4. PARTICULARS OF THE PUBLIC ISSUE AND OFFER FOR SALE

4.1 Deadline for Application

The deadline for receipt of all applications is 8.00 p.m. on 1 April 2002 or such other date and time as the Directors of ULC and the Offerors in their absolute discretion may decide.

4.2 Indicative Timetable

The indicative timing of events leading up to the Listing is set out below:-

Event	Date
Opening of Application for the Issue Shares and Offer Shares	19 March 2002
Closing of Application for the Issue Shares and Offer Shares	1 April 2002*
	Tentative Date
Balloting date for applications for the Issue Shares	April 2002
Allotment of the Issue Shares and Offer Shares to successful applicants	April 2002
Listing date	April 2002

Note:-

* *Or such further date or dates as the Directors of ULC and the Offerors in their absolute discretion may decide.*

4.3 Share Capital

	RM
Authorised	
50,000,000 ordinary shares of RM1.00 each	50,000,000
Issued and fully paid-up as at the date of this Prospectus	
36,700,000 ordinary shares of RM1.00 each	36,700,000
To be issued pursuant to the Public Issue	
3,300,000 ordinary shares of RM1.00 each	3,300,000
	40,000,000
To be offered pursuant to the Offer for Sale	
5,000,000 ordinary shares of RM1.00 each	5,000,000

The price of RM1.80 for each Issue/Offer Share is payable in full on application.

There is only one class of shares in ULC, being ordinary shares of RM1.00 each. The Issue/Offer Shares will rank pari passu in all respects with the existing issued and paid-up ordinary shares of RM1.00 each of ULC including voting rights, dividends and distributions that may be declared subsequent to the date of the allotment and issuance of the Issue/Offer Shares.

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

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

4.4 Details of the Public Issue and Offer for Sale

The Public Issue and Offer for Sale are subject to the terms and conditions of this Prospectus and upon acceptance, the Issue/Offer Shares will be allocated in the following manner:-

(i) Approved Bumiputera Investors

2,020,000 of the Offer Shares have been reserved for Bumiputera investors approved by MITI.

(ii) Private Placement

1,800,000 of the Issue Shares and 2,980,000 of the Offer 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.

(iii) Eligible Directors and Employees of the ULC Group

500,000 of the Issue Shares have been reserved for eligible Directors and employees of the ULC Group. Any Issue Shares not allocated to eligible Directors and employees will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

(iv) Malaysian Public

1,000,000 of the Issue Shares will be available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Offer Shares in respect of Sections 4.4(i) and (ii) above need not be and will not be underwritten. The Issue Shares in respect of Sections 4.4(iii) and (iv) above have been fully underwritten by the Underwriters. Details on the brokerage, underwriting commission, placement fee and management fee relating to the Public Issue and Offer for Sale are set out in Section 4.9 of this Prospectus.

Any Issue Shares in respect of Section 4.4(iii) above not taken up by eligible Directors and employees of the ULC Group will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

4.5 Details on Allocation to Eligible Directors and Employees

Each of the Directors are allocated 3,000 shares each whilst the criteria of allocation of the Issue Shares to eligible employees of the ULC Group is as follows:-

Years of service	No. of shares to be allocated
Up to 3	4,000
Above 3 to 6	9,000
Above 6 to 10	12,000
Above 10	16,000

4.6 Purposes of the Public Issue and Offer for Sale

The purposes of the Public Issue and Offer for Sale are as follows:-

(i) To provide the Company access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the ULC Group;

(ii) To provide an opportunity for Bumiputera investors, identified investors, eligible Directors and employees of the ULC Group and the Malaysian public to participate in the equity and the continuing growth of the Group; and

(iii) To obtain listing of and quotation for the entire issued and paid-up ordinary shares of ULC on the Second Board of KLSE.

4.7 Pricing of the Issue/Offer Shares

The issue/offer price of RM1.80 per ordinary share was determined and agreed upon by the Company and CIMB as Adviser and Managing Underwriter based on various factors, including but not limited to the following:-

(i) The Group's qualitative and quantitative factors set out in Section 8 of this Prospectus;

(ii) The Group's consolidated profit estimate and forecast together with the estimated and forecast net PE multiples for the financial years ended 31 December 2001 and ending 31 December 2002 respectively as set out in Section 12 of this Prospectus;

(iii) The various industries the Group operates in, and the future plans, strategies and prospects of the Group as described in Sections 6 and 7 respectively of this Prospectus;

(iv) The Group's proforma NTA per share as at 30 September 2001 as set out in Section 15 of this Prospectus; and

(v) The forecast net dividend yield for the financial year ending 31 December 2002 as set out in Section 14 of this Prospectus.

However, investors should also note that the market price of ULC's shares upon the Listing are subject to the vagaries of market forces and other uncertainties, which may affect the price of ULC's shares being traded. Investors should form their own views on the valuation of the Issue/Offer Shares before deciding to invest in the Issue/Offer Shares.

4.8 Utilisation of Proceeds

The gross proceeds arising from the Rights Issue, details of which are set out in Section 8.3.3 of this Prospectus, is RM1,467,468, whilst the gross proceeds arising from the Public Issue is RM5,940,000. The total gross proceeds of RM7,407,468 will be utilised in the following manner:-

	Note	RM'000
Repayment of bank borrowings	1	1,376
Working capital	2	4,381
Estimated listing expenses	3	1,650
		7,407

4. PARTICULARS OF THE PUBLIC ISSUE AND OFFER FOR SALE *(Cont'd)*

The proforma impact of the utilisation of proceeds on the consolidated balance sheets of ULC as at 30 September 2001 is reflected in Section 15 of this Prospectus. The minimum subscription to be raised from the Public Issue is RM5,940,000.

