi	29,670	5.93	66,819
Lim Kim Guan	5,934	1.19	13,364
Ngoi Foo Sing	11,868	2.37	26,728
Mohayat bin Paridan	155,000	31.00	349,073
Toh Seng Huat	79,108	15.82	178,158
Toh Ya Suat	47,472	9.50	106,911
Koh Boon	31,671	6.33	71,325
Kan Lu Su	31,671	6.33	71,325
Law Gim See	28,462	5.70	64,099
See Lian Heng	20,562	4.11	46,307
Yeo Chee Chuan	15,836	3.18	35,664
Soo Seong Mook	15,835	3.18	35,662
Yap Kai Kee	14,249	2.85	32,090
Koh Lian Joo	12,662	2.53	28,516
	500,000	100.00	1,126,041

The purchase consideration of RM1,305,426 for the Acquisition of Q-Flex represents the audited NTA of Q-Flex as at 31 December 1998.

The Acquisition of Q-Flex was completed on 5 March 2000 .

(vii) Acquisition of AFSB

The acquisition by UGB of the entire issued and paid-up share capital of AFSB 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.

8. INFORMATION ON THE UGB GROUP (Cont'd)

The 895,208 new ordinary shares issued as consideration for the acquisition were issued to the vendors of AFSB in the following proportions:-

Vendors of AFSB	No. of AFSB shares acquired	%	No. of new UGB shares issued
Lim Cheah Chooi	79,178	15.83	141,761
Lim Kim Guan	26,392	5.28	47,253
Tham Chong Lay	101,430	20.29	181,602
Mohayat bin Paridan	62,000	12.40	111,006
Siew Fook Kheong	50,000	10.00	89,521
Tan King Tai @ Tan Khoon Hai	63,000	12.60	112,796
Ho Soo Theng @ Ho Soo Aun	25,000	5.00	44,760
Abdul Rafique bin Abdul Karim	64,200	12.84	114,945
Kelsom Bee binti Ali	14,400	2.88	25,782
Dato' Kamal Mohd Hashim bin Che Din	14,400	2.88	25,782
	500,000	100.00	895,208

The purchase consideration of RM1,037,819 for the Acquisition of AFSB was arrived at based on the audited NTA of AFSB as at 31 December 1998 of RM1,110,291 adjusted for the revaluation deficit of its landed property amounting to RM72,472 as detailed in Section 8.7 of this Prospectus.

The Acquisition of AFSB was completed on 5 March 2000.

(viii) Acquisition of AESB

The acquisition by UGB of the entire issued and paid-up share capital of AESB 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.

The 713,236 new ordinary shares issued as consideration for the acquisition were issued to the vendors of AESB in the following proportions:-

Vendors of AESB	No. of AESB shares acquired	%	No. of new UGB shares issued
Lim Cheah Chooi	20,700	20.70	147,640
Lim Kim Guan	6,900	6.90	49,213
Ngoi Foo Sing	20,700	20.70	147,640
Low Yew Lean	20,700	20.70	147,640
Abdul Rafique bin Abdul Karim	21,400	21.40	152,633
Kelsom Bee binti Ali	4,800	4.80	34,235
Dato' Kamal Mohd Hashim bin Che Din	4,800	4.80	34,235
	100,000	100.00	713,236

8. INFORMATION ON THE UGB GROUP (Cont'd)

The purchase consideration of RM826,862 for the Acquisition of AESB represents the audited NTA of AESB as at 31 December 1998.

The Acquisition of AESB was completed on 5 March 2000.

(ix) Acquisition of Multi

The acquisition by UGB of the entire issued and paid-up share capital of Multi 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.

The 459,485 new ordinary shares issued as consideration for the acquisition were issued to the vendors of Multi in the following proportions:-

Vendors of Multi	No. of Multi shares acquired	%	No. of new UGB shares issued
Lim Cheah Chooi	29,498	29.50	135,539
Lim Kim Guan	9,832	9.83	45,177
Ngoi Foo Sing	6,210	6.21	28,534
Low Yew Lean	6,210	6.21	28,534
Tay Kheok Jin	17,250	17.25	79,261
Abdul Rafique bin Abdul Karim	21,400	21.40	98,330
Kelsom Bee binti Ali	4,800	4.80	22,055
Dato' Kamal Mohd Hashim bin Che Din	4,800	4.80	22,055
	100,000	100.00	459,485

The purchase consideration of RM532,684 for the Acquisition of Multi represents the audited NTA of Multi as at 31 December 1998 of SGD231,975 (or equivalent to RM532,684 at an exchange rate of SGD1.00 to RM2.2963 as at 31 December 1998).

The Acquisition of Multi was completed on 5 March 2000.

Upon the completion of the Acquisitions, the issued and paid-up share capital of UGB was increased from RM2 to RM31,363,850 comprising 31,363,850 ordinary shares of RM1.00 each.

8.2.2 Transfers

Upon completion of the Acquisitions, the following Transfers were effected:-

(i) Transfer of Unijin

Transfer of 364,000 ordinary shares of RM1.00 each representing 26% equity interest in Unijin from UME(KL) and 350,000 ordinary shares of RM1.00 each representing 25% equity interest in Unijin from UME(JB) to UGB for a cash consideration of RM364,000 and RM350,000 respectively

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

The cash consideration was arrived at based on the investment cost incurred by UME(JB) and UME(KL) as at 31 May 1999.

(ii) *Transfer of Rigel*

Transfer of 800,400 ordinary shares of RM1.00 each representing 13.34% equity interest in Rigel from UME(M), 439,800 ordinary shares of RM1.00 each representing 7.33% equity interest in Rigel from UME(KL) and 439,800 ordinary shares of RM1.00 each representing 7.33% equity interest in Rigel from UME(JB) to UGB for a cash consideration of RM800,000, RM440,000 and RM440,000 respectively

The cash consideration was arrived at based on the investment cost incurred by UME(M), UME(KL) and UME(JB) as at 31 May 1999.

The Transfers were made to consolidate the control of Unijin and management of Rigel under UGB. The Transfers were completed on 8 April 2000.

8.2.3 **Rights Issue**

UGB implemented a rights issue of 2,036,150 new ordinary shares of RM1.00 each at par on the basis of approximately 64.9203 new ordinary shares for every 1,000 ordinary shares held in UGB after the Acquisitions and Transfers.

The Rights Issue was completed on 8 April 2000 and resulted in the share capital of UGB being enlarged to 33,400,000 ordinary shares of RM1.00 each.

8.2.4 **Public Issue**

In conjunction with the flotation of UGB, the Company will implement a Public Issue of 7,600,000 new ordinary shares of RM1.00 each at an issue price of RM2.30 per ordinary share, being the subject matter of this Prospectus.

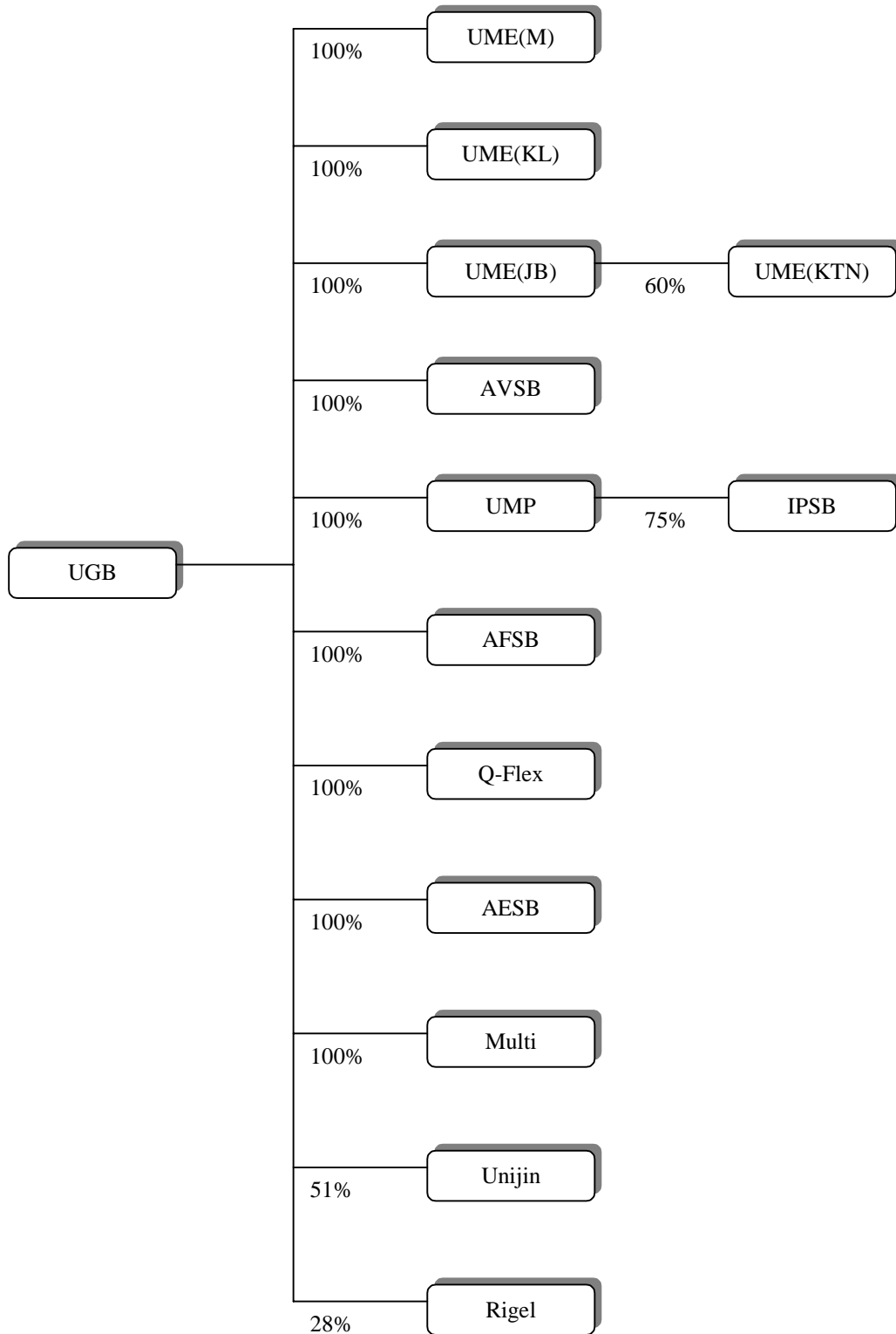
Upon completion of the Public Issue, the issued and paid-up share capital of UGB will increase from RM33,400,000 to RM41,000,000, representing 41,000,000 ordinary shares of RM1.00 each.

8.2.5 **Listing**

The listing of and quotation for the entire enlarged issued and paid-up share capital of UGB of RM41,000,000 comprising 41,000,000 ordinary shares of RM1.00 each in UGB on the Second Board of the KLSE.

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

The resultant UGB Group structure after the restructuring and flotation exercise is as follows:-



8. INFORMATION ON THE UGB GROUP (Cont'd)

8.3 CHANGES IN SHARE CAPITAL

The authorised share capital of UGB is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of UGB is RM33,400,000 comprising 33,400,000 ordinary shares of RM1.00 each.

Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
25.10.1996	2	Subscribers' shares	2
05.03.2000	31,363,848	Issued pursuant to the Acquisitions	31,363,850
08.04.2000	2,036,150	Rights Issue of approximately 64.9203 shares for every 1,000 shares held	33,400,000

8.4 PROFIT AND DIVIDEND RECORDS

The following table sets out a summary of the pro forma consolidated results of the UGB Group for the past five (5) years ended 31 December 1999 prepared based on the audited accounts of the respective companies in the UGB Group and on the assumption that the UGB Group has been in existence throughout the years under review. The pro forma consolidated results are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus.

	<-----Year ended 31 December----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	35,865	43,886	51,096	54,338	56,666
Profit before taxation and exceptional items	6,567	8,387	8,995	9,604	11,210
Exceptional items	-	121	(63)	228	118
Profit before taxation after exceptional items	6,567	8,508	8,932	9,832	11,328
Taxation	(2,072)	(2,445)	(2,673)	(2,930)	(64)
Profit after taxation	4,495	6,063	6,259	6,902	11,263
Minority interests	(2)	5	51	77	(124)
Profit after taxation and minority interests	4,493	6,068	6,310	6,979	11,139
No. of ordinary shares assumed in issue ('000)	31,364	31,364	31,364	31,364	31,364
Gross EPS (sen)	20.93	27.14	28.64	31.59	35.72
Net EPS (sen)	14.33	19.35	20.12	22.25	35.52

8. INFORMATION ON THE UGB GROUP (Cont'd)

Notes:-

- (i) The increase in turnover for the financial years ended 31 December 1996 and 31 December 1997 was mainly due to increasing demand for industrial products and services offered by the UGB Group following the growth of the local manufacturing industry. Profit before taxation continued to increase for the same period due to increase in turnover as well as improved economies of scale attained by the UGB Group.

Turnover for the financial years ended 31 December 1998 and 31 December 1999 increased due to steady demand for valve and piping products, the substitution of imported valve and piping products by those locally made by the UGB Group and continuing demand for heating and boiler systems, which are central to many industrial processes. Turnover, however, increased at a lower rate compared to previous years as a result of the slowdown experienced by the Malaysian economy.

The growth in profit before taxation from financial years ended 31 December 1996 to 31 December 1998 was hampered by higher interest costs, raw materials costs, operating expenses, increased competition and lower selling prices. However, in line with the recovery in the Malaysian and Asian economies in the second half of 1999, the UGB Group experienced higher growth in its profit before taxation for its financial year ended 31 December 1999.

- (ii) The exceptional items comprise the following:-

Year ended 31 December	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of leasehold land and building	121	-	-	-
Gain on disposal of investment	-	15	235	201
Diminution in value of quoted investment	-	(78)	(7)	(11)
Deficit in revaluation of fixed assets	-	-	-	(72)
Total	121	(63)	228	118

- (iii) The effective tax rates for the financial years ended 31 December 1995 to 31 December 1998 were slightly higher than the statutory tax rate mainly due to certain expenses not being deductible for tax purposes. No provision for taxation was made for financial year ended 31 December 1999 as income earned in 1999 is waived from income tax. The taxation provision in 1999 related to deferred taxation liability.
- (iv) The number of ordinary shares assumed in issue is arrived at after the Acquisitions but before the Rights Issue and Public Issue.
- (v) There were no extraordinary items in the financial years under review.
- (vi) The gross EPS is calculated based on the profit before taxation but after minority interests over the number of assumed issued and paid-up share capital of UGB of 31,363,850 ordinary shares of RM1.00 each.
- (vii) The net EPS is calculated based on the profit after taxation and minority interests over the number of assumed issued and paid-up share capital of UGB of 31,363,850 ordinary shares of RM1.00 each.
- (viii) The year-end for Multi had been changed from 31 March to 31 December in 1996 and from 30 June to 31 December in 1998 for IPSB. In preparing the pro forma consolidated profit and loss account, the results of Multi and IPSB prior to 31 March 1996 and 30 June 1998 were time apportioned to 31 December.
- (ix) All inter-company transactions were eliminated on consolidation and the consolidated accounts reflect external transactions only.

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

8.5 BUSINESS OVERVIEW OF THE UGB GROUP

8.5.1 Background

Lim Cheah Chooi, the Chairman and Group Managing Director, together with Ngoi Foo Sing, Han Mun Kuan and Lim Yam Chiang, are founders of the UGB Group. Lim Cheah Chooi started the business as a partnership in 1977 with Lim Yam Chiang under the name of United Mechanical Engineering Company, which was involved in sub-contracting work, namely commissioning, maintenance and repairing of industrial boilers and piping systems. In 1978, the partnership became the sole-distributor in Malaysia for industrial burners from Riello (Italy), industrial steam and boiler equipment from Bymouth (UK) and boiler cleaning equipment from Rotatool (UK). In 1979, UME(M) was incorporated to take over the partnership.

Over the years, the UGB Group has grown and diversified into engineering design and manufacturing of various kinds of industrial and residential ball valves, strainers, steel flanges, pipe fittings, rubber expansion bellows and pressure gauges.

UGB is principally an investment holding company, whilst the business activities of its subsidiaries and associated company are as follows:-

Name	Effective Equity Interest %	Business Activities
<i>Subsidiaries of UGB</i>		
UME(M)	100	Design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul services. Import, distribution and servicing of boilers, burners, valves and other industrial equipment and components. Principal agency and distributorship holder for the Group. Business activities cover the northern region of Peninsular Malaysia.
UME(KL)	100	Similar to UME(M) but business activities cover the central region of Peninsular Malaysia.
UME(JB)	100	Similar to UME(M), but business activities cover the southern region of Peninsular Malaysia as well as Sarawak and Sabah.
AVSB	100	Design and manufacture of valves, strainers, pipe fittings and chemical pumps for boilers.
UMP	100	Specialising in design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul services. Consultancy services on air pollution control, exhaust stack design, plant and process monitoring and recording systems.
AFSB	100	Engineering design and manufacture of all types of steel flanges.
Q-Flex	100	Design and manufacture of rubber-based industrial products including bellow type expansion joints, vibration absorption sheets, rollers, gaskets and polyurethane casting and extrusion products.
AESB	100	Similar to UME(M), but business activities cover Indonesia and Thailand. AESB also specialise in building air-conditioning and fire fighting systems design, installation, testing and commissioning.

