

---

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

---

Kassim Chan & Co  
 4<sup>th</sup> Floor Wisma Wang  
 251-A Jalan Burma  
 10350 Penang

7 June 2000

The Board of Directors  
 Uchi Technologies Berhad  
 3rd Floor, Wisma Wang  
 251-A, Jalan Burma  
 10350 Penang

Dear Sirs,

**A. INTRODUCTION**

This report has been prepared for inclusion in the Prospectus of Uchi Technologies Berhad (hereinafter referred to as "UT" or "the Company") to be dated 10 June 2000 in connection with the Offer for Sale of 5,280,000 ordinary shares of RM1.00 each at an offer price of RM4.80 per share, Public Issue of 6,000,000 new ordinary shares of RM1.00 each at an offer price of RM4.80 per share and the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the Kuala Lumpur Stock Exchange.

**B. GENERAL INFORMATION**

**1. Incorporation**

The Company was incorporated on February 18, 1998 under the name of Uchi Technologies Sdn. Bhd. On June 8, 1999, the Company changed its status from a private limited to a public limited company and assumed its present name of Uchi Technologies Berhad.

**2. Flotation Scheme**

The flotation scheme involves the following:

- a) A revaluation of landed properties held by Uchi Industries (M) Sdn. Bhd. (UI) and Uchi Optoelectronic (M) Sdn. Bhd. (UO) and the incorporation of the revaluation surpluses of RM1,738,515 and RM2,038,303 into the accounts of UI and UO respectively for the financial year ended December 31, 1999. The properties were valued by an independent professional valuer, Jones Lang Wootton;
- b) A special dividend totalling RM17,682,576 was paid by UO and Uchi Electronic (M) Sdn. Bhd. (UE) to their existing shareholders on March 8, 2000. The special dividend was paid out of UO and UE's retained profit before the Acquisitions as mentioned in paragraph B2(c), at the following rates and amounts:

	Net Dividend (RM)
UO : 224.40% tax exempt	11,220,000
157.29% less tax	5,662,576
	<hr/> 16,882,576
UE : 37% less tax	800,000
	<hr/> 17,682,576

---

**11. ACCOUNTANTS' REPORT...cont'd**


---

- c) Acquisition of the following subsidiaries which was completed on March 9, 2000:
- i. An acquisition of 3,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Uchi Electronic (M) Sdn. Bhd. Group ("UE Group") by UT for a total purchase consideration of RM8,834,146 satisfied by the issuance of 7,011,227 new ordinary shares of RM1.00 each in UT at an issue price of RM1.26 per new ordinary share; and
  - ii. An acquisition of 5,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of UO by UT for a total purchase consideration of RM24,011,367 satisfied by the issuance of 19,056,640 new ordinary shares of RM1.00 each in UT at an issue price of RM1.26 per new ordinary share.

The issue price of RM1.26 per new ordinary share is arrived at on a willing buyer willing seller basis.

- d) A Rights Issue of 7,932,131 new ordinary shares of RM1.00 each at RM1.10 per share on the basis of approximately three new shares for every ten shares held based on the share capital of 26,067,869 ordinary shares of RM1.00 each after the acquisition referred to the above which have been completed on March 10, 2000;
- e) An Offer for Sale by the existing shareholders of the Company of 5,280,000 ordinary shares of RM1.00 each in the Company at an offer price of RM4.80 per share;
- f) A Public Issue of 6,000,000 new ordinary shares of RM1.00 each in the Company at an offer price of RM4.80 per share; and
- g) A listing of and quotation for UT's entire enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

The flotation scheme was approved by the Securities Commission on December 29, 1999. All new ordinary shares issued pursuant to the flotation scheme rank pari passu in all respects with the existing ordinary shares of the Company.

### 3. Share Capital

The authorised share capital of the Company at the date of its incorporation is RM100,000 comprising 100,000 shares of RM1.00 each. By a Members' Circular resolution passed on March 9, 2000, the authorised share capital was increased from RM100,000 to RM50,000,000 by the creation of 49,900,000 new shares of RM1.00 each. By a Members' Circular resolution passed on May 16, 2000, the authorised share capital was approved by the Company's shareholders to be 50,000,000 ordinary shares of RM1.00 each.

The present issued and paid-up share capital of the Company is 34,000,000 ordinary shares of RM1.00 each.

## 11. ACCOUNTANTS' REPORT...cont'd

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

Date of allotment	No. of ordinary shares of RM1.00 each issued	Consideration	Total issued and paid-up share capital RM
February 18, 1998	2	Subscribers' shares	2
March 9, 2000	26,067,867	Consideration for the acquisition of the UE Group and UO	26,067,869
March 10, 2000	7,932,131	Rights Issue for cash	34,000,000

Subsequent to the Public Issue, the issued and paid-up share capital of the Company would be increased to 40,000,000 ordinary shares of RM1.00 each.