Notes:-

(1) *Approximately RM1.376 million from the total gross proceeds will be utilised within three (3) months from the date of Listing for the repayment of the Group's bank borrowings. The details of the borrowings to be fully repaid are as follows:-*

Type	***Financier***	***Purpose***	***Date Drawndown***	***Interest per annum %***	***Estimated amount outstanding as at 31.03.2002 RM'000***
Term Loan	*Southern Bank Berhad*	*Construction of factory on a parcel of land located at Balakong, Selangor Darul Ehsan*	*November 1994*	*8.33*	*124*
Term Loan	*United Overseas Bank (Malaysia) Berhad*	*To part finance the purchase of a 2-storey semi-detached office cum factory at Temasya Industrial Park*	*September 1999*	*1.5% over base lending rate*	*490*
Overdraft facilities	*Southern Bank Berhad*	*Working capital*	*July 1997*	*8.56*	*762*
					1,376

Any difference between the actual balance outstanding that is repaid and RM1.376 million will be funded from or used as working capital, as the case may be.

(2) *The Group has charted steady growth in recent years and also projected growth in future years. As a consequence, the size of its administrative, operating and marketing expenses have risen or are projected to rise in recent and future years. Hence, the Group will utilise approximately RM4.381 million of the total gross proceeds for its working capital requirements to finance the day-to-day operations of the Group and to facilitate any future expansion. The amount will be utilised within nine (9) months from the date of Listing.*

(3) *The estimated expenses and fees, including brokerage, underwriting commission, placement fee and management fee relating to the Issue Shares, incidental to the Listing amounting to approximately RM1.65 million will be borne by the Company and is expected to be paid within three (3) months from the date of Listing.*

Out of the RM1.65 million estimated listing expenses, approximately RM900,000 is provided for fees for professional services rendered by advisers and experts.

The total gross proceeds from the Offer for Sale of RM9.00 million arising from the Offer for Sale shall accrue entirely to the Offerors and no part of the proceeds of the Offer is receivable by ULC. All expenses including brokerage and placement fees relating to the Offer Shares shall be borne by the Offerors.

4.9 Brokerage, Underwriting Commission and Management Fee

Brokerage relating to the Issue Shares will be borne by the Company at the rate of one percent (1.0%) of the issue/offer price of RM1.80 per share in respect of successful applications bearing the stamp of either CIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIH.

Brokerage with respect to the Offer Shares is payable at the rate of one percent (1.0%) of the offer price of RM1.80 on the Offer Shares by the Offerors.

The Managing Underwriter for the Public Issue is CIMB, whilst the underwriters are CIMB and OSK Securities Berhad.

A conditional underwriting agreement was entered into between the Company, CIMB and OSK Securities Berhad on 27 February 2002 ("Underwriting Agreement") to underwrite 1,500,000 of the Issue Shares which are available for application by the Malaysian Public and eligible Directors and employees of the ULC Group. The underwriting commission and Managing Underwriter fee are payable by the Company at the rate of two point two five percent (2.25%) and zero point seven five percent (0.75%) respectively of the issue price of RM1.80 for each Issue Share being underwritten.

4.10 Salient Terms of the Underwriting Agreement

Some of the salient terms of the Underwriting Agreement are summarised as follows:-

(i) The obligations of the Underwriters is conditional upon:-

- (a) the Company obtaining SC's final approval to the Prospectus;
- (b) the delivery to the SC of the Prospectus for registration in accordance with the requirement under Section 41 of the SC Act together with copies of all documents required for submission under Section 42 of the SC Act;
- (c) the lodgement of the Prospectus with the Registrar of Companies, Malaysia;
- (d) the Company obtaining KLSE's approval in principal to the listing of and quotation for entire enlarged issued and paid-up share capital of ULC on the Second Board of KLSE;
- (e) the execution of all agreements in relation to the private placement in a form acceptable to the Placement Agent; and
- (f) the Company meeting the public spread requirement under the KLSE Listing Requirements.

(ii) Upon the occurrence of any of the events set out below prior to the last date on which the Public Issue will be available for application by Malaysian citizens, companies, co-operatives, societies and institutions ("Closing Date"), the Underwriters will be entitled to elect to treat such breach, failure or change as releasing or discharging them from their obligations under the Underwriting Agreement, by giving notice in writing to such effect to the Company:-

- (a) any breach of the representations or warranties or the covenants and undertakings set out in the Underwriting Agreement by the Company which, if capable of being remedied, is not remedied by the earlier of:-
  - (aa) the date falling three (3) Market Days after notice of such breach is given by the Underwriters to the Company; or

(bb) the Closing Date;

(b) any failure by the Company to perform any of its obligations or to comply with any of the provisions in the Underwriting Agreement which, if capable of being remedied, is not remedied by the earlier of:-

(aa) the date falling three (3) Market Days after notice of such default is given by the Underwriters to the Company; or

(bb) the Closing Date; and

(c) any change rendering any of the representations and warranties false, misleading or otherwise inaccurate.