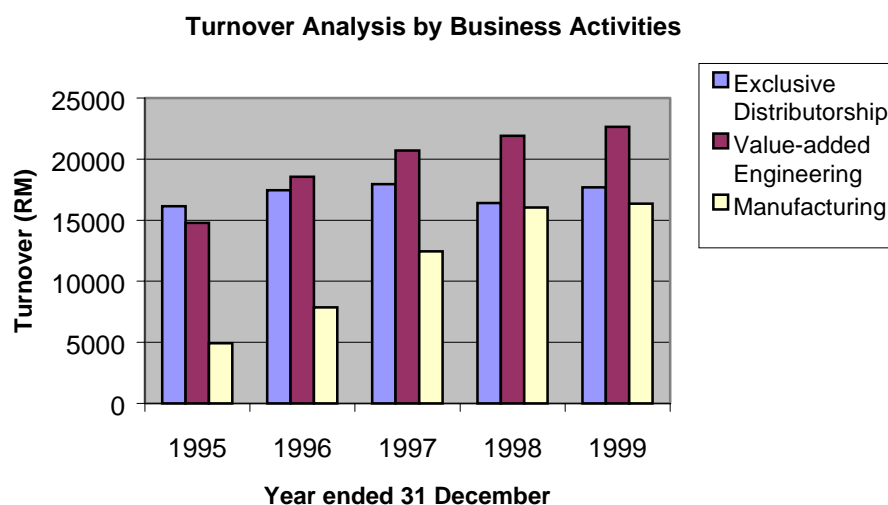
8. INFORMATION ON THE UGB GROUP (Cont'd)

Name	Effective Equity Interest %	Business Activities
Multi	100	Fabrication and installation of automation instruments/systems and control panels, distribution of level switches and gauges and related products. Business activities cover Singapore and the Philippines.
Unijin	51	Manufacturing of pressure gauges and field instruments.
<i>Subsidiary of UME(JB)</i> UME(KTN)	60	Similar to UME(M), but business activities cover the east coast of Peninsular Malaysia.
<i>Subsidiary of UMP</i> IPSB	75	Manufacturing of metal stampings and manufacture of metal parts and design of die casting mould.
<i>Associated Company of UGB</i> Rigel	28	Production of investment castings of stainless steel and non-ferrous metals.

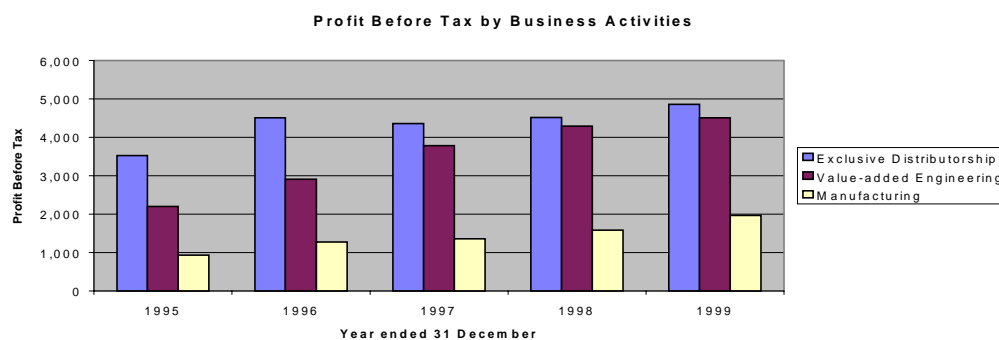
Presently, the business of the UGB Group can be segmented into three (3) core business activities:-

- (i) Manufacturing;
- (ii) Value-added engineering; and
- (iii) Exclusive distributorship.

The following graph illustrates the pro forma turnover breakdown of the UGB Group's three (3) core business activities from 1995 to 1999:-



8. INFORMATION ON THE UGB GROUP (Cont'd)



As shown above, while the Group was at one time engaged principally in exclusive distributorship, efforts have been made to ensure that the Group expands its manufacturing activities, in particular to produce products which are import substitutes, without compromising its value-added engineering activities.

8.5.2 Manufacturing

The Group recognises the importance and opportunities within the Malaysian market for locally manufactured products. As such, the UGB Group has ventured into the manufacturing of industrial products which it previously imported from overseas since 1994.

Currently, the Group's manufacturing activities are carried out by AVSB, AFSB, Q-Flex, Unijin, IPSB and Rigel. The manufacturing activities of the UGB Group have grown significantly during the past four (4) years from 1995 to 1999 as follows:-

	Production At Cost (RM'000)				
	1995	1996	1997	1998	1999
AVSB	608	1,431	3,204	4,376	5,794
AFSB	386	530	1,035	833	741
Q-Flex	328	446	693	1,202	1,184
Unijin	-	-	66	495	1,215
IPSB	71	113	236	249	839
Rigel	0	1,016	2,576	4,575	6,704
	<u>1,393</u>	<u>3,536</u>	<u>7,810</u>	<u>11,730</u>	<u>16,477</u>

Through these manufacturing activities, the Group has managed to substitute its imports by up to twenty-eight per cent (28%) of its total purchases in 1999. Import substitutes include brass and bronze valves, stainless ball valves, stainless steel pipe fittings, brass and bronze pipe fittings, cast iron ball valves, Y-strainer, air-vent, air trap, stainless steel flanges, stud end, steam fittings, pressure gauge and compound gauge.

44 Company Number : 407580-X

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

The Group's manufactured products are marketed and distributed via subsidiaries as follows:-

Company	Region
UME(M)	Northern Region of Peninsular Malaysia
UME(KL),	Central Region of Peninsular Malaysia
UME(JB)	Southern Region of Peninsular Malaysia, Sabah and Sarawak
UME(KTN),	East Coast of Peninsular Malaysia
AESB,	Indonesia and Thailand
Multi	Singapore and the Philippines

The manufactured products are then distributed to dealers, contractors and end-users. As at 8 May 2000, the Group has more than 3,000 dealers, contractors and end-users.

The Group commenced exporting its manufactured products in 1995. The Group has an extensive marketing and distribution network spanning the South East Asian region with offices in Singapore and Vietnam. With its wide distribution base and reputation in the valves and piping industry, coupled with its quality products which comply with international standards, the Group managed to increase its export sales by approximately 2.5 times in 1999.

8. INFORMATION ON THE UGB GROUP (Cont'd)

Details of the manufacturing facilities and products manufactured by the subsidiaries of the UGB Group are as follows:-

(i) **AVSB**

Location	Land area /(Built-up area) sq. m.	No. of shifts	Annual output MT	Present operating capacity %
Prai Industrial Park II, Prai, Pulau Pinang	4,047/ (1,989)	3	1,000	70

AVSB commenced commercial production in 1995 and currently has 3 production lines. The industrial products presently manufactured by AVSB are as follows:-

Product	Types
Ball Valves	Cast iron, stainless steel, brass
Y-Strainer	Cast iron, stainless steel, brass
Air-Vent	Cast iron, stainless steel, brass
Air-Trap	Cast iron, stainless steel, brass
Pipe Fittings	Stainless steel, brass

In May 1999, AVSB was awarded the ISO 9002 certification on the manufacture of stainless steel ball valves and pipe fittings. In addition, the products of AVSB complies with the British Standard, American National Standards Institute and/or Japan Institute of Standard.

(ii) **AFSB**

Location	Land area (Built-up area) sq. m.	No. of shifts	Annual output MT	Present operating capacity %
Taman Nagasari Industrial Park, Prai, Pulau Pinang	374/ (270)	1	600	60

AFSB commenced commercial production in 1994 and presently manufactures industrial flanges made from either mild steel or stainless steel which complies with the British Standard and/or Japan Institute of Standard. AFSB has one production line.

8. INFORMATION ON THE UGB GROUP (Cont'd)

(iii) **Q-Flex**

Location	Land area sq. m.	No. of shifts	Annual output pieces	Present operating capacity %
Pengkalen Maju Industrial Estate, Ipoh, Perak	1,860	2	100,000	60

Q-Flex commenced commercial production in 1994 and currently has 2 production lines. The rubber based products presently manufactured by Q-Flex comply with the British Standard and are as follows:-

Product	Types
Single Bellow	1 ¼" to 24"
Double Bellow	2" to 12"
Vibration absorption sheets	4 feet by 6 feet
Industrial Moulding Rubber	in various forms as defined by the shape of the products for industrial use.
Industrial Hoses	¼" to 2" for oil and gas
Extrusion Profile Products	4" to 12" for industrial use
Industrial Rubber Roller	1" to 4" for printing, paper mill, lacquer, laminating industries
Gasket	4 feet by 6 feet
Polyurethane Casting Products	in various forms as defined by the shape of the products for industrial use.
Underground Rubber Bellow	Single, double and triple arch (3" to 1.2 metre)

(iv) **Unijin**

Location	Land area sq. m.	Production lines	No. of shifts	Annual output pieces	Present operating capacity %
Taman Industry Chain Ferry, Butterworth, Pulau Pinang	720	1	2	200,000	70

Unijin commenced trial production in 1997 and commercial production in 1998. Presently, Unijin has one production line and manufactures various types of gauges which complies with American National Standards Institute and British Standard:-

Product	Types
Pressure Gauges	Low and medium pressure
Compound Gauges	Low and medium pressure
Vacuum Gauges	Low and medium pressure

8. INFORMATION ON THE UGB GROUP (Cont'd)

On 31 March 1998, Unijin received conditional approval from MITI for pioneer status tax incentive for the production of pressure gauges. Unijin has made an application to the MITI for the commencement of its pioneer status, the approval of which is currently pending.

(v)

Rigel

Location	Land area sq. m.	Production lines	No. of shifts	Annual output pieces	Present operating capacity %
Sungai Bakap Industrial Estate, Seberang Prai Selatan, Pulau Pinang	15,000	nil	1	600 metric tonne	60

Rigel commenced operation in 1996. It specialises in the production of stainless steel castings. Its products are tailor-made to customer needs.

Note: There are no structured production lines for Rigel due to the work flow of casting whereby products are cast to customers specifications using individual machines of differing capacity.

(vi)

IPSB

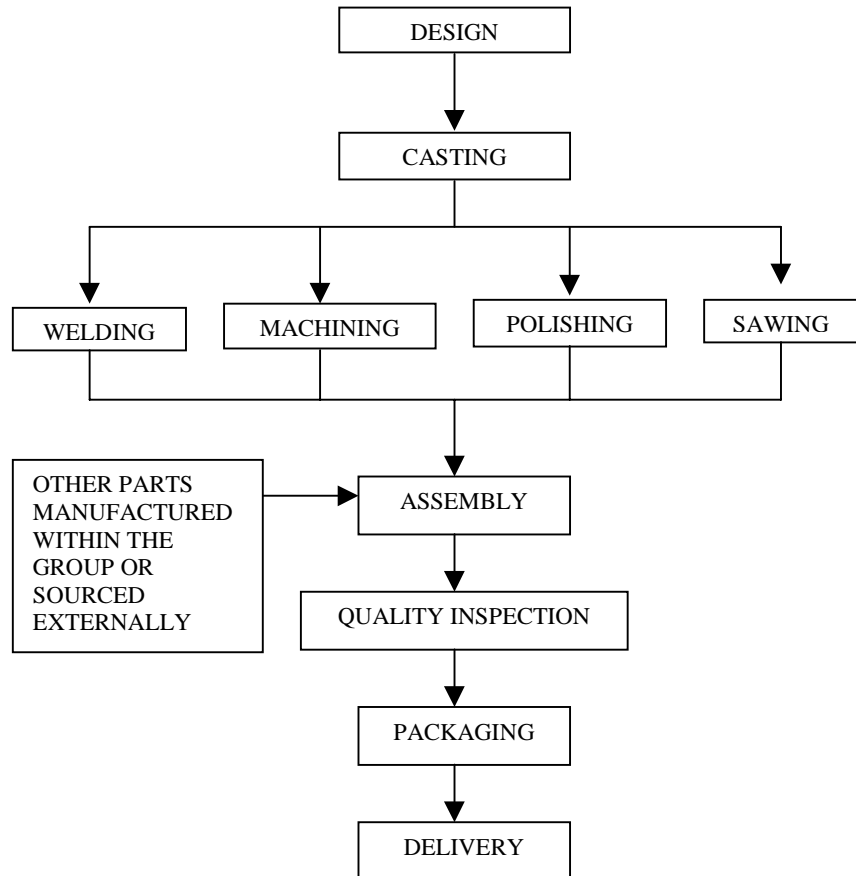
Location	Land area sq. m.	Production lines	No. of shifts	Annual output pieces	Present operating capacity %
Sungai Pasir Industrial Park, Sungai Petani, Kedah	1,200	nil	1	200,000	60

IPSB commenced operation in 1995 and is mainly involved in metal stampings which is a component used in the manufacture of electronic and electrical instrument. Its products are tailor-made to customer needs.

Note: There are no structured production lines for IPSB due to the work flow of stamping whereby products are stamped to customers specifications using individual machines of differing capacity.

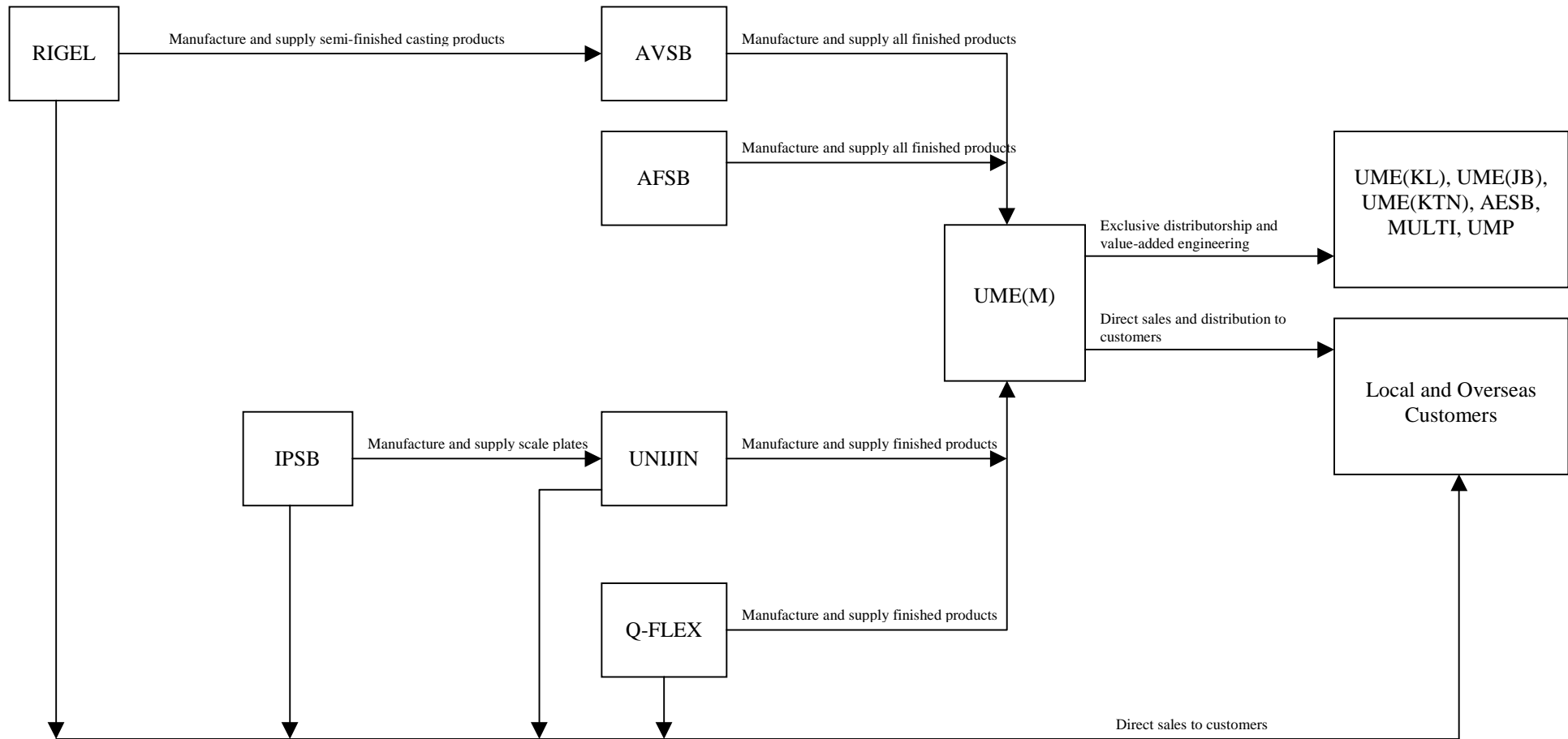
8. INFORMATION ON THE UGB GROUP (Cont'd)

A typical manufacturing production process of Unimech products can be diagrammatically described as follows:-



8. INFORMATION ON THE UGB GROUP (Cont'd)

The flow chart of the manufactured product of the UGB Group are illustrated below:-



8. INFORMATION ON THE UGB GROUP *(Cont'd)*

8.5.3 Value-added Engineering

The principal activities of this business area comprise the following:-

- (i) Project system design and implementation of plant and process engineering services;
- (ii) Design, fabrication, installation, testing and commissioning of industrial packages for heating and steam generation plant and equipment, pipelines and other engineering services; and
- (iii) Service, maintenance, replacement and overhaul of plant and equipment, pipeline and other engineering services.

