

## APPENDIX V

**CONSOLIDATED AUDITED ACCOUNTS OF ABRIC FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 1999 AND THE AUDITORS' REPORT THEREON**

**ABRIC BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**BALANCE SHEETS**  
**AS OF 31 DECEMBER 1999**

	Note	The Group		The Company	
		1999	1998	1999	1998
		RM	RM	RM	RM
FIXED ASSETS	4	37,803,623	32,396,427	24,210,391	24,815,757
RESEARCH AND DEVELOPMENT EXPENDITURE	5	2,262,126	964,643	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	6	-	-	19,005,314	9,973,103
INVESTMENT IN ASSOCIATED COMPANY	7	-	64,769	110,249	110,249
OTHER INVESTMENTS	8	971,320	989,320	-	376,000
GOODWILL ON CONSOLIDATION	9	6,226,972	5,447,056	-	-
EXPENDITURE CARRIED FORWARD	10	1,859,258	629,839	-	-
CURRENT ASSETS					
Stocks	11	3,986,299	3,758,158	-	-
Contract work-in-progress	12	3,792,125	8,236,578	-	-
Debtors	13	44,867,363	31,100,465	15,393,612	6,272,629
Bank balances and deposits	14	4,037,424	1,096,795	2,815,376	501,201
		<u>56,683,211</u>	<u>44,191,996</u>	<u>18,208,988</u>	<u>6,773,830</u>

(Forward)

		The Group		The Company	
	Note	1999 RM	1998 RM	1999 RM	1998 RM
<b>CURRENT LIABILITIES</b>					
Creditors	15	10,693,853	16,713,629	1,811,108	5,048,064
Bank borrowings	16	27,687,523	9,807,915	11,631,951	91,730
Provision for taxation		170,615	1,688,931	-	-
Proposed dividend		1,500,000	1,080,000	1,500,000	1,080,000
		<u>40,051,991</u>	<u>29,290,475</u>	<u>14,943,059</u>	<u>6,219,794</u>
<b>NET CURRENT ASSETS</b>					
		16,631,220	14,901,521	3,265,929	554,036
<b>NON-CURRENT AND DEFERRED LIABILITIES</b>					
Lease and hire-purchase creditors - non-current portion	17	(1,108,762)	(584,018)	(25,333)	(48,737)
Term loans - non-current portion	18	(972,451)	(187,690)	-	-
Deferred taxation		(1,512,500)	(1,312,500)	(580,000)	(580,000)
		<u>(3,593,713)</u>	<u>(2,084,208)</u>	<u>(605,333)</u>	<u>(628,737)</u>
		<u>62,160,806</u>	<u>53,309,367</u>	<u>45,986,550</u>	<u>35,200,408</u>
<b>Financed by:</b>					
SHARE CAPITAL	19	30,000,000	30,000,000	30,000,000	30,000,000
RESERVES	20	<u>30,604,811</u>	<u>22,281,513</u>	<u>15,986,550</u>	<u>5,200,408</u>
SHAREHOLDERS' EQUITY		60,604,811	52,281,513	45,986,550	35,200,408
MINORITY INTERESTS		<u>1,555,995</u>	<u>1,027,854</u>	<u>-</u>	<u>-</u>
		<u>62,160,806</u>	<u>53,309,367</u>	<u>45,986,550</u>	<u>35,200,408</u>

The accompanying Notes form an integral part of the Accounts.

**ABRIC BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**PROFIT AND LOSS ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1999**

	Note	The Group		The Company	
		1999	1998	1999	1998
		RM	RM	RM	RM
TURNOVER	21	<u>53,818,691</u>	<u>40,254,995</u>	<u>15,394,017</u>	<u>3,542,534</u>
PROFIT BEFORE TAXATION	22	11,205,740	8,065,869	13,063,919	2,108,237
TAXATION	23	<u>(616,905)</u>	<u>(1,811,008)</u>	<u>(777,777)</u>	<u>(592,000)</u>
PROFIT AFTER TAXATION		10,588,835	6,254,861	12,286,142	1,516,237
MINORITY INTERESTS		<u>(472,808)</u>	<u>(26,306)</u>	-	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		10,116,027	6,228,555	12,286,142	1,516,237
UNAPPROPRIATED PROFIT AT BEGINNING OF YEAR		<u>17,592,810</u>	<u>12,444,255</u>	<u>814,444</u>	<u>378,207</u>
PROFIT AVAILABLE FOR APPROPRIATION		27,708,837	18,672,810	13,100,586	1,894,444
DIVIDENDS: Proposed final - 5%, tax-exempt, in 1999; 5%, less tax, in 1998		(1,500,000)	(1,080,000)	(1,500,000)	(1,080,000)
TRANSFER TO CAPITAL RESERVE	20	<u>(1,850,000)</u>	-	-	-
UNAPPROPRIATED PROFIT AT END OF YEAR	20	<u>24,358,837</u>	<u>17,592,810</u>	<u>11,600,586</u>	<u>814,444</u>
EARNINGS PER ORDINARY SHARE (SEN)	24	<u>34</u>	<u>52</u>		

The accompanying Notes form an integral part of the Accounts.