(iii) The Underwriters may at any time before the Closing Date terminate their respective obligations under the Underwriting Agreement by giving notice in writing to the Company, if there is:-

(a) any change in national or international monetary, financial, political or economic conditions (including but not limited to conditions of the stock markets in Malaysia and overseas, foreign exchange markets or money markets or that with regard to inter-bank offer or interest rates in Malaysia and overseas) which would, in the reasonable opinion of the Underwriters, materially and adversely affect the Company and the offering, issuance and placement of the Issue Shares, the business or prospects of the Company or any member of the Group;

(b) any change in exchange controls or currency exchange rates as would, in the reasonable opinion of the Underwriters, materially and adversely affect the success of the issuance and offering of the Issue Shares and their distribution or sale (whether in the primary market or in respect of dealing in the secondary market);

(c) any development, occurrence or any change or prospective change in or any introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the SC, any other regulatory authority or any government body, whether or not having the force of law, or occurrence of any other nature, which would, in the reasonable opinion of the Underwriters, materially and adversely affect the Company and the offering, issuance and placement of the Issue Shares, the business or prospects of the Company or any member of the Group;

(d) any Government requisition or occurrence of any other nature which, in the reasonable opinion of the Underwriters, materially and adversely affects or would materially and adversely affect the business and/or financial position of any member of the Group;

(e) any breach of the representations, warranties and undertakings set out in the Underwriting Agreement or any withholding of information of a material nature from the Underwriters which would, in the reasonable opinion of the Underwriters, materially and adversely affect the offering, issuance and placement of the Issue Shares;

(f) any event or series of events beyond the reasonable control of the Underwriters (including but not limited to acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to its underwriting; or

(g) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the KLSE due to exceptional financial circumstances or otherwise.

(iv) In the event that the Closing Date falls after three (3) months from the date of the Underwriting Agreement, the Agreement will lapse and the Underwriters will be released and discharged from all of their obligations under the Underwriting Agreement and the Company may enter into a fresh underwriting agreement with the same and/or different underwriters.

(v) In addition to but not indeorgation of paragraph (iii), no party is liable to any other party for its failure to perform or delay in performing all or any part of the Underwriting Agreement which is directly or indirectly due to any cause or circumstances beyond the control of such party, including:-

(a) any acts of God, fire, flood, storm, earthquake, typhoon, tidal wave, plague or other epidemics;

(b) any war, armed conflict or serious threat of the same, hostilities, sabotage, mobilization, blockade, embargo, detention, revolution, riot, looting, lockout, strike or other labour dispute;

(c) any unavailability or transportation or severe economic dislocation; and

(d) any imposition or change of governmental laws, orders, regulations, sanctions or restrictions.

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5. RISK FACTORS

Applicants for the Issue/Offer Shares should carefully consider the following (which may not be exhaustive) in addition to other information contained elsewhere in this Prospectus before applying for the Issue/Offer Shares:-

5.1 No Prior Market for ULC's Shares

Prior to this Public Issue and Offer for Sale, there was no public market for ULC's shares. There can be no assurance that an active market for ULC's shares will develop upon the Listing on the Second Board of KLSE or, if developed, that such market will be sustained. There is also no assurance that the issue/offer price will correspond to the price at which ULC's shares will trade upon or subsequent to the Listing. The issue price of RM1.80 per Issue/Offer Share was determined after taking into consideration a number of factors, including but not limited to those set out in Section 4.7 of this Prospectus. The price at which ULC's shares will trade on the Second Board of KLSE upon or subsequent to the Listing will be dependent upon market forces beyond the control of the Company.

5.2 Delay in or Abortion of the Listing

The occurrence of any one or more of the following events may cause a delay in or abortion of the Listing:-

(a) the Bumiputera investors approved by the MITI fail to subscribe to the portion of Offer Shares allocated to them;

(b) the identified investors fail to subscribe to the portion of Issue/Offer Shares to be placed to them;

(c) the Underwriters exercising their rights pursuant to the Underwriting Agreement discharging themselves from their obligations thereunder; or

(d) the Company is unable to meet the public spread requirement, that is, at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 750 public shareholders holding not less than 1,000 shares each, of which at least 500 shareholders are members of the public who are not employees of the Company, upon completion of the Public Issue and Offer for Sale, and at the point of Listing.

Although the Directors of ULC and the Offerors will endeavour to ensure compliance by ULC of the various listing requirements, including, inter-alia, the Bumiputera equity condition pursuant to the National Vision Policy and the public spread requirement imposed by the SC and KLSE, for the successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or abortion of the Listing.

5.3 Control by Substantial Shareholders

Following the Public Issue and Offer for Sale, the Lee Brothers will collectively own 54.27% (of which 45.00% are held through PDSB) of the Company's issued and paid-up share capital and hence will be able to control the outcome of certain matters requiring the vote of the Company's shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

5.4 Supply and Cost of Raw Materials

The long term viability of the ULC Group depends significantly on the long term sustainable supply and cost of steel and powder coating paints, being the main raw materials used for the production of the Group's products. At present, both steel and powder coating paints are readily available from overseas and in the local market and competition amongst suppliers of these materials ensures competitive pricing. Furthermore, the Group can easily substitute powder coating paints with solvent-based paints in the event of a shortage of powder coating paints. However, no assurance can be given that there will be no shortage in the supply of those mentioned raw materials or that the Group will continue to have available all its necessary raw materials at reasonable prices or that any increases in the cost of these raw materials would not have a material adverse effect on the profitability of the Group.

5.5 Dependence on a Small Number of Suppliers

At present, the Group sources powder coating paints, being one (1) of the raw materials used for the production of the Group's products, from three (3) local suppliers. Currently, these suppliers are able to meet the requirements of the Group and there are several other local suppliers who also supply powder coating paints. The Directors believe that the risk of over dependence on these three (3) suppliers is minimal as there are other local powder coating paints suppliers and the Group can easily substitute powder coating paints with solvent-based paints. Furthermore, the Group has been enjoying excellent business relationships with most of its suppliers. Although the Group does not foresee any difficulty in the procurement of the powder coating paints, no assurance can be given that the Group will continue to have available its required supply of powder coating paints from these three (3) long term suppliers or that the other suppliers in the market will be able to meet its raw material requirements and these factors may have a material adverse effect on the profitability of the Group. However, the Directors are of the opinion that the supply of powder coating paints available in Malaysia is adequate to meet its demand and do not anticipate any shortage of the powder coating paints in the foreseeable future.