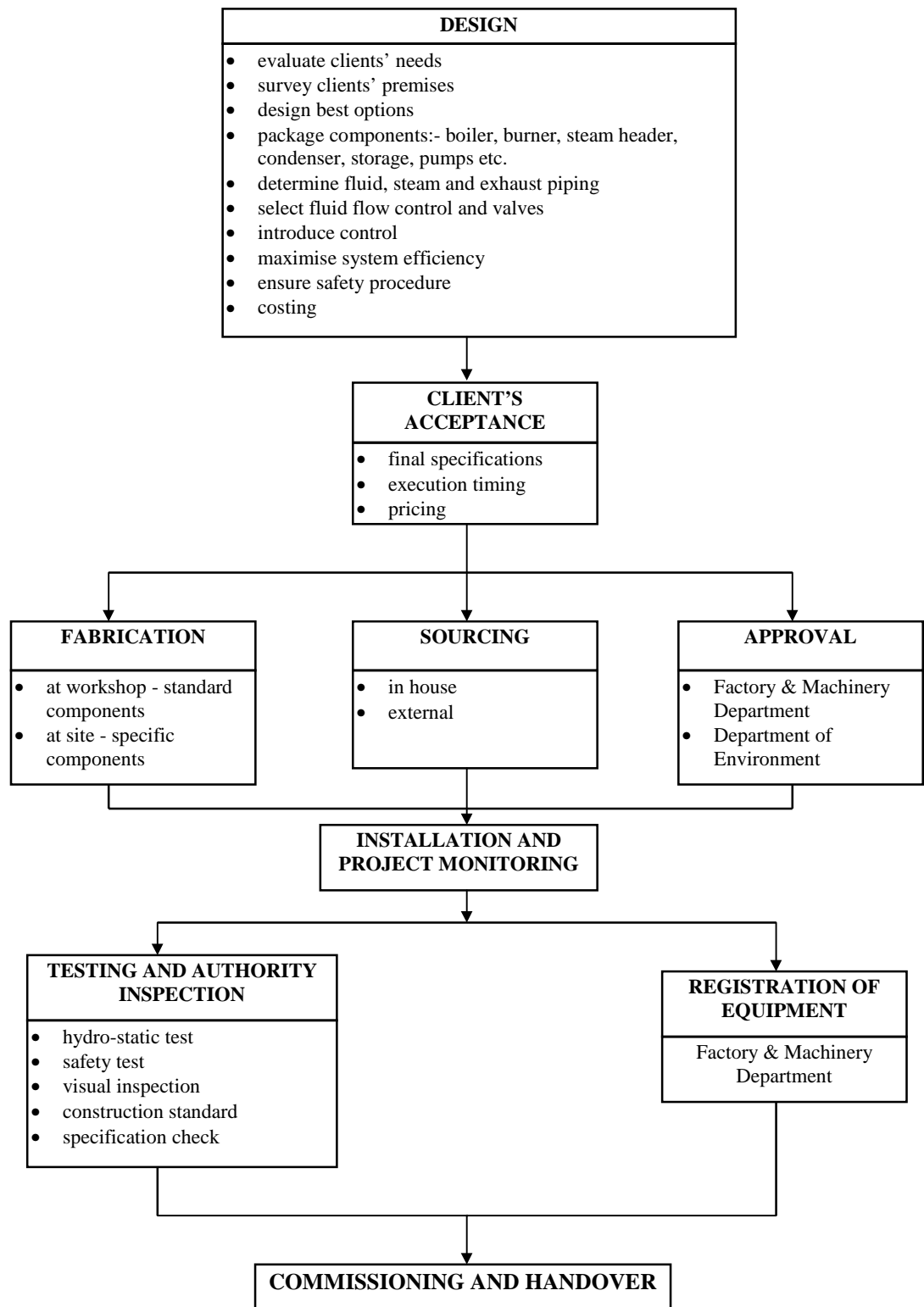
These are currently undertaken by UME(M), UME(KL), UME(JB) and UME(KTN) in different geographical locations to cover predominantly the northern, central, southern (including Sabah and Sarawak) and east coast regions of Malaysia, respectively. Such activities are also undertaken by AESB to cover the Indonesian and Thailand markets while Multi covers predominantly the Singapore and Philippines markets.

Traditionally, project leadership has been assumed by UME(M), but recognising the growth and importance of this business area, the Group has set up UMP as the specialist company focusing in this field and increasingly, activities within this business area are being assumed by UMP which will centralise and co-ordinate the design, engineering calculations, fabrication, installation, turnkey and construction management, testing, commissioning and maintenance of the engineering equipment sold by the Group.

The cornerstone of this value-added engineering business is the heating and boiler system, which is central to almost all industrial processes.

8. INFORMATION ON THE UGB GROUP (Cont'd)

A typical heating and boiler system project implementation programme can be diagrammatically described as follows:-



8. INFORMATION ON THE UGB GROUP (Cont'd)

8.5.4 Exclusive Distributorship

The UGB Group's exclusive distributorship rights of products involves the importation and distribution of engineering equipment and components such as oil and gas industrial burners, industrial steam and hot water boilers, electric steam and hot water boiler and thermal oil heaters, boiler and heat exchanger tube cleaning and descaling equipment, stainless steel ball valves (high pressure), steam control valves, traps and temperature control valves, industrial gauges, thermometer, electronic controllers and gas detection equipment, cast iron and stainless steel valves (high pressure), marine valves, butterfly valves, level and monitoring instruments, Italian brand in industrial bellow sealed valves..

A list of principals and products where the UGB Group is appointed as sole agent or major distributor are as follows:-

<i>Supplier</i>	<i>Trade Mark / Brand Name (Origin)</i>	<i>Description of products</i>	<i>Length of Relationship Years</i>
R.B.I. Riello Bruciatori Legnago SPA	RIELLO (Italy)	Oil and gas industrial burners	22
Dennis Baldwin and Sons Ltd.	BYWORTH (UK)	Industrial steam and hot water boilers	22
Fulton Boiler Works (UK) Ltd.	FULTON (UK)	Electric steam and hot water boiler, and thermal oil heaters	9
Rotatools (UK) Ltd.	ROTATOOL (UK)	Boiler and heat exchanger tube cleaning and descaling equipment	22
Chun Yuan Valve Co. Ltd.	YONE (Taiwan)	Stainless steel ball valves	16
Samyang Enterprise Ltd.	SAMYANG (South Korea)	Steam control valves, traps and temperature control valves	15
Woojin Instruments System Engineering Inc.	WOOJIN (South Korea)	Industrial gauges, thermometer, electronic controllers and gas detection equipment	14
T-One-S Trading Co. Ltd.	OTV (Taiwan)	Cast iron and stainless steel valves	13
Inko Brothers Hardware Pte. Ltd.	HITACHI (Japan)	Marine valves	8
OKM Valves (M) Sdn. Bhd.	OKUMURA (Japan)	Butterfly valves	8
Hitrol Co. Ltd.	HI-TROL (South Korea)	Level and monitoring instruments	7
Civas SRI.	CIVAS (Italy)	Italian brand in industrial bellow sealed valves	6

Note: Contracts with the principal suppliers are continuous; i.e. the tenure of the contract is automatically renewed on an annual basis unless either party serves notice to terminate the contract.

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

The value of purchases from the UGB Group's major distributors for the past 5 years from 1995 to 1999 are as follows:-

Trade Mark / Brand Name	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
RIELLO	1,287	1,518	2,214	2,097	2,435
BYWORTH	172	89	101	75	76
FULTON	429	268	101	75	76
ROTATOOL	687	804	1,006	824	913
YONE	1,287	1,161	1,006	599	456
SAMYANG	687	625	604	374	380
WOOJIN	858	893	1,006	674	456
OTV	1,287	1,340	1,510	899	837
HITACHI	601	714	805	524	685
OKUMURA	601	714	906	749	761
HI-TROL	429	447	503	374	380
CIVAS	257	357	302	225	152
	<u>8,582</u>	<u>8,930</u>	<u>10,064</u>	<u>7,489</u>	<u>7,607</u>

The UGB Group has exclusive distributorship rights to market products sold under these brand names within Malaysia. Owing to the long term and proven relationships with its principal suppliers, the UGB Group is confident that adequate supply will be maintained in the foreseeable future. Furthermore, the diversified sourcing of supply from various countries does, to some extent, mitigate any possible adverse effect of a shortage of supply from any one source.

In Malaysia, the Group has sales and service offices located in Butterworth (Penang), Petaling Jaya (Selangor), Bandar Sunway (Selangor), Kuantan (Pahang) and Johor Bahru (Johor).

The UGB Group undertakes the importation, inventory planning, marketing and sales via UME(M) whilst the distribution, integration of products and other value-added engineering services are undertaken by UME(M), UME(KL), UME(JB), UME(KTN), AESB and Multi.

Such equipment and components are supplied to factories, hardware dealers and contractors, and distribution is via dealers, contractors and end-users. As at 8 May 2000, the UGB Group has more than 3,000 dealers, contractors and end-users. The UGB Group has enjoyed long-term business relationships with its dealers based on trust and mutual interdependency. At times, due to the specialised nature of the industrial equipment and its inherent peculiarities, maintenance of such equipment and the requirement for spare parts has to be sourced from the UGB Group, being the sole agent or distributor in Malaysia.

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

8.5.5 Application of the Products Manufactured and Distributed by the Group

The applications of the Group's manufactured products (namely valves, pipe fittings, rubber expansion bellows and pressure gauges instruments) and distributed products cover a wide spectrum of industries. The key product lines and their respective applications are listed below:-

(i) ***Industrial Oil and Gas Burner Products (Distributed and Installed by UGB)***

Applications	Industries
• Rubber crumb dryer (continuous type)	• Rubber industries
• Paint drying oven	• Automotive industries, car body drying, motor vehicle parts drying, can printing industries, sticker label printing industries
• Coating and curing baking oven type	• Epoxy coating in furniture industries, hot galvanising
• Agricultural drying and curing chamber	• Tobacco industries, marine products industries, cocoa industries, bread and biscuit industries
• Rubber gloves and curing oven for rubber products	• Latex products industries
• Cooking and boiling of oil and water for food industries	• Kitchen, food preparation and manufacturing
• Pickling, cleaning and treatment baths	• Nickel, chrome and other plating process
• Steam and hot water generator	• Steam boiler, hot water boiler
• High temperature annealing and quenching process	• Metal products treatment process

8. INFORMATION ON THE UGB GROUP (*Cont'd*)

(ii) ***Steam Boiler Plant (Distributed and Installed by UGB)***

Applications	Industries
• Power generation	• Power generating industry
• Oil refining and distillation	• Oil and gas industries, palm oil refinery and by-products industries
• Plating, cleaning and conditioning baths	• Electronics and semi-conductor industries, galvanising plants, chrome and nickel plating industries
• Food preparation, canning, sterilisation and drying	• Food industries including agricultural and marine produce, e.g. canning industries, vermicelli and instant noodle preparation, poultry preparation, fish and poultry meals, spice processing, brewery
• Timber processing	• Kiln drying industries, furniture industries, medium fibre board manufacturing
• Textile dyeing, drying, setting or ironing	• Textile and garments manufacturing, polymer fibre manufacturing
• Fuel oil pre-heating and kiln heating	• Cement industries, power plants
• Rubber products curing oven and storage tank pre-heating	• Rubber-based industries, latex product industries
• Concrete products steam curing process	• Concrete products industries
• Paper products heating process and gluing	• Packaging industries, paper and pulp plants
• Kitchen and room hot water supply	• Hotel, canteen, laundry
• Heat expanded products in packaging	• Styrofoam, Polyurethane industry

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

(iii) ***Valves, Fittings, Piping Works and Accessories (Manufactured and Distributed by the UGB Group)***

Applications	Industries
• Fuel oil transfer pipeline	• Boiler plants, oil firing plants, combustion equipment
• Stainless steel chemical pipeline	• Chemical and corrosive fluid conveyance, chemical plants
• High pressure gas and oil pipelines	• Oil and gas industries
• Cold water pipeline	• Air-conditioning and fire-fighting industries, process water cooling tower, domestic water pipe work
• High temperature and high pressure pipeline	• Steam pipelines, thermal oil pipelines, hot water pipelines for manufacturing process
• Water treatment pipe work	• Effluent water treatment for plants and factory
• Hydraulic oil piping	• Hydraulic piston for industrial mechanisation
• Air piping	• Compressed air pipe work for pneumatic automation and facilities
• Steam trapping and condensate piping	• Heat recovery system

(iv) ***Thermal and Heat Insulation (Distributed and Installed by UGB)***

Applications	Industries
• Medium and low temperature furnace (mineral wool, glass fibre, ceramic wool)	• Heating oven, baking oven, boiler shell thermal, oil boiler shell
• High temperature furnace (fire bricks, insulating bricks, refractory casting)	• Blast furnace, annealing furnace, quenching, melting furnace/pot
• Section type pipe cover insulation	• Steam pipe, header, distillation and fractionalisation columns, heater tanks, hot exhaust pipe

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

(v) ***Bellow and Pressure Gauges (Manufactured and Distributed by UGB)***

Applications	Industries
<ul style="list-style-type: none"> • Rubber Bellow for connecting water pipe to fire fighting system, air-conditioner system, chill cooler system 	<ul style="list-style-type: none"> • All industries that need fire fighting systems, air-conditioner systems and chill cooler systems
<ul style="list-style-type: none"> • Rubber Bellow for connecting pipe to air-compressor, pump, suction and relieving equipment for liquid, air, oil & gas, and chemical 	<ul style="list-style-type: none"> • All industries whose processes require mechanism in cycle of flow between a movable and a fixed unit
<ul style="list-style-type: none"> • Rubber Moulded Article such as Seal, V-Seal, O-Seal, Washer, Diaphragm for Valves, Engine Mounting etc 	<ul style="list-style-type: none"> • Industrial Machinery and Equipment
<ul style="list-style-type: none"> • Rubber Roller as transportation of process 	<ul style="list-style-type: none"> • Paper & Pulp Mill, Wood & Furniture Factory, Printing Factory and etc
<ul style="list-style-type: none"> • Rubber Hoses for transfer of fluid 	<ul style="list-style-type: none"> • All industries which require media to transfer of fluid
<ul style="list-style-type: none"> • Rubber Extrusion Profiles for window panel, door seal, furniture, irrigation canal etc 	<ul style="list-style-type: none"> • Building industries, Furniture Industries, Agriculture sector
<ul style="list-style-type: none"> • Pressure Gauges, Vacuum Gauges and Compound Gauges for <ul style="list-style-type: none"> - Measurement of air, oil, gas, water, liquid and viscous fluids - Compressor services, Pulsating Pump - Pneumatic instrument, Hydraulic system - Medical, Dental and similar equipment - Welding, Compressed Gas and Medical Regulators - Ammonia Compressors and refrigerators system and components - Hot water heating boiler - Laboratories 	<ul style="list-style-type: none"> • Iron, Steel and Metallurgical Industries • Petroleum and Refinery Industries • Cement and Ceramic Industries • Petrochemical and Fertiliser Industries • Bio and Fine Chemical Industries • Paper & Pulp Industries • Food Industries • Medical and Dentistry

8. INFORMATION ON THE UGB GROUP (Cont'd)

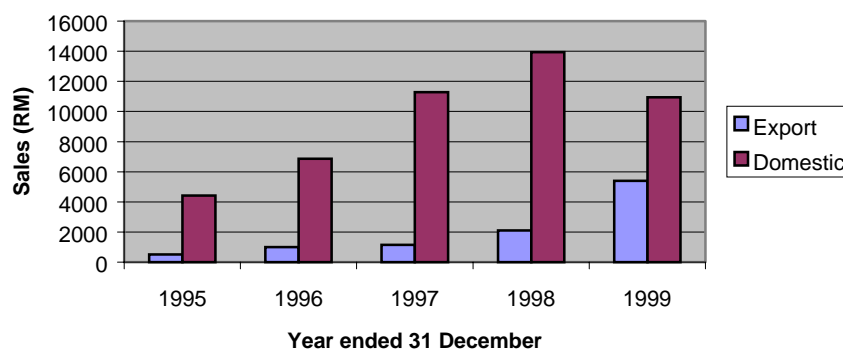
8.5.6 Principal Markets, End-Users and Demand for the Products

The Group's wide range of industrial products allows it to cater to the needs of a multitude of industries including the electrical and electronics, rubber, textile and clothing, wood, food, beverage and tobacco, oil and gas, power, transportation, automotive industries. An estimated breakdown of the sales of the UGB Group, according to the industry of its customers for the year ended 1998 and 1999 are as follows:-

Industry	1998	1999
	%	%
Electrical and electronics	25.0	25.0
Rubber products	18.0	19.0
Textile and clothing	15.0	13.0
Wood	12.0	16.0
Food, beverage and tobacco	10.0	10.0
Oil and gas	8.0	7.0
Power	7.0	5.0
Transportation and automotive	3.0	3.0
Others	2.0	2.0
Total	100.0	100.0

The manufacturing sales contribution from the domestic and export markets for the past five (5) years are as follows:-

Export-Domestic Sales Analysis



The substantial increase in UGB's domestic manufacturing sales can be attributed to its competitive pricing and the nature of its manufactured products to act as substitutes for imported components, whose prices had increased substantially following the depreciation of RM in 1997 and 1998.

