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17. ACCOUNTANTS' REPORT

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(Prepared for inclusion in this Prospectus)

## **ROGER YUE, TAN & ASSOCIATES**

**CHARTERED ACCOUNTANTS (FIRM NO: AF : 0134)**

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8 March 2002

The Board of Directors  
**UNITED U-LI CORPORATION BERHAD**  
62C, Jalan SS21/62  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs,

### **1. INTRODUCTION**

This report has been prepared by Roger Yue, Tan & Associates, an approved company auditor, for inclusion in the Prospectus of United U-LI Corporation Berhad (hereinafter referred to as "ULC" or "the Company") to be dated 19 March 2002 in connection with the public issue of 3,300,000 new ordinary shares of RM1.00 each at an issue price of RM1.80 per ordinary share and the offer for sale of 5,000,000 ordinary shares of RM1.00 each at an offer price of RM1.80 per ordinary share pursuant to the listing of and quotation for the entire issued and fully paid-up share capital of ULC on the Second Board of Kuala Lumpur Stock Exchange ("KLSE").

### **2. GENERAL INFORMATION**

#### **2.1 Background**

ULC was incorporated in Malaysia under the Companies Act, 1965 on 11 April 2000 as a private limited company under the name of United U-LI Corporation Sdn. Bhd.. On 18 April 2000, the Company was converted to a public company and adopted its present name. It is principally an investment holding company while the principal activities of its subsidiaries are set out in Section 2.3 of this report.

ULC was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM2 comprising 2 ordinary shares of RM1.00 each. On 12 April 2000, the issued and paid-up share capital of ULC was increased from RM2 to RM10,000 by the allotment of 9,998 ordinary shares of RM1.00 each. On 13 April 2000, the authorised share capital was increased from RM100,000 to RM50,000,000 ordinary shares of RM1.00 each by the creation of 49,900,000 ordinary shares of RM1.00 each.

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

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Date of allotment	Number of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
11.04.2000	2	Cash; Subscribers' shares	2
12.04.2000	9,998	Cash	10,000
20.02.2002	28,723,092	Issued pursuant to the acquisition of United U-LI (M) Sdn. Bhd. ("ULSB"), United U-LI Steel Service Centre Sdn. Bhd. ("ULSS"), Cable-Tray Industries Sdn. Bhd. ("CTSB") and Gabung Mekar Sdn. Bhd. ("GMSB") at an issue price of approximately RM1.06 per share	28,733,092
21.02.2002	6,499,440	Issued pursuant to the capitalisation of dividends ("Dividend Capitalisation") payable to the vendors of ULSB and ULSS at a conversion price of RM1.00 per share	35,232,532
26.02.2002	1,467,468	Rights issue of new ordinary shares at par on the basis of approximately 1 new ordinary shares for every 24 ordinary shares held	36,700,000

ULC together with its wholly-owned subsidiaries, ULSB, ULSS, CTSB and GMSB, are hereinafter referred to as the ULC Group or the Group.

**2.2 Restructuring and Listing Exercise**

In conjunction with, and as an integral part of the listing of the Company on the Second Board of KLSE, the Company implemented a restructuring exercise which was approved by the Foreign Investment Committee ("FIC"), Ministry of International Trade and Industry ("MITI") and Securities Commission ("SC") on 11 July 2000 and 21 January 2002; 18 July 2000, and 11 December 2001; 13 December 2000 and 27 December 2001, respectively and involved the following:-

**2.2.1 Acquisitions**

- (i) Acquisition of the entire issued and paid-up share capital of ULSB comprising 4,700,000 ordinary shares of RM1.00 each for a total purchase consideration of RM27,560,429, satisfied wholly by the issuance of 26,011,841 new ordinary shares of RM1.00 each in ULC, credited as fully paid-up, at an issue price of approximately RM1.06 per share.
- (ii) Acquisition of the entire issued and paid-up share capital of ULSS comprising 3 ordinary shares of RM1.00 each for a total purchase consideration of RM1,334,555, satisfied wholly by the issuance of 1,259,568 new ordinary shares of RM1.00 each in ULC, credited as fully paid-up, at an issue price of approximately RM1.06 per share.
- (iii) Acquisition of the entire issued and paid-up share capital of CTSB comprising 200,000 ordinary shares of RM1.00 each for a total purchase consideration of RM115,199, satisfied wholly by the issuance of 108,726 new ordinary shares of RM1.00 each in ULC, credited as fully paid-up, at an issue price of approximately RM1.06 per share.

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- (iv) Acquisition of the entire issued and paid-up share capital of GMSB comprising 120,000 ordinary shares of RM1.00 each for a total purchase consideration of RM1,422,909, satisfied wholly by the issuance of 1,342,957 new ordinary shares of RM1.00 each in ULC, credited as fully paid-up, at an issue price of approximately RM1.06 per share.

**2.2.2 Dividend Capitalisation**

Capitalisation of the net dividends owing to the vendors of ULSB and ULSS amounting to RM6,153,840 and RM345,600 respectively by the issuance of a total of 6,499,440 new ULC shares of RM1.00 each, credited as fully paid-up, at an issue price of RM1.00 per share.

**2.2.3 Rights Issue**

The rights issue of 1,467,468 new ordinary shares of RM1.00 each at par on the basis of approximately one (1) new ordinary share of RM1.00 each for every twenty-four (24) ordinary shares held after the Acquisitions and Dividends Capitalisation.

**2.2.4 Arrangement**

Certain shareholders, namely Lee Yoon Wah, Lee Yoon Kong and Lee Yoon Fook will transfer a portion of their shareholdings totalling 18,000,000 ordinary shares of RM1.00 each in ULC to Pearl Deal Sdn. Bhd. prior to the Listing, by way of share swap.

**2.2.5 Public Issue**

Public issue of 3,300,000 new ordinary shares of RM1.00 each at an issue price of RM1.80 per share ("Issue Shares") as follows :-

(i) Malaysian Public

1,000,000 of the Issued 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.

(ii) Private Placement

1,800,000 of the Issued Shares have been reserved for private placement to identified investors of which at least 30% is to be placed, to the extent possible, to bumiputera investors; and

(iii) Eligible Directors and Employees of the ULC Group

500,000 of the Issue Shares are to be reserved for eligible directors and employees of the ULC Group.

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Certain shareholders of ULC will undertake an offer for sale of 5,000,000 ordinary shares of RM1.00 each in ULC at an offer price of RM1.80 per share, of which 2,020,000 ordinary shares of RM1.00 each have been reserved for Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI") whilst the balance of 2,980,000 ordinary shares of RM1.00 each have been reserved for private placement to identified investors of which at least 30% is to be placed, to the extent possible, to bumiputera investors.

Upon completion of the abovementioned restructuring and listing exercise, the entire enlarged issued and fully paid-up share capital of ULC of RM40,000,000 comprising 40,000,000 ordinary shares of RM1.00 each will be listed and quoted on the Second Board of KLSE.