### 4. Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are described in paragraph B5 of this report.

### 5. Subsidiary Companies

Details of the subsidiary companies of UT, all incorporated in Malaysia as at the date of this report are as follows:

Name	Date of incorporation	Issued and paid-up share capital RM	Effective equity interest	Principal activities
<b><u>Direct subsidiary</u></b>				
Uchi Optoelectronic (M) Sdn. Bhd.	13.12.1989	5,000,000	100%	Design, research, development and manufacture of miniature data terminals, fuzzy logic controllers, dynamic sound improvement processor, control modules for precision weighing scale and PCB assembly
Uchi Electronic (M) Sdn. Bhd.	31.5.1989	3,000,000	100%	Trading of complete electric modules and saturated paper for PCB lamination and assembly of electronic components onto PCB
<b><u>Indirect subsidiary - held through UE</u></b>				
Uchi Industries (M) Sdn. Bhd.	13.12.1989	623,793	100%	Property investment holding

## C. AUDITORS' REPORT

We were appointed to act as statutory auditors of the Company and its subsidiary companies since the date of their incorporation and have reported on their accounts without any qualification.

**11. ACCOUNTANTS' REPORT...cont'd****D. DIVIDENDS**

No dividends have been paid by the Company since its incorporation.

Details of dividends paid by the UT Group for the years under review are as follows:-

Year ended	Issued and paid-up capital RM	Dividend rate (gross)		Net dividend RM	Year in which net dividend paid
		Tax exempt	Less tax		
		%	%		
31.12.1998	5,000,000	16.00	-	800,000	1998
31.12.1998	5,000,000	20.00	-	1,000,000	1998
31.12.1998	5,000,000	44.00	-	2,200,000	1999
31.12.1999	5,000,000	224.40	-	11,220,000	2000
31.12.1999	5,000,000	-	157.29	5,662,576	2000

Year ended	Issued and paid-up capital RM	Dividend rate (gross)		Net dividend RM	Year in which net dividend paid
		Tax exempt	Less tax		
		%	%		
31.12.1997	3,000,000	63.33	-	1,900,000	1997
31.12.1998	3,000,000	10.00	-	300,000	1998
31.12.1999	3,000,000	-	37.00	800,000	2000

No dividends have been declared by Uchi Industries (M) Sdn. Bhd. for the years under review.

**E. SUMMARISED PROFIT AND LOSS ACCOUNTS****1. The Proforma Group**

The summarised proforma consolidated profit and loss accounts of the UT Group for the five(5) financial years ended December 31, 1999 as set out below for illustrative purposes only, have been prepared on the assumption that the UT Group had been in existence throughout the years under review.

Financial Year ended December 31	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	30,280	27,556	30,990	41,499	51,532
Profit before gain on disposal of landed property	6,107	5,036	8,343	9,894	19,352
Gain on disposal of landed property	-	3,300	-	-	-
Profit after gain on disposal of landed property before charging depreciation and interest	6,107	8,336	8,343	9,894	19,352
Depreciation	(1,187)	(1,034)	(920)	(908)	(914)
Net interest income	-	201	220	978	943
Profit before taxation	4,920	7,503	7,643	9,964	19,381
Taxation	(855)	(816)	(1,400)	(954)	568
Profit after taxation	4,065	6,687	6,243	9,010	19,949
Extraordinary item	(27)	-	-	-	-
Net profit	4,038	6,687	6,243	9,010	19,949
No. of ordinary shares of RM1.00 each ('000)*	34,000	34,000	34,000	34,000	34,000
Net earnings per share (RM)	0.12	0.20	0.18	0.26	0.59

\* Based on the issued and paid-up share capital of 34,000,000 ordinary shares of RM1.00 each after the Acquisition of subsidiary companies and rights issue.

---

**11. ACCOUNTANTS' REPORT...cont'd**


---

**Notes:**

- a) The audited accounts of UO and UE Group for all the financial years under review are included in the proforma consolidated profit and loss accounts.
- b) The above results are arrived at after making adjustments for intercompany transactions.
- c) The proforma consolidated profit and loss accounts have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the subsidiary companies.
- d) In 1996, the increase of Group's profit before tax by 52.5% as compared to 1995 despite the decrease in turnover was mainly due to the gain of approximately RM3.3 million arising from the disposal of land known as Lot Nos. 1150, 1151, 1169, 1173, Seksyen 9-W, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang with premises No. 187, Jalan Sungai Pinang, 10150 Penang by UE.

In 1998, the Group's turnover increased by 34% as compared to 1997. This was mainly due to the appreciation of the United States Dollar against the Ringgit Malaysia in 1998 and the introduction of new product, i.e., control modules. The Group's pre-tax profit in 1998 only increased by 30% as compared to the 34% increase in sales. This was due to the realised loss on foreign exchange of RM4,641,000 (1997 : RM1,250,000) which arose from the utilisation of forward foreign currency contracts entered into at the lower rates as compared to the actual exchange rates used to record the sales transaction.

In 1999, the increase in the Group's profit before tax by 94.5% was due to the increase in demand of household products and control modules by UO's existing customers and also the introduction of new product, dynamic sound improvement processor by UO. The decrease in realised loss on foreign exchange resulted from the pegging of Ringgit Malaysia against the United States Dollar at USD1.00:RM3.80 also contributed to the increase in the Group's profit before tax.

- e) The extraordinary item in 1995 represents UE's losses incurred arising from flood which is net of insurance claim of RM515,167. There were no extraordinary items for other financial years under review.

Except for the gain on disposal of landed property in 1996, there were no exceptional items for other financial years under review.