8. INFORMATION ON THE UGB GROUP (Cont'd)

With respect to the Group's export markets, customers are spread over sixteen (16) countries i.e. Singapore, Thailand, Vietnam, Philippines, Indonesia, South Korea, Australia, Hong Kong, USA and Italy. The Group's distribution of export sales to the aforesaid countries is set forth as follows:-

Countries	←-----Year ended 31 December----->				
	1995 %	1996 %	1997 %	1998 %	1999 %
Singapore	37.0	30.0	20.0	27.0	32.0
Thailand	38.0	43.0	12.0	1.0	4.0
Vietnam	15.0	17.0	55.0	45.0	5.0
Philippines	9.0	9.0	10.0	10.0	4.0
Indonesia	1.0	1.0	1.0	-	18.0
South Korea	-	-	1.0	1.0	10.0
Australia	-	-	1.0	5.0	5.0
Hong Kong	-	-	-	7.0	1.0
USA	-	-	-	3.0	13.0
Italy	-	-	-	1.0	1.0
Papua New Guinea	-	-	-	-	1.0
New Zealand	-	-	-	-	2.0
Pakistan	-	-	-	-	1.0
France	-	-	-	-	1.0
Jordan	-	-	-	-	1.0
Turkey	-	-	-	-	1.0
Total	100.0	100.0	100.0	100.0	100.0

The distribution of the Group's customers can be illustrated as follows:-

Business Area	No. of Foreign Customers	No. of Domestic Customers
Manufacturing	157	469
Value-added engineering	1	1,226
Distribution	-	1,207
	158	2,902

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

8.5.7 Major Projects and Ongoing Projects

The details of major engineering projects (with a contract value exceeding RM200,000) completed by the UGB Group are as follows:-

Project Name/Client	Location	Details of Project	Contract Value RM'000	Commencement/ (Completion) Date
Perwaja Steel Sdn. Bhd.	Gurun, Kedah	Piping, valves, fittings and other material supply for steel milling plant.	650	November 1995 (May 1996)
Industrial Concrete Products Sdn. Bhd.	Prai and Sungai Bakap, Penang	Steam boiler plant design and erection. Steam supply and condensate return piping system design and erection.	280	June 1996 (July 1996)
Petronas Dagangan Berhad	Pulau Langkawi, Kedah	Aviation fuel storage tanks and distribution piping system, fabrication and site installation.	380	June 1996 (December 1996)
Kankyo Engineering Co. Ltd (Japan)	Malayawata Steel Factory, Prai, Penang	Steel milling plant equipment installation and erection. Steam and cold water piping system shop fabrication and erection. Valves, fittings and hardware materials supply.	1,500	February 1996 (December 1996)
Australian Leisure Industries (M) Sdn. Bhd.	Bukit Merah Water Theme Park, Bukit Merah, Perak	Supply and install Polyvinyl Chloride ("PVC") underground drain piping system. Theme park equipment and facilities fabrication and installation.	1,000	July 1996 (January 1997)
Kuansen Industries (M) Sdn. Bhd.	Penang	Supply and install one (1) unit "Thompson Cochran" steam boiler, supply and install one (1) lot boiler ancillary equipment and piping work as well as to design, fabricate and erect flue chimney for boiler with Department of Environment approval.	350	January 1997 (March 1997)
Tan Lan Industries Sdn Bhd.	Kampar, Perak	Steam boiler, steam piping system design and installation for bicycle rims nickel-plating machines.	288	April 1997 (April 1997)
Malaya Sugar (Malaysia) Berhad	Prai, Penang	Chimney design, fabrication and erection with Department of Environment approval. Valves, pipes and fittings materials supply for plant extension project.	500	August 1995 (September 1997)
Equator Engrg. Sdn. Bhd.	Chemor, Perak	Utility piping, steel structure, hopper and silo feeder fabrication, installation and site erection for cement plant.	750	February 1997 (September 1997)
Golden Frontier Packaging Sdn. Bhd.	Sungai Bakap, Penang	Design, fabricate and install steam supply and condensate return piping system for paper corrugating machines.	250	August 1997 (September 1997)
Mattel (Malaysia) Sdn. Bhd.	Vietnam	Supply and install "Byworth" diesel fired hot water boiler model HBX 1500 including boiler utility piping, hot water circulation piping, circulating pump, flue chimney erection, thermal insulation, testing and commissioning.	380	June 1997 (September 1997)
Dynacraft Industries Sdn. Bhd.	Penang	Steam condensate heat recovery system design and installation including condensate pumps installation, water tank fabrication with water level control and piping installation.	300	July 1997 (November 1997)

8. INFORMATION ON THE UGB GROUP (Cont'd)

Project Name/Client	Location	Details of Project	Contract Value RM'000	Commencement/ (Completion) Date
Amtek Garment Sdn. Bhd.	Prai, Penang	Supply, design and install two steam boilers and its ancillary equipment and facilities. Steam supply and condensate return piping system design and installation.	380	May 1997 and February 1999 (December 1997 and May 1999)
Woodard Textile Mills Sdn. Bhd.	Penang	Steam boiler plant installation, steam piping, compressed air and cold water piping installation for textile sizing machines.	380	September 1997 (December 1997)
EUB Elanteam Universale-Bau (Germany)	Kuala Kangsar, Perak	Steel piping and structural supports shop pre-fabrication for Perak-Hanjoong Cement Plant Extension Project.	350	November 1997 (December 1997)
Toyoko Riken (M) Sdn. Bhd.	Prai, Penang	Cooling tower, chiller and other air-conditioning equipment installation. Cold water piping fabrication and installation.	1,200	March 1997 (January 1998)
Ishikawajima-Harima Heavy Industries Co., Ltd (Japan)	Johor	Water, air steam and hydraulic piping shop pre-fabrication. Pipes, valves and fittings material supply.	1,500	May 1997 (January 1998)
Ishikawajima-Harima Heavy Industries Co., Ltd (Japan)	Chemor, Perak	Water, air steam and hydraulic piping shop pre-fabrication and site erection.	1,000	May 1997 (February 1998)
Ishikawajima-Harima Heavy Industries co., Ltd (Japan)	Chemor, Perak	Water, air, steam and oil utility piping shop pre-fabrication and site erection work. Steel structure support fabrication and installation. Cement processing conveyor system fabrication and erection. Steel silo and hopper fabrication and other cement plant heavy equipment installation and erection.	7,800	October 1996 (March 1998)
Nastah Industries Sdn. Bhd.	Prai, Penang	Steam supply and condensate return piping system design and installation for rubber gloves manufacturing machines.	250	November 1997 (March 1998)
Kuan Industries & Engrg. Works Sdn. Bhd.	Kuala Kangsar, Perak	Steel structural support shop pre-fabrication work for Perak-Hanjoong Cement Plant project.	280	March 1998 (May 1998)
Comfort Rubber Gloves Manufacturing Sdn. Bhd.	Taiping, Perak	Thermic fluid heat distribution piping system design and installation for medical gloves manufacturing machines. Liquid petroleum gas piping system installation for rubber gloves drying system.	480	July 1998 (August 1998)
Ansell Kedah Sdn. Bhd.	Kulim, Kedah	Hot water expansion drum fabrication and installation. Hot water distribution piping system for house hold rubber gloves manufacturing machines.	500	April 1998 (September 1998)
Toyoko Riken (M) Sdn. Bhd.	Gurun, Kedah	Cooling tower, chiller and other air-conditioning equipment installation. Cold water piping fabrication and installation.	1,800	November 1997 (April 1999)
Toyoko Riken (M) Sdn. Bhd.	Gurun, Kedah	Air ducting and fan system fabrication and installation	730	November 1998 (April 1999)
Esquel Enterprises Limited (Hong Kong)	Penang	Supply and install horizontal fire tube packaged steam boilers. Boiler flue gas chimney design, fabrication and erection. Steam header fabrication and installation and steam distribution system for steam ironing, shirt finisher, industrial washers and dryers.	600	October 1998 (June 1999)

8. INFORMATION ON THE UGB GROUP (Cont'd)

Project Name/Client	Location	Details of Project	Contract Value RM'000	Commencement/ (Completion) Date
Comfort Rubber Gloves Manufacturing Sdn. Bhd.	Taiping, Perak Darul Ridzuan	Thermic fluid heat distribution piping system design and installation for six (6) medical rubber gloves manufacturing machines	270	May 1999 (July 1999)
DXN Pharmaceutical Sdn. Bhd.	Alor Setar, Kedah Darul Aman	Steam boiler and equipment installation and erection. Autoclaves steam sterilising vessel design, fabrication and installation for mycelium processing plant.	500	September 1998 (September 1999)
Dynacraft Industries Sdn. Bhd.	Bayan Lepas, Penang	5000 lbs/hr steam boiler supply and installation Chimney design, fabrication and erection. Steam headers fabrication and installation.	220	July 1999 (November 1999)
Sukwon Idche Engineering (M) Sdn. Bhd., (Korea)	Kuala Kangsar, Perak Darul Ridzuan	Steel structure support fabrication and installation. Cement plant hardware tools and equipment supply	1,000	February 1998 (December 1999)
Sumatec Corporation Sdn. Bhd.	Kulim, Kedah Darul Aman	API 5L Pre-Insulated carbon steel pipes fabrication and supply. Chilled water system piping, fittings and valves supply.	3,900	December 1999 (December 1999)
Total			<u>29,768</u>	

A summary of current engineering projects (with a contract value exceeding RM200,000) undertaken by the UGB Group are as follows:-

Project Name/Client	Location	Details of Project	Contract Value RM'000	Commencement/ (Expected Completion) Date
TAL Apparel Group, (Hong Kong)	Tasek Ipoh, Perak Darul Ridzuan	Steam distribution and condensate return system design and installation for steam ironing, shirt finisher, industrial washers and dryers.	500	March 2000 (June 2000)
Oil-Line Engineering & Associates Sdn. Bhd.	Kulim, Kedah Darul Aman	API 5L Pre-Insulated carbon steel pipes fabrication and supply. Chilled water system piping, fittings and valves supply. Cooling tower, chiller and other air-conditioned equipment installation. Chilled water piping pre-fabrication and site installation.	500	March 2000 (December 2000)
Tyco Engineering & Construction (M) Sdn. Bhd.	Kulim, Kedah Darul Aman	API 5L Pre-Insulated carbon steel pipes fabrication and supply. Chilled water system piping, fittings and valves supply. Cooling tower, chiller and other air-conditioned equipment installation. Chilled water piping pre-fabrication and site installation.	300	March 2000 (August 2000)
Merma-O.D.D. Sdn. Bhd.	Kulim, Kedah Darul Aman	API 5L Pre-Insulated carbon steel pipes fabrication and supply. Chilled water system piping, fittings and valves supply. Cooling tower, chiller and other air-conditioned equipment installation. Chilled water piping pre-fabrication and site installation.	2,500	March 2000 (August 2000)
Ikatan Inovasi Sdn. Bhd.	Kulim, Kedah Darul Aman	API 5L Pre-Insulated carbon steel pipes fabrication and supply. Chilled water system piping, fittings and valves supply. Cooling tower, chiller and other air-conditioned equipment installation. Chilled water piping pre-fabrication and site installation.	1,000	March 2000 (August 2000)

8. INFORMATION ON THE UGB GROUP (Cont'd)

Project Name/Client	Location	Details of Project	Contract Value RM'000	Commencement/ (Expected Completion) Date
Dovechem Terminal Sdn. Bhd.	Kuantan Port Pahang	Erection of additional 9 nos. storage tank drum filling yard loading bay & associated works.	3,780	April 2000 (September 2000)
Total			8,580	

The UGB Group has projects in hand amounting to more than RM8.58 million as at 8 May 2000.

8.5.8 Trademarks and Brand name

"Unimech" is a trademark of the UGB Group registered under class 6 of the Trade Marks Act 1976 for unwrought and partly wrought common metals and their alloys; anchors, anvils, bells, rolled and cast building materials; rails and other metallic materials for railway tracks; chains except driving chains for vehicles; cables and wires (non-electric); locksmiths' work; metallic pipes and tubes; safes and cash boxes; steel balls horseshoes; nails and screws and other goods in non-precious metal not included in other classes; ores. Currently, the trademark "Unimech" is not being used on any product of the UGB Group. The UGB Group shall use the "Unimech" trademark on its products in future.

The Group uses the "Arita" trademark as its in-house brand name for valves, steel flanges, and pipe fittings manufactured by AFSB and AVSB. The registration of the "Arita" trademark is pending approval from the Intellectual Property Division of the Ministry of Trade and Consumer Affairs. The Company is also in the process of applying for registration for its other brand names such as "Q-Flex" and "Unijin", which are used for the manufactured products of Q-Flex and Unijin respectively.

8.5.9 Source and Availability of Raw Materials

With respect to the Group's manufacturing activities, it is not dependent on any single supplier as it obtains its raw materials from various suppliers, locally and abroad. The Group's main raw materials used for the products manufactured are as follows:-

Main Raw Material	No. of Local Suppliers	Percentage of total purchases in 1999	No. of Foreign Suppliers	Percentage of total purchases in 1999	Name of Country
Steel	4	80%	3	20%	China/ Japan/ Korea
Iron	2	70%	3	30%	China
Brass and bronze	2	90%	1	10%	Taiwan
Teflon seals	1	10%	2	90%	Taiwan
Natural rubber	3	100%	-	-	-
Total	12		9		

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

8.5.10 Competitive Conditions

The valves and piping industry in which the UGB Group operates is a competitive industry. As such the UGB Group is expected to face the following challenges in the industry:-

- (i) Access to raw materials and availability of human and financial resources;
- (ii) Availability of research and development in producing and providing quality products and services;
- (iii) Access to market places and customers; and
- (iv) Threat of new competitors who distribute and manufacture products similar to the UGB Group.

Notwithstanding the above, the UGB Group is well positioned to exploit and remain competitive in the valves and piping industries with its integrated manufacturing facilities, value-added engineering expertise and wide distribution base and network.

8.5.11 Governing Laws and Regulations

The various government departments which govern the UGB Group's businesses include the local Occupational Hazard and Hygiene Department of the Ministry of Labour and Human Resource. Part of the tests which have to be complied with and certified by a consulting surveyor before approvals can be given for the purchase and installation of boilers are the design specifications, welder's certificate and ultrasonic tests on the boilers.

At the installation stage, approval from the Department of Environment is required for fuel-fired boilers, which must conform to environmental standards.

8.6 SUBSIDIARIES AND ASSOCIATED COMPANY

The subsidiaries and associated company of UGB are as follows:-

Name	Date and country of incorporation	Issued and paid-up share capital	Par Value	Effective Equity Interest %	Business Activities
<i>Subsidiaries of UGB</i>					
UME(M)	15.09.79 Malaysia	RM5,000,000	RM1.00	100	Design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul services. Import, distribution and servicing of boilers, burners, valves and other industrial equipment and components. Principal agency and distributorship holder for the Group. Business activities cover the northern part of Peninsular Malaysia.
UME(KL)	12.11.79 Malaysia	RM1,200,000	RM1.00	100	Similar to UME(M) but business activities cover the central region of Peninsular Malaysia.

8. INFORMATION ON THE UGB GROUP (Cont'd)

Name	Date and country of incorporation	Issued and paid-up share capital	Par Value	Effective Equity Interest %	Business Activities
UME(JB)	13.11.80 Malaysia	RM90,002	RM1.00	100	Similar to UME(M), but business activities cover the southern region of Peninsular Malaysia as well as Sarawak and Sabah.
AVSB	23.06.88 Malaysia	RM2,000,000	RM1.00	100	Design and manufacture of valves, strainers, pipe fittings and chemical pumps for boilers.
UMP	16.05.91 Malaysia	RM1,000,000	RM1.00	100	Specialising in design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul services. Consultancy services on air pollution control, exhaust stack design, plant and process monitoring and recording systems.
AFSB	04.04.94 Malaysia	RM500,000	RM1.00	100	Engineering design and manufacture of all types of steel flanges.
Q-Flex	05.11.93 Malaysia	RM500,000	RM1.00	100	Design and manufacture of rubber-based industrial products including bellow type expansion joints, vibration absorption sheets, rollers, gaskets and polyurethane casting and extrusion products.
AESB	17.09.94 Malaysia	RM100,000	RM1.00	100	Similar to UME(M), but business activities cover Indonesia and Thailand. AESB also specialise in building air-conditioning and fire fighting systems design, installation, testing and commissioning.
Multi	31.03.93 Singapore	SGD100,000	SGD1.00	100	Fabrication and installation of automation instruments/systems and control panels, distribution of level switches and gauges and related products. Business activities cover Singapore and The Philippines.
Unijin	25.03.97 Malaysia	RM1,400,000	RM1.00	51	Manufacturing of pressure gauges and field instruments.
<i>Subsidiary of UME(JB)</i> UME(KTN)	23.09.96 Malaysia	RM8,000	RM1.00	60	Similar to UME(M), but business activities cover the east coast of Peninsular Malaysia.
<i>Subsidiary of UMP</i> IPSB	29.06.94 Malaysia	RM100,000	RM1.00	75	Manufacturing of metal stampings and manufacture of metal parts and design of die casting mould.
<i>Associated company of UGB</i> Rigel	14.07.94 Malaysia	RM6,000,000	RM1.00	28	Production of investment castings of stainless steel and non-ferrous metals.

Further information on the subsidiaries and associated company of UGB is set out in Section 9 of this Prospectus.