**2.3 The Subsidiaries**

Details of the subsidiaries of ULC, all of which are wholly-owned private limited companies incorporated in Malaysia, as at the date of this report, are as follows:

Subsidiaries	Date of incorporation	Authorised share capital RM	Issued and paid-up share capital RM	Principal activities
ULSB	12.10.1983	5,000,000	4,700,000	Manufacturing of and dealing in cable support systems, integrated ceiling systems, steel roof battens and related industrial metal products
ULSS	20.12.1996	100,000	3	Provision of slitting and shearing services and trading of industrial hardware
CTSB	12.10.1983	500,000	200,000	Manufacturing of and dealing in all types of cable trunking and related industrial metal products
GMSB	28.3.1989	500,000	120,000	Investment holding

ULC does not have any associated company as at the date hereof.

**2.4 Financial Statements and Auditors**

We have acted as the first auditors of ULC for the financial period ended 31 December 2000 and the financial statements till to date.

We have acted as auditors of ULSB and ULSS for the financial years/periods under review. We have acted as the auditors of CTSB and GMSB with effect from the financial period ended 31 December 1999 and the financial year ended 30 June 1997 respectively. Prior to that, the financial statements of these companies were audited by other approved company auditors. The financial statements of all the companies for the financial years/periods under review were not subject to any audit qualification.

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This report is prepared on a basis consistent with accounting policies normally adopted by the Group and in accordance with approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB").

**3. DIVIDENDS**

Save as disclosed below, the Company and its subsidiaries have not declared nor paid any dividends for the financial years/periods under review:

Companies	Financial year ended	Issued and paid-up share capital RM	Gross dividend rate %	Gross dividend RM	Net dividend RM
ULSB	31 December 2000	4,700,000	181.85	8,547,000	6,153,840
ULSS	31 December 2000	3	16,000,000.00	480,000	345,600

**4. SUMMARISED INCOME STATEMENTS**

- 4.1 We set out below the summarised proforma consolidated income statements of the ULC Group for the past five (5) financial years ended 31 December 1996 to 2000 and nine (9) months ended 30 September 2001, prepared for illustrative purposes only, on the assumption that the current structure of the Group has been in existence throughout the financial years/period under review. The following proforma consolidated income statements are to be read in conjunction with the notes thereto:

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	< ----- Financial year ended 31 December ----- >					9 months ended 30 September
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	19,888	25,350	30,441	38,749	34,996	29,807
Profit before depreciation, amortisation and interest	3,925	4,427	7,669	10,505	12,937	10,467
Depreciation	(513)	(839)	(1,302)	(1,808)	(2,424)	(2,370)
Amortisation	-	-	-	(18)	(27)	(19)
Interest expense	(144)	(205)	(252)	(192)	(469)	(514)
Interest income	12	28	67	43	20	9
Profit before exceptional item	3,280	3,411	6,182	8,530	10,037	7,573
Exceptional item	-	-	-	-	(436)	-
Profit before taxation	3,280	3,411	6,182	8,530	9,601	7,573
Taxation	(972)	(924)	(1,270)	(433)	(3,019)	(2,239)
Profit after taxation before extraordinary item	2,308	2,487	4,912	8,097	6,582	5,334
Extraordinary item	5	-	-	-	-	-
Profit after taxation and extraordinary item	2,313	2,487	4,912	8,097	6,582	5,334
Number of ordinary shares assumed in issue ('000)*	35,233	35,233	35,233	35,233	35,233	35,233
Gross earnings per share (RM) <sup>@</sup>	0.09	0.10	0.18	0.24	0.27	0.29 ^
Basic net earnings per share (RM) <sup>#</sup>	0.07	0.07	0.14	0.23	0.19	0.20 ^
Gross dividend rate (%)	-	-	-	-	25.62	-

**Notes:**

- \* The assumed issued and paid-up share capital of 35,232,532 ordinary shares of RM1.00 each is based on the issued and paid-up share capital of ULC after the Acquisitions and Dividend Capitalisation.

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- @ Gross earnings per share was computed based on the proforma profit before tax.
- # Net earnings per share was computed based on the proforma profit after tax and extraordinary item.
- ^ Annualised
- (i) The financial results of ULC and ULSS are included in the above proforma consolidated income statements from their dates of incorporation on 11 April 2000 and 20 December 1996 respectively.
- (ii) The above proforma consolidated financial results have been prepared based on the audited financial statements of the Company and its subsidiaries, after making such adjustments as we considered appropriate for the respective financial years as stated in note (iii) below. The proforma consolidated financial results have been prepared based on accounting policies consistent with those previously adopted in the preparation of the audited financial statements of the individual companies.
- (iii) For the purpose of proforma consolidation, we have adjusted the financial results of the subsidiaries with differing year ends on a time apportionment basis in order to be co-terminous with the financial year end of ULC.
- (iv) The extraordinary item for the financial year ended 31 December 1996 was in relation to gain on disposal of property.
- (v) The margin of profit before taxation over revenue declined for the financial year ended 31 December 1997 due to the increase in cost of its imported raw materials as a result of adverse exchange rate fluctuation as well as higher depreciation charges arising from additional investment in plant and machinery.
- (vi) For the financial year ended 31 December 1998, profit before taxation increased significantly as the Group was able to transfer the increase in cost of imported raw materials associated with adverse exchange rate movements to its ultimate buyers. Furthermore, the availability of raw materials at competitive prices due to stiff competition amongst local suppliers and commencement of in-house production previously carried out by external parties contributed to a lower cost of production.
- (vii) For the financial year ended 31 December 1999, the Group recorded an increase in revenue with the recovery of the regional economies and the Group's diversification into integrated ceiling systems. The increase in profit before taxation is in line with the increase in revenue and is also attributable to the higher profit margin generated from supply of cable support systems to projects in the petrochemical industry. The taxation is mainly due to the two (2) months' profit of a subsidiary of the Group being taxable as the subsidiary changed its financial year end from 31 October to 31 December in 1999.
- (viii) For the financial year ended 31 December 2000, the Group recorded an increase in profit before taxation despite a decrease in revenue due mainly to the reduction in the price of steel, being the main raw material used in the production process of the Group. The lower profit after taxation is mainly due to the previous financial year being a tax waiver year. The exceptional item is in respect of deficit arising from revaluation of land and buildings in compliance with the Malaysian Accounting Standards Board Standard No. 15 which came into effect on 1 July 2000.
- (ix) For nine (9) months ended 30 September 2001, the Group's annualised turnover improved by 13.56% due to an increase in revenue contributed by project sales.