**ABRIC BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 1999**

	<b>1999 RM</b>	<b>1998 RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	11,205,740	8,065,869
Adjustments for:		
Depreciation of fixed assets	2,295,023	1,455,924
Fixed assets written off	-	61,199
Bad debts written off	-	70,023
Interest expense	1,110,391	962,904
Amortisation of pre-operating expenses	41,015	10,254
Amortisation of research and development expenditure	365,506	58,835
Gain on disposal of subsidiary companies **	(124,612)	-
Gain on disposal of fixed assets	(195,828)	(1,351)
Share in results of associated company	64,769	(3,172)
Interest income	(24,000)	(73,192)
Provision for doubtful debts	267,899	302,744
Provision for doubtful debts no longer required	-	(669,500)
Provision for slow-moving and obsolete stocks no longer required	(50,000)	-
<b>Operating Profit Before Working Capital Changes</b>	<b>14,955,903</b>	<b>10,240,537</b>
(Increase)/Decrease in stocks	123,374	(1,160,752)
(Increase)/Decrease in contract work-in-progress	4,444,453	(6,989,061)
Increase in debtors	(16,255,852)	(2,679,813)
Increase/(Decrease) in creditors, excluding lease and hire-purchase creditors	(5,433,999)	1,844,983
Translation adjustment account	(39,380)	(7,567)
<b>Cash Generated From/(Used In) Operations</b>	<b>(2,205,501)</b>	<b>1,248,327</b>
Tax paid	(1,876,737)	(632,437)
<b>Net Cash From/(Used In) Operating Activities</b>	<b>(4,082,238)</b>	<b>615,890</b>

(Forward)

	Note	1999 RM	1998 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Research and development expenditure incurred, adjusted for depreciation of fixed assets of RM17,837 (RM93,605 in 1998)		(1,645,152)	(604,040)
Purchase of fixed assets		(6,026,866)	(5,174,410)
Acquisition of subsidiary companies *		(892,104)	-
Proceeds from disposal of fixed assets		1,160,204	103,500
Disposal of subsidiary companies**		1,686,887	-
(Increase)/Decrease in deposits pledged with a licensed bank		208,080	(222,438)
Interest received		24,000	73,192
Purchase of other investments		(512,640)	-
Pre-operating expenses incurred		(1,270,434)	(610,744)
Net Cash Used In Investing Activities		<u>(7,268,025)</u>	<u>(6,434,940)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in bank borrowings, excluding bank overdrafts and term loans		11,455,758	3,430,932
Proceeds from shares issued to minority shareholder of a subsidiary company		293,243	-
Proceeds from shares issued		-	21,175,000
Share issue and listing expenses incurred		-	(1,789,036)
Payment of lease and hire-purchase creditors		(846,273)	(935,086)
Repayment of term loans		(108,741)	(15,301,238)
Dividend paid		(1,080,000)	(315,000)
Proceeds from term loans		1,047,010	-
Interest paid		(1,110,391)	(2,506,047)
Net Cash From Financing Activities		<u>9,650,606</u>	<u>3,759,525</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,699,657)	(2,059,525)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>(2,230,714)</u>	<u>(171,189)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	<u><u>(3,930,371)</u></u>	<u><u>(2,230,714)</u></u>

(Forward)

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	1999 RM	1998 RM
* Analysis of subsidiary companies acquired in 1999		
Net assets acquired:		
Fixed assets	1,769,109	-
Stocks	997,023	-
Debtors	1,303,372	-
Cash and bank balances	1,359,600	-
Creditors	(2,653,682)	-
Bank borrowings	(1,421,976)	-
Provision for taxation	(33,553)	-
	<hr/>	<hr/>
	1,319,893	-
Minority interest	(657,347)	-
	<hr/>	<hr/>
	662,546	-
Goodwill on consolidation	1,589,158	-
	<hr/>	<hr/>
	2,251,704	-
Less: Cash and bank balances	(1,359,600)	-
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Cash flow on acquisition, net of cash and cash equivalents acquired	892,104	-
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	1999 RM	1998 RM
<b>** Analysis of subsidiary companies disposed of in 1999:</b>		
Net assets disposed of:		
Fixed assets	520,193	-
Other investments	530,640	-
Stocks	695,508	-
Debtors	3,524,427	-
Cash and bank balances	326,425	-
Creditors	(3,238,067)	-
Bank overdrafts	(39,612)	-
Lease and hire-purchase creditors - non-current	(48,775)	-
Provision for taxation	(92,037)	-
Translation adjustment account	(445,625)	-
	1,733,077	-
Minority interest	(693,231)	-
	1,039,846	-
Goodwill on consolidation	809,242	-
Net assets	1,849,088	-
Gain on disposal of subsidiary companies	124,612	-
Total cash consideration	1,973,700	-
Less: Cash and bank balances	(326,425)	-
Add: Bank overdrafts	39,612	-
Cash flow on disposal, net of cash and cash equivalents disposed of	1,686,887	-

The accompanying Notes form an integral part of the Accounts.

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**ABRIC BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS**

**1. PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and provision of administrative services.

The principal activities of the subsidiary companies are disclosed in Note 6.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year.

**2. BASIS OF PREPARATION OF ACCOUNTS**

The accounts of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accounts of the Group and of the Company have been prepared under the historical cost convention.

**Basis of Consolidation**

The consolidated accounts include the audited accounts of the Company and all its subsidiary companies as listed in Note 6 made up to the end of the financial year.

All significant inter-company balances and transactions are eliminated on consolidation.

The results of subsidiary companies acquired or disposed of during the year are included in the Group's accounts from the effective date of acquisition or to the effective date of disposal, as applicable.



Goodwill on consolidation, which represents the excess of the Company's cost of investment over the fair values of the identifiable net assets of the subsidiary companies at the effective date of acquisition, will be written off when the directors consider that there is a permanent diminution in the value of the investments.

Reserve on consolidation represents the excess of the fair values attributable to the identifiable net assets of the subsidiary companies at the effective date of acquisition over the cost of the Company's investment.

For the purpose of consolidation, the accounts of the foreign incorporated subsidiary companies have been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at year-end rate
Share capital	- at historical rate
Revenue and expenses	- at average rate for the year

During the current financial year, the Group changed its accounting policy in translating the revenue and expenses in respect of the accounts of the foreign subsidiary companies from year-end rate to average rate for the year. The effect of the change is, however, not material.

All translation gains or losses are taken up and reflected in translation adjustment account under shareholders' equity.