- f) The provision for taxation from 1995 to 1998 shows an effective tax rate which is lower than the statutory tax rate. This was mainly due to UO which was granted pioneer status by the Malaysian Industrial Development Authority whereby 70% of UO's statutory income from the production and sale of miniature data terminal and fuzzy logic controller are exempted from income tax for a period of 5 years commencing from March 1, 1995.

Taxation for the financial year ended December 31, 1999 consists of deferred tax assets relating to certain provision for expenses which will only be allowable for tax deduction purposes upon actual payment/ realisation.

No provision for taxation on chargeable income is made in 1999 as the tax on chargeable income earned by a company in financial year 1999 is waived.

**11. ACCOUNTANTS' REPORT...cont'd**

- g) The net earning per ordinary share for the respective financial years under review has been calculated based on the proforma profit after taxation and before extraordinary item and divided by the issued and paid-up share capital of 34,000,000 ordinary shares of RM1.00 each after the acquisitions of the shares of subsidiary companies, UE Group and UO and the Rights Issue of 7,932,131 ordinary shares but before the Public Issue of 6,000,000 new ordinary shares.

**2. The Company and its Subsidiary Companies**

We set out below the summarised audited results of each of the companies within the UT Group for the relevant financial years/periods as follows:-

<b>Uchi Technologies Berhad (UT)</b>		
	<b>18.2.1998 (Date of incorporation) to 31.12.1998 RM'000</b>	<b>Financial year ended 31.12.1999 RM'000</b>
Turnover	-	-
Loss before charging depreciation and interest	-	7
Depreciation	-	-
Net interest expense	-	-
Loss before taxation	-	7
Taxation	-	-
Net loss	-	7
Weighted average no. of ordinary shares in issue	2	2
Net loss per share (RM)	-	3,500

**Notes:**

- a) The Company was incorporated on February 18, 1998 and the accounts of the Company were prepared for the first time for the financial period ended December 31, 1998;
- b) There were no extraordinary items or exceptional items in respect of all the financial years/period under review; and
- c) The net loss per ordinary share has been calculated based on the loss after taxation divided by the weighted average number of shares in issue during the financial years/period.

<b>Uchi Optoelectronic (M) Sdn. Bhd. (UO)</b>					
<b>Financial Year ended December 31</b>	<b>1995 RM'000</b>	<b>1996 RM'000</b>	<b>1997 RM'000</b>	<b>1998 RM'000</b>	<b>1999 RM'000</b>
Turnover	20,612	21,543	24,302	38,711	50,446
Profit before charging depreciation and interest	3,719	4,311	7,521	10,216	18,634
Depreciation	(352)	(601)	(779)	(772)	(767)
Net interest income/ (expense)	(8)	53	166	443	679
Profit before taxation	3,359	3,763	6,908	9,887	18,546
Taxation	(730)	(817)	(353)	(980)	664
Net profit	2,629	2,946	6,555	8,907	19,210
Weighted average no. of ordinary shares in issue ('000)	5,000	5,000	5,000	5,000	5,000
Net earnings per share (RM)	0.53	0.59	1.31	1.78	3.84
Gross dividend rate (%)	-	-	-	80.00	381.69

---

**11. ACCOUNTANTS' REPORT...cont'd**

---

**Notes :**

- a) In 1997, profit before tax increased by 84% as compared to 1996. This was mainly due to gain on foreign exchange arising from the appreciation of United States Dollar against Ringgit Malaysia as 96% of the total sales were directly exported and only 40% of raw materials were imported from overseas.

Turnover in 1998 increased significantly by 59% as compared to 1997. This was due to the appreciation of United States Dollar against Ringgit Malaysia in 1998 and the introduction of new product, i.e., control modules. However, profit before tax only increased by 43% as compared to 1997. This was due to the realised loss on foreign exchange of RM3.9 million (1997 : RM1.2 million) which arose from the utilisation of forward foreign currency contracts entered into at the lower rates as compared to the actual exchange rates at the sales transaction dates.

In 1999, turnover increased by 30% and profit before tax increased by 87% as compared to 1998. This was due to the increase in demand of household products and control modules by existing customers and also the introduction of new product, i.e., dynamic sound improvement processor. The increase in profit before tax was due to the decrease in realised loss on foreign exchange from RM3.9 million in 1998 to RM151,000 in 1999 resulted from the pegging of Ringgit Malaysia against the United States Dollar at USD1.00 : RM3.80.

- b) There were no extraordinary items or exceptional items in respect of all the financial years under review.
- c) The effective tax rates for the financial years under review from 1995 to 1998 were lower than the respective statutory tax rates as UO was granted pioneer status by the Malaysian Industrial Development Authority whereby 70% of its statutory income from the production and sale of miniature data terminal and fuzzy logic controller are exempted from income tax for a period of 5 years commencing from March 1, 1995.

Taxation for the financial year ended December 31, 1999 mainly consist of deferred tax assets relating to certain provisions for expenses which will only be allowable for tax deduction purposes upon actual payment/ realisation.

No provision for taxation on chargeable income is made in 1999 as the tax on chargeable income earned by a company in financial year 1999 is waived.

- d) The net earnings per ordinary share for the respective years under review has been calculated based on the profit after taxation divided by the weighted average number of shares in issue during the respective financial years under review.