8. INFORMATION ON THE UGB GROUP (Cont'd)

8.7 LANDED PROPERTIES

Details of the landed properties of the UGB Group are set out below:-

Registered/ Beneficial Owner	Location	Description/ Existing use	Tenure/ (Approximate Age of building)	Approximate Land area/ (Built up area) sq. m.	Audited net book value as at 31.12.98 RM	Note (iii) Audited net book value as at 31.12.99 RM	Open market valuation by independent valuer RM	Valuation as approved by the SC RM	Revaluation Surplus/ (Deficit) as approved by the SC RM
UME(M)	H.S.(D) No. 435, Section 4, Butterworth, Province Wellesley, Penang (V/BW/HAI/99)	Shophouse/ rented out	Freehold/ (19 years)	186/ (371)	272,510	326,599	330,000 #	330,000	57,490
UME(M)	Lot Nos. 3075, 3076 and 3167, Section 4, Butterworth, Province Wellesley North, Penang (V/BW/HAS/99)	Office and warehouse	Freehold/ (5 years)	881/ (1,711)	1,401,678	2,270,121	2,800,000*	2,300,000	898,322
UME(M)	Lot 3078, Section 4, Butterworth, Province Wellesley North, Penang (V/BW/HAO/99)	Open storage area	Freehold/ (Not Applicable)	766	371,098	620,000	620,000#	620,000	248,902
UME(M)	No. 598-15-A Menara Asas, Jalan Tanjung Bungah, 11200 Penang (V/PG/9231)	Apartment /Residential	Freehold/ (1 year)	(101)	200,000	196,000	200,000**	200,000	-
AVSB	H.S.(D) No. 2843, P.T. 1571, Mukim 1, Province Wellesley Central, Penang (V/BW/HAR/99)	Factory	60 years lease expiring in July 2046/ (7 years)	4,047/ (1,989)	1,451,958	2,008,001	2,050,000*	2,050,000	598,042
UME(KL)	No 11A, Jalan PJS 11/14, Bandar Sunway, Petaling Jaya V/B04-99/0302	1½ storey light industrial factory	99 years lease expiring in April 2086/ (5 years)	221/ (331)	404,307	413,669	520,000##	520,000	115,693
UME(KL)	No. 4, Jalan PJS 7/17, Bandar Sunway, Petaling Jaya VB04-99/0340	1½ storey light industrial terrace factory	99 years lease expiring in April 2093/ (6 years)	185/ (260)	273,386	512,146	420,000##	420,000	146,614
UME(KL)	H.S.(D) HBM 23 Mukim 1, Province Wellesley Central Penang (V/BW/HIH/99)	1½ semi- detached factory	60 years lease expiring in September 2045/ (14 years)	1,677/ (1,778)	1,111,490	841,304	980,000*	860,000	(251,490)
UME(JB)	Lot PTD 48292, Mukim Plentong, Johor Bahru, Johor (HBJB/99/126/PLT/TCY/ sfa)	An intermediate unit of 1½ storey terrace workshop	Freehold/ (5 years)	446/ (476)	495,563	534,400	540,000@	540,000	44,437
AFSB	H.S.(D) No. 718 P.T. 610, Mukim 6 Province Wellesley Central, Penang (V/BW/HDY/99)	1½ storey terrace light industrial factory	Freehold/ (3 years)	374/ (270)	402,472	327,320	330,000*	330,000	(72,472)
					6,384,462	8,049,560	8,790,000	8,170,000	1,785,538

8. INFORMATION ON THE UGB GROUP (Cont'd)

- * *The valuation of this property was carried out by Henry Butcher, Lim & Long (North) Sdn. Bhd. on 10 May 1999 based on the Comparison Method and Contractor's Method.*
- @ *The valuation of this property was carried out by Henry Butcher, Lim, Long & Teoh (South) Sdn. Bhd. on 10 May 1999 based on the Comparison Method.*
- # *The valuation of this property was carried out by Henry Butcher, Lim & Long (North) Sdn. Bhd. on 10 May 1999 based on the Comparison Method.*
- ## *The valuation of this property was carried out by Henry Butcher, Lim & Long Sdn. Bhd. on 10 May 1999 based on the Comparison Method cross-checked by the Investment Method.*
- ** *The valuation of this property was carried out by Henry Butcher, Lim & Long (N) Sdn. Bhd. on 7 June 1999 based on the Comparison Method and Investment Method.*

Note:-

- (i) *The Valuation Certificates are set out in Section 13 of this Prospectus.*
- (ii) *The revaluation surplus/(deficit) is computed based on the valuation as approved by the SC and the audited net book value of the properties as at 31 December 1998.*
- (iii) *The revaluation surplus/(deficit) arising therefrom were incorporated into each of the respective company's accounts for the financial year ended 31 December 1999.*
- (iv) *All the landed properties of the UGB Group except for the landed properties in the District of Johor Bahru and Menara Asas are currently charged as collateral for banking facilities.*

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

8.8 DIRECTORS, MANAGEMENT TEAM AND EMPLOYEES

8.8.1 *Details of the Board of Directors of UGB are as follows:-*

Lim Cheah Chooi, aged 51, is the Executive Chairman, Group Managing Director and founder of the UGB Group, which started as a partnership in 1977 under the name of United Mechanical Engineering Company. He has more than twenty-three (23) years of experience in manufacturing, trading and commissioning of valves and piping engineering systems. His vision and stewardship over the past twenty-three (23) years has taken the Group from being a small partnership operation into a position as one of the leading valves and piping systems specialists in Malaysia. His invaluable experience and ultimate knowledge of management and production and the business connections established in Malaysia and overseas over the years has helped the Group tremendously in achieving its growth.

He is responsible for the overall product and business development of the Group and also sits on the Board of several private limited companies.

Lim Cheah Chooi was appointed to the Board of UGB on 6 March 2000.

Dato' Kamal Mohd Hashim bin Che Din, aged 62, is the Deputy Chairman of UGB. After completing his Senior Cambridge exams in 1956, he joined British Motor Corporation Limited, a company involved in the business of car trading, where he was sent to England for practical training from 1966 to 1969. He left British Motor Corporation Limited in 1973 to join Star Publications (Malaysia) Berhad, a company mainly involved in the publication of daily newspaper and listed on the KLSE, as an Executive Director. He had also served as the Personnel and Administration Director, Northern Regional Sales Director and Regional Director of the company and presently oversees the Group's Penang and northern region operations. He is also the President of the Association of Justices of Peace of Penang, the Chairman of the Malaysian Crime Prevention Foundation of Penang and sits on the Board of several private limited companies.

Dato' Kamal Mohd Hashim bin Che Din was appointed to the Board of UGB on 6 March 2000.

Siew Fook Kheong, aged 40, is the Deputy Group Managing Director and Group General Manager of UGB. He commenced his career in 1983 by joining Samad & Co., a public accounting firm as an audit senior. Subsequently in 1986, he joined Gama Holdings Sdn. Bhd., a company involved in retailing, as the Group Internal Audit Manager. In 1990, he joined Penkin Holdings Berhad, an investment holding company, as the Group Financial Controller before being promoted to become the Group General Manager in 1992. The companies within Penkin Holdings Berhad was subsequently restructured and listed on the Second Board of the KLSE in 1994 under the name of Multi-Usage Holdings Berhad, an investment holding company.

In February 1998, he joined UME(M) as the Group General Manager and is responsible for the Group's corporate planning, business development, finance and overall management. He is a member of the Chartered Institute of Management Accountants (U.K.) and a member of The Institute of Internal Auditors, Malaysia. Presently he also sits on the Board of several private limited companies.

Siew Fook Kheong was appointed to the Board of UGB on 6 March 2000.

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

Lim Kim Guan, aged 46, is the Deputy Managing Director of UGB. He obtained a Bachelor Degree of Science from the Universiti Sains Malaysia in 1979 and upon graduation, he worked as a teacher from 1979 to 1983. In 1984, he joined UME(M) as its Executive Director. He has been with the UGB Group for almost sixteen (16) years since 1984. He has been instrumental in developing the growth of the UGB Group through his vast experience and technical expertise in marketing strategies and product development. He also sits on the Board of several private limited companies.

Lim Kim Guan was appointed to the Board of UGB on 6 March 2000.

Ngoi Foo Sing, aged 51, is the Managing Director of UME(KL) and an Executive Director of UME(JB) and has been with these two (2) companies since their inception in 1979 and 1980 respectively. He joined UME(KL) in 1979 as its Managing Director and UME(JB) in 1980 as its Executive Director. He has more than twenty-two (22) years of experience in boiler repair works and installation. He is actively involved in the operation and strategic business planning of the two (2) companies and plays a vital role in overseeing the business operations of the Group in the central region of West Malaysia. He also sits on the Boards of several private limited companies.

Ngoi Foo Sing was appointed to the Board of UGB on 6 March 2000.

Han Mun Kuan, aged 47, is the Managing Director of UME(JB) since its incorporation in 1980. With over nineteen (19) years of experience in the Group, he has gained vast experience in the maintenance, installation and testing of valves and piping systems. He is responsible for the overall business operation of the UGB Group in the southern region of Peninsular Malaysia.

Han Mun Kuan was appointed to the Board of UGB on 6 March 2000.

Abdul Rafique bin Abdul Karim, aged 44, is an experienced businessman. After completing his Higher School Certificate in 1974, he joined his family business. In 1975, he incorporated Syarikat Manora Sdn. Bhd., venturing into construction and property development. In 1983, owing to his active involvement in the local commercial community, he was selected by the government to undertake an Entrepreneurial Development Course at the International Small Business Institute of Management in USA. In 1988, he was elected to the committee of the Penang Malay Chamber of Commerce. In 1990, he was appointed as the Chamber's Vice President and subsequently to Deputy President in 1995, a position which he holds presently. He is also the President of the Penang Malay Importers and Exporters Association, a position he held since 1994 as well as a member of the Penang Trade Council and the Penang Consumer Affairs Council. He sits on the Board of a number of private limited companies.

Abdul Rafique bin Abdul Karim was appointed to the Board of UGB on 6 March 2000.

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

Lee Yoke Khay, aged 49, is an Advocate and Solicitor. He graduated in law and was awarded the degree of Barrister-at-Law by the Honourable Society of Lincoln's Inn, London, England. He was called to the Malaysian Bar in 1979 and became a partner of a law firm in Penang in 1982. In addition to his partnership in a law firm, he is also currently the Chairman of the International Association of the Lions Club District of 308B2 Malaysia Zone 2 and Honorary Director of the Lions Club of Tanjung, Penang as well as President of the Penang Mountaineering Association and the Vice President of the Penang Canoeing Association. He holds directorships in other private limited companies and acts as legal adviser to various local Chinese temples, guilds and associations.

Lee Yoke Khay was appointed to the Board of UGB on 6 March 2000.

Tan King Tai @ Tan Khoon Hai, aged 45, is a fellow member of Association of Cost and Executive Accountants (UK) since 1993 and is currently the Deputy President of the Institute of Commercial and Industrial Accountants, Malaysia. He also holds a Master of Business Administration majoring in Accounting and Finance from Clayton University, Missouri, U.S.A. He was attached to Messrs. Low Beng Kooi & Co. a public accounting firm in 1977 as audit assistant and resigned in 1987 as Audit Senior. While in the firm, he gained experience in the fields of auditing, accounting and management in various industries, among others, manufacturing, transportation, trading and plantation. He was appointed to the Board of Directors of Pensonic Holdings Berhad on 13 September 1995, an Investment Holding company listed on KLSE. He was appointed as Executive Director of Pensia Industries Sdn. Bhd., a company involved in the manufacture, assembly and sale of electrical and electronic appliances, and Pensonic Corporation Sdn. Bhd., a company involved in dealing in all kinds of electrical products and the operation of a licenced manufacturing warehouse, since 3 April 1990 and 22 November 1991 respectively. Both companies are within the Pensonic Group. He is responsible for the accounting, data processing and management information functions. He also sits on the Boards of several other private limited companies.

Tan King Tai @ Tan Khoon Hai was appointed to the Board of UGB on 6 March 2000.

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

Norman bin Abdul Rahman, aged 45, is an experienced Oil and Gas industry professional. He holds a Bachelor of Science Degree in Mechanical Engineering from Brighton Polytechnic, United Kingdom. He began his career as an external auditor with Price Waterhouse & Co. from 1978 to 1979. He then spent the next 21 years in the marketing sector of the Oil and Gas industry. In 1979, he joined Petroliam Nasional Berhad ("Petronas"), Malaysia's national oil corporation as an Operations Engineer. In 1982, he was transferred to Petronas Dagangan Sdn. Bhd. (subsequently converted to Petronas Dagangan Bhd. in 1993), a company involved in the marketing and distribution of petroleum products, as Head of Depot Operations and was subsequently promoted to Senior Manager, Eastern Region of Petronas Dagangan Sdn. Bhd. in 1989. He was then appointed as the Country Manager for Petronas Thailand Co. Ltd., representing Petronas in oil and gas activities in Thailand, and as Executive Director for Petronas Unique Petroleum Co. Ltd., a joint-venture company involved in the retailing and distribution of petroleum products in Thailand, in 1995. In 1997, he was appointed as the Head of Market Development, Lubricant Unit of Petronas. He left the Petronas Group in 1998 to take up the position of Chief Operating Officer of Panglima Consolidated Sdn. Bhd., a company involved in the marketing of petroleum products. He left Panglima Consolidated Sdn. Bhd. in January 2000 and is presently a director of Scotia Marine Sdn. Bhd., a company involved in the marketing of petroleum products, equipment and services in the oil and gas industry for both the international and domestic markets.

Norman bin Abdul Rahman was appointed to the Board of UGB on 1 April 2000.

8.8.2 *Senior Management*

The members of the senior management team are as follows:-

Liew Kue Len, aged 50, is the Senior Business Manager for UME(M). He was appointed to the position of Senior Business Manager in 1998. He started his career in 1970 with Eastern Wine Merchant in Ipoh as Store Supervisor and later joined Morrison Wine Sdn. Bhd. in 1975 as its Sales Executive before serving Ewein Winery Sdn. Bhd., a licenced repacker and distributor of wine and alcoholic products, in 1980 as Marketing Manager until 1995. He joined UME(M) in 1995 as Inventory Manager, bringing with him over twenty-eight (28) years of experience in inventory and distribution management. He is responsible for the administration of inventory, purchasing, liaison and negotiation with suppliers and gathering market research of new engineering products. His responsibilities also include inventory control, delivery scheduling, and material procurements for projects undertaken by the Group.

Tan Wei Min, aged 30, is an Assistant Export Manager with UME(M). He graduated from Arizona State University, U.S.A. with a Bachelor of Science (Honours) degree in 1994 and a Master of International Management from the American Graduate School of International Management in 1996. Prior to joining UME(M) in February 1997, he was a Sales Executive with DIC Compounds (Malaysia) Sdn. Bhd., a manufacturer of resin for plastic components. He is currently responsible for export product sales promotion of the Group.

Lim Jun Lin, aged 26, is the Finance Manager of the UME(M) and is responsible for all accounting, finance and administrative matters of the company. He holds a Bachelor of Commerce degree from Deakin University, Australia. Upon his graduation in 1997, he joined UME(M).

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

Lim Yam Chiang, aged 50, is a Senior Technical Director and Factory Manager of AVSB. He joined AVSB in 1989 as Executive Director and was subsequently promoted to his current position in 1997. He is a co-founder of UME(M) and UME(KL). He is responsible for product development and applications of new and advanced technology in valve manufacturing. He is a pioneer in the establishment of the manufacturing division for the Group with thirty (30) years of experience in the field of electro-mechanical engineering and automation. He is also responsible for AVSB's expansion plans and product development.

Teoh Chia Chon, aged 26, is the Technical Engineer of AVSB and oversees the product development and quality control. He holds a Bachelor of Science degree in Mechanical Engineering from Oklahoma State University, U.S.A. He joined the company in 1998 upon graduation.

Soo Seong Mook, aged 48, is the Technical Director and General Manager for Q-Flex. He joined Q-Flex in 1995 as Rubber Technologist and was subsequently promoted to his current position in 1996. He is responsible for new product development, production planning, specialist product formulation and technical support. He is an experienced polymer and rubber specialist backed with years of hands on field experience. He gained his experience while working as Plant Superintendent and Rubber Technologist for Tan Kor Seng & Sons, a manufacturer of moulded and extruded rubber products, which he joined in 1972. His area of expertise includes preparation, mixing and testing of rubber compounds. He holds a Diploma from the Plastic and Rubber Institute (London). In recognition for his long service to the local rubber industry, he was awarded the Member of the Plastic and Rubber Institute of Malaysia (MPRIM) in 1995.

Ang Teng Wee, aged 30, is an Executive Director and Project Manager of UMP. He supervises the business development and project management of the company and is actively involved in project design, planning and implementation. He holds a Diploma in Mechanical Engineering from Tunku Abdul Rahman College. Prior to joining UMP in 1996, he was with UME(M) as a Project Engineer from 1994 to 1995.

Tan Yee Hean, aged 34, is an Executive Director and Marketing Manager of UMP, who is responsible for project sales and business development. He graduated from the Victoria University of Technology, Australia in 1995 with a Bachelors Degree in Computer and Mathematical Science. He joined MBf High Tech Niaga Sdn. Bhd., a company involved in consultancy and marketing of computer software and hardware, as System Engineer in 1995 before joining the UGB Group in 1996.

Kam Chee Leong, aged 29, is the Factory Manager of Unijin. He holds a Bachelor of Science degree from Campbell University, North Carolina, USA. Prior to joining the company in 1998, he was an Engineer with Sony Electronics (M) Sdn. Bhd., a manufacturer of electronic audio systems, from 1995 to 1997. From 1997 to 1998 he was attached with Logic-Axis (M) Sdn. Bhd., a manufacturer of computer diskettes, as an Assistant Factory Manager. He joined Unijin in 1998 as Factory Manager and is responsible for the overall factory management.