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4.2 We set out below the summarised audited income statements of the individual companies within the ULC Group for the relevant financial years/periods. The following summarised audited income statements are to be read in conjunction with the notes thereto:

## 4.2.1 ULC

	# Period from 11 April 2000 to 31 December 2000 RM'000	9 months ended 30 September 2001 RM'000
Revenue	-	-
Loss before depreciation and interest	(54)	(4)
Depreciation	-	-
Interest expense	-	-
Interest income	-	-
Loss before taxation	(54)	(4)
Taxation	-	-
Loss after taxation	(54)	(4)
Weighted average number of ordinary shares in issue	9,962	10,000
Basic net loss per share (RM)	7.49 *	0.53 *
Gross dividend rate (%)	-	-

*Notes:*

\* *Annualised*

# *First income statement covering the period from 11 April 2000 (date of incorporation) to 31 December 2000.*

(i) *The loss before depreciation and interest in the financial period ended 31 December 2000 is mainly due to the stamping fee incurred for the increase in authorised share capital.*

(ii) *There was no extraordinary or exceptional item in respect of the financial periods under review.*



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## 4.2.2 ULSB

	<- Financial year ended 31 October ->			14 months	Financial	9 months
	1996	1997	1998	ended 31	year	ended 30
	RM'000	RM'000	RM'000	December	December	September
				1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	18,913	24,767	28,263	39,924	33,840	30,979
Profit before depreciation, amortisation and interest	3,925	3,966	6,889	11,120	11,500	8,547
Depreciation	(468)	(736)	(1,012)	(1,779)	(1,872)	(1,512)
Amortisation	-	-	-	(11)	(10)	(7)
Interest expense	(135)	(193)	(264)	(224)	(320)	(311)
Interest income	11	20	71	49	20	9
Profit before exceptional item	3,333	3,057	5,684	9,155	9,318	6,726
Exceptional item	-	-	-	-	(436)	-
Profit before taxation	3,333	3,057	5,684	9,155	8,882	6,726
Taxation	(1,005)	(807)	(1,508)	(433)	(2,752)	(1,961)
Profit after taxation but before extraordinary item	2,328	2,250	4,176	8,722	6,130	4,765
Extraordinary item	5	-	-	-	-	-
Profit after taxation and extraordinary item	2,333	2,250	4,176	8,722	6,130	4,765
Weighted average number of ordinary shares in issue	3,200,000 <sup>#</sup>	3,225,205 <sup>#</sup>	3,300,000	4,049,296	4,700,000	4,700,000
Basic net earnings per share (RM)	0.73	0.70	1.27	1.85 <sup>*</sup>	1.30	1.35 <sup>*</sup>
Gross dividend rate (%)	-	-	-	-	181.85	-

*Notes:*<sup>#</sup> After adjusting for the bonus issues implemented on 8 August 1997 and 18 August 1997.

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- \* *Annualised.*
- (i) *In the financial year ended 31 October 1996, the extraordinary item was in relation to gain on disposal of property.*
- (ii) *Profit before taxation for the financial year ended 31 October 1997 declined by 8.28% despite an increase in revenue due to the increase in cost of its imported raw materials as a result of adverse exchange rate fluctuations as well as higher depreciation charges arising from additional machinery acquired.*
- (iii) *For the financial year ended 31 October 1998, profit before taxation improved significantly as it was able to transfer the increase in cost of raw materials associated with adverse exchange rate movements to its ultimate buyers. Furthermore, the availability of raw materials at competitive prices due to stiff competition amongst local suppliers also contributed to the improved profit margin.*
- (iv) *For the financial period ended 31 December 1999, the company recorded an increase in annualised revenue with the recovery of the regional economies and the company's diversification into integrated ceiling systems. The increase in annualised profit before taxation is mainly attributable to a higher profit margin generated from supply of cable support system to parties involved in the petrochemical industry. The depreciation rate of plant and machinery was reduced from 20% to 15% during the financial period so as to reflect a more accurate estimated useful life of the assets. The annualised profit after taxation is also higher due to the twelve (12) months ended 31 December 1999 being a tax waiver year.*
- (v) *For the financial year ended 31 December 2000, the company recorded an increase in profit before taxation compared to the annualised profit before taxation of the previous financial year despite a decrease in revenue due mainly to the reduction in the price of steel, being the main raw material use by the company. The lower profit after taxation is mainly due to tax waiver for the twelve (12) months' profit earned in the previous financial period. The exceptional item was in respect of deficit arising from revaluation of land and buildings in compliance with the Malaysian Accounting Standards Board Standard No. 15 which came into effect on 1 July 2000.*
- (vi) *For nine (9) months ended 30 September 2001, the company's annualised profit before exceptional item decreased by 3.76% despite an increase in annualised revenue due mainly to higher interest expense and depreciation resulting from the acquisition of new machinery.*

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## 4.2.3 ULSS

	# Period from 20 December 1996 To 30 April 1998 RM'000		Financial year ended ← 31 December → 1999      2000 RM'000      RM'000		9 months ended 30 September 2001 RM'000
	8 months ended 31 December 1998 RM'000				
Revenue	2,046	857	4,290	3,458	2,915
Profit before depreciation and interest	143	152	702	786	808
Depreciation	(86)	(72)	(109)	(109)	(97)
Interest expense	-	-	-	-	-
Interest income	-	-	-	-	-
Profit before taxation	57	80	593	677	711
Taxation	-	(13)	-	(204)	(221)
Profit after taxation	57	67	593	473	490
Number of ordinary shares in issue	3	3	3	3	3
Basic net earnings per share (RM)	13,953.72 *	33,272.11 *	197,666.67	157,666.67	217,777.78 *
Gross dividend rate ('000%)	-	-	-	16,000.00	-

**Notes:**

\* Annualised.

# First income statement covering period from 20 December 1996 (date of incorporation) to 30 April 1998.

(i) Revenue of the company for the eight (8) months ended 31 December 1998 was derived mainly from sales to related companies which was adversely affected by the regional economic crisis. However, profit before taxation increased due to an improvement in the operating efficiency of its plant and machinery as well as the expansion of its slitting and shearing services which generated a relatively higher margin.

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- (ii) The company recorded a significant improvement in revenue and profit before taxation for the financial year ended 31 December 1999 as it expanded its market to external parties. The higher profit after taxation is mainly due to financial year 1999 being a tax waiver year.*
- (iii) During the financial year ended 31 December 2000, the company recorded a higher profit before taxation despite the decrease in revenue mainly as a result of higher profit margin derived from the provision of slitting and shearing services to its related companies. The lower profit after taxation is mainly due to financial year 1999 being a tax waiver year.*
- (iv) During the financial period ended 30 September 2001, the company achieved an increase in annualised revenue mainly due to sales of goods and services to its related companies. As a result of the above, the company's profit after taxation increased by 38.1% as compared to the financial year ended 2000.*
- (v) There was no extraordinary or exceptional item in respect of the financial periods/years under review.*

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## 4.2.4 CTSB

	<- Financial year ended 31 October ->			14 months	Financial	9 months
	1996	1997	1998	ended 31	year	ended 30
	RM'000	RM'000	RM'000	December	December	September
			1999	2000	2001	
			RM'000	RM'000	RM'000	RM'000
Revenue	-	-	1,304	2,157	2,407	2,640
Profit before depreciation and interest	-	-	115	260	549	685
Depreciation	-	-	(73)	(203)	(432)	(745)
Interest expense	-	-	-	-	(93)	(148)
Interest income	-	-	-	-	-	-
Profit/(Loss) before taxation	-	-	42	57	24	(208)
Taxation	-	-	-	-	-	-
Profit/(Loss) after taxation	-	-	42	57	24	(208)
Weighted average number of ordinary shares in issue	3	3	3	28,873	166,803	200,000
Basic net earnings/(loss) per share (RM)	N/A	N/A	14,000.00	1.69 *	0.14	(1.39) *
Gross dividend rate (%)	-	-	-	-	-	-

**Notes:**

N/A Not applicable.

\* Annualised.

(i) The company commenced business operations in January 1998.