### **Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation.

Depreciation of fixed assets is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various assets. The annual depreciation rates are as follows:

Long leasehold land	Over the remaining lease term of 60 years
Plant and machinery	7.5% - 20%
Office equipment, furniture and fittings	7.5% - 20%
Factory building and leasehold improvements	5% - 33 1/3%
Motor vehicles	20%

Depreciation is not provided on fixed assets which are under construction.

### **Capitalisation of Interest Cost**

Interest cost incurred on the construction of fixed assets which require a period of time to get them ready for their intended use are capitalised and included as part of the cost of the related assets.

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**Leased Assets**

Assets under lease which in substance transfer the risks and benefits of ownership of the assets to the Group have been capitalised under fixed assets. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the respective lease terms. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the profit and loss accounts as incurred.

**Assets Under Hire-Purchase Arrangements**

Fixed assets acquired under hire-purchase arrangements are capitalised in the accounts and the corresponding obligations treated as liabilities. Finance charges are allocated to the profit and loss accounts to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

**Research and Development Expenditure**

Research and development expenditure is written off to the profit and loss accounts as and when incurred except that research and development expenditure relating to specific projects with commercial viability and for which there is a clear indication of the marketability of the products being developed is carried forward. Such expenditure is amortised over a period of five years in which benefits are expected to be derived commencing from the period in which the related sales are first made.

**Investments**

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

Investment in associated company and other investments in unquoted shares and transferable membership of golf club are stated at cost.

Provision for diminution in value is made when the directors consider there is a permanent impairment in the value of the investments.

**Associated Company**

An associated company is a non-subsidiary company in which the Group holds as long-term investment not less than 20% of the equity voting rights and in which the Group is in a position to exercise significant influence in its management.

The Group's investment in associated company is accounted for by the equity method of accounting based on the audited accounts of the associated company made up to the end of the financial year.

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**Expenditure Carried Forward**

Expenditure carried forward, which consists of pre-operating expenses, is stated at cost and will be amortised systematically over a period of three years upon commencement of business operations.

**Contract Work-In-Progress and Recognition of Income and Cost**

Contract work-in-progress includes cost of contract work and profit attributable to contract work performed to date, less progress billings. Cost of contract work includes all cost incurred directly on the contract jobs.

Income on contract work is recognised generally on the basis of actual work accomplishment. Recognition of income starts when work accomplishment reaches a material level.

Provision for foreseeable loss is made based on the loss estimated to arise over the duration of the contract after allowing for costs to the extent such costs are not recoverable under the terms of the contract.

**Stocks**

Raw materials and spare parts are stated at the lower of cost (determined on the 'first-in, first-out' basis) and net realisable value. Work-in-progress and finished goods are stated at the lower of standard cost which approximates actual cost and net realisable value.

The cost of raw materials and spare parts comprises the original cost of purchase plus the incidental cost incurred in bringing the stocks to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate allocation of manufacturing overheads.

In arriving at net realisable value, due allowance is made for slow-moving and obsolete items.

**Debtors**

Bad debts are written off while provision is made for debts considered to be doubtful of collection.

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**Turnover**

Turnover of the Company consists of income on provision of administrative services and income arising from investment activities.

Turnover of the subsidiary companies consists mainly of gross invoice value of sales net of discounts and returns, income arising from investment activities, income on provision of project management and consultancy services and proportion of the total contract value attributable to the percentage of construction work performed.

**Taxation**

The tax effects of transactions are recognised, using the 'liability' method, in the year such transactions enter into the determination of net income, regardless of when they are recognised for tax purposes. However, where timing differences would give rise to net future tax benefit, the tax effects are recognised generally on actual realisation.

**Foreign Currency Conversion**

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates or where settlement has not yet been made at the end of the financial year, at the approximate exchange rates prevailing at that date. All foreign exchange gains or losses are currently taken up in the profit and loss accounts.

**Cash and Cash Equivalents**

Cash equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

I. **FIXED ASSETS**

Fixed assets consist of the following:

<b>The Group 1999</b>	<b>Long Leasehold Land RM</b>	<b>Plant and Machinery RM</b>	<b>Office Equipment, Furniture and Fittings RM</b>	<b>Factory Building and Leasehold Improvements RM</b>	<b>Motor Vehicles RM</b>	<b>Building Under Construction RM</b>	<b>Total RM</b>
<b>Cost</b>							
At beginning of year	16,040,897	7,290,750	2,658,743	9,875,950	2,677,031	-	38,543,371
Additions	979,200	2,785,938	564,303	1,107,308	1,773,072	235,445	7,445,266
Assets of subsidiary companies acquired	-	579,316	474,943	1,188,601	99,858	-	2,342,718
Disposals	-	(519,880)	(1,034,089)	(116,498)	(1,484,447)	-	(3,154,914)
Assets of subsidiary companies disposed of	-	(809,390)	(482,179)	-	(409,805)	-	(1,701,374)
Currency fluctuation	-	-	(1,468)	-	(9,591)	-	(11,059)
At end of year	17,020,097	9,326,734	2,180,253	12,055,361	2,646,118	235,445	43,464,008

<b>The Group 1999</b>	<b>Long Leasehold Land RM</b>	<b>Plant and Machinery RM</b>	<b>Office Equipment, Furniture and Fittings RM</b>	<b>Factory Building and Leasehold Improvements RM</b>	<b>Motor Vehicles RM</b>	<b>Building Under Construction RM</b>	<b>Total RM</b>
<b>Accumulated depreciation</b>							
At beginning of year	21,250	2,767,366	1,468,498	481,606	1,408,224	-	6,146,944
Charge for the year	267,348	980,347	336,376	262,108	466,681	-	2,312,860
Assets of subsidiary companies acquired	-	296,615	216,474	-	60,520	-	573,609
Disposals	-	(407,620)	(863,275)	(116,498)	(803,145)	-	(2,190,538)
Assets of subsidiary companies disposed of	-	(576,469)	(297,195)	-	(307,517)	-	(1,181,181)
Currency fluctuation	-	-	(110)	-	(1,199)	-	(1,309)
<b>At end of year</b>	<b>288,598</b>	<b>3,060,239</b>	<b>860,768</b>	<b>627,216</b>	<b>823,564</b>	<b>-</b>	<b>5,660,385</b>
<b>Net book value</b>							
At end of year	16,731,499	6,266,495	1,319,485	11,428,145	1,822,554	235,445	37,803,623