Low Yew Lean, aged 34, is an Executive Director and General Manager of AESB and is in charge of the project and marketing operations of AESB. He joined AESB in 1994 and assumed his current position in AESB in 1994. A holder of Diploma in Marketing, he worked with Concept Engineering Sdn. Bhd. from 1991 to 1993 as a Sales Executive and subsequently joined UME(M) in 1994 as a Marketing Executive who was responsible for promoting the company's overseas business ventures.

8. INFORMATION ON THE UGB GROUP *(Cont'd)*

Tay Kheok Jin, aged 41, is an Executive Director and General Manager of Multi. He is responsible for the Group's business activities in Singapore and Philippines. He holds a Diploma in Advanced Electrical Technology from the City & Guild, U.K. and has over fifteen (15) years of experience in advanced instrumentation technology from his service as an Installation and Commissioning Engineer with GEO Services (SEA) Pte. Ltd. from 1983 to 1986 and as an Instrument Engineer with SEA Automation from 1986 to 1988. He was with LK Nes GEO (SEA) Pte. Ltd. as Sales and Service Manager from 1988 to 1993 before joining Multi as an Executive Director and General Manager, a post he has held since then. Under his care, Multi has also ventured into the provision of high technology products and services for the marine and oil, gas and petro-chemical industries.

Tham Chong Lay, aged 39, is the Executive Director and General Manager of AFSB. He is one of the co-founder of AFSB since its incorporation in 1994. He has extensive knowledge and experience in the foundry industry. Prior to the incorporation of AFSB, he had worked in various machine shop and foundries from 1978 to 1993. He is now responsible for the overall operation of AFSB.

Jimmy Hong Heng Eng, aged 40, is the Executive Director and General Manager of UME(KTN). He was appointed as the Executive Director of UME(KTN) in 1996. He graduated from Hong Kong University with a Bachelors Degree in Electrical Engineering in 1983. From 1983 to 1984, he worked as an Electrical Engineer in Huge Tools Pte. Ltd., Singapore. Subsequently in 1985 he joined Gadelius Pte. Ltd., as a Service Engineer before being transferred to Gadelius Sdn. Bhd., Brunei in 1986. In 1992, he joined Siprax Sarco Sdn. Bhd., a company involved in the trading of the Spirax Sarco brand of steam specialty products in Malaysia, as a Sales Engineer and served for a period of four (4) years before joining UME(KTN) as its General Manager. He is now responsible for the overall business operation of UME(KTN).

Lim Lee Koon, aged 29, is the Executive Director and Factory Manager of IPSB. She is also the co-founder of IPSB since its incorporation in 1994. She has more than four (4) years experience in the metal stamping, die casting, and metal part business. Prior joining the company, she was involved in the trading of hardware from 1989 to 1993. She is now responsible for the overall operations of IPSB.

8.8.3 *Employees*

The UGB Group has a total number of 326 employees as at 8 May 2000.

The UGB Group has not encountered any major problems in staff turnover and enjoys a cordial relationship with its employees. None of the employees of the UGB Group are members of any trade unions.

8.8.4 *Family Relationship*

Save for Lim Cheah Chooi, Lim Kim Guan and Lim Yam Chiang, who are siblings, and Lim Jun Lin who is the son of Lim Cheah Chooi, there are no family relationships amongst the Directors and senior management staff of the UGB Group.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY

Details of UGB's subsidiaries are as follows:-

9.1 UME(M)

(i) History and Business

UME(M) was incorporated in Malaysia on 15 September 1979 under the Companies Act, 1965 as a private company limited by shares under the name of Unimech Engineering (M) Sdn. Bhd. UME(M) commenced operation in 1977 as a partnership before it was subsequently converted into a private limited company in 1980.

UME(M) is in the business of designing, fabricating, installing, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul of engineering equipment and equipment parts replacement services. The company's business activities cover the northern region of Peninsular Malaysia.

The company is the principal agency and sole distributorship holder for the Group and imports engineering equipment and components such as boilers, steam fittings, high pressure valves and burners from overseas manufacturers for its business needs as well as other companies within the Group. It is also the design centre for the Group's engineering system projects.

UME(M) does not have any subsidiary nor associated company.

As at 8 May 2000, UME(M) has a total of 42 employees.

(ii) Share Capital

The authorised share capital of UME(M) is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 5,000,000 ordinary shares have been issued and fully paid-up.

The changes in the issued and paid-up share capital of UME(M) since its incorporation are set out below:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
15.09.79	2	Subscribers' shares	2
02.01.80	66,156	Issued as consideration for the takeover of the business of a partnership, United Mechanical Engineering Company	66,158
01.02.82	53,842	Cash	120,000
26.01.83	30,000	Cash	150,000
12.06.84	30,000	Cash	180,000
01.03.85	65,000	Cash	245,000
08.08.85	85,000	Cash	330,000
02.01.86	105,000	Cash	435,000
02.02.93	1,065,000	Bonus issue of approximately 2.45 for 1	1,500,000
10.09.93	1,000,000	Bonus issue of 2 for 3	2,500,000
18.03.98	2,500,000	Bonus issue of 1 for 1	5,000,000

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

(iii) Profit and Dividend Records

The following sets out the results of UME(M) based on its audited accounts for the past five (5) years ended 31 December 1999:-

	<----- Year ended 31 December ----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	23,411	26,414	32,344	30,578	32,684
Profit before taxation	3,022	3,359	4,050	4,240	5,210
Taxation	(981)	(1,062)	(1,098)	(1,290)	20
Profit after taxation	2,041	2,297	2,952	2,950	5,230
No. of ordinary shares in issue ('000)	2,500	2,500	2,500	5,000	5,000
Gross EPS (sen)	120.88	134.36	162.00	84.80	104.20
Net EPS (sen)	81.64	91.88	118.08	59.00	104.60
Gross dividend rate (%)	-	80	-	-	-

Note:-

- (i) *Turnover was on an increasing trend from 1995 to 1997, reflecting the growth of UME(M). There was a drop in turnover in 1998 due mainly to the economic downturn affecting the Asian countries. The increase in turnover in 1999 was due to increase in demand for the company's products following the recovery in the local and Asian economies. The higher turnover coupled with lower operating expenses resulted in higher profit in 1999.*
- (ii) *There were no exceptional items and extraordinary items in respect of the above financial years under review.*
- (iii) *The effective tax rates for the years 1995, 1996 and 1998 were slightly higher than statutory tax rates due to certain expenses not being deductible for tax purposes. The taxation was in credit in 1999 due to the transfer of deferred tax to the Profit and Loss Account.*

9.2 UME(KL)

(i) History and Business

UME(KL) was incorporated in Malaysia on 12 November 1979 under the Companies Act, 1965 as a private company limited by shares under the name of Unimech Engineering (K.L.) Sdn. Bhd. UME(KL) commenced operation in 1979.

UME(KL)'s principal activity involves design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul of engineering equipment and equipment parts replacement services. The design function is conducted together with UME(M) and UMP whilst the fabrication and installation work is done by UME(KL).

The company's business activities cover the central region of Peninsular Malaysia. The company also distributes engineering equipment and components.

UME(KL) does not have any subsidiary and associated company.

As at 8 May 2000, UME(KL) has a total of 18 employees.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

(ii) Share Capital

The authorised share capital of UME(KL) is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each of which 1,200,000 ordinary shares have been issued and fully paid-up.

The changes in the issued and paid-up share capital of UME(KL) since its incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
12.11.79	3	Subscribers' shares	3
15.11.79	17,997	Cash	18,000
02.01.82	24,000	Cash	42,000
15.09.82	30,000	Cash	72,000
26.01.83	30,000	Cash	102,000
20.03.84	48,000	Cash	150,000
20.08.85	72,000	Cash	222,000
23.02.90	78,000	Bonus issue of approximately 0.35135 for 1	300,000
28.12.93	900,000	Bonus issue of 3 for 1	1,200,000

(iii) Profit and Dividend Records

The following sets out the results of UME(KL) based on its audited accounts for the past five (5) years ended 31 December 1999:-

	<----- Year ended 31 December ----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	8,266	9,925	10,162	10,432	10,476
Profit before taxation and exceptional items	1,266	2,110	1,680	1,369	1,994
Exceptional items	-	121	(3)	83	41
Profit before taxation after exceptional item	1,266	2,231	1,677	1,452	2,035
Taxation	(433)	(573)	(554)	(415)	(4)
Profit after taxation	833	1,658	1,123	1,037	2,031
No. of ordinary shares in issue ('000)	1,200	1,200	1,200	1,200	1,200
Gross EPS (sen)	105.50	185.92	139.75	121.00	169.58
Net EPS (sen)	69.42	138.17	93.83	86.42	169.25
Gross dividend rate (%)	-	75	-	50	100

Note:-

- (i) Turnover was on an increasing trend from 1995 to 1999 as a result of greater demand for the company's products and services. Profitability in 1996 increased substantially due to increase in demand for the company's maintenance services which generated higher gross margin.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

Despite the increase in turnover, profitability dropped in 1997 and 1998 as a result of lower gross margin. However, in 1999, profit improved as a result of greater demand for the company's higher profit margin maintenance services.

- (ii) *The exceptional item in respect of the year ended 31 December 1996 represents a net gain on disposal of leasehold land and building.*

The exceptional items in respect of the years ended 31 December 1997 to 1999 represent the net effect of a diminution in value of quoted investment and gain on disposal of investment.

- (iii) *There was no extraordinary item in all the financial years under review.*
- (iv) *The effective tax rates for the years 1995, 1997 and 1998 were higher than the statutory tax rates due to certain expenses not being deductible for tax purposes. No provision for taxation was made in respect of income earned in 1999 as income earned in 1999 is waived from income tax. The taxation provision in 1999 related to deferred taxation liability.*

9.3 UME(JB)

(i) History and Business

UME(JB) was incorporated in Malaysia on 13 November 1980 under the Companies Act, 1965 as a private company limited by shares under the name of Unimech Chemicals (M) Sdn. Bhd. It changed its name to Unimech Engineering (J.B.) Sdn. Bhd. on 26 September 1983. UME(JB) commenced operation in 1983.

UME(JB)'s principal activity involves design, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul of engineering equipment and equipment parts replacement services. The design function is conducted together with UME(M) and UMP whilst the fabrication and installation work is done by UME(JB). The company also distributes engineering equipment and components. UME(JB)'s business activities cover the southern region of Peninsular Malaysia as well as East Malaysia.

UME(JB) has a subsidiary, UME(KTN) in which it has 60% effective equity interest while the balance of 40% is held by Hong Heng Eng. Details of UME (KTN) is set out in Section 9.11 of the Prospectus. UME(JB) does not have any associated company.

As at 8 May 2000, UME(JB) has a total of 12 employees.

(ii) Share Capital

The authorised share capital of UME(JB) is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which 90,002 ordinary shares have been issued and fully paid-up.

The changes in the issued and paid-up share capital of UME(JB) since its incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
13.11.80	3	Subscribers' shares	3
15.11.80	7,998	Cash	8,001
16.10.86	82,001	Cash	90,002

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

(iii) Profit and Dividend Record

The following sets out the results of UME(JB) based on its audited accounts for the past five (5) years ended 31 December 1999:-

	<----- Year ended 31 December ----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	6,595	7,388	8,788	8,522	8,482
Profit before taxation and exceptional items	1,176	1,442	1,758	1,555	1,755
Exceptional items	-	-	-	6	5
Profit before taxation after exceptional items	1,176	1,442	1,758	1,561	1,760
Taxation	(336)	(441)	(513)	(456)	3
Profit after taxation	840	1,001	1,245	1,105	1,763
No. of ordinary shares in issue ('000)	90	90	90	90	90
Gross EPS (sen)	1,306.67	1,602.22	1,953.33	1,734.44	1,955.56
Net EPS (sen)	933.33	1,112.22	1,383.33	1,221.11	1,958.89
Gross dividend rate (%)	-	-	-	500	500

Note:-

- (i) Turnover was on an increasing trend from 1995 to 1997 as a result of greater demand for the company's products and services. The decrease in turnover for 1998 and 1999 was due to the drop in demand from Singaporean clientele who were affected by the economic downturn. However, demand from East Malaysia continued to grow to partly compensate the drop in demand in Singapore.
- (ii) The decrease in profitability for the year ended 31 December 1998 was due to increase in operating expenses. However, profit before taxation and exceptional items increased in year 1999 due to improvement in the gross profit margin of the company's products and services.
- (iii) The exceptional items in respect of the year ended 31 December 1998 and 31 December 1999 represent gain on disposal of quoted investments.
- (iv) There was no extraordinary item for the financial years under review.
- (v) The effective tax rates for the years 1996 to 1998 were higher than the statutory tax rates due to certain expenses not being deductible for tax purposes. The taxation was in credit in 1999 due to the transfer of deferred tax to the Profit and Loss Account.

9.4 AVSB

(i) History and Business

AVSB was incorporated in Malaysia on 23 June 1988 under the Companies Act 1965 as a private company limited by shares under the name of Modern Steam Engineering Sdn. Bhd. The company changed its name to Arita Valve Mfg (M) Sdn. Bhd. on 16 October 1989. AVSB commenced operation in 1995.

AVSB is in the business of designing and manufacturing of valves, strainers, pipe fittings and chemical pumps for boilers. The company has a manufacturing plant in Prai Industrial Park, Prai, Penang.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

AVSB does not have any subsidiary nor associated company.

As at 8 May 2000, AVSB has a total of 58 employees.

(ii) Share Capital

The authorised share capital of AVSB is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 2,000,000 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
23.06.88	4	Subscribers' shares	4
19.10.89	349,996	Cash	350,000
01.04.95	1,150,000	Cash	1,500,000
22.12.98	500,000	Cash	2,000,000

(iii) Profit and Dividend Record

The following sets out the results of AVSB based on its audited accounts for the past five (5) years ended 31 December 1999:-

	<----- Year ended 31 December ----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	1,044	2,119	3,583	5,081	7,538
Profit/(loss) before taxation	182	350	319	352	615
Taxation	(69)	58	(19)	(38)	-
Profit/(loss) after taxation	113	408	300	314	615
No. of ordinary shares in issue ('000)	1,500	1,500	1,500	2,000	2,000
Gross (loss)/earnings per share (sen)	12.13	23.33	21.27	17.60	30.75
Net (loss)/earnings per share (sen)	7.53	27.20	20.00	15.70	30.75
Gross dividend rate (%)	-	-	-	-	-

Note:-

- (i) AVSB only commenced manufacturing activities in 1995. The turnover of the company was on an increasing trend from 1995 to 1999, reflecting the rise in demand of its products. The substantial increases in turnover in 1998 and 1999 were due to higher demand for its products which were more competitively priced as compared to imported valves whose price had increased substantially following the depreciation of the Ringgit currency.
- (ii) AVSB recorded a higher profit before taxation in 1998 mainly due to improvement in the profit margin of its valves. The lower profit margin experienced in 1997 to 1999 was due to increase in the cost of raw materials and reduction in selling price.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

(iii) *There were no exceptional items and extraordinary items in respect of the above financial years under review.*

(iv) *The effective tax rate was higher than the statutory tax rate for year 1995 due to certain expenses not deductible for tax purposes. The effective tax rates were lower than statutory tax rates for year 1996 to 1998 due to claims for reinvestment allowance and capital allowance. No provision for taxation was made in respect of income earned in 1999 as income earned in 1999 is waived from income tax.*

9.5 UMP

(i) History and Business

UMP was incorporated in Malaysia on 16 May 1991 under the Companies Act, 1965 as a private company limited by shares under the name of Anga Normics Sdn. Bhd. The company changed its name to Unimech Projects Sdn. Bhd. on 14 September 1994. UMP commenced operation in 1995.

UMP's core business activities include design, engineering calculations, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul services. The company also provides consultancy services on air pollution control, exhaust stack design, plant and process monitoring and recording systems.

UMP has a subsidiary, IPSB in which it has 75% equity interest while the balance of 25% is held by Lim Lee Koon. Details of IPSB is set out in Section 9.12 of the Prospectus. UMP does not have any associated company.

As at 8 May 2000, UMP has a total of 11 employees.

(ii) Share Capital

The authorised share capital of UMP is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
16.05.91	5	Subscribers' shares	5
15.02.92	50,000	Cash	50,005
06.06.95	24,995	Cash	75,000
29.08.98	925,000	Bonus issue of approximately 12.33 for 1	1,000,000

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

(iii) Profit and Dividend Record

The following sets out the results of UMP based on its audited accounts for the past five (5) years ended 31 December 1999:-

	<----- Year ended 31 December ----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	1,561	3,248	6,702	8,620	8,710
Profit/(loss) before taxation and exceptional items	323	478	943	994	407
Exceptional items	-	-	(60)	139	144
Profit before taxation after exceptional items	323	478	883	1,133	551
Taxation	(90)	(146)	(278)	(309)	(2)
Profit/(loss) after taxation	233	332	605	824	549
No. of ordinary shares in issue ('000)	75	75	75	1,000	1,000
Gross (loss)/earnings per share (sen)	430.67	637.33	1,177.33	113.30	55.10
Net (loss)/earnings per share (sen)	310.67	442.67	806.67	82.40	54.90
Gross dividend rate (%)	-	-	-	30	15

Note:-

- (i) In 1995, UMP revived its operations in designing, fabricating, constructing and maintaining boiler systems.
- (ii) Turnover was on an increasing trend from 1995 to 1999 due mainly of its ability to secure new industrial projects in designing, installation and maintaining valves and piping systems.
- (iii) The profit before taxation and exceptional items of UMP increased in year 1996 and 1997 mainly due to economies of scale achieved following substantial increase in turnover. The significant decrease in profit for 1999 was mainly due to increase in cost of materials.
- (iv) The exceptional item in year 1997 represents diminution in the value of quoted investments. The exceptional items in respect of the year 1998 and 1999 represent gain on disposal of investments.
- (v) There was no extraordinary item in respect of the years under review.
- (vi) The effective tax rates in year 1996 to 1998 are slightly higher than the statutory tax rates due to certain expenses not being deducted for tax purposes. No provision for taxation was made in respect of income earned in 1999 as income earned in 1999 is waived from income tax. The provision for tax charge for year 1999 was in respect of deferred taxation liability.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

9.6 Q-Flex

(i) History and Business

Q-Flex was incorporated in Malaysia on 5 November 1993 under the Companies Act, 1965 as a private company limited by shares under the name of Q-Flex Industries (M) Sdn. Bhd. Q-Flex commenced operation in 1994.