(ii) For the financial period ended 31 December 1999, the company recorded an increase in revenue and profit before taxation as a result of increase in production through higher degree of automation in its production processes.

(iii) For the financial year ended 31 December 2000, the company recorded a higher revenue and profit before depreciation and interest due to further increase in production from its existing as well as additional production capacity. However, a reduction in profit before taxation was reported due to incurrance of interest expense and higher depreciation charges arising from capital expansion financed by borrowings.

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- (iv) *For the financial period ended 30 September 2001, the company recorded a higher revenue and profit before depreciation and interest due to further increase in production from its existing as well as additional production capacity.*
- (v) *There was no extraordinary or exceptional item in respect of the financial years/periods under review.*

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## 4.2.5 GMSB

	<----- Financial year ended 30 June ----->				6 months	Financial	9 months
	1996	1997	1998	1999	ended 31	year	ended 30
	RM'000	RM'000	RM'000	RM'000	December	ended 31	September
				1999	December	2000	2001
				RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-	319	239
(Loss)/Profit before depreciation, amortisation and interest	(11)	(2)	(3)	(5)	(2)	298	214
Depreciation	-	-	-	-	-	(12)	(16)
Amortisation	-	-	-	-	(9)	(17)	(12)
Interest expense	-	-	-	-	-	(56)	(54)
Interest income	-	-	-	2	-	-	-
(Loss)/Profit before taxation	(11)	(2)	(3)	(3)	(11)	213	132
Taxation	-	-	-	-	-	(64)	(57)
(Loss)/Profit after taxation	(11)	(2)	(3)	(3)	(11)	149	75
Weighted average number of ordinary shares in issue	100,000 #	100,000 #	117,370	120,000	120,000	120,000	120,000
Basic net (loss)/earnings per share (RM)	(0.11)	(0.02)	(0.03)	(0.03)	(0.18) *	1.24	0.83 *
Gross dividend rate (%)	-	-	-	-	-	-	-

**Notes:**

\* Annualised.

# After adjusting for the bonus issue implemented on 31 October 1996.

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- (i) *The higher loss before taxation recorded in the financial year ended 30 June 1996 was due to the writing-off of preliminary and pre-operation expenses.*
- (ii) *The increase in loss before amortisation and interest for the financial year ended 30 June 1999 was mainly due to underprovision of certain expenses in the previous financial year. However, this was somewhat mitigated by interest income arising from placement of fixed deposits.*
- (iii) *For the financial period ended 31 December 1999, the increase in loss before taxation was mainly as a result of the leasehold land held by the company being amortised over the remaining lease period of approximately 93 years with effect from July 1999. No amortisation has been provided prior to July 1999 as the directors did not segregate the costs and this represents a departure from International Accounting Standards 4.*
- (iv) *During the financial year ended 31 December 2000, GMSB began to generate revenue by renting its factory building to a related company, ULSB. The completion of this factory building previously under construction had also caused higher depreciation charged during the year. A higher interest expense was incurred during the financial year due to the utilisation of overdraft facility to fully settle the interest-free loan granted by ULSB to finance the construction of this factory building.*
- (v) *During the financial period ended 30 September 2001, the annualised profit before taxation decreased by 17.37% due to additional expenses incurred for the purposes of obtaining the certificate of fitness for its factory and interest expenses incurred due to the utilisation of overdraft facility.*
- (vi) *There was no extraordinary or exceptional item in respect of the financial years/periods under review.*

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## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)

## 5. SUMMARISED BALANCE SHEETS

The summarised balance sheets of ULC and its subsidiaries, based on the audited accounts of the respective companies for the relevant financial years/periods under review, are as follows:

## 5.1 ULC

	# As at 31 December 2000 RM'000	As at 30 September 2001 RM'000
CURRENT ASSETS	10	10
CURRENT LIABILITIES	(54)	(58)
NET CURRENT LIABILITIES	<u>(44)</u>	<u>(48)</u>
Financed by:		
Share capital	10	10
Accumulated loss	(54)	(58)
CAPITAL DEFICIENCY	<u>(44)</u>	<u>(48)</u>
Net liabilities (RM'000)	(44)	(48)
Net liabilities per share (RM)	(4.40)	(4.80)

**Note:**

# First balance sheet as at 31 December 2000 since date of incorporation on 11 April 2000.

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)

## 5.2 ULSB

	<----- As at 31 October ----->			<- As at 31 December ->		As at 30
	1996	1997	1998	1999	2000	September
	RM'000	RM'000	RM'000	RM'000	RM'000	2001
						RM'000
PROPERTY, PLANT AND EQUIPMENT	5,183	7,291	8,356	13,606	13,171	12,841
PROGRESS PAYMENT	-	407	493	-	-	-
CURRENT ASSETS	5,921	9,880	11,815	17,307	29,408	32,883
CURRENT LIABILITIES	(4,971)	(8,475)	(7,669)	(8,683)	(18,969)	(17,346)
NET CURRENT ASSETS	950	1,405	4,146	8,624	10,439	15,537
	<u>6,133</u>	<u>9,103</u>	<u>12,995</u>	<u>22,230</u>	<u>23,610</u>	<u>28,378</u>
Financed by:						
Share capital	200	3,300	3,300	3,440	4,700	4,700
Capital reserve	657	7	7	7	73	73
Unappropriated profit	4,549	5,149	9,325	18,047	18,023	22,787
SHAREHOLDERS' EQUITY	5,406	8,456	12,632	21,494	22,796	27,560
Hire purchase creditors	127	164	14	-	-	-
Term loans	600	483	349	736	642	566
Deferred taxation	-	-	-	-	172	252
	<u>6,133</u>	<u>9,103</u>	<u>12,995</u>	<u>22,230</u>	<u>23,610</u>	<u>28,378</u>
Net tangible assets (RM'000)	5,406	8,456	12,632	21,494	22,796	27,560
Net tangible assets per share (RM)	27.03	2.56	3.83	6.25	4.85	5.86

**Notes:-**

- (i) The progress payment in 1997 and 1998 represent the payment towards the purchase of property for a total consideration of RM1,600,000. Included under progress payment in 1998 is interest capitalised of RM904.
- (ii) Included in the current liabilities as at 31 December 2000 is the dividend payable (net of 28% tax) amounting to RM6,153,840.

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)

## 5.3 ULSS

	# As at 30 April 1998 RM'000	As at 31 December			As at 30 September 2001 RM'000
		1998 RM'000	1999 RM'000	2000 RM'000	
PROPERTY, PLANT AND EQUIPMENT	488	566	457	348	391
PRELIMINARY EXPENSES	3	-	-	-	-
CURRENT ASSETS	1,269	1,999	2,618	3,330	4,309
CURRENT LIABILITIES	(1,703)	(2,441)	(2,358)	(2,834)	(3,330)
NET CURRENT (LIABILITIES)/ASSETS	(434)	(442)	260	496	979
	<u>57</u>	<u>124</u>	<u>717</u>	<u>844</u>	<u>1,370</u>
Financed by:					
Share capital	*	*	*	*	*
Unappropriated profit	57	124	717	844	1,334
SHAREHOLDERS' EQUITY	<u>57</u>	<u>124</u>	<u>717</u>	<u>844</u>	<u>1,334</u>
Deferred taxation	-	-	-	-	36
	<u>57</u>	<u>124</u>	<u>717</u>	<u>844</u>	<u>1,370</u>
Net tangible assets (RM'000)	54	124	717	844	1,334
Net tangible assets per share (RM)	18,000.00	41,333.33	239,000.00	281,333.33	444,666.67

*Notes:-*

\* RM3.00 only.