The Group 1998	Long Leasehold Land RM	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Factory Building and Leasehold Improvements RM	Motor Vehicles RM	Building Under Construction RM	Total RM
<b>Cost</b>							
At beginning of year	15,300,000	6,251,228	2,301,721	1,200,818	2,615,234	4,184,342	31,853,343
Additions	-	1,178,799	366,493	623,306	234,574	4,608,381	7,011,553
Reclassifications	740,897	-	-	8,051,826	-	(8,792,723)	-
Disposals	-	-	(5,267)	-	(170,247)	-	(175,514)
Write-offs	-	(136,000)	-	-	-	-	(136,000)
Currency fluctuation	-	(3,277)	(4,204)	-	(2,530)	-	(10,011)
At end of year	16,040,897	7,290,750	2,658,743	9,875,950	2,677,031	-	38,543,371
<b>Accumulated depreciation</b>							
At beginning of year	-	2,191,899	1,199,364	355,063	1,005,395	-	4,751,721
Charge for the year	21,250	652,708	276,388	126,543	472,640	-	1,549,529
Disposals	-	-	(5,267)	-	(68,098)	-	(73,365)
Write-offs	-	(74,801)	-	-	-	-	(74,801)
Currency fluctuation	-	(2,440)	(1,987)	-	(1,713)	-	(6,140)
At end of year	21,250	2,767,366	1,468,498	481,606	1,408,224	-	6,146,944
<b>Net book value</b>							
At end of year	16,019,647	4,523,384	1,190,245	9,394,344	1,268,807	-	32,396,427

<b>The Company 1999</b>	<b>Long Leasehold Land RM</b>	<b>Office Equipment, Furniture and Fittings RM</b>	<b>Factory Building Improvements RM</b>	<b>Motor Vehicles RM</b>	<b>Total RM</b>
<b>Cost</b>					
At beginning of year	16,040,897	285,101	8,536,269	556,041	25,418,308
Additions	-	113,679	9,140	-	122,819
Disposals	-	-	-	(400,000)	(400,000)
At end of year	16,040,897	398,780	8,545,409	156,041	25,141,127
<b>Accumulated depreciation</b>					
At beginning of year	21,250	48,231	283,986	249,084	602,551
Charge for the year	267,348	33,594	182,702	97,875	581,519
Disposals	-	-	-	(253,334)	(253,334)
At end of year	288,598	81,825	466,688	93,625	930,736
<b>Net book value</b>					
At end of year	15,752,299	316,955	8,078,721	62,416	24,210,391



<b>The Company 1998</b>	<b>Long Leasehold Land RM</b>	<b>Office Equipment, Furniture and Fittings RM</b>	<b>Factory Building Improvements RM</b>	<b>Motor Vehicles RM</b>	<b>Building Under Construction RM</b>	<b>Total RM</b>
<b>Cost</b>						
At beginning of year	15,300,000	103,145	484,443	556,041	4,184,342	20,627,971
Additions	-	181,956	-	-	4,608,381	4,790,337
Reclassifications	740,897	-	8,051,826	-	(8,792,723)	-
At end of year	16,040,897	285,101	8,536,269	556,041	-	25,418,308
<b>Accumulated depreciation</b>						
At beginning of year	-	28,242	223,330	137,876	-	389,448
Charge for the year	21,250	19,989	60,656	111,208	-	213,103
At end of year	21,250	48,231	283,986	249,084	-	602,551
<b>Net book value</b>						
At end of year	16,019,647	236,870	8,252,283	306,957	-	24,815,757

- (i) During the financial year, interest cost capitalised as part of fixed assets of the Group and the Company amounted to Nil (RM1,543,143 in 1998).
- (ii) Included in fixed assets of the Group and of the Company are assets acquired under hire-purchase and lease with cost of RM4,921,683 and RM156,041 (RM4,469,475 and RM156,041 in 1998) and accumulated depreciation of RM1,484,855 and RM93,625 (RM1,651,527 and RM62,416 in 1998), respectively.
- (iii) The depreciation of fixed assets during the year was taken up in the accounts as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Charged to profit and loss accounts (Note 22)	2,295,023	1,455,924	581,519	213,103
Capitalised in research and development expenditure (Note 5)	17,837	93,605	-	-
	<u>2,312,860</u>	<u>1,549,529</u>	<u>581,519</u>	<u>213,103</u>

- (iv) The long leasehold land and factory building are pledged as security for banking facilities granted to the Company and certain subsidiary companies as mentioned in Note 16.

## 5. RESEARCH AND DEVELOPMENT EXPENDITURE

	<b>The Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
At beginning of year	1,023,478	325,833
Incurred during the year	<u>1,662,989</u>	<u>697,645</u>
At end of year	<u>2,686,467</u>	<u>1,023,478</u>
<b>Cumulative amortisation</b>		
At beginning of year	(58,835)	-
Amortisation for the year	<u>(365,506)</u>	<u>(58,835)</u>
At end of year	<u>(424,341)</u>	<u>(58,835)</u>
Net	<u>2,262,126</u>	<u>964,643</u>

Current year charges to research and development expenditure include the following:

	<b>The Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
Director's remuneration:		
Salaries and other emoluments	782,876	190,000
Depreciation of fixed assets (Note 4)	<u>17,837</u>	<u>93,605</u>

## 6. INVESTMENT IN SUBSIDIARY COMPANIES

This represents unquoted shares which are stated at cost.