5.6 Competition

The ULC Group faces competition from various quarters from sourcing of its raw materials to marketing of its products. The Directors of ULC believe that at present, there are no close substitutes for cable support systems and the threat of substitutes is minimal in the near future. The Directors of ULC also believe that the Group has a competitive edge over other local producers due to its cost efficiency, acknowledged quality of its products and established relationships with its customers. Although the Group's steady growth over the past five (5) years is evidence of the Group's good business relationships with its customers and its product quality and competitiveness, no assurance can be given that the Group will be able to maintain its existing competitive edge and market share in the future.

5.7 Business Risks

The Group is not insulated from general business risk as well as certain risks inherent in the manufacturing industry. For example, the Group may be affected by a general downturn in the global, regional and national economy, specifically, the Malaysian economy, entry of new players, constraints in labour supply, changes in law and tax legislation affecting the industry, increase in production costs, changes in business and credit conditions, fluctuations in foreign exchange rates, introduction of new technologies and threat of substitute products.

Although the Group seeks to limit these risks through, inter-alia, maintaining good business relationships with its customers and suppliers, increasing automation to reduce dependency on labour, efficient cost control, increasing product range, and maintaining a large and diversified customer base involved in various industries such as construction, power, transportation, telecommunications, and petrochemical, no assurance can be given that a change in any of these factors will not have a material adverse effect on the Group's business.

5.8 Foreign Exchange Risk

The Group's requirement for steel is mainly imported and transacted in USD whilst its overseas sales are mainly transacted in Singapore Dollar ("S$"). At present there are no material fluctuations in the exchange rate for USD as a result of the pegging of the RM to USD at the official fixed rate of USD1.00 to RM3.80. However, the Group is exposed to fluctuations of the S$, which is currently dependent on the fluctuations between the exchange rate of the USD against the S$.

No assurance can be given that the official peg will be maintained in the future, and that if the peg is removed, it will not have a material adverse effect on the performance of the ULC Group.

Based on the proforma audited results of the ULC Group for the nine (9) months ended 30 September 2001, approximately 60% of the Group's requirement for steel was imported and approximately 15% of its sales was executed with overseas buyers.

5.9 Dependence on Key Personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the Group's Directors or key members of its senior management may affect the Group's performance and/or the Group's ability to maintain its competitive edge. The Group's future success will also depend upon its ability to attract and retain experienced personnel. It is the Group's practice to retain the services of these Directors and senior management whenever possible and to also attract and retain experienced personnel through, inter-alia, maintaining a conducive working environment and comprehensive human resource management. It is also the Group's practice to train its management personnel so as to groom the lower and middle management staff to gradually assume the responsibilities of senior management and as part of its employees' career advancement programme.

5.10 Profit Estimate and Forecast

This Prospectus contains certain estimate and forecast that are based on reasonable assumptions that are nevertheless subject to uncertainties and contingencies. Because of the subjective judgements and inherent uncertainties and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the estimate and forecast contained herein.

5.11 Limit on Operating and Financial Flexibility

The subsidiaries of ULC have entered into various credit facility agreements with banks or financiers to finance their operations and business activities. These agreements contain, inter-alia, covenants which may limit the ULC Group's operating and financial flexibility. Any act by the ULC Group falling within the ambit or scope of such covenants will require the consent of the relevant banks or financiers. Breach of such covenants may give rise to a right by the bank or financier to terminate the relevant credit facility and/or enforce any securities granted, in relation to that credit facility or may cause a cross default on other credit facilities. The Board of Directors of ULC are aware of such covenants and shall take all precautions necessary to prevent any breach of these agreements.

5.12 Technological Change and Process Development

The risks involved with rapid technological changes are the obsolescence of current technology, the requirement of new technology not matched by existing technical staff and that the operations of the Group are not ready for new methods. The ULC Group acknowledges the said risks and is continuously undertaking research and development and exploring other areas of technological improvement, ensuring that staff are continuously trained to align their skills with the requirements of new technologies and investing in state-of-art machinery and equipment to keep abreast with the latest technology. However, there can be no assurance that the rapid development of technological change will not have a material adverse effect on the Group's business.

5.13 Absence of Long Term Contractual Agreements with Customers and/or Suppliers

There are no long term contractual agreements between the ULC Group and its customers and/or suppliers as this is the norm in the industries in which the Group operates.

The Group seeks to limit the risk by employing various strategies to broaden its clientele base, which includes, inter-alia, diversifying its customers across different industries. Despite the absence of long term contracts with its customers, the Group has an established and proven track record in terms of providing quality products, which has earned the Group the confidence and recognition by the industry's professionals. With regards to long term contracts with suppliers, the major raw materials utilised by the Group is steel and powder coating paints which are easily sourced and thus it is not necessary for the Group to enter into such long term contracts.

5.14 Political, Economic and Regulatory Considerations

Like all other business entities, changes in political, economic and regulatory conditions in Malaysia and elsewhere could materially and adversely affect the financial and business prospects of the Group and the markets of its end products. Amongst the political, economic and regulatory uncertainties are the changes in political leadership, expropriation, nationalisation, re-negotiation or nullification of existing sales orders and contracts, changes in interest rates and methods of taxation and currency exchange rules and contracts.