# First balance sheet as at 30 April 1998 since date of incorporation on 20 December 1996.

(i) Included in the current liabilities as at 31 December 2000 is the dividend payable (net of 28% tax) amounting to RM345,600.

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)

## 5.4 CTSB

	← As at 31 October →			← As at 31 December →		As at 30
	1996	1997	1998	1999	2000	September
	RM'000	RM'000	RM'000	RM'000	RM'000	2001
						RM'000
PROPERTY, PLANT AND EQUIPMENT	-	-	293	1,198	4,749	5,503
PRELIMINARY EXPENSES	2	2	-	-	-	-
PRE-OPERATION EXPENSES	4	4	-	-	-	-
CURRENT ASSETS	*	*	2,174	3,060	2,652	1,977
CURRENT LIABILITIES	(6)	(6)	(2,375)	(4,108)	(5,019)	(4,965)
NET CURRENT LIABILITIES	(6)	(6)	(201)	(1,048)	(2,367)	(2,988)
	<u>*</u>	<u>*</u>	<u>92</u>	<u>150</u>	<u>2,382</u>	<u>2,515</u>
Financed by:						
Share capital	*	*	*	50	200	200
Share application monies	-	-	50	-	-	-
Unappropriated profit / (accumulated loss)	-	-	42	100	123	(85)
SHAREHOLDERS' EQUITY	<u>*</u>	<u>*</u>	<u>92</u>	<u>150</u>	<u>323</u>	<u>115</u>
Term loan	-	-	-	-	2,059	2,400
	<u>*</u>	<u>*</u>	<u>92</u>	<u>150</u>	<u>2,382</u>	<u>2,515</u>
(Net liabilities) / net tangible assets (RM'000)	(6)	(6)	92	150	323	115
(Net liabilities) / net tangible assets per share (RM)	(2,000.00)	(2,000.00)	30,666.67	3.00	1.62	0.58

*Note:-*

\* RM3.00 only.

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)

## 5.5 GMSB

	← As at 30 June →				← As at 31 December →		As at 30
	1996	1997	1998	1999	1999	2000	September
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	191	1,816	2,492	2,660	2,688	2,276	2,330
CURRENT ASSETS	*	*	11	2	3	1	68
CURRENT LIABILITIES	(198)	(205)	(874)	(1,036)	(1,077)	(902)	(932)
NET CURRENT LIABILITIES	(198)	(205)	(863)	(1,034)	(1,074)	(901)	(864)
	<u>(7)</u>	<u>1,611</u>	<u>1,629</u>	<u>1,626</u>	<u>1,614</u>	<u>1,375</u>	<u>1,466</u>
Financed by:							
Share capital	5	100	120	120	120	120	120
Capital reserve	-	1,525	1,525	1,525	1,525	1,109	1,109
(Accumulated loss) / unappropriated profit	(12)	(14)	(16)	(19)	(31)	118	194
(CAPITAL DEFICIENCY) / SHAREHOLDERS' EQUITY	(7)	1,611	1,629	1,626	1,614	1,347	1,423
Deferred taxation	-	-	-	-	-	28	43
	<u>(7)</u>	<u>1,611</u>	<u>1,629</u>	<u>1,626</u>	<u>1,614</u>	<u>1,375</u>	<u>1,466</u>
(Net liabilities) / net tangible assets (RM'000)	(7)	1,611	1,629	1,626	1,614	1,347	1,423
(Net liabilities) / net tangible assets per share (RM)	(1.40)	16.11	13.58	13.55	13.45	11.23	11.86

*Note:-*

\* Negligible

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)

## 6. STATEMENT OF ASSETS AND LIABILITIES

The following is a detailed statement of assets and liabilities of ULC and the proforma ULC Group based on the audited financial statements of ULC and its subsidiaries, ULSB, ULSS, CTSB and GMSB as at 30 September 2001.

The statement of assets and liabilities of the proforma ULC Group is provided for illustrative purposes only and shows the effects of the Acquisitions of ULSB, ULSS, CTSB and GMSB, Dividend Capitalisation, as well as the Rights Issue on the assumption that they had been effected on 30 September 2001 and should be read in conjunction with the notes thereon.

	Notes	ULC RM'000	Proforma Group RM'000
PROPERTY, PLANT AND EQUIPMENT	7.3	-	21,066
CURRENT ASSETS			
Inventories	7.4	-	11,367
Trade receivables	7.5	-	16,938
Other receivables		-	1,288
Fixed deposits with licensed bank	7.6	-	207
Bank and cash balances		10	4,476
		10	34,276
CURRENT LIABILITIES			
Trade payables		-	3,826
Other payables		58	903
Hire purchase creditors	7.7	-	35
Amount due to directors	7.8	-	785
Trust receipts and bankers' acceptance	7.9	-	3,627
Bank overdraft	7.10	-	794
Term loans	7.9	-	897
Taxation		-	2,826
		58	13,693
NET CURRENT (LIABILITIES)/ASSETS		(48)	20,583
		(48)	41,649
Financed by:			
Share capital	7.11	10	36,700
Share premium	7.12	-	1,710
Accumulated loss		(58)	(58)
(Capital deficiency)/shareholders' equity		(48)	38,352
Deferred taxation	7.13	-	331
Term loans	7.9	-	2,966
		(48)	41,649
(Net liabilities)/net tangible assets (RM'000)		(48)	38,352
Number of ordinary shares in issue ('000)		10	36,700
(Net liabilities)/net tangible assets per share (RM)		(4.80)	1.05

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17. ACCOUNTANTS' REPORT (Cont'd)

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**ROGER YUE, TAN & ASSOCIATES**  
**(FIRM NO. AF : 0134)**

7. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

7.1 BASIS OF ACCOUNTING

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

7.2 SIGNIFICANT ACCOUNTING POLICIES

(a) General

All accounting policies are consistent with those applied in the previous financial years/periods.

(b) Accounting Convention

The statement of assets and liabilities has been prepared under the historical cost convention modified to include the revaluation of land and buildings.

(c) Basis of Consolidation

The Proforma Group statement of assets and liabilities, prepared on the basis of acquisition method of accounting, incorporate the audited statements of assets and liabilities of the Company and all its subsidiaries as at 30 September 2001.

The results of the subsidiaries acquired or disposed of during the financial year are included in the Proforma Group financial statements from the effective date of acquisition or to the date of disposal.

Goodwill/capital reserve arising on consolidation represents the difference between the holding company's cost of investment over the holding company's share in the fair values of net identifiable assets and liabilities of the subsidiaries acquired.

All inter company transactions and balances are eliminated on consolidation.

(d) Investment in Subsidiaries

Investment in subsidiaries, which is eliminated on consolidation, is stated at cost. A subsidiary is a company in which the Company holds, directly or indirectly more than 50% of its issued share capital as a long term investment.