## 11. ACCOUNTANTS' REPORT...cont'd

Uchi Electronic (M) Sdn. Bhd. (UE)					
	Financial	14 months	Financial Year ended		
	Year ended 31.10.1995	ended 31.12.1996	31.12.1997	31.12.1998	31.12.1999
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	16,947	7,669	7,711	4,534	4,650
Profit/(Loss) before gain on disposal of landed property	1,935	745	831	(259)	768
Gain on disposal of landed property	-	3,300	-	-	-
Profit/ (Loss) after gain of disposal of landed property before charging depreciation and interest	1,935	4,045	831	(259)	768
Depreciation	(806)	(570)	(131)	(126)	(103)
Net interest income	11	144	54	535	264
Profit before taxation	1,140	3,619	754	150	929
Taxation	(127)	1	(1,047)	27	(95)
Profit/ (Loss) after taxation before extraordinary item	1,013	3,620	(293)	177	834
Extraordinary item	(27)	-	-	-	-
Net profit/ (Loss)	986	3,620	(293)	177	834
Weighted average no. of ordinary shares in issue ('000)	3,000	3,000	3,000	3,000	3,000
Net earnings/ (loss) per share (RM)	0.34	1.21	(0.10)	0.06	0.28
Gross dividend rate (%)	-	-	63.33	10.00	37.00

**Notes:**

- a) In 1996, UE changed its financial year end from October 31 to December 31.
- b) In 1996, UE's turnover decreased by 55% as a result of the change of UE's principal activity from manufacturing activities to trading activities. However, UE's profit before tax increased by more than 100% which was contributed by the gain of approximately RM3.3 million arising from the disposal of land known as Lot Nos. 1150, 1151, 1169, 1173, Seksyen 9-W, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang with premises No. 187, Jalan Sungai Pinang, 10150 Penang.

In 1997, there was no significant change in turnover as compared to 1996. However, profit before tax decreased from RM3.6 million in 1996 to RM754,000 in 1997 as the gain on disposal of landed property in 1996 was non-recurring item.

In 1998, UE's turnover decreased by 41% as it had reduced the manufacturing of its old products and diverted to trading activities. UE's profit before tax decreased by 80% as compared to 1997. It was mainly due to the realised loss on foreign exchange of RM741,000 (1997 : RM150,000) which arose from the utilisation of forward foreign currency contracts entered into at the lower rates as compared to the actual exchange rates at sales transaction dates.

The increase in profit before tax in 1999 was due to the decrease in loss on foreign exchange as a result of the pegging of Ringgit Malaysia against United States Dollar at USD1.00 : RM3.80.



**11. ACCOUNTANTS' REPORT...cont'd**

- c) Included in 1997's taxation was an underprovision for taxation for 1994, 1995 and 1996 amounting to RM393,658, RM232,091 and RM234,791 respectively. The underprovision for taxation was due to certain claim for double deduction for research and development expenditures and reinvestment allowance being disallowed by the tax authority. Besides, included in 1996's taxation was an overprovision for taxation for 1994 and 1995 amounting to RM234,000 and RM37,000 respectively. Should the above under/(over) provision for taxation be adjusted to the respective year, the effective tax rates for the financial year ended October 31, 1995, 14 months ended December 31, 1996 and year ended December 31, 1997 will be lower than the statutory tax rate. The lower effective tax rates for 1995 and 1996 were mainly due to utilisation of unabsorbed capital allowances and claim of reinvestment allowances. The lower effective tax rate for 1997 was mainly due to unrealised gain on foreign exchange amounting to RM430,000 which was non-taxable for income tax purposes.

Included in 1998's taxation was an overprovision for taxation for 1997 amounting to RM115,000. Should the overprovision be adjusted to 1997, the effective tax rate for the financial year ended December 31, 1998 will be higher than the statutory tax rate due to realisation of gain on foreign exchange amounting to RM430,000 which related to 1997 and certain expenses were not allowable for income tax purposes.

The 1999's taxation of RM95,000 represented underprovision for taxation from 1993 to 1997. No provision for taxation on chargeable income is made in 1999 as the tax on chargeable income earned by a company in financial year 1999 is waived.

- d) The extraordinary item in 1995 represented losses incurred arising from flood which was net of insurance claim of RM515,167. There were no extraordinary items for other financial years under review.

Except for the gain on disposal of landed property in 1996, there were no exceptional items for other financial years under review.

- e) The net earnings/(loss) per ordinary share for the respective financial period/years under review has been calculated based on the profit/ (loss) after taxation before extraordinary item divided by the weighted average number of shares in issue during the respective financial period/years under review.

Uchi Industries (M) Sdn. Bhd. (UI)					
Financial Year ended December 31	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	-	-	-	-	-
Loss before charging depreciation and interest	42	7	12	63	20
Depreciation	10	10	10	10	44
Net interest expense	-	-	-	-	-
Loss before taxation	52	17	22	73	64
Taxation	-	-	-	-	-
Net loss	52	17	22	73	64
Weighted average no. of ordinary shares in issue ('000)	624	624	624	624	624
Net loss per share (RM)	(0.08)	(0.03)	(0.04)	(0.12)	(0.10)
Gross dividend rate (%)	-	-	-	-	-

**Notes:**

- a) UI owns a piece of industrial land and has not commenced commercial operations since its incorporation on December 13, 1989. Accordingly, no turnover were generated for the financial years under review;

**11. ACCOUNTANTS' REPORT...cont'd**

- b) The losses before taxation for all financial years under review were primarily due to operating expenses incurred, which consist mainly of amortisation of long leasehold land and administrative charges;
- c) There were no extraordinary items or exceptional items in respect of all the financial years under review; and
- d) The net loss per ordinary share for the respective years under review has been calculated based on the loss after taxation divided by the weighted average number of shares in issue during the respective financial years under review.