5.15 Future Prospects

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the ULC Group will be achieved.

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6. INDUSTRY OVERVIEW

The ULC Group is principally involved in the manufacturing of cable support systems, integrated ceiling systems and steel roof battens. Cable support systems are required whenever there are electrical cables and wiring network are used extensively in, inter-alia, the telecommunications, petrochemical, power generation, water works and construction (more particularly in industrial and commercial buildings, and infrastructure projects) sectors. The Group's integrated ceiling systems and steel roof battens are linked to the construction and construction-related materials industries. Hence, the Group's prospects are closely linked to the aforementioned industries, the manufacturing sector and also dependent on the general domestic economic condition.

6.1 Overview of the Malaysian Economy

The performance of the Malaysian economy in 2001 has been adversely affected by the greater-than-expected slowdown in the world economy, particularly in the United States ("US") as well as the continuing weak performance of the Japanese economy. The attack on the US (on 11 September 2001) has led to greater uncertainties with respect to the severity and duration of the recovery in the US. There are concerns on the risks of the US economy entering into a recession and its contagion on other industrialised and developing economies.

All major sectors are expected to be adversely affected by the slower growth in the economy, particularly manufacturing which is estimated to record sharp deterioration in output growth. The steep decline in value added of the manufacturing sector has, however, to some extent been offset by the better performance from the agriculture, construction and services sectors. The services sector has provided the lead growth of the economy on account of better performance of government services and other services sub-sectors. In the construction sector, fiscal stimulus efforts by the Government particularly for infrastructure projects coupled with the construction of low and medium cost residential houses, have contributed towards its higher growth. In the agriculture sector, the higher output from palm oil has resulted in a higher rate of growth for the sector.

Given the growing difficulties in the external environment, growth in real GDP has been largely domestic-led. Expansion in aggregate domestic demand is driven largely by public sector investment and consumption on account of larger fiscal expansion. Private sector demand in nominal value is expected to decline markedly, given the weaker-than-expected external demand which has affected investment in manufacturing activities as well as the continued reduction in investment in the property sector, particularly office space, hotels and retail outlets. Given the significant slowdown in private investment activities, the public sector implemented additional fiscal stimulus packages to stimulate domestic activities. Consequently, public expenditure, both investment and consumption, expanded significantly to continue registering double-digit growth. Notwithstanding the rapid expansion in public sector expenditure, the nation's resource position remains in surplus although gross national savings is estimated to decline on account of slower growth in income. The balance of payments position continues to remain favourable and is projected to record a smaller surplus of 7.9% of Gross National Product.

Malaysia's economic growth continues to be achieved within an environment of low inflation and unemployment. Inflation remains subdued and stable largely on account of the moderation in private sector demand as well as measures implemented by the Government to contain price increase. In spite of higher retrenchments, the nation still enjoys full employment.

The outlook of the external sector in 2002 remains uncertain, particularly in the light of the aftermath of the attack on the US. While it is generally viewed that the US may avoid a recession, the recovery would be delayed with an upturn taking place gradually in the later part of 2002. The prospect for a growth in Japan continues to be discouraging, with the economy not expected to witness a rapid growth. Given the weaker performance of the US and Japan, world growth has subsequently been revised downwards to 2.6%, with the GDP growth for the major industrialised countries decelerating to 1.3%.

Taking cognisance of the uncertainties in the external environment, growth for the Malaysian economy will continue to be spearheaded by domestic activities. In this regard, the Government will continue to adopt an expansionary fiscal policy to further strengthen domestic demand to generate growth. At the same time, to increase business confidence and commitment, the Government will ensure a more conducive business environment for the private sector's expansion and initiatives.

Prospects for an improved world economic performance remain uncertain with world recovery expected to be delayed to the later part of 2002. Although uncertainties regarding the US recovery and, hence, world growth have increased, the setback has been minimised through concerted actions taken by the major economies in enhancing liquidity as well as adopting continued monetary and fiscal easing. For the Malaysian economy, it is expected to recover from a slower growth in 2001 to register a higher real GDP growth of 4-5% in 2002. The recovery in global electronics demand will contribute towards growth in the manufacturing sector.

(Source: Economic Report 2001/2002)

6.2 Manufacturing Sector

The manufacturing sector is expected to decelerate significantly to 0.2% in 2001 (2000: 21%) after seven consecutive quarters of robust double-digit growth. The decline is largely attributable to a depressed global market for electronics products. Given the electronics account for close to half of Malaysian manufactured exports, the output performance of the electronics industry, which has deteriorated to 13.1% during the first seven months of 2001 (January-July 2000: 15.1%), has impacted significantly on the growth of the manufacturing sector. While the export-orientated industries have been adversely affected by weak external demand, the domestic oriented industries have shown greater resilience, largely due to the expansion of output of industries producing construction-related materials, transport equipment and consumer products as well as resource-based industries. The growth in these industries has provided the support to growth and somewhat cushioned the contraction in the manufacturing sector.

(Source: Economic Report 2001/2002)

The manufacturing, services and agriculture sectors will provide the impetus for economic growth during the third Outline Perspective Plan ("OPP3"), 2001 to 2010 period. These sectors are expected to be strengthened following the development of the knowledge-based economy which will accelerate the infusion of technology and modern management practices and increase the value added and productivity. The manufacturing sector is expected to grow at an average rate of 8.3 percent per annum with its share to GDP rising to 36 percent by 2010. Modernization of plant and machinery and the training of knowledge and skilled workers will permit the absorption of a new generation of technologies. Although the manufacturing sector will continue to be heavily concentrated in electrical and electronic products, the subsector is expected to become increasingly diversified and sophisticated, thereby generating higher value added.