The principal activities of Q-Flex include the design and manufacturing of rubber-based products such as bellow tyre expansion joints, vibration absorption sheets, rollers, gaskets and polyurethane casting and extrusion products. The company commenced its manufacturing operations in November 1993 and sells its products under the brand name of "Q-Flex".

Q-Flex does not have any subsidiary nor associated company.

As at 8 May 2000, Q-Flex has a total of 41 employees.

(ii) Share Capital

The present authorised share capital of Q-Flex is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 500,000 ordinary shares have been issued and fully paid-up.

The changes in the issued and paid-up share capital of Q-Flex since its incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
05.11.93	5	Subscribers' shares	5
03.01.94	499,995	Cash	500,000

(iii) Profit and Dividend Records

The following sets out the results of Q-Flex based on its audited accounts for the past five (5) years ended 31 December 1999:-

	<-----Year ended 31 December----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	1,071	1,184	1,687	2,356	2,445
Profit/(loss) before taxation	288	298	353	317	282
Taxation	(38)	(101)	(103)	(98)	(28)
Profit/(loss) after taxation	250	197	250	219	254
No. of ordinary shares in issue ('000)	500	500	500	500	500
Gross (loss)/earnings per share (sen)	57.60	59.60	70.60	63.40	56.40
Net (loss)/earnings per share (sen)	50.00	39.40	50.00	43.80	50.80
Gross dividend rate (%)	-	-	-	-	-

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

Note:-

- (i) Turnover was on an increasing trend from 1995 to 1999 as a result of higher demand of its products.
- (ii) The keen competition experienced by Q-Flex resulted in the decline in its profit before taxation in 1998 and 1999.
- (iii) There were no exceptional item and extraordinary item in respect of the above years under review.
- (iv) The adjustment to prior year item for the year ended 31 December 1997 in respect of deferred taxation underprovided was taken back to the years ended 31 December 1995 and 1996.
- (v) The effective tax rate in 1995 is lower than the statutory tax rate due to utilisation of capital allowance and losses brought forward. The effective tax rates from 1996 to 1998 are higher than the statutory tax rates due to certain expenses not being deductible for tax purposes. No provision for taxation was made in respect of income earned in 1999 as income earned in 1999 is waived from income tax. The provision for tax charge for year 1999 was in respect of deferred taxation liability.

9.7 AFSB

(i) History and Business

AFSB was incorporated in Malaysia on 4 April 1994 under the Companies Act, 1965 as a private company limited by shares under the name of Fortune Chalstar (M) Sdn. Bhd. The company changed its name to Arita Flanges Industries Sdn. Bhd. on 13 September 1996. AFSB commenced operations in 1994.

The core business of AFSB is design and manufacture of industrial steel flanges for the piping industry. AFSB also produces steel flanges, which are tailored to customers' specifications.

AFSB does not have any subsidiary nor associated company.

As at 8 May 2000, AFSB has a total of 8 employees.

(ii) Share Capital

The present authorised share capital of AFSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each of which 500,000 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
04.04.94	2	Subscribers' shares	2
26.04.94	99,998	Cash	100,000
07.06.94	100,000	Cash	200,000
31.12.95	300,000	Issued as consideration for the takeover of the assets and liabilities of a partnership, Arita Flanges Manufacturer	500,000

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

(iii) Profit and Dividend Record

The following sets out the results of AFSB based on its audited accounts for the past five (5) years ended 31 December 1999:-

	<-----Year ended 31 December----->				
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	693	886	1,306	1,086	995
Profit before taxation	256	260	100	128	123
Exceptional items	=	=	=	=	(72)
	256	260	100	128	51
Taxation	(75)	(60)	(29)	(63)	25
Profit after taxation	181	200	71	65	76
No. of ordinary shares in issue ('000)	500	500	500	500	500
Gross EPS (sen)	51.20	52.00	20.00	25.60	24.60
Net EPS (sen)	36.20	40.00	14.20	13.00	15.20
Gross dividend rate (%)	-	-	-	-	15

Note:-

- (i) AFSB commenced operations in 1994 with turnover showing modest growth in the period and years under review.
- (ii) The substantial increase in turnover in 1997 was mainly due to greater demand of its products. The decrease in profitability in 1997 was mainly due to competition from the steel-end plates suppliers, who had been supplying to the construction industry, shifting its activities into manufacturing of steel flanges as a result of the slowdown in the construction industry. Consequently, prices of steel flanges had been adjusted downward.
- (iii) The exceptional item in respect of year 1999 represents deficit in revaluation of freehold land and building.
- (iv) There was no extraordinary item in respect of the above period and years under review.
- (v) The effective tax rates in 1995 and 1996 are lower than the statutory tax rates due to utilisation of capital allowance and under provision of deferred tax. The effective tax rates in 1997 and 1998 is higher than the statutory tax rates due to under provision in deferred tax in previous year. The taxation was in credit in 1999 due to the transfer of deferred tax to the Profit and Loss Account.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

9.8 AESB

(i) History and Business

AESB was incorporated in Malaysia on 17 September 1994 under the Companies Act, 1965 as a private company limited by shares under the name of Arita Engineering Sdn. Bhd. AESB commenced operation in 1994.

The principal activities of AESB is in the business of designing, fabricating, installing, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyancing piping works, as well as maintenance and overhaul of engineering equipment and equipment parts replacement services. AESB's business activities cover Indonesia and Thailand. AESB also specialises in building air-conditioning and fire fighting systems design, installation, testing and commissioning.

AESB does not have any subsidiary nor associated company.

As at 8 May 2000, AESB has a total of 14 employees.

(ii) Share Capital

The authorised share capital of AESB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
17.09.94	4	Subscribers' shares	4
20.09.95	99,996	Cash	100,000

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

(iii) Profit and Dividend Record

The following sets out the results of AESB based on its audited accounts for the period from 17 September 1994 to 31 December 1995 and for the past four (4) years ended 31 December 1999:-

	17.09.94	<----Year ended 31 December---->			
	to 31.12.95 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	1,886	5,636	3,139	4,268	6,126
Profit before taxation	121	334	94	494	221
Taxation	(37)	(102)	(27)	(151)	1
Profit after taxation	84	232	67	343	222
No. of ordinary shares in issue ('000)	100	100	100	100	100
Gross EPS (sen)	93.97*	334.00	94.00	494.00	221.00
Net EPS (sen)	65.23*	232.00	67.00	343.00	222.00
Gross dividend rate (%)	-	-	-	-	69

* Annualised

Note:-

- (i) AESB's turnover increased in 1996, reflecting rising demand for its services and products.
- (ii) The decrease in profitability for the year ended 31 December 1997 was mainly due to the reduction of export sales to Indonesia and Philippines and higher operating costs.
- (iii) Turnover in 1998 increased substantially due to increase in projects undertaken by AESB. Turnover increased substantially in 1999 due to increase in export sales.
- (iv) Profitability increased 5 fold in 1998 due to increase in turnover and gross profit margin. However, profit before taxation decreased in 1999 due to increasing competition in the export market.
- (v) There were no exceptional item and extraordinary item in respect of the above period and year under review.
- (vi) The effective tax rates in year 1995 to 1998 are slightly higher than the statutory tax rates due to certain expenses not deductible for tax purposes. The taxation was in credit in 1999 due to the transfer of deferred tax to the Profit and Loss Account.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY *(Cont'd)*

9.9 Multi

(i) History and Business

Multi was incorporated in Singapore on 31 March 1993 under the Companies Act, Chapter 50 of Singapore, as a private company limited by shares under the name of Multiplex Control & Engineering Services Pte. Ltd. Multi commenced operations in 1993.

Multi is involved in fabrication and installation of automation instruments/systems and control panels, distribution of level switches and gauges and related products, in Singapore and Philippines.

Multi does not have any subsidiary nor associated company.

As at 8 May 2000, Multi has a total of 3 employees.

(ii) Share Capital

The authorised share capital of Multi is SGD100,000 comprising 100,000 ordinary shares of SGD1.00 each, of which 100,000 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares of SGD1.00 each	Consideration	Cumulative issued and paid-up share capital SGD
31.03.93	2	Subscribers' shares	2
18.05.93	49,998	Cash	50,000
28.02.96	50,000	Cash	100,000

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

(iii) Profit and Dividend Records

The following sets out the results of Multi based on its audited accounts for the financial year ended 31 March 1996, the nine (9)-month period ended 31 December 1996 and the past three (3) years ended 31 December 1999:-

	Year ended 31 March 1996 RM'000	9-month ended 31.12.96 RM'000	Year ended 31 December 1997 RM'000	1998 RM'000	1999 RM'000
Turnover	988	825	1,899	2,542	2,960
Profit/(loss) before taxation	34	47	160	224	215
Taxation	(18)	(12)	(45)	(63)	(78)
Profit/(loss) after taxation	16	35	115	161	137
No. of ordinary shares in issue ('000)	100	100	100	100	100
Gross (loss)/earnings per share (sen)	34.00	47.00*	159.66	223.97	215.27
Net (loss)/earnings per share (sen)	16.00	35.00*	114.86	160.83	136.79
Gross dividend rate (%)	-	-	-	-	25

Note:-

- (i) Turnover from the years 1996 to 1998 had been on an increasing trend as a result of higher sales and its ability to reduce operating costs.
- (ii) Profit before tax was growing from 1996 to 1998 mainly due to increase in turnover and reduction in operating costs. The substantial increase in profit before tax in 1998 is mainly due to increase in exports of higher profit margin products. The decline in profitability in 1999 was due to a reduction in gross profit margin and increase in operating costs.
- (iii) The effective tax rates in 1996 to 1999 were higher than the statutory tax rates due to certain expenses not deductible for tax purposes..
- (iv) There were no exceptional item and extraordinary item in respect of the above period and years under review.
- (v) The exchange rates used for the relevant period and years are as follows:-

- Year ended 31 March 1996 SGD1.00=RM1.7978
- Nine (9)-month period ended 31 December 1996 SGD1.00=RM1.7974
- Year ended 31 December 1997 SGD1.00=RM1.9300
- Year ended 31 December 1998 SGD1.00=RM2.3387
- Year ended 31 December 1999 SGD1.00=RM2.2424

* Annualised

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

9.10 Unijin

(i) History and Business

Unijin was incorporated in Malaysia on 25 March 1997 under the Companies Act 1965 as a private company limited by shares under the name Unijin Instruments Industries Sdn. Bhd. UGB holds 51% equity interest in Unijin while the balance of 49% is owned by Woojin Industrial System Engineering Inc., South Korea. Unijin commenced operation in 1997.

The principal activity of Unijin is the manufacturing of pressure gauges and field instruments.

Unijin does not have any subsidiary nor associated company.

As at 8 May 2000, Unijin has a total of 21 employees.

(ii) Share Capital

The authorised share capital of Unijin is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 1,400,000 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
25.03.97	2	Subscriber's shares	2
24.09.98	1,399,998	Cash	1,400,000

(iii) Profit and Dividend Records

The following sets out the results of Unijin based on its audited accounts for the period from 23 March 1997 to 31 December 1997 and the past two (2) years ended 31 December 1999:-

	25.03.97 to 31.12.97 RM'000	Year ended 31.12.98 RM'000	Year ended 31.12.99 RM'000
Turnover	-	329	1,779
Profit/(Loss) before taxation	(107)	(260)	33
Taxation	-	-	-
Loss after taxation	(107)	(260)	33
No. of ordinary shares in issue ('000)	#	1,400	1,400
Gross loss per share	RM(69,246.45)*	(18.57) sen	2.36
Net loss per share	RM(69,246.45)*	(18.57) sen	2.36
Gross dividend rate (%)	-	-	-

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

Two (2) ordinary shares of RM1.00 each.

* Annualised

Note:-

(i) Unijin commenced manufacturing trial run in October 1997.

(ii) The losses for 1997 and 1998 were due to the initial start-up costs and higher operating expenses.

(iii) Turnover improved substantially in 1999 after the trial run period.

(iv) There were no exceptional and extraordinary items in respect of the above period and years under review.

(v) No provision for taxation was made in respect of income earned in 1999 as income earned in 1999 is waived from income tax.

9.11 UME(KTN)

(i) History and Business

UME(KTN) was incorporated in Malaysia on 23 September 1996 under the Companies Act 1965 as a private company limited by shares under the name Unimech Engineering (Kuantan) Sdn. Bhd. UME(JB) owns 60% equity interest in UME(KTN) while the balance 40% is owned by Hong Heng Eng. UME(KTN) commenced operation in 1996.

The principal activities of UME(KTN) are system design, fabrication, installation and maintenance of boilers, combustion equipment, engineering equipment and piping systems. UME(KTN)'s business activities cover the East Coast of Peninsular Malaysia.

UME(KTN) does not have any subsidiary nor associated company.

As at 8 May 2000, UME(KTN) has a total of 8 employees.

(ii) Share Capital

The authorised share capital of UME(KTN) is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 8,000 ordinary shares have been issued and fully paid-up.

The changes in the issued and paid-up share capital of UME(KTN) since its incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
23.09.96	3	Subscriber's shares	3
21.04.97	7,997	Cash	8,000

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY *(Cont'd)*

(iii) Profit and Dividend Records

The following sets out the results of UME(KTN) based on its audited accounts for the period from 23 September 1996 to 31 December 1997 and the past two (2) years ended 31 December 1999:-

	23.09.96 to 31.12.97 RM'000	Year ended 31.12.98 RM'000	Year ended 31.12.99 RM'000
Turnover	729	1,132	1,840
Profit before taxation	16	139	243
Taxation	(5)	(39)	(1)
Profit after taxation	11	100	242
No. of ordinary shares in issue ('000)	8	8	8
Gross earnings per share (sen)	157.33*	1,737.50	3,037.50
Net earnings per share (sen)	107.77*	1,250.00	3,025.00
Gross dividend rate (%)	-	-	-

* *Annualised*

Note:-

- (i) *The increase in turnover and profitability for 1998 and 1999 was mainly due to higher demand of its products.*
- (ii) *There were no exceptional and extraordinary items in respect of the above period and years under review.*
- (iii) *The effective tax rate in 1997 was slightly higher than the statutory tax rate due to certain expenses not deductible for tax purposes. No provision for taxation was made in respect of income earned in 1999 as income earned in 1999 is waived from income tax. The provision for tax charge for year 1999 was in respect of deferred taxation liability.*

9.12 IPSB

(i) History and Business

IPSB was incorporated in Malaysia on 29 June 1994 under the Companies Act 1965 as a private company limited by shares under the name Inventive Potentials Sdn. Bhd. UMP owns 75% equity interest in IPSB while the balance of 25% is held by Lim Lee Koon. IPSB commenced operation in 1995.

The principal activity of IPSB is the manufacturing of metal stampings and manufacture of metal parts and design of die casting mould.

IPSB does not have any subsidiary nor associated company.

As at 8 May 2000, IPSB has a total of 16 employees.

(ii) Share Capital

The authorised share capital of IPSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which 100,000 ordinary shares have been issued and fully paid-up.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

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

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
29.06.94	2	Subscriber's shares	2
12.09.95	49,998	Cash	50,000
01.08.96	50,000	Cash	100,000

(iii) Profit and Dividend Records

The following sets out the results of IPSB based on its audited accounts the past three (3) financial years ended 30 June 1998, the 6-month period ended 31 December 1998 and the financial year ended 31 December 1999:-

	<----Year ended 30 June----->			01.07.98 to 31.12.1998 RM'000	Year ended 31.12.99 RM'000
	1996 RM'000	1997 RM'000	1998 RM'000		
Turnover	228	316	568	335	1,021
Profit/(loss) before taxation	1	(37)	20	38	60
Taxation	-	(3)	(2)	(7)	-
Profit/(loss) after taxation	1	(40)	18	31	60
No. of ordinary shares in issue ('000)	50	100	100	100	100
Gross (loss)/earnings per share (sen)	2.93	(36.84)	20.00	75.96*	60.00
Net (loss)/earnings per share (sen)	2.93	(39.54)	18.40	61.16*	60.00
Gross dividend rate (%)	-	-	-	-	-

* Annualised

Note:-

- (i) The increase in turnover for financial year ended 30 June 1997 was mainly due to an increase in the demand for IPSB's products. IPSB suffered losses for the year ended 30 June 1997 mainly due to a reduction in gross profit margin as a result of the increase in the cost of raw materials. However, profitability increased during financial years ended 30 June 1998, 31 December 1998 and 31 December 1999 due to increase in turnover and gross profit margin.
- (ii) The tax charge for financial year ended 30 June 1997 was due to under-provision of tax in respect of previous year. The effective tax rates for financial years ended 30 June 1998 and 31 December 1998 were lower than the statutory tax rates due to unabsorbed losses brought forward. No provision for taxation was made in respect of income earned in 1999 as income earned in 1999 is waived from income tax.
- (iii) There were no exceptional and extraordinary items in respect of the above period and years under review.