**F. SUMMARISED BALANCE SHEETS**

The audited accounts of UE for the financial year ended October 31, 1995 were not coterminous with the year end of the UT Group of December 31. For practical purposes, the individual summarised balance sheets of the Company and its subsidiary companies based on their respective audited accounts are presented as follows:-

<b>Uchi Technologies Berhad (UT)</b>		
	<b>31.12.1998</b>	<b>31.12.1999</b>
	<b>RM'000</b>	<b>RM'000</b>
Current assets	#	288
Current liabilities	(7)	295
Net current liabilities	(7)	(7)
Intangible assets	7	-
	#	(7)
Share capital	#	#
Accumulated loss	-	(7)
	#	(7)
Net Tangible Assets per share (RM)	-	(3,500)

**Notes:**

# RM2

<b>Uchi Optoelectronic (M) Sdn. Bhd. (UO)</b>						
	<b>31.12.1994</b>	<b>31.12.1995</b>	<b>31.12.1996</b>	<b>31.12.1997</b>	<b>31.12.1998</b>	<b>31.12.1999</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed assets	5,191	5,265	7,866	7,032	6,464	9,096
Quoted investments	-	-	-	-	-	1,552
Current assets	1,580	8,777	8,704	15,291	23,366	41,263
Current liabilities	1,943	6,297	5,481	4,546	7,190	25,573
Net current (liabilities)/assets	(363)	2,480	3,223	10,745	16,176	15,690
Intangible assets	134	101	67	34	-	-
Deferred taxation	(26)	(280)	(645)	(745)	(667)	-
	4,936	7,566	10,511	17,066	21,973	26,338
Share capital	5,000	5,000	5,000	5,000	5,000	5,000
Capital reserve	-	-	-	-	-	2,038
(Accumulated losses) / Retained profit	(64)	2,566	5,511	12,066	16,973	19,300
	4,936	7,566	10,511	17,066	21,973	26,338
Net Tangible Assets per share (RM)	0.96	1.49	2.09	3.41	4.39	5.27

**11. ACCOUNTANTS' REPORT...cont'd**

<b>Uchi Electronic (M) Sdn. Bhd. (UE)</b>						
	<b>31.10.1994</b>	<b>31.10.1995</b>	<b>31.12.1996</b>	<b>31.12.1997</b>	<b>31.12.1998</b>	<b>31.12.1999</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed assets	6,405	6,311	561	376	216	103
Investment in an associated company	-	-	2,184	2,184	-	-
Investment in quoted shares	-	-	-	-	1,153	1,584
Investment in a subsidiary company	-	-	-	-	2,676	2,676
Current assets	6,415	4,525	10,847	9,842	8,681	6,071
Current liabilities	4,595	2,340	1,747	2,674	3,266	940
Net current assets	1,820	2,185	9,100	7,168	5,415	5,131
Long-term liabilities	(834)	-	-	-	-	-
Deferred taxation	(234)	(352)	(81)	(157)	(12)	(12)
	<u>7,157</u>	<u>8,144</u>	<u>11,764</u>	<u>9,571</u>	<u>9,448</u>	<u>9,482</u>
Share capital	3,000	3,000	3,000	3,000	3,000	3,000
Retained profit	4,157	5,144	8,764	6,571	6,448	6,482
	<u>7,157</u>	<u>8,144</u>	<u>11,764</u>	<u>9,571</u>	<u>9,448</u>	<u>9,482</u>
Net Tangible Assets per share (RM)	2.39	2.71	3.92	3.19	3.15	3.16

<b>Uchi Industries (M) Sdn. Bhd. (UI)</b>						
	<b>31.12.1994</b>	<b>31.12.1995</b>	<b>31.12.1996</b>	<b>31.12.1997</b>	<b>31.12.1998</b>	<b>31.12.1999</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed assets	546	536	526	516	506	2,201
Current assets	30	*	*	*	*	*
Current liabilities	89	100	108	120	183	204
Net current liabilities	(59)	(100)	(108)	(120)	(183)	(204)
	<u>487</u>	<u>436</u>	<u>418</u>	<u>396</u>	<u>323</u>	<u>1,997</u>
Share capital	624	624	624	624	624	624
Capital reserve	-	-	-	-	-	1,738
Accumulated losses	(137)	(188)	(206)	(228)	(301)	(365)
	<u>487</u>	<u>436</u>	<u>418</u>	<u>396</u>	<u>323</u>	<u>1,997</u>
Net Tangible Assets per share (RM)	0.78	0.70	0.67	0.63	0.52	3.20

**Notes:**

\* RM3

**11. ACCOUNTANTS' REPORT...cont'd****G. PROFORMA STATEMENT OF ASSETS AND LIABILITIES**

The following are the detailed statements of assets and liabilities of the Proforma Group which have been prepared for illustrative purposes only and based on the audited accounts of UT and its subsidiaries as at December 31, 1999. The statements of assets and liabilities of the Proforma Group have been prepared on the assumption that the flotation scheme as mentioned under paragraph B2 of this report had been effected on December 31, 1999 and should be read in conjunction with the notes thereon.