(Source : Third Outline Perspective Plan, 2001 to 2010)

6.3 Telecommunications Industry

Malaysia started to lay the foundation for the knowledge-based economy in the mid-1990s, among others, with the launching of the National Information Technology ("IT") Agenda and the Multimedia Super Corridor ("MSC"). The MSC strives to create an ideal IT and multimedia environment as well as a global test-bed to enable Malaysia to be in the mainstream of activities necessary to attract knowledge workers, technopreneurs and high-technology industries. The basic physical infrastructure, including the telecommunications infrastructure with 2.5 gigabits per second asynchronous transfer mode-based backbone scalable to 10 gigabits per second in the MSC, were completed in mid-1999.

Efforts will be directed to ensure equitable distribution and provision of telecommunications infrastructure and services to underserved areas and groups to bring them into the mainstream of the knowledge-based economy. For this purpose, an effective universal service obligation programme will be put in place. The Government will complement private sector contribution to ensure network roll-out to underserved areas and groups. In addition, coordinated efforts will be taken to accelerate the setting up of the Internet and multimedia kiosks in strategic locations.

Telecommunications infrastructure will be expanded throughout the country to achieve total connectivity. The focus will be to ensure widespread diffusion of information and communications technology and access to rural areas and disadvantaged groups. Computers and Internet access will be made more affordable.

(Source : Third Outline Perspective Plan, 2001 to 2010)

6.4 Power Industry

As electricity demand is positively correlated to the growth of the GDP, electricity demand is expected to expand further as real GDP increase. (*Source: Economic Report 2000/2001).* This correlation is indicated by the electricity elasticity to GDP, represented by the ratio of electricity consumption growth to GDP growth, which had averaged approximately 1.7 times during the period from 1980 to 1997 *(Source: Statistics of Electricity Supply Industry In Malaysia, 1999 Edition).* According to the Economic Report 2000/2001, the population of Malaysia is expected to increase to a forecast 23.8 million in 2001 from an estimated population of 23.3 million in 2000. According to the Bank Negara Annual Report 1999, the income per capita is also expected to increase by an estimated 4.4% to RM12,893 in 2000. In tandem with the above, it is foreseen that the increase in power consumption and demand will be proportionate to the expected rise in the country's GDP in 2001. Electricity demand is forecast to grow by 6% to 8% from the year 2000 onwards *(Source: Statistics of Electricity Supply Industry in Malaysia, 2000 Edition).* For the next few years from 1999, with the increase in usage of air conditioners, water heaters, computers and other household electrical appliances, the electricity consumption for the domestic sector will pose a higher growth as compared to the industrial and commercial sectors. Notwithstanding that the overall growth in demand will be less than previous years, the peak demand is forecast to grow to 10,500 MW by the year 2000, 14,500 MW by the year 2005 and 18,500 MW by the year 2008. *(Source: Statistics of Electricity Supply Industry in Malaysia, 1999 Edition)*

The units sold and sales revenue for the past five (5) years are tabulated as follows:-

Year	Unit Sold (GWh)	Unit Sold Growth %	Sales Revenue (RM'million)	Sales Revenue Growth %
1996	38,033.9	13.0	7,885.9	19.0
1997	43,747.1	15.0	9,699.9	23.0
1998	47,197.3	7.9	11,075.6	14.2
1999	49,322.4	4.5	11,716.1	5.8
2000	56,210.1	13.9	13,220.0	12.84

(Source : Statistical Bulletin For The Year Ending 31 August 1998, Annual Report 1999, Tenaga Nasional Berhad)

The main thrust of the electricity subsector will continue to emphasize the adequacy of electricity supply as well as improve its productivity and efficiency. New private investments in the generation activities, including co-generation system connected to the distribution networks, will be encouraged. At the same time, the transmission and distribution systems will be further strengthened to improve coverage, reliability and quality of supply. The Malaysian Grid and Distribution Codes will be further improved, particularly in terms of frequency limit and reactive power requirement. The electricity supply industry will be restructured to create an efficient industry, in terms of both technical and economic efficiencies. An Energy Commission will be established to regulate the technical and economic efficiencies of the industry.

(Source : Third Outline Perspective Plan, 2001 to 2010)

6.5 Petrochemical Industry

Malaysia's petrochemical industry was predominantly gas-based utilising methane, ethane, propane, butane and condensates obtained from natural gas. The construction of Gas Processing Plants ("GPPs") helped boost the gas-based petrochemical industry. GPPs are part of the national grid that transports gas from the offshore fields of Terengganu to power plants and industries across Peninsular Malaysia. The gas grid helped lay the foundation of the Malaysian petrochemical industry.

In the past five (5) years, Malaysia has attracted a sizeable inflow of foreign direct investment from the US, Europe and Asia to the petrochemical industry. Prior to 1996, total approved investment in the petrochemical sector was RM15 billion; it increased to over RM31.9 billion as at December 1999, based on projects approved, an increase of RM13 billion or 87%.

Key considerations favouring Malaysia are its potent combination of location, feedstock availability and infrastructure facilities. The country's advantage also lies in its competitive costs, attractive tax incentives and educated labour force. Another impetus is the zoning of vast tracts of land for the industry; Kerteh-Gebeng along the East Coast of Peninsular Malaysia and Pasir Gudang-Tanjong Langsat in Johor.

The surge in this sector is also fuelled by its important role in national development. A strong foundation in the petrochemical sector is recognised as contingent for Malaysia to meet the deadline for industrialised nation status.