(e) Property, Plant and Equipment

All property, plant and equipment are stated at cost. Land and buildings are subsequently shown at market value, based on valuation by directors and external independent valuers, less subsequent amortisation/depreciation. All other property, plant and equipment are stated at costs less depreciation.

Increases in the carrying amount arising on revaluation are credited to capital reserve. Decreases will offset previous increases of the same assets and charged against the capital reserve. All other decreases are charged to the income statement.

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)

Freehold land is not amortised as it is deemed to have indefinite life. The revalued amount of leasehold land is amortised in equal instalments over the lease period of 93 years expiring on 11 October 2091.

All other property, plant and equipment are depreciated on the straight line method based on their estimated useful lives at the following annual rates:-

Buildings	2%
Plant and machinery	15%
Motor vehicles	15%
Furniture and fittings	10%
Office equipment	10%
Renovations	10%

**(f) Inventories**

Inventories are valued at the lower of costs (determined on the weighted average basis) and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Costs of raw materials and consumables comprise the costs of purchase plus the costs of bringing the inventories to their present location and condition. Costs of work-in-progress and finished goods include costs of raw materials, direct labour and an appropriate allocation of production overheads and are determined on a weighted average basis.

**(g) Trade Receivables**

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end.

**(h) Cash and Cash Equivalents**

Cash and cash equivalents consist of bank and cash balances, deposits, bank overdrafts, short term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

**(i) Finance Lease**

Leases of assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance lease.

Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are treated as a liability. The finance charges of such leases are allocated to the income statement over the lease period.

Assets held under finance leases are capitalised as property, plant and equipment, and depreciated over their estimated useful lives as per those in Note 7.2 (e).



## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)**(j) Deferred Taxation**

Provision is made using the liability method for taxation deferred by timing differences except where the tax effects of such timing differences are expected to be deferred indefinitely. Deferred tax benefits are recognised only if there is a reasonable expectation of their realisation.

**7.3 PROPERTY, PLANT AND EQUIPMENT**

	<b>Proforma Group</b>		
	<b>Costs or Valuation RM'000</b>	<b>Accumulated Depreciation RM'000</b>	<b>Net Book Value RM'000</b>
Leasehold land – at valuation	2,395	39	2,356
Freehold land – at valuation	1,015	-	1,015
Buildings – at valuation	4,429	132	4,297
Electrical installation	49	3	46
Plant and machinery	19,754	7,657	12,097
Motor vehicles	1,183	853	330
Office equipment	585	268	317
Furniture and fittings	251	28	223
Renovations	521	136	385
	<u>30,182</u>	<u>9,116</u>	<u>21,066</u>

The land and buildings of the Group was last revalued by the directors in March 2000 based on valuation carried out by professional valuers to reflect the market value.

As at 30 September 2001, certain of the land and buildings with net book value totalling RM7,540,032 have been pledged as securities to licensed banks for credit facilities (note 7.9 and 7.10) granted to the Group.

As at 30 September 2001, the net book value of motor vehicles under hire purchase arrangement included in property, plant and equipment amounted to RM94,747.

As at 30 September 2001, the net book value of plant and machinery amounted to RM4,692,996 have been pledged as securities to licensed banks for credit facility (note 7.9) granted to the Group.

All expenses relating to the construction of factory building are capitalised during the financial period.

**7.4 INVENTORIES**

	<b>Proforma Group RM'000</b>
Raw materials	7,136
Consumables	816
Work-in-progress	1,217
Finished goods	2,198
	<u>11,367</u>

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
**(FIRM NO. AF : 0134)**7.5 **TRADE RECEIVABLES**

	<b>Proforma Group RM'000</b>
Trade debtors	17,119
Less: Provision for doubtful debts	(181)
	<u>16,938</u>

7.6 **FIXED DEPOSITS WITH LICENSED BANK**

These are under lien with a bank in return for banking facilities granted to ULSB as stated in note 7.7. The fixed deposits are in the name of a director holding in trust for ULSB.

7.7 **HIRE PURCHASE CREDITORS**

	<b>Proforma Group RM'000</b>
Gross installment payable	36
Less: Finance charges	(1)
	<u>35</u>
Repayable within one (1) year	<u>35</u>

7.8 **AMOUNT DUE TO DIRECTORS**

These are unsecured, interest free and has no fixed term of repayment.

7.9 **TRUST RECEIPTS, BANKERS' ACCEPTANCE AND TERM LOANS**

These are secured by legal charges over ULSB's fixed deposits and freehold land and buildings, the directors' property, a debenture incorporating fixed and floating charges over the assets of ULSB and the joint and several guarantees by the directors of ULSB.

The term loans are repayable by 60, 96 and 120 monthly instalments and the present interest rates are ranging from 6.50% - 9.05% per annum.

	<b>Proforma Group RM'000</b>
Repayable within one (1) year	897
Repayable between one (1) to two (2) years	960
Repayable between two (2) to five (5) years	1,853
Repayable after five (5) years	153
	<u>3,863</u>

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)**7.10 BANK OVERDRAFT**

This is secured against the GMSB's property, and the joint and several guarantee by all the directors of GMSB.

**7.11 SHARE CAPITAL**

	<b>ULC RM'000</b>	<b>Proforma Group RM'000</b>
Ordinary shares of RM1.00 each		
Authorised:	<u>50,000</u>	<u>50,000</u>
Issued and fully paid-up:		
Balance as at 1.1.2001	10	10
Issuance of share pursuant to the Acquisition of Subsidiaries	-	28,723
Dividend Capitalisation	-	6,499
Rights Issue	-	1,468
Balance as at 30.9.2001	<u>10</u>	<u>36,700</u>

**7.12 SHARE PREMIUM**

	<b>ULC RM'000</b>	<b>Proforma Group RM'000</b>
Balance as at 1.1.2001	-	-
Issuance of share pursuant to the Acquisition of Subsidiaries	-	1,710
Dividend Capitalisation	-	-
Rights Issue	-	-
Balance as at 30.9.2001	<u>-</u>	<u>1,710</u>

**7.13 DEFERRED TAXATION**

	<b>ULC RM'000</b>	<b>Proforma Group RM'000</b>
Balance as at 1.1.2001	-	200
Transfer from income statement	-	131
Balance as at 30.9.2001	<u>-</u>	<u>331</u>
The deferred taxation is in respect of the followings:-		
- timing differences between depreciation/amortisation and corresponding taxation allowances	-	322
- timing difference arising on unrealised exchange (gain)/loss	-	9
	<u>-</u>	<u>331</u>

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17. ACCOUNTANTS' REPORT (Cont'd)

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**ROGER YUE, TAN & ASSOCIATES**  
**(FIRM NO. AF : 0134)**