	Note	Audited UT RM'000	Proforma Group RM'000
FIXED ASSETS	H3	-	11,400
QUOTED INVESTMENTS	H4	-	3,137
GOODWILL ON CONSOLIDATION		-	532
<b>CURRENT ASSETS</b>			
Stocks	H5	-	5,746
Trade debtors		-	5,604
Other debtors, deposits and prepayments		287	895
Tax recoverable		-	3
Short-term deposits with licensed banks	H6	-	34,420
Cash and bank balances		1	36,119
Total Current Assets		288	82,787
<b>CURRENT LIABILITIES</b>			
Trade creditors		-	2,582
Other creditors and accruals		291	6,107
Due to a director		4	4
Bank overdrafts	H7	-	76
Proposed dividend		-	17,683
Total Current Liabilities		295	26,452
NET CURRENT (LIABILITIES)/ASSETS		(7)	56,335
DEFERRED TAXATION		-	(12)
NET ASSETS EMPLOYED		(7)	71,392
<b>SHARE CAPITAL</b>	H8	#	40,000
SHARE PREMIUM		-	21,793
(ACCUMULATED LOSS)/RETAINED PROFIT	119	(7)	9,599
(CAPITAL DEFICIENCY) / TOTAL CAPITAL EMPLOYED		(7)	71,392
NTA per share (RM)		(3,500)	1.77

Note: # : RM2

**H. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES****1. BASIS OF PREPARATION OF STATEMENT OF ASSETS AND LIABILITIES**

The statement of assets and liabilities has been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

---

**11. ACCOUNTANTS' REPORT...cont'd**


---

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

The statement of assets and liabilities has been prepared under the historical cost convention modified by the revaluation of certain fixed assets.

**Basis of Consolidation**

The consolidated accounts include the accounts of the Company and all its subsidiary companies made up to the end of the financial year. All intercompany transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only. The Group adopts both the acquisition and merger methods of consolidation.

When the acquisition method is adopted, the excess of the cost of investment over the cost of net assets acquired is included in the consolidated accounts as goodwill arising on consolidation. Goodwill is amortised evenly over a period of twenty five years.

Acquisition of subsidiary companies which meet the criteria for merger accounting under the Malaysian Accounting Standard 2, are accounted for using the merger accounting principles. When the merger method is used, merger reserve is recorded in accordance with merger relief provisions under Section 60(4) of the Companies Act, 1965.

**Depreciation of Fixed Assets**

Depreciation of fixed assets is computed on the straight-line method based on the estimated useful lives of the various fixed assets at the following annual rates:-

	Rates
Buildings	2%
Electrical installation	10%
Furniture and fittings	12%
Office equipment	12%
Plant and machinery	12%
Air conditioning system	12%
Fire fighting and security system	12%
Kitchen equipment	12%
Mould	12%
Motor vehicles	20%

Long leasehold land is amortised evenly over the lease period of sixty years. The unexpired period of the Company's long leasehold land as at December 31, 1999 is 50 years.

**Investments in Subsidiary Companies**

Investments in subsidiary companies, which are eliminated on consolidation, are stated at cost in the Company's accounts.

Investments in subsidiary companies are only written down when the directors consider that there is a permanent diminution in the value of investment.

**Quoted Investments**

Investment in marketable securities are stated at the lower of cost and market value determined on an individual investment basis.

---

**11. ACCOUNTANTS' REPORT...cont'd**


---

**Stocks**

Stocks are valued at the lower of cost (determined on the first-in, first-out method) and net realisable value. The cost of finished goods and work-in-progress includes cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads. Cost of raw materials consist of purchase price plus the cost of bringing the stocks to their present location.

**Deferred Taxation**

Deferred taxation, calculated using the liability method, is provided on timing differences arising from the different treatments in accounting and taxation of certain items except where it can be demonstrated with reasonable probability that the tax deferral will continue in the foreseeable future.

In accounting for timing differences, deferred tax assets are not accounted for unless there is a reasonable expectation of their realisation.

**Foreign Currency Conversion**

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange prevailing on the transaction dates or, where settlement of liabilities and receivables has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing on that date. Gains and losses arising from foreign currency conversions are taken up in the profit and loss account.

**Research and Development Expenditure**

Research and development expenditure are written off to the profit and loss account as and when incurred.

**Turnover**

Turnover represents gross invoiced value of sales less returns.

**3. FIXED ASSETS**

<b>Proforma Group</b>					
	<b>Beginning of year</b>	<b>Additions</b>	<b>Disposals/ Written off</b>	<b>Revaluation</b>	<b>End of year</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cost Unless Stated Otherwise</u></b>					
Long leasehold land					
- at 1999 valuation	1,189	-	-	3,511	4,700
Building					
- at 1999 valuation	2,539	-	-	(139)	2,400
Electrical installation	196	-	(2)	-	194
Furniture and fittings	282	1	-	-	283
Office equipment	817	127	-	-	944
Plant and machinery	3,626	26	(21)	-	3,631
Air-conditioning system	281	-	-	-	281
Fire-fighting and security system	112	-	-	-	112
Kitchen equipment	29	-	-	-	29
Mould	428	345	*(212)	-	561
Motor vehicles	687	98	-	-	785
Construction in progress	-	979	-	-	979
	<u>10,186</u>	<u>1,576</u>	<u>(235)</u>	<u>3,372</u>	<u>14,899</u>