The subsidiary companies, all incorporated in Malaysia except as otherwise indicated, are as follows:

<b>Name of Company</b>	<b>Effective Equity Interest</b>		<b>Principal Activities</b>
	<b>1999</b>	<b>1998</b>	
	<b>%</b>	<b>%</b>	
<b>Direct Subsidiary Companies</b>			
Abric Manufacturing Sdn. Bhd.	100	100	Manufacturing and marketing of security seals and provision of management services
Abric PSP Sdn. Bhd.	100	100	Marketing of security seals
Abric Cladding Sdn. Bhd.	100	100	Planning, design, fabrication, supply and installation of curtain wall and cladding
Abric Management Services Sdn. Bhd.	100	99.99	Provision of management services and investment dealing
Abric Integrated Sdn. Bhd.*	100	100	Marketing of micrographic, reprographic and information technology products and services

Name of Company	Effective Equity Interest		Principal Activities
	1999 %	1998 %	
<b>Direct Subsidiary Companies</b>			
Abric Quantum Sdn. Bhd.	60	60	Manufacturing and marketing of water purifying systems (Pre-operating as of 31 December 1999)
Abric Worldwide Sdn. Bhd.	100	80	Investment holding
Abric (Europe) Limited* (Incorporated in the United Kingdom)	-	100	Marketing of security seals
Armorshield Marketing (S) Pte. Ltd.* (Incorporated in the Republic of Singapore)	-	60	Manufacturing and marketing of security seals, security film coatings and energy saving lighting products
<b>Indirect Subsidiary Companies</b>			
Abric (Europe) Limited* (Incorporated in the United Kingdom)	100	-	Marketing of security seals
Abric (Canada), Ltd.* (Incorporated in Canada)	100	-	Marketing of security seals
Abric (U.S.A.), Inc.* (Incorporated in the United States of America)	100	-	Marketing of security seals
Abric (South America) S.A.* (Incorporated in the Federative Republic of Brazil)	75	-	Manufacturing and marketing of security seals
Encrypta Electronics Limited* (Incorporated in the United Kingdom)	50	-	Developing and marketing of electronic security seals
Encrypta Electronics Seals, Inc.* (Incorporated in the United States of America)	50	-	Marketing of electronic security seals

Name of Company	Effective Equity Interest		Principal Activities
	1999 %	1998 %	
Indirect Subsidiary Companies			
Manz Façade Engineering Sdn. Bhd.	51	51	Provision of planning, design, project management, quality audit and rectification advisory services for facade engineering work
Abric Technologies Pte. Ltd.* (Incorporated in the Republic of Singapore)	-	60	Dormant

\* The accounts of these companies were examined by auditors other than the auditors of the Company.

#### 7. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	1999 RM	1998 RM	1999 RM	1998 RM
Unquoted shares - at cost	110,249	110,249	110,249	110,249
Share in post-acquisition accumulated loss	(110,249)	(45,480)	-	-
	<u>-</u>	<u>64,769</u>	<u>110,249</u>	<u>110,249</u>

Analysis of Group's carrying value of investment in associated company is as follows:

	The Group	
	1999 RM	1998 RM
Group's share of net tangible assets/(liabilities)	(4,617)	60,152
Premium on acquisition	<u>4,617</u>	<u>4,617</u>
	<u>-</u>	<u>64,769</u>

The associated company of the Group, which is incorporated in Malaysia, is as follows:

Name of Company	Effective Equity Interest		Principal Activities
	1999 %	1998 %	
Palstore Sdn. Bhd.	49	49	Marketing of electrical products

#### 8. OTHER INVESTMENTS

Other investments consist of:

	The Group		The Company	
	1999 RM	1998 RM	1999 RM	1998 RM
<b>At cost:</b>				
Investment in unquoted shares	902,320	920,320	-	376,000
Transferable membership of golf club	69,000	69,000	-	-
	<u>971,320</u>	<u>989,320</u>	<u>-</u>	<u>376,000</u>

#### 9. GOODWILL/RESERVE ON CONSOLIDATION

	The Group	
	1999 RM	1998 RM
<b>Goodwill on Consolidation</b>		
At beginning of year	7,792,745	7,792,745
Arising from:		
Acquisition of subsidiary companies	1,589,158	-
Disposal of subsidiary companies	(809,242)	-
	<u>8,572,661</u>	<u>7,792,745</u>
At end of year	<u>8,572,661</u>	<u>7,792,745</u>
<b>Reserve on Consolidation</b>		
At beginning and end of year	<u>(2,345,689)</u>	<u>(2,345,689)</u>
Net	<u>6,226,972</u>	<u>5,447,056</u>

## 10. EXPENDITURE CARRIED FORWARD

Expenditure carried forward is as follows:

	<b>The Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
<b>Pre-operating expenses - at cost</b>		
At beginning of year	640,093	29,349
Incurred during the year	1,270,434	610,744
At end of year	1,910,527	640,093
<b>Cumulative amortisation</b>		
At beginning of year	(10,254)	-
Amortisation for the year	(41,015)	(10,254)
At end of year	(51,269)	(10,254)
Net	1,859,258	629,839

Included in pre-operating expenses of the Group is an amount of RM20,875 (RM2,000 in 1998) representing current year audit fee of subsidiary companies.