**7.14 SUBSEQUENT EVENTS**

The following transactions were completed subsequent to 30 September 2001,

- (i) the acquisition of ULSB comprising 4,700,000 ordinary shares of RM1.00 each for a total purchase consideration of RM27,560,429, satisfied wholly by the issuance of 26,011,841 new ordinary shares of RM1.00 each in the Company, credited as fully paid-up, at an issue price of approximately RM1.06 per new ULC share was completed on 20 February 2002.
- (ii) the acquisition of ULSS comprising 3 ordinary shares of RM1.00 each for a total purchase consideration of RM1,334,555, satisfied wholly by the issuance of 1,259,568 new ordinary shares of RM1.00 each in the Company, credited as fully paid-up, at an issue price of approximately RM1.06 per new ULC share was completed on 20 February 2002.
- (iii) the acquisition of CTSB comprising 200,000 ordinary shares of RM1.00 each for a total purchase consideration of RM115,199, satisfied wholly by the issuance of 108,726 new ordinary shares of RM1.00 each in the Company, credited as fully paid-up, at an issue price of approximately RM1.06 per new ULC share was completed on 20 February 2002.
- (iv) the acquisition of GMSB for the acquisition of the entire equity interest in GMSB comprising 120,000 ordinary shares of RM1.00 each for a total purchase consideration of RM1,422,909, satisfied wholly by the issuance of 1,342,957 new ordinary shares of RM1.00 each in the Company, credited as fully paid-up, at an issue price of approximately RM1.06 per new ULC share was completed on 20 February 2002.
- (v) a capitalisation of dividend declared by ULSB and ULSS amounting to RM6,153,840 and RM345,600 respectively for the financial year ended 31 December 2000. The dividend capitalisation involves the settlement of amounts owing to the shareholders of ULSB and ULSS pursuant to the dividends declared by the issuance of 6,499,440 new ULC ordinary shares of RM1.00 each, credited as fully paid-up, at an issued price of RM1.00 per new ULC share. The Dividend Capitalisation was completed on 21 February 2002.
- (vi) a Rights Issue was implemented on 26 February 2002 of 1,467,468 new ordinary shares of RM1.00 each at par on the basis of approximately one (1) new ordinary shares of RM1.00 each for every twenty four (24) ordinary shares held after the acquisitions of ULSB, ULSS, CTSB and GMSB.

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## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)**8. PROFORMA CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2001.**

The following is a proforma consolidated cash flow statement of ULC Group based on the audited financial statements of ULC and its subsidiaries, ULSB, ULSS, CTSB and GMSB for the financial period ended 30 September 2001.

The consolidated cash flow statement of the proforma ULC Group is provided for illustrative purposes only and shows the effects of the Acquisitions of ULSB, ULSS, CTSB and GMSB, Dividend Capitalisation, as well as the Rights Issue on the assumption that they had been effected on 30 September 2001, and should be read in conjunction with the notes thereon.

	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net profit before taxation	7,573
Adjustments for:	
Depreciation/amortisation	2,390
Profit from disposal of property, plant and machinery	(11)
Property, plant and machinery written off	*
Gain on foreign exchange – unrealised	(33)
Interest expense	514
Interest income	(9)
Operating profit before working capital changes	10,424
Increase in stocks	(2,903)
Increase in debtors	(779)
Decrease in creditors	(1,682)
Increase in amount due to directors	35
Decrease in trust receipts and bankers' acceptance	(1,425)
Cash generated from operations	3,670
Taxation paid	(1,042)
Interest paid	(514)
Interest received	9
Net cash from operating activities	2,123

\* Negligible

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
**(FIRM NO. AF : 0134)**

	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and machinery	(2,014)
Proceeds from disposal of property, plant and machinery	14
Net cash used in investing activities	<u>(2,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of share capital pursuant to the Rights Issue	1,468
Repayment of long-term loan	(580)
Repayment of hire purchase creditors	(67)
Net cash from in financing activities	<u>821</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	944
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,945
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>3,889</u></u>

**BREAKDOWN OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**

	RM'000
Bank and cash balances	4,476
Bank overdraft	(794)
Fixed deposits with licensed bank	207
	<u><u>3,889</u></u>

During the financial period, the Group acquired property, plant and machinery costing RM2,915,000 of which RM50,000 and RM851,000 were acquired by means of the hire purchase and term loan arrangements. Cash payments of RM2,014,000 were made to purchase property, plant and machinery.

The effects of certain non-cash transactions that resulted in the issue of 35,222,532 new ordinary shares of RM1.00 each in ULC are not reflected in the consolidated cash flow so as to comply with MASB 5 :-

- (i) The Acquisitions of the entire equity interest of ULSB, ULSS, CTSB and GMSB for a total consideration of RM30,433,092, satisfy wholly by the issue of 28,723,092 new ordinary shares of RM1.00 each in ULC, credited as fully paid-up, at an issue price of approximately RM1.06 per new ULC share.
- (ii) The capitalisation of dividends declared by ULSB and ULSS amounting to RM6,153,840 and RM345,600 respectively for the financial year ended 31 December 2000. The dividend capitalisation involves the settlement of amounts owing to the shareholders of ULSB and ULSS pursuant to the dividends declared by the issuance of 6,499,440 new ULC ordinary shares of RM1.00 each, credited as fully paid-up, at an issued price of RM1.00 per new ULC share.

## 17. ACCOUNTANTS' REPORT (Cont'd)

**ROGER YUE, TAN & ASSOCIATES**  
(FIRM NO. AF : 0134)

## 9. CONSOLIDATED NET TANGIBLE ASSETS COVER

The proforma consolidated net tangible assets cover of the ULC Group based on the statement of assets and liabilities as at 30 September 2001 after adjusting for the Public Issue and estimated listing expenses is as follows:

	<b>Proforma Group RM'000</b>
Net tangible assets as at 30 September 2001	38,352
Proceeds from Public Issue	5,940
Less: Estimated listing expenses	<u>(1,650)</u>
	<u>42,642</u>
	<u>'000</u>
Number of ordinary shares of RM1.00 each assumed in issue as at 30 September 2001	36,700
Number of ordinary shares to be issued pursuant to the Public Issue	<u>3,300</u>
Enlarged share capital	<u>40,000</u>
Net tangible assets cover per ordinary share of RM1.00 each (RM)	<u>1.07</u>

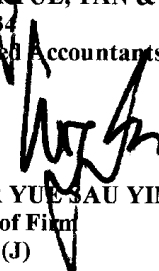
## 10. AUDITED FINANCIAL STATEMENTS

No audited financial statements of the Company and its subsidiaries have been prepared in respect of any period subsequent to 30 September 2001.

Yours faithfully,



**ROGER YUE, TAN & ASSOCIATES**  
AF : 0134  
Chartered Accountants



**ROGER YUE SAU YIN**  
Partner of Firm  
838/3/02(J)

## 18. VALUATION CERTIFICATE

(Prepared for inclusion in this Prospectus)

**REGROUP**  
ASSOCIATES  
(333510 P)



Regroup Associates Sdn. Bhd.  
Lot 9-1, Level 9  
Menara Milenium  
Jalan Damanela  
Bukit Damansara  
50490 Kuala Lumpur

REGISTERED VALUERS  
ESTATE AGENTS  
PROPERTY MANAGERS  
AND RESEARCHERS  
  
REGROUP ASSOCIATES SDN BHD  
#9-1 LEVEL 9, MENARA MILENIUM  
JALAN DAMANLELA  
BUKIT DAMANSARA  
50490 KUALA LUMPUR  
MALAYSIA  
  
TEL: 03-252 5955  
FAX: 03-252 5966  
HOMEPAGE: www.regroup.com.my  
E-MAIL: regroupkl@regroup.com.my

08 MAR 2002

The Board of Directors  
United U-LI Corporation Berhad  
62C, Jalan SS21/62  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs

### VALUATION OF LANDED PROPERTIES

This Certificate has been prepared for inclusion in the Prospectus of United U-LI Corporation Berhad to be dated 19 March 2002 issued in connection with the public issue of 3,300,000 ordinary shares of RM1.00 each at an issue price of RM1.80 per ordinary share and offer for sale of 5,000,000 ordinary shares of RM1.00 each at an offer price of RM1.80 per ordinary share pursuant to the listing of and quotation for its entire issued and paid-up share capital on the Second Board of Kuala Lumpur Stock Exchange.