**11. ACCOUNTANTS' REPORT...cont'd**

<b>Proforma Group</b>					
<b>Accumulated Depreciation</b>	<b>Beginning of year RM'000</b>	<b>Charge for the year RM'000</b>	<b>Disposals/ Written off RM'000</b>	<b>Revaluation RM'000</b>	<b>End of year RM'000</b>
Long leasehold land					
- at 1999 valuation	178	92	-	(178)	92
Buildings					
- at 1999 valuation	227	47	-	(227)	47
Electrical installation	87	20	(1)	-	106
Furniture and fittings	122	34	-	-	156
Office equipment	232	106	-	-	338
Plant and machinery	1,406	410	(9)	-	1,807
Air-conditioning system	150	33	-	-	183
Fire-fighting and security system	53	13	-	-	66
Kitchen equipment	15	4	-	-	19
Mould	73	30	-	-	103
Motor vehicles	457	125	-	-	582
	<u>3,000</u>	<u>914</u>	<u>(10)</u>	<u>(405)</u>	<u>3,499</u>

\* This represents tools capitalised in previous year, now charge out as expense.

	<b>RM'000</b>
<b>Net Book Value</b>	
Long leasehold land - at 1999 valuation	4,608
Buildings - at 1999 valuation	2,353
Electrical installation	88
Furniture and fittings	127
Office equipment	606
Plant and machinery	1,824
Air-conditioning system	98
Fire-fighting and security system	46
Kitchen equipment	10
Mould	458
Motor vehicles	203
Construction in progress	979
	<u>11,400</u>

The long leasehold land and building were revalued on May 26, 1999 based on the report of an independent firm of professional valuers using open market value for the existing use basis.

The revaluation surplus of RM3,776,818 arising from the revaluation of landed properties, which were eliminated on consolidation, was approved by the Securities Commission on December 29, 1999. The tax effects relating to the increase in the carrying values of the revalued fixed assets are not provided for as there is no intention to dispose of these assets in the foreseeable future.

The historical costs of the long leasehold land and building which were revalued are as follows:

	<b>RM'000</b>
Cost	3,729
Accumulated depreciation	(476)
	<u>3,253</u>

**11. ACCOUNTANTS' REPORT...cont'd****4. QUOTED INVESTMENTS**

	<b>Proforma Group RM'000</b>
At cost:	
Investment in shares quoted in Malaysia	3,362
Investment in unit trusts	260
	<u>3,622</u>
Less: Provision for diminution in value	(485)
	<u>3,137</u>
Market value of quoted shares	3,152
Market value of unit trusts	265
	<u>3,417</u>

**5. STOCKS**

	<b>Proforma Group RM'000</b>
At Cost:	
Raw materials	2,983
Work-in-progress	1,463
Finished goods	1,829
	<u>6,275</u>
Less : Provision for slow moving stocks	(529)
	<u>5,746</u>

**6. SHORT-TERM DEPOSITS WITH LICENSED BANKS**

The short-term deposits with licensed banks of RM1,016,452 are pledged to banks for bank guarantee facilities obtained by certain subsidiary companies.

**7. BANK OVERDRAFTS**

The proforma group's bank overdraft and other facilities totalling RM42.62 million are generally secured by:-

- i) Legal charge over a subsidiary Company's long leasehold land and building;
- ii) Debenture over a subsidiary Company's fixed and floating assets;
- iii) Joint and several guarantees by two of the directors; and
- iv) Fixed deposits of RM1,016,452.

The bank borrowings bear interest at rate of 1% per annum above the lending banks' base lending rates and 1% above the Bank Negara's funding rate.

**8. SHARE CAPITAL**

	<b>Audited UT RM'000</b>	<b>Proforma Group RM'000</b>
Ordinary shares of RM1 each:		
Authorised	100	50,000
Issued and fully paid	*	40,000

Note :

\* Made up of 2 ordinary shares of RM1.00 each.



---

**11. ACCOUNTANTS' REPORT...cont'd**


---

**9. RETAINED PROFIT**

Two of the subsidiary companies, UO and UE have tax exempt income totalling RM21,132,000 and RM581,000 respectively which is available for distribution as tax exempt dividend after agreement from the Inland Revenue Board (IRB). As at date of this report, tax exempt income of approximately RM2,312,000 has been confirmed by the IRB while the balance is pending agreement from the IRB.

Should dividends be distributed as non tax exempt, UO and UE have tax credits totalling RM2,209,000 and RM1,329,000 under Section 108 of the Income Tax Act, 1967 to frank the payment of net dividends amounting to RM5,680,000 and RM3,417,000 respectively. As at date of this report, the tax credits totalling approximately RM2,874,000 have been agreed as assessed by the IRB while the balance is pending agreement from the IRB.

**10. CAPITAL COMMITMENT**

As at December 31, 1999, a subsidiary company has contracted but not provided for in the accounts RM7,027,900 being balance of contract sum for building under construction.