(Source : Malaysia Industrial Digest, a publication of the Malaysian Industrial Development Authority, January to March 2000 edition)

Given depleting reserves of crude oil and natural gas, efforts to increase the nation's oil and gas reserves continued during the year. A total of 18 oil production wells and 38 development wells were drilled, while 94,400 line kilometres of seismic data were acquired for exploration and development purposes. In addition, three new production sharing contracts were signed during the year. In 2000, there was an increase in the utilisation of natural gas by the power generation sector and stronger demand from the manufacturing sector. The increase in demand was partly met by production from a new gas field in Terengganu Darul Imam, which commenced operations in February 2000. At the same time, demand for liquefied natural gas ("LNG") from Japan and Taiwan also increased. In response to the higher domestic and external demand, natural gas production increased by 9.7% during the year. Meanwhile, benefiting primarily from the strong crude oil prices, the export unit value of LNG increased significantly by 73.8% during the year, contributing substantially to the higher export receipts in 2000.

(Source : Bank Negara Malaysia Annual Report 2000)

The development of the oil and gas subsector is expected to undergo a major shift during the OPP3 period. Based on the present oil reserves and the current rate of production and utilization, Malaysia is expected to be a net importer of oil by 2008. In order to increase stock, efforts will focus on deep-sea exploration locally and prospecting for oil resources overseas. As the availability of gas in Peninsular Malaysia is expected to increase during the OPP3 period, there will be an increase in the utilization of gas by the power sector. However, an optimal generation mix will be determined to ensure system security and reliability. At the same time, the utilization of gas by the non-power sector, such as the transport sector as well as petrochemical industries, will be intensified.

(Source : Third Outline Perspective Plan, 2001 to 2010)

6.6 Water Supply Sector

During the Seventh Plan period, a total of RM2.4 billion was expended on water supply projects including the completion of four new dams and the commencement of construction of the Chereh Dam in Pahang in 2000. The four were the Kelinchi and Gemenceh dams in Negeri Sembilan, the Telok Bahang dam in Pulau Pinang and the Babagon dam in Sabah, bringing the total number of dams in operation to 69, with a total capacity of 29.9 billion cubic metres. Of these, 35 were developed for water supply, 16 for multipurpose use while the remaining were for irrigation and hydropower. Efforts were also undertaken to enhance inter-basin water transfer such as from the Kelinchi Dam in the Muar River Basin to the Terip Dam in the Linggi River Basin in Negeri Sembilan. The engineering study and design for the inter-state water transfer from Pahang to Selangor involving the construction of the Kelau Dam and a 45-kilometre tunnel was also completed in 2000.

To meet the increasing demand for water, particularly in the urban areas, new treatment plants were built and the existing plants and distribution systems were upgraded. The completed projects included the Sungai Selangor Stage I Phase II, Langkawi Submarine Pipeline Project, Labuan Water Supply Project Phase III, Kulim Water Supply Phase II, Sabah Immediate Water Supply Works and Melaka Development Corridor Water Supply projects. In addition, three fast track projects were implemented in 1998 to overcome the water shortage in the Klang Valley due to the prolonged dry spell from March to August 1998. These were the construction of the Wangsa Maju Water Treatment Plant with a production capacity of 45 million litres per day ("mld") and the transfer of raw water from the Klang Gates Dam as well as from the Sungai Gombak to the plant. At the same time, work on the Sungai Selangor Stage II Phase II was accelerated for earlier completion in 2000. By the end of the Seventh Plan period, the production capacity increased from 9,480 mld in 1995 to 11,860 mld in 2000. The national water supply coverage increased to 92 per cent in 2000.

Demand for water for domestic and industrial use is expected to increase by 5.4 per cent per annum during the Eighth Plan period. The national water supply coverage is expected to increase to 95 per cent, with almost 100 per cent coverage of urban areas and 91 per cent of rural areas in 2005. Besides meeting the increasing demand in urban areas, the Government will continue to provide good quality drinking water to small rural communities. In this regard, the development of infrastructure facilities will continue to be undertaken to tap ground water and treat water from rivers and streams to supplement piped water.

The implementation of water supply projects will be further accelerated, such as the construction of the Chereh Dam and the Greater Kuantan Water Supply and the Tanjung Malim Water Supply Scheme. The construction of two major source works, the Sungai Selangor Phase III project ("SSP3") and the Pahang-Selangor Raw Water Transfer scheme, will commence during the Eighth Plan period to cater for the increase in water demand in the Klang Valley. Besides the Sungai Selangor Dam, the SSP3 includes Stage 1 of the Bukit Badong Water Treatment Plant with a capacity of 400 mld which is expected to be completed by 2002 and Stage 2 with a capacity of 400 mld by 2004. The Pahang-Selangor Raw Water Transfer project is designed to transfer a maximum capacity of 2,400 mld of raw water by means of pipelines and a tunnel from Pahang to Selangor as well as the Federal Territory of Kuala Lumpur and subsequently to Negeri Sembilan.

To meet the expected rising demand for water and in line with the Government's objective of efficient management of the national water resources so that the nation will have an adequate supply of safe water, the development allocation for the water supply subsector was increased by RM1.189 billion or 43% to RM3.966 billion for the Eighth Plan period.