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY *(Cont'd)*

Details of UGB's associated company are as follows:-

9.13 Rigel

(i) History and Business

Rigel was incorporated in Malaysia on 14 July 1994 under the Companies Act 1965 as a private company limited by shares under the name of Rigel Metalcraft (M) Sdn. Bhd. UGB owns 28% equity interest in Rigel. Rigel commenced operation in 1996.

The principal activity of Rigel is the production of investment castings of stainless steel and non-ferrous metals.

Rigel does not have any subsidiary and associated company.

As at 8 May 2000, Rigel has a total of 74 employees.

(ii) Share Capital

The authorised share capital of Rigel is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each of which 6,000,000 ordinary shares have been issued and fully paid-up.

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

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Cumulative issued and paid-up share capital RM
14.07.94	2	Subscriber's shares	2
17.11.94	612,248	Cash	612,250
22.12.95	940,250	Cash	1,552,500
14.06.96	947,500	Cash	2,500,000
12.02.98	1,500,000	Cash	4,000,000
08.06.99	2,000,000	Cash	6,000,000

9. INFORMATION ON SUBSIDIARIES AND ASSOCIATED COMPANY (Cont'd)

(iii) Profit and Dividend Records

The following sets out the results of Rigel based on its audited accounts for the three-half (3½)-month period ended 31 October 1995, the 14-month period ended 31 December 1996 and the past three (3) years ended 31 December 1999:-

	14.07.94 to 31.10.95 RM'000	01.11.95 to 31.12.96 RM'000	Year ended 31 December		
			1997 RM'000	1998 RM'000	1999 RM'000
Turnover	-	538	2,491	6,024	8,408
Profit/(loss) before taxation	(3)	(845)	(958)	424	880
Taxation	-	-	-	-	-
Profit/(loss) after taxation	(3)	(845)	(958)	424	880
No. of ordinary shares in issue ('000)	612	2,500	4,000	4,000	6,000
Gross (loss)/earnings per share (sen)	(0.38)*	(28.96)*	(23.95)	10.60	14.67
Net (loss)/earnings per share (sen)	(0.38)*	(28.96)*	(23.95)	10.60	14.67
Gross dividend rate (%)	-	-	-	-	-

Note:-

- (i) *Rigel commenced operation in 1996 and incurred losses in its initial years of operation.*
- (ii) *Turnover increased substantially in year 1998 and 1999 due to increase in export sales. Profit before taxation increased in 1998 and 1999 mainly due to increase in turnover and gross profit margin.*
- (iii) *There were no exceptional items or extraordinary items in respect of the above period and years under review.*
- (iv) *No taxation provision was required in year 1998 in view that Rigel has sufficient tax losses and investment tax allowance to offset its taxable income. No provision for taxation was made in respect of income earned in 1999 as income earned in 1999 is waived from income tax.*

* Annualised

10. FINANCIAL INFORMATION

10.1 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(i) Working Capital

The Directors of UGB are of the opinion that, after taking into account the pro forma consolidated forecast cashflow and the banking facilities available, the Group will have adequate working capital for its present and foreseeable requirements.

(ii) Borrowings

Save for the total utilised bank overdrafts, term loans and credit facilities secured by way of fixed and floating charges over the assets of the Group amounting to approximately RM18.73 million, the UGB Group does not have any other loan capital outstanding or loan capital created but unissued, mortgages or charges outstanding as at 8 May 2000 (being the latest practicable date prior to the issue of this Prospectus).

(iii) Contingent Liabilities and Capital Commitments

Save for the following, the UGB Group has no contingent liabilities or capital commitments as at 8 May 2000 (being the latest practicable date prior to the issue of this Prospectus):-

- UME(M) has a capital commitment to purchase an apartment from vendor, Saga Matra Jaya Engineering Sdn Bhd, a company having its office at 16D, Jalan Satu, Mukim 13, 11500 Air Itam, Pulau Pinang amounting to RM92,000 which is financed via a term loan obtained from a bank.

10.2 CONSOLIDATED PROFIT FORECAST WITH ASSUMPTIONS AND AUDITORS' LETTER THEREON

The Directors of UGB forecast that, barring unforeseen circumstances, and on the bases and assumptions set out below, the consolidated profit for the year ending 31 December 2000 will be as follows:-

Consolidated profit before taxation but after minority interests (RM'000)	15,246
Consolidated profit after taxation and minority interests (RM'000)	11,750
<i>Based on enlarged issued and paid-up share capital ('000):-</i>	41,000
Gross EPS (sen)	37.19
Gross PE multiple based on the issue price of RM2.30 per ordinary share (times)	6.18
Net EPS (sen)	28.66
Net PE multiple based on the issue price of RM2.30 per ordinary share (times)	8.03

10. FINANCIAL INFORMATION *(Cont'd)*

The principal bases and assumptions upon which the consolidated profit forecast has been made are as set out below:-

- (i) The prevailing economic and political environment in Malaysia and elsewhere will continue and will not have significant adverse effects on the Group's activities to be conducted at the forecast level.
- (ii) There will be no changes in the present legislation and government regulations, including taxation and guidelines of regulatory authorities which will materially affect the Group's activities.
- (iii) There will not be any material fluctuations in inflation rates and exchange rates of foreign currencies against the Ringgit Malaysia.
- (iv) Existing financing facilities will remain available and the level of interest rates will not change materially from those presently prevailing.
- (v) There will be no significant changes in management structure and accounting policies adopted by the Group.
- (vi) There will be no material acquisition or disposal of investments and fixed assets other than those forecasted and outlined in section 7.4, 8.2.1 and 10.1 herein, which will take place as scheduled.
- (vii) There will be no significant changes in the prices of raw materials, finished products and trading stocks of the Group.
- (viii) There will be no significant incidence of bad debts.
- (ix) There will be no major breakdown or disruption of manufacturing facilities, major industrial disputes or any abnormal circumstances which will adversely affect the operations of the Group.
- (x) There will be no major capital and revenue cost items variations that are beyond the control of the Group.
- (xi) Listing expenses are estimated to be approximately RM1,500,000 and will be written off against the Share Premium Account.

10. FINANCIAL INFORMATION *(Cont'd)*

REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT FORECAST
(Prepared for inclusion in this Prospectus)

Wong Liu & Partners
6762, Jalan Kampung Gajah
12200 Butterworth

8 May 2000

The Board of Directors
Unimech Group Berhad
Wisma Unimech
4934, Jalan Chain Ferry
12100 Butterworth

Dear Sirs

UNIMECH GROUP BERHAD
CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2000

We have reviewed the accounting policies and calculations for the consolidated profit forecast for the year ending 31 December 2000 of Unimech Group Berhad and its subsidiary companies ("the Group"), for which the Directors are solely responsible, as set out in the Prospectus to be dated 19 May 2000 in connection with the public issue of 7,600,000 new ordinary shares of RM1.00 each at an issue price of RM2.30 per ordinary share and the listing and quotation of the Company's entire issued and paid up share capital on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

Wong Liu & Partners
Application Form 0182
PUBLIC ACCOUNTANTS

TANG YIN KHAM
1728/3/00(J)
PARTNER

10. FINANCIAL INFORMATION *(Cont'd)*

10.3 DIVIDEND FORECAST

The Directors of UGB anticipate that in the absence of unforeseen circumstances, the Company will be in a position to propose a gross dividend of eight (8) sen per share for the year ending 31 December 2000, based on the enlarged issued and paid-up share capital of 41,000,000 ordinary shares of RM1.00 each.

The intended appropriation of the consolidated profit after taxation and minority interests for the year ending 31 December 2000 is as follows:-

Year ending 31 December	2000 RM'000
Consolidated profit before taxation	15,514
Taxation	<u>(3,522)</u>
Consolidated profit after taxation	11,992
Minority interests	<u>(242)</u>
Consolidated profit after taxation and minority interests	11,750
Proposed dividend	<u>⁽ⁱ⁾(2,362)</u>
Retained profit	<u>9,388</u>
Gross dividend per share (sen)	8.00
Net dividend per share (sen)	5.76
Gross dividend yield (%) <i>(based on the issue price of RM2.30 per ordinary share)</i>	3.48
Net dividend yield (%) <i>(based on the issue price of RM2.30 per ordinary share)</i>	2.50
Net dividend cover (times)	4.98

Note:-

(i) *Based on 8% less tax at 28%*

10. FINANCIAL INFORMATION (Cont'd)

10.4 PRO FORMA CONSOLIDATED BALANCE SHEETS OF UNIMECH GROUP BERHAD AS AT 31 DECEMBER 1999

The pro forma consolidated balance sheets are provided for illustrative purposes only to show the effects of the acquisition of UME(M), UME(KL), UME(JB), AVSB, UMP, AFSB, Q-Flex, AESB and Multi ("Acquisitions") after the incorporation of revaluation surplus of the landed properties of UME(M), UME(KL), UME(JB), AVSB and AFSB, the rights issue of 2,036,150 new ordinary shares of RM1.00 each at par, the public issue of 7,600,000 new ordinary shares of RM1.00 each at RM2.30 per share and the estimated listing expenses of RM1,500,000 on the assumption that these transactions were completed on 31 December 1999.

	Audited as at 31.12.1999 RM'000	Pro forma I After Acquisition but before Rights Issue and Public Issue RM'000	Pro forma II After Proforma I and Rights Issue but before Public Issue RM'000	Pro forma III After Pro forma II and Public Issue RM'000
FIXED ASSETS	-	14,743	14,743	14,743
INVESTMENTS	-	147	147	147
ASSOCIATED COMPANY	-	1,606	1,606	1,606
PROGRESS PAYMENT	-	80	80	80
CURRENT ASSETS				
Stocks	-	24,352	24,352	24,352
Trade debtors	-	23,689	23,689	23,689
Other debtors, deposits and prepayments	-	682	682	682
Fixed deposits	-	2,590	2,590	2,590
Cash and bank balances	*	3,945	5,981	21,961
	*	55,258	57,294	73,274
CURRENT LIABILITIES				
Trade creditors	-	7,504	7,504	7,504
Other creditors and accruals	537	1,661	1,661	1,661
Amount owing to directors	-	565	565	565
Term loans	-	401	401	401
Bank borrowings	-	10,627	10,627	10,627
Provision for taxation	-	1,533	1,533	1,533
Provision for dividend	-	1,986	1,986	1,986
	537	24,277	24,277	24,277
NET CURRENT ASSETS/(LIABILITIES)	(537)	30,981	33,017	48,997
INTANGIBLE ASSETS	537	791	791	791
	*	48,348	50,384	66,364
FINANCED BY:-				
SHARE CAPITAL	*	31,364	33,400	41,000
SHARE PREMIUM	-	-	-	8,380
RETAINED PROFITS	-	13,903	13,903	13,903
SHAREHOLDERS' FUNDS	*	45,266	47,302	63,282
LONG TERM AND DEFERRED LIABILITIES				
Term loans	-	1,716	1,716	1,716
Hire purchase and finance lease creditors	-	465	465	465
Deferred taxation	-	190	190	190
MINORITY INTEREST	-	711	711	711
	*	48,348	50,384	66,364
Net tangible assets/(liabilities) per share (RM)	(268,418)	1.42	1.39	1.52

* Represents RM2.00

10. FINANCIAL INFORMATION (*Cont'd*)

NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS

The pro forma consolidated balance sheets as at 31 December 1999 have been prepared for illustrative purposes only, based on the audited accounts of UGB and its subsidiaries and associated company as at 31 December 1999, to show the effects of the following transactions on the assumption that they had been completed on 31 December 1999:-

- (i) Pro forma I
 - (a) the incorporation of net revaluation surplus of RM1,785,538 arising from the revaluation of the Group's landed properties;
 - (b) the acquisition by UGB of the entire issued and paid-up share capital of UME(M) comprising 5,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM14,988,733 satisfied by 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;
 - (c) the acquisition by UGB of the entire issued and paid-up share capital of UME(KL) comprising 1,200,000 ordinary shares of RM1.00 each for a purchase consideration of RM6,279,293 satisfied by an issue of 5,416,026 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 UME(JB) 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;
 - (e) the acquisition by UGB of the entire issued and paid-up share capital of AVSB 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;
 - (f) the acquisition by UGB of the entire issued and paid-up share capital of UMP 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;
 - (g) the acquisition by UGB of the entire issued and paid-up share capital of Q-Flex 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;
 - (h) the acquisition by UGB of the entire issued and paid-up share capital of AFSB 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;
 - (i) the acquisition by UGB of the entire issued and paid-up share capital of AESB 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;
 - (j) the acquisition by UGB of the entire issued and paid-up share capital of Multi 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;

10. FINANCIAL INFORMATION (Cont'd)

- (k) transfer of 364,000 ordinary shares of RM1.00 each representing 26% equity interest in Unijin from UME(KL) and 350,000 ordinary shares of RM1.00 each representing 25% equity interest in Unijin from UME(JB) to UGB for a cash consideration of RM364,000 and RM350,000 respectively; and
- (l) transfer of 800,400 ordinary shares of RM1.00 each representing 13.34% equity interest in Rigel from UME(M), 439,800 ordinary shares of RM1.00 each representing 7.33% equity interest in Rigel from UME(KL) and 439,800 ordinary shares of RM1.00 each representing 7.33% equity interest in Rigel from UME(JB) to UGB for a cash consideration of RM800,000, RM440,000 and RM440,000 respectively.

(ii) Pro forma II

Pro forma II incorporates the effects of Pro forma I and 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 as set out in paragraph 1 above for cash consideration.

(iii) Pro forma III

Pro forma III incorporates the effects of Pro forma II and the public issue of 7,600,000 new ordinary shares of RM1.00 each in UGB at an issue price of RM2.30 per ordinary share.

(iv) The movements of the share capital, share premium, revaluation reserves and retained profits are as follows:-

	Share Capital RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Retained Profits RM'000
Balance as per audited balance sheet of UGB as at 31 December 1999	*	-	-	-
Balance as per consolidated audited balance sheets of UME(M), UME(KL), UME(JB), AVSB, UMP, Q-Flex, AFSB, AESB, Multi and Unijin	-	-	-	32,791
Issue of 31,363,848 new ordinary shares of RM1.00 each in respect of Acquisitions for RM36,361,862 at an issue price of approximately RM1.16 per share	31,364	-	-	-
Incorporation of revaluation surplus	-	-	1,858	-
Set-off against merger deficit (Note v)	-	-	(1,858)	(18,888)
As shown in Pro forma I	31,364	-	-	13,903
Rights issue of 2,036,150 ordinary shares of RM1.00 each at par	2,036	-	-	-
As shown in Pro forma II	33,400	-	-	13,903
Public issue of 7,600,000 new ordinary shares of RM1.00 each at issue price of RM2.30 per share	7,600	-	-	-
Premium arising from Public Issue	-	9,880	-	-
Listing expenses (Note vi)	-	(1,500)	-	-
As shown in Pro forma III	41,000	8,380	-	13,903

* Represents RM2.00

10. FINANCIAL INFORMATION (*Cont'd*)

(v) The deficit on revaluation of landed property of AFSB amounting to RM72,472 has been written off against retained profits.

(vi) Merger deficit is arrived at as follows:-

	RM'000
Aggregate nominal value of shares acquired in UME(M), UME(JB), UME(KL), AVSB, UMP, Q-Flex, AFSB, AESB and Multi	10,618
Nominal value of shares issued by UGB for Acquisitions	<u>31,364</u>
	(20,746)
Set-off against revaluation surplus arising from revaluation of landed properties	1,858
Set-off against retained profits	<u>18,888</u>
	<u><u>-</u></u>

(vii) The listing expenses estimated at RM1,500,000 will be written off against Share Premium Account.

(viii) The pro forma consolidated balance sheets as at 31 December 1999 have been prepared in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965. The pro forma consolidated balance sheets are consolidated using the following method of accounting and all inter company transactions and balances are eliminated in consolidation:-

Company	Method of consolidation
UME(M), UME(JB), UME(KL), AVSB, UMP, Q-Flex, AFSB, AESB and Multi	Merger accounting
Unijin	Acquisition accounting

10. FINANCIAL INFORMATION (*Cont'd*)

REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED BALANCE SHEETS

(Prepared for inclusion in this Prospectus)

Wong Liu & Partners
6762, Jalan Kampung Gajah
12200 Butterworth

8 May 2000

The Board of Directors
Unimech Group Berhad
Wisma Unimech
4934, Jalan Chain Ferry
12100 Butterworth

Dear Sirs

UNIMECH GROUP BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 1999

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Unimech Group Berhad and its subsidiary companies ("the Group"), for which the Directors are solely responsible, as set out in the Prospectus to be dated 19 May 2000 in connection with the public issue of 7,600,000 new ordinary shares of RM1.00 each at an issue price of RM2.30 per ordinary share and the listing and quotation of the Company's entire issued and paid up share capital on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the abovementioned Proforma Consolidated Balance Sheets together with the notes thereon have been presented on the accounting principles and bases consistent with those normally adopted by the Group and are presented in a form suitable for inclusion in the said Prospectus.

Yours faithfully

Wong Liu & Partners
Application Form 0182
PUBLIC ACCOUNTANTS

TANG YIN KHAM
1728/3/00(J)
PARTNER