**11. CONSOLIDATED NET TANGIBLE ASSETS COVER**

Based on the Proforma Statement of Assets and Liabilities of the UT Group as at December 31, 1999, the proforma consolidated net tangible assets per ordinary share of RM1.00 each is as follows:-

Net tangible assets of UT Group as at December 31, 1999 (RM'000)	70,860
Number of ordinary shares of RM1.00 each as at December 31, 1999 ('000)	#
Issue of ordinary shares of RM1.00 each for exchange for shares of subsidiary companies, Rights Issue and Public Issue ('000)	40,000
	40,000
Net tangible assets per ordinary shares of RM1.00 each of the Proforma Group	1.77

Note: # Made up of 2 ordinary shares of RM1.00 each

**12. AUDITED ACCOUNTS**

No audited accounts have been prepared in respect of any period subsequent to December 31, 1999.

Yours faithfully,

**KASSIM CHAN & CO.**  
AF 0080  
Public Accountants

**OUI HOAY SENG**  
297/3/02(J/PH)  
Partner

---

**12. DIRECTORS' REPORT**  
(Prepared for inclusion in this Prospectus)

---

7 June 2000

The Shareholders  
**Uchi Technologies Berhad**  
3<sup>rd</sup> Floor Wisma Wang  
251-A Jalan Burma  
10350 Penang

Dear Sir/Madam

On behalf of the Board of Directors, I wish to report after due inquiry that during the period from 31 December 1999 (being a date to which the last audited accounts of the Company and its subsidiary companies have been made) to 31 May 2000 (being a date not earlier than fourteen(14) days before the issue of this Prospectus) that:-

- (a) the business of the Company and its subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company or its subsidiaries;
- (c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there is no contingent liabilities by reason of any guarantees given by the Company or its subsidiaries; and
- (e) since the last audited accounts of the Company and its subsidiaries save as disclosed in the Accountants' Report as set out in Section 11 of this Prospectus, there has been no changes in published reserve nor any unusual factors affecting the profits of the Company and its subsidiary companies.

Yours faithfully  
On Behalf of the Board of Directors of  
**UCHI TECHNOLOGIES BERHAD**

**KAO DE TSAN**  
Managing Director

**13. VALUERS' LETTER**  
(Prepared for inclusion in this Prospectus)

**Jones Lang Wootton**

(Proprietor: Singham Sulaiman Sdn Bhd)  
2<sup>nd</sup> Floor, Standard Chartered Bank Chambers  
2 Lebuhr Pantai  
10300 Pulau Pinang

Our Ref: V/PG/2/99/SC

7 June 2000

The Board of Directors  
**Uchi Technologies Berhad**  
Plot 544 Tingkat Perusahaan 4A  
Free Trade Zone  
13600 Perai

Dear Sirs,

**UCHI TECHNOLOGIES BERHAD**  
**PROSPECTUS IN RELATION TO THE PUBLIC ISSUE OF 6,000,000 NEW ORDINARY SHARES OF RM1.00 EACH AND OFFER FOR SALE OF 5,280,000 ORDINARY SHARES OF RM1.00 EACH AT RM4.80 PER ORDINARY SHARE**

This letter has been prepared for inclusion in the Prospectus to be dated 10 June 2000 in relation to the Public Issue of 6,000,000 new ordinary shares of RM1.00 each and Offer for Sale of 5,280,000 ordinary shares of RM1.00 each at RM4.80 per ordinary share.

In accordance with the instructions from Uchi Optoelectronic (M) Sdn Bhd and Uchi Industries (M) Sdn Bhd, we have assessed the Open Market Value of the landed properties belonging to Uchi Optoelectronic (M) Sdn Bhd and Uchi Industries (M) Sdn Bhd as set out herein vide our valuation report under reference V/PG/2/99/SC. The valuation has been prepared based on the "Guidelines on Asset Valuations for Submission to The Securities Commission" and valuation standards prescribed by the Board of Valuers, Appraisers and Estate Agents.

In our opinion, the Open Market Values of the landed properties, in their existing use, free from all encumbrances and with vacant possession are as follows:-

Registered / Beneficial Owner	Title/Location	Description / Existing Use	Tenure	Date and Methods of Valuation	Open Market Value (RM)
Uchi Optoelectronic (M) Sdn Bhd	HS (D) 4360/PT No. 3054 Mukim 1, Seberang Perai Tengah, Pulau Pinang (Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Industrial land	60-year leasehold expiring on 01/01/2050	26 <sup>th</sup> May 1999 Comparison Method	2,455,000
Uchi Optoelectronic (M) Sdn Bhd	HS (D) 4360/PT No. 3054 Mukim 1, Seberang Perai Tengah, Pulau Pinang (Plot 544, Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Factory building / Industrial	60-year leasehold expiring on 01/01/2050	26 <sup>th</sup> May 1999 Cost Method	2,400,000
Uchi Industries (M) Sdn Bhd	HS (D) 4319 PT No. 3048 Mukim 1, Seberang Perai Tengah, Pulau Pinang (Tingkat Perusahaan 4A, Perai FTZ Phase II, Perai)	Vacant Industrial Land	60-year leasehold expiring on 06/12/2049	26 <sup>th</sup> May 1999 Comparison Method	2,245,000

Yours faithfully  
for and behalf of  
**JONES LANG WOOTTON**

**TAY TAM, FISM**  
**B.SURV (HONS). PROP. MGT.**  
**REGISTERED VALUER**  
**NO. V-219**