In accordance with your instruction, we have inspected the landed properties set out below on 24 and 25 March 2000 and have assessed the market values of the said landed properties, the details of which were set out in our valuation reports, under reference V/3/2000/HAR/A231, V/3/2000/HAR/A232, V/3/2000/HAR/A233, V/3/2000/HAR/A234, V/3/2000/TKS/A235 and V/3/2000/TKS/A236, all dated 31 March 2000.

The dates of inspection were taken as the material date of valuation. All the landed properties were inspected on 25 March 2000 save for the property located at HS(D) 11930, Lot PT 7788, Bandar Serendah Tambahan, District of Ulu Selangor, Selangor Darul Ehsan which was inspected on 24 March 2000.

We wish to highlight that as at the date of valuation, the single storey detached factory erected on Lot PT 17045, Mukim and District of Petaling, Selangor Darul Ehsan, which was completed in December 1997, has not been issued a Certificate of Fitness for Occupation. An application has been submitted to the relevant authorities in relation to the issuance of the Certificate of Fitness for Occupation.

Meanwhile, the buildings erected on Lot PT 17044 and Lot PT 17045 have been extended until its side boundaries which contravenes the building line setbacks required by Majlis Perbandaran Subang Jaya of 40 feet from the front and 20 feet from the side and rear boundaries. As at the date hereof, the said extensions have been rectified.

The valuation has been carried out in accordance with the Guidelines on Asset Valuation for Submission to the Securities Commission (1995) issued by the Securities Commission and in compliance with the valuation standards prescribed by the Board of Valuers, Appraisers and Estate Agents of Malaysia, and with the necessary professional responsibility and due diligence.

JOHOR BARU OFFICE: REGROUP ASSOCIATES (JOHOR) SDN BHD NO. 17-B, JALAN KUNING 2, TAMAN PELANGI, 80400 JOHOR BAHRU.

TEL: 07-331 8118 FAX: 07-331 8119 E-MAIL: regroupjb@regroup.com.my

PENANG OFFICE: REGROUP ASSOCIATES (PENANG) SDN BHD #9-B, TINGKAT 9, MENARA BHL BANK, 51 JALAN SULTAN AHMAD SHAH, 10050 PENANG.

TEL: 04-226 4888 FAX: 04-226 4111 E-MAIL: regrouppg@regroup.com.my



## 18. VALUATION CERTIFICATE (Cont'd)

REGROUP  
ASSOCIATES

The summary of the valuation are as follows:-

## (a) Properties held for owner occupation

Property	Registered owner	Description	Existing use	Tenure	Approximate age of building (years)	Market value RM'000	Methods of valuation
HS(M) 20483, Lot PT 17044, Mukim and District of Petaling, Selangor Darul Ehsan	ULSB	43,666 square feet ("sq. ft.") of industrial land with a single storey detached factory with an annexed double storey office and a guard house with a total built-up area of 40,432 sq. ft. erected thereon	Factory	99-year leasehold expiring on 11 October 2091	8	3,300	Comparison and investment
HS(M) 20484, Lot PT 17045, Mukim and District of Petaling, Selangor Darul Ehsan	GMSB	38,118 sq. ft. of industrial land with a single storey detached factory with a built-up area of 37,428 sq. ft. erected thereon	Factory	99-year leasehold expiring on 11 October 2091	5	2,300	Comparison and investment
HS(D) 102230, Lot PT 16044, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan	ULSB	9,601 sq. ft. of industrial land with a double-storey semi-detached factory with a built-up area of 4,758 sq. ft. erected thereon	Un-occupied	Freehold	2	1,600	Comparison
						<u>7,200</u>	

## (b) Properties which are surplus to operational requirements

Property	Registered owner	Description	Existing use	Tenure	Approximate age of building (years)	Market value RM'000	Method of valuation
HS(D) 11930, Lot PT 7788, Bandar Serendah Tambahan, District of Ulu Selangor, Selangor Darul Ehsan	ULSB	1,600 sq. ft. of industrial land with a single storey intermediate terraced factory with a built-up area of 1,300 sq. ft. erected thereon	Un-occupied	Freehold	5	95	Comparison
HS(D) 13395, Lot PT 9088, Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan	ULSB	2,000 sq. ft. of industrial land with a 1½-storey intermediate terraced factory with a built-up area of 2,550 sq. ft. erected thereon	Un-occupied	Freehold	9	260	Comparison
						<u>355</u>	

## 18. VALUATION CERTIFICATE (Cont'd)


**REGROUP**  
ASSOCIATES

## (c) Properties held for investment

Property	Registered owner	Description	Tenure	Approximate age of building (years)	Net annual rents receivable RM	Market value RM'000	Method of valuation
HS(D) 44868, Lot PT 7612, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan *	ULSB	1,560 sq. ft. of residential land with an extended 1½-storey intermediate terraced house with a built-up area of 1,744 sq. ft. erected thereon	Freehold	5	- (Currently vacant)	250	Comparison

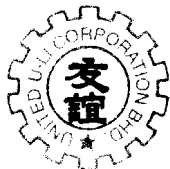
We certify that in our opinion the total market value for the existing use of the above properties using the valuation methods stated above amounts to RM7,805,000 (Ringgit Malaysia: Seven Million Eight Hundred and Five Thousand Only).

Yours faithfully  
**REGROUP ASSOCIATES SDN. BHD.**

  
**CHEN KING HOAW**  
B.Surv. (Hons) Property Management  
Registered Valuer, V408

19. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



**UNITED U-LI CORPORATION BERHAD** (Co. No. 510737-H)

**Registered Office**  
62C, Jalan SS21/62 Damansara Utama,  
47400 Petaling Jaya, Selangor Darul Ehsan.

Your Ref: ULI/TS/1025/03/02  
Our Ref:

Date: 7<sup>th</sup> March 2002

The Shareholders,  
United U-LI Corporation Berhad  
62C, Jalan SS21/62  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sir/Madam

On behalf of the Directors of United U-LI Corporation Berhad ("ULC"), I report after due inquiry that during the period from 30 September 2001 (being the date to which the last proforma audited accounts of ULC and its subsidiaries ("Group") have been made up) to 7 March 2002 (being a date not earlier than fourteen (14) days before the issue of this Prospectus):-

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of ULC and its subsidiaries which have adversely affected the trading or the values of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group; and
- (e) save as disclosed in this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profit of the Group.

Yours faithfully  
For and on behalf of the Board of Directors of  
**UNITED U-LI CORPORATION BERHAD**

Lee Yoon Wah  
Group Managing Director/Chief Executive Officer