(Source: Eighth Malaysia Plan 2001-2005)

6.7 Construction and Construction-related Materials Industries

The construction sector turned around to record a growth of 1.1% (1999: -5.6%), due primarily to government spending under the fiscal stimulus programme, privatised infrastructure projects and residential housing development, especially for affordable housing. In contrast, construction activity in the non-residential sub-sector remained subdued, constrained by excess capacity given the large overhang of office and retail space. The civil engineering sub-sector benefited from the large increase in Federal Government development expenditure, part of which was expended on construction of projects mainly in the transportation, education, public utilities and housing sub-sectors. Growth in construction activity also emanated from the revival of several privatised projects during 1999, such as the New Pantai Expressway, Express Rail Link and the Kuala Lumpur Monorail System as well as the commencement of new privatised projects during 2000. The latter included one power plant (TNB Janamanjung) and one road project (Kajang-Seremban Expressway). Construction activities were also undertaken for on-going projects related to roads, rail, water and sewerage, ports and waste disposal. By end-2000, Bank Pembangunan dan Infrastruktur Malaysia Berhad approved a total of RM9.7 billion for financing of infrastructure projects, and is expected to play an increasingly greater role as a financier of infrastructure projects in the medium-term.

Reflecting the increased activity in the construction sector, output of construction-related materials registered a stronger growth in 2000. Growth was also more broad-based with output of cement and concrete products and glass products as well as production of welded iron and steel pipes recording strong growth. Meanwhile, exports of both the non-metallic mineral products and metal products industries expanded further, supported mainly by increased exports of ceramic products and tiles to the European markets as well as the higher imports of iron and steel products, aluminium and copper by the regional markets. Similarly, the increased construction and packaging activities led to a higher production of fabricated metal products. In particular, production of structural metal products, brass, copper and aluminium, wire products as well as tin cans and metal boxes expanded strongly during the year.

(Source: Bank Negara Malaysia Annual Report, 2000)

During the year, 97,673 units of residential houses of various types were approved by the Ministry of Housing and Local Government to be built. Out of these, 37.3% constitute medium-cost houses, 16.4% low cost houses, while the remainder, higher-end houses. The number of units launched continued to increase by 22.2% as compared to the same period in 2001. The largest number of units launched was for terrace houses which accounted for 43.5% of the total.

The Government continued to place priority in the construction of low- and medium-cost houses in line with the objective of providing affordable houses to all Malaysians. A total of 192,000 low-cost units are targeted to be built during the Eighth Malaysia Plan, of which 175,000 units will be implemented through the Public Low-Cost Housing Programme. To cater to the housing needs of squatter settlements within Kuala Lumpur and other major cities, 5,936 units are being constructed under the Integrated Housing Programme.

The recovery in private sector investment and fiscal expansion will contribute to growth in the construction sector by 4.3%. The demand for housing, in particular low and medium-cost units as well as infrastructure projects in the health and education sub-sectors and rural development from the RM3 billion pre-emptive measures in March and the recent RM4.3 billion package in September will also contribute towards further growth in this sector.

(Source: Economic Report 2001/2002)

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7. FUTURE PLANS, STRATEGIES AND PROSPECTS

7.1 Future Plans and Strategies of the ULC Group

The Group plans to synergise its range of products and services with the objective of providing a one-stop centre to cater to the demands of its existing and potential customers. The Group will continually be on the look out for business opportunities with leading manufacturers of cable support system from overseas to benefit from the transfer of technological know-how and expertise of its partners.

During the financial year ended 31 December 2000 and nine months ended 30 September 2001, the Group had spent approximately RM7.60 million on the purchase of equipment and machinery to expand both its local as well as its export sales to other East Asian countries. There is a demand for quality cable support systems, integrated ceiling systems and steel roof battens in these countries and the Directors of ULC are confident that any increase in production of its products as a result of the additional machinery will be well absorbed in both the local and export markets.

The Group is also studying the feasibility of venturing into the production of light fittings, guard rails and lamp posts. This is due to the fact that the Group already has in place the machinery necessary for the production of these products. The Group can utilise its current network of electrical stockists for the marketing and distribution of these products.

7.2 Future Prospects of the ULC Group

The future prospects of the Group are reasonably good in view of the opportunities for growth for its main divisions of manufacturing of cable support systems, integrated ceiling systems and steel roof battens. Cable support systems are required whenever there are electrical cables and wiring network. The wide scope of application of cable support system, where it is used extensively in the telecommunications, petrochemical, power generation, water works and construction sectors, coupled with relatively low threat of substitute products, will ensure that the industry will continue to grow and expand in the future.

The future of integrated ceiling systems and steel roof battens are also promising in light of the changing preference from the traditional wood-based products to metal-based products due to environmental concerns and also because metal-based products can withstand heavier load demands and require less maintenance. In addition, the recovery in the construction sector also augurs well for the Group's cable support system, integrated ceiling systems and steel roof battens. Construction sector is expected to grow by 4.3% in 2002 due to the recovery in private sector investment and fiscal expansion. The demand for housing, is particular low and medium cost units as well as infrastructure projects in the health and education sub-sectors and rural development from RM3 billion pre-emptive measure in March and the recent RM4.3 billion package in September also contribute towards further growth in the sector. *(Source: Economic Report 2001/2002)*

The Directors believe that the Group will be able retain its market share and sustain its present growth as one of the established suppliers providing quality cable support systems and integrated ceiling systems in the domestic market. The Directors also believe that the Group's steel roof battens will have tremendous potential in view of, amongst others, the steel roof batten being still in the infant stage, its competitive pricing, quality products, the expected growth of the construction sector and the change in preference as mentioned above. The Group has the business expertise, technical skills, and high quality product standards to maintain its existing as well as to capture new market share. Together with its established management practices and continual quality improvement regime, the Group is in a sound strategic position to fully satisfy the demand of its customers.