## 11. STOCKS

	<b>The Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
<b>At cost:</b>		
Raw materials	888,238	443,685
Work-in-progress	952,105	727,045
Finished goods	2,135,956	2,627,428
Spare parts	10,000	10,000
	3,986,299	3,808,158
Provision for slow-moving and obsolete stocks	-	(50,000)
Net	3,986,299	3,758,158

## 12. CONTRACT WORK-IN-PROGRESS

	<b>The Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
Contract cost	24,265,793	17,091,509
Profit attributable to work performed to date	<u>9,971,311</u>	<u>7,456,772</u>
Total	34,237,104	24,548,281
Progress billings	<u>(30,444,979)</u>	<u>(16,311,703)</u>
Contract work-in-progress	<u>3,792,125</u>	<u>8,236,578</u>

## 13. DEBTORS

	<b>The Group</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trade debtors	37,475,466	22,207,689	-	-
Retention monies	<u>2,199,996</u>	<u>1,247,686</u>	<u>-</u>	<u>-</u>
	39,675,462	23,455,375	-	-
Provision for doubtful debts	<u>(197,876)</u>	<u>(590,035)</u>	<u>-</u>	<u>-</u>
	39,477,586	22,865,340	-	-
Other debtors, deposits and prepayments	4,442,826	7,402,232	2,667,870	5,783,087
Amount owing by subsidiary companies	-	-	12,549,860	357,519
Amount owing by associated company	<u>946,951</u>	<u>832,893</u>	<u>175,882</u>	<u>132,023</u>
	<u>44,867,363</u>	<u>31,100,465</u>	<u>15,393,612</u>	<u>6,272,629</u>

Amount owing by/to subsidiary companies arose mainly from rental income, secretarial fee receivable, administrative charges recoverable, dividend receivable, short-term advances and payments on behalf. The said amounts are interest-free and have no fixed repayment terms.

Amount owing by associated company consists of the following:

	<b>The Group</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Current account	746,951	632,893	175,882	132,023
Unsecured advances	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
	<u>946,951</u>	<u>832,893</u>	<u>175,882</u>	<u>132,023</u>



Amount owing by associated company arose mainly from rental receivable, secretarial fee receivable, administrative charges recoverable and unsecured advances granted to the said associated company.

The unsecured advances of the Group bear interest at 12.00% (12.00% to 14.30% in 1998) per annum and have no fixed repayment terms.

#### 14. BANK BALANCES AND DEPOSITS

	<b>The Group</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deposits with licensed banks				
- restricted	14,358	222,438	-	-
- unrestricted	-	500,000	-	-
	<u>14,358</u>	<u>722,438</u>	<u>-</u>	<u>-</u>
Cash and bank balances	4,023,066	374,357	2,815,376	501,201
	<u>4,037,424</u>	<u>1,096,795</u>	<u>2,815,376</u>	<u>501,201</u>

The restricted deposits amounting to RM14,358 (RM222,438 in 1998) of the Group are pledged with a licensed bank as collateral for the utilisation of credit facilities.

#### 15. CREDITORS

	<b>The Group</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trade creditors	5,692,254	6,213,859	-	-
Retention monies	1,391,603	1,333,372	-	-
Other creditors and accrued expenses	2,326,147	8,191,812	63,202	1,537,349
Lease and hire-purchase creditors - current portion (Note 17)	827,625	894,786	23,404	23,404
Amount owing to a director	456,224	79,800	-	-
Amount owing to subsidiary companies	-	-	1,724,502	3,487,311
	<u>10,693,853</u>	<u>16,713,629</u>	<u>1,811,108</u>	<u>5,048,064</u>

Amount owing to a director of the Group represents interest-free advances with no fixed repayment terms.

## 16. BANK BORROWINGS

	The Group		The Company	
	1999	1998	1999	1998
	RM	RM	RM	RM
<b>Secured</b>				
Bank overdrafts	4,527,607	2,256,805	1,631,951	91,730
Bankers acceptances	396,000	1,462,161	-	-
Trust receipts	-	132,400	-	-
Short-term loan	7,842,263	1,300,000	-	-
Term loans				
- current portion (Note 18)	147,172	7,771	-	-
	<u>12,913,042</u>	<u>5,159,137</u>	<u>1,631,951</u>	<u>91,730</u>
<b>Unsecured</b>				
Bank overdrafts	3,425,830	848,266	-	-
Bankers acceptances	827,465	1,125,900	-	-
Trust receipts	442,813	2,610,346	-	-
Short-term loan	10,000,000	-	10,000,000	-
Term loans				
- current portion (Note 18)	78,373	64,266	-	-
	<u>14,774,481</u>	<u>4,648,778</u>	<u>10,000,000</u>	<u>-</u>
<b>Total</b>	<u>27,687,523</u>	<u>9,807,915</u>	<u>11,631,951</u>	<u>91,730</u>

The Group and the Company have bank overdraft and other credit facilities totalling RM47,784,000 and RM15,000,000 (RM35,520,000 and RM5,000,000 in 1998) respectively from various local banks. The bank overdraft and other credit facilities bear interest at rates ranging from 5.25% to 10.05% (9.55% to 14.30% 1998) per annum. Of the total amount, an amount of RM34,804,000 (RM30,020,000 in 1998) of the Group and RM5,000,000 (RM5,000,000 in 1998) of the Company is secured by either of the following charges whilst the remaining balance is unsecured:

- First legal charge over the Company's long leasehold land together with the building thereon
- A legal charge over the leasehold property of a subsidiary company
- Two debentures incorporating first fixed and floating charges over certain present and future assets of two subsidiary companies
- Fixed deposits of a subsidiary company

Certain of these credit facilities are guaranteed by the Company and by certain directors of the Company and of a subsidiary company.

## 17. LEASE AND HIRE-PURCHASE CREDITORS

	The Group		The Company	
	1999	1998	1999	1998
	RM	RM	RM	RM
Balance outstanding:				
Lease creditors	-	90,552	-	-
Hire-purchase creditors	2,296,351	1,737,872	62,753	92,884
	<u>2,296,351</u>	<u>1,828,424</u>	<u>62,753</u>	<u>92,884</u>
Interest-in-suspense:				
Lease creditors	-	(16,585)	-	-
Hire-purchase creditors	(359,964)	(333,035)	(14,016)	(20,743)
	<u>(359,964)</u>	<u>(349,620)</u>	<u>(14,016)</u>	<u>(20,743)</u>
Principal portion	<u>1,936,387</u>	<u>1,478,804</u>	<u>48,737</u>	<u>72,141</u>
Payable as follows:				
Within the next 12 months (Note 15)	827,625	894,786	23,404	23,404
Between 1 - 2 years	647,197	428,942	23,404	23,404
Between 2 - 3 years	461,565	153,147	1,929	23,404
After the next 3 years	-	1,929	-	1,929
After the next 12 months	<u>1,108,762</u>	<u>584,018</u>	<u>25,333</u>	<u>48,737</u>
Total	<u>1,936,387</u>	<u>1,478,804</u>	<u>48,737</u>	<u>72,141</u>

The interest rates implicit in these lease and hire-purchase obligations range from 4.90% to 8.65% (4.90% to 8.65% in 1998) per annum.

18. **TERM LOANS**

Term loans consist of:

	<b>The Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
Principal outstanding		
Secured	868,350	15,515
Unsecured	329,646	244,212
	<u>1,197,996</u>	<u>259,727</u>
Portion due within the next 12 months (Note 16)		
Secured	(147,172)	(7,771)
Unsecured	(78,373)	(64,266)
	<u>(225,545)</u>	<u>(72,037)</u>
Non-current portion	<u>972,451</u>	<u>187,690</u>

Of the total term loans of the Group of RM1,197,996 (RM259,727 in 1998), an amount of RM656,314 (Nil in 1998) is obtained from certain foreign banks and is denominated in Canadian Dollars whilst the remaining balance is obtained from certain local banks. These loans bear interest at rates ranging from 7.25% to 10.50% (10.05% to 14.30% in 1998) per annum and are repayable by:

- (a) 84 equal monthly instalments of RM939 each (inclusive of interest) which commenced in October 1993. The loan is secured by a golf club membership.
- (b) 60 equal monthly instalments of RM7,654 each (inclusive of interest) which commenced in February 1997. The loan is guaranteed by the Company.
- (c) 36 equal monthly instalments of RM1,279 each (inclusive of interest) which commenced in October 1999. The loan is secured by a specific debenture creating fixed charge over a unit of machine of a subsidiary company.
- (d) 240 equal monthly instalments of approximately RM5,504 each (CAN \$2,117, inclusive of interest) which commenced in October 1999. The loan is secured by a first mortgage over a property of a subsidiary company with the assignment of rental relating to the property and a first floating charge over all the present and future assets of the said subsidiary company.

The non-current portion of the term loans is repayable as follows:

	<b>The Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
2000	-	92,077
2001	240,491	86,795
2002	145,036	8,818
2003	34,695	-
After 2003	552,229	-
	<u>972,451</u>	<u>187,690</u>

#### 19. SHARE CAPITAL

Share capital in 1999 and 1998 is represented by:

	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
Authorised:		
100,000,000 ordinary shares of RM1.00 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning of year:		
30,000,000 as of 1 January 1999;		
8,750,000 as of 1 January 1998	30,000,000	8,750,000
Issued during the year:		
Nil in 1999; Rights issue of 19,250,000 in 1998	-	19,250,000
Nil in 1999; Public issue of 2,000,000 in 1998	<u>-</u>	<u>2,000,000</u>
At end of year:		
30,000,000 as of 31 December 1999 and 1998	<u>30,000,000</u>	<u>30,000,000</u>

## 20. RESERVES

	The Group		The Company	
	1999	1998	1999	1998
	RM	RM	RM	RM
<b>Non-distributable</b>				
Share Premium				
At beginning of year	4,385,964	1,250,000	4,385,964	1,250,000
Arising from rights issue and public issue	-	4,925,000	-	4,925,000
Share issue and listing expenses	-	(1,789,036)	-	(1,789,036)
At end of year	4,385,964	4,385,964	4,385,964	4,385,964
Translation Adjustment Account				
At beginning of year	302,739	311,462	-	-
Movement for the year	(292,729)	(8,723)	-	-
At end of year	10,010	302,739	-	-
Capital Reserve				
At beginning of year	-	-	-	-
Arising from bonus issue by subsidiary companies	1,850,000	-	-	-
At end of year	1,850,000	-	-	-
<b>Distributable</b>				
Unappropriated Profit	24,358,837	17,592,810	11,600,586	814,444
	<u>30,604,811</u>	<u>22,281,513</u>	<u>15,986,550</u>	<u>5,200,408</u>

Taking into consideration the tax-exempt account as mentioned in Note 23, and based on the estimated tax credits available and the prevailing tax rate applicable to dividends, the Company is able to frank the payment of dividends of approximately RM3,604,000 (RM571,000 in 1998) out of its unappropriated profit as of 31 December 1999 without incurring tax liability. Any dividend paid in excess of this amount will result in tax liability to be calculated at the prevailing tax rate of 28% on the gross amount of the additional dividend paid.

## 21. TURNOVER

The operating costs, classified by nature, deducted from turnover in arriving at profit from operations, are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Raw materials and consumables	6,139,571	4,764,169	-	-
Net change in inventories of finished goods and work-in-progress	266,412	(890,228)	-	-
Labour cost	1,413,004	981,438	-	-
Recognition of portion of contract cost attributable to work performed to date	11,223,356	11,750,987	-	-
Other operating costs	<u>24,618,609</u>	<u>16,852,432</u>	<u>1,589,267</u>	<u>1,434,297</u>
	<u>43,660,952</u>	<u>33,458,798</u>	<u>1,589,267</u>	<u>1,434,297</u>

22. **PROFIT BEFORE TAXATION**

This has been arrived at:

	<b>The Group</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
After charging:				
Depreciation of fixed assets	2,295,023	1,455,924	581,519	213,103
Directors' remuneration:				
Salaries and other emoluments	1,266,921	845,665	314,526	156,792
Benefits-in-kind	-	48,760	-	-
Interest expense on:				
Lease and hire-purchase	194,031	214,979	6,728	6,727
Bankers acceptances	84,381	174,705	-	-
Bank overdrafts	429,838	347,638	217,522	204,350
Short-term loans	177,834	-	-	-
Term loans	121,173	40,786	92,875	-
Others	103,134	184,796	-	38,441
Amortisation of research and development expenditure	365,506	58,835	-	-
Provision for doubtful debts	267,899	302,744	-	-
Auditors' remuneration:				
Current	164,619	85,608	25,000	15,000
Under/(Over)provision in prior year	1,500	(3,000)	5,000	-
Rental of premises:				
Third parties	121,583	302,388	10,000	120,000
A company in which one of the directors is also a director of the Company	-	222,000	-	110,000
Share in results of associated company	64,769	-	-	-
Amortisation of pre-operating expenses	41,015	10,254	-	-
Professional fee payable to a legal firm in which one of the directors of the Company is a partner	14,110	10,000	14,110	10,000
Consultancy fee payable to a director	-	129,000	-	-
Bad debts written off	-	70,023	-	-
Fixed assets written off	-	61,199	-	-



	The Group		The Company	
	1999	1998	1999	1998
	RM	RM	RM	RM
And crediting:				
Gain on disposal of fixed assets	195,828	1,351	83,333	-
Gain on disposal of subsidiary companies	124,612	-	639,205	-
Provision for slow-moving and obsolete stocks no longer required	50,000	-	-	-
Rental income:				
Subsidiary companies	-	-	1,338,000	138,000
Associated company	24,000	150,000	24,000	150,000
Third parties	-	11,534	-	11,534
Administrative charges recoverable from:				
Subsidiary companies	-	-	183,000	680,000
Associated company	24,000	24,000	24,000	24,000
Interest income on:				
Advances to associated company	24,000	28,174	-	-
Others	-	45,018	-	-
Secretarial fee receivable from:				
Subsidiary companies	-	-	15,300	25,200
Associated company	3,600	3,600	3,600	3,600
Provision for doubtful debts no longer required	-	669,500	-	-
Share in results of associated company	-	3,172	-	-
Gross dividend receivable from subsidiary companies	-	-	12,777,777	2,500,000

## 23. TAXATION

	The Group		The Company	
	1999	1998	1999	1998
	RM	RM	RM	RM
Current:				
Estimated tax payable	-	1,312,586	777,777	340,000
Under/(Over) provision in prior years	416,905	(298,822)	-	(295,000)
Deferred:				
Current	200,000	453,946	-	286,000
Under provision in prior years	-	343,298	-	261,000
Net	<u>616,905</u>	<u>1,811,008</u>	<u>777,777</u>	<u>592,000</u>

No provision for estimated current tax payable of the Group has been made in 1999 as tax payable on chargeable income earned in the basis period 1999 by certain subsidiary companies is waived in accordance with the Income Tax (Amendment) Act, 1999 to facilitate the transition of the income tax assessment from a preceding year basis to a current year basis. In addition, certain other subsidiary companies incurred an operating loss and, accordingly, no provision for estimated current tax payable has been made.

No provision for estimated current tax payable of the Company, other than tax on dividend income earned, has been made in 1999 as the Company does not have any taxable income.

The effective tax rate of the Group in 1998 is lower than the statutory income tax rate due mainly to:

- (i) reinvestment allowance claims under Schedule 7A of the Income Tax Act, 1967 and double deduction claims for certain research and development expenditure by one of the subsidiary companies; and
- (ii) utilisation of unutilised tax losses and unabsorbed capital allowances totalling RM1,822,700 by another subsidiary company to partially set-off the business income that would otherwise be taxable.

The effective tax rate of the Company in 1998 is higher than the statutory income tax rate due mainly to certain expenses which are not allowable as deduction for tax purposes.

## 24. EARNINGS PER ORDINARY SHARE

Earnings per ordinary share is calculated by dividing the profit attributable to shareholders of RM10,116,027 (RM6,228,555 in 1998) by the number of ordinary shares in issue during the financial year of 30,000,000 (the weighted average number of ordinary shares in issue of 11,958,333 in 1998).

## 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:

	<b>The Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>RM</b>	<b>RM</b>
Fixed deposit with a licensed bank (Note 14)	-	500,000
Cash and bank balances (Note 14)	4,023,066	374,357
Bank overdrafts (Note 16):		
Secured	(4,527,607)	(2,256,805)
Unsecured	(3,425,830)	(848,266)
	<u>(3,930,371)</u>	<u>(2,230,714)</u>

## 26. CONTINGENT LIABILITIES

The Company has given corporate guarantees totalling RM17,549,400 (RM15,071,100 in 1998) to certain financial institutions for overdraft and other credit facilities granted to certain subsidiary companies and an associated company. In addition, the Company has also given corporate guarantees totalling RM1,600,000 (RM2,100,000 in 1998) to certain suppliers of the associated company for credit terms granted. Accordingly, the Company is contingently liable to the financial institutions and suppliers to the extent of the amount of credit facilities utilised.

## 27. SIGNIFICANT EVENT

During the financial year, the entire issued and paid-up share capital of the Company was quoted on the Second Board of the Kuala Lumpur Stock Exchange.

## 28. SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the directors proposed the following corporate exercise which is subject to approvals by the relevant authorities and shareholders of the Company:

- (a) A proposed bonus issue of 15,000,000 new ordinary shares of RM1.00 each in the Company to be credited as fully paid-up on the basis of one (1) new ordinary share of RM1.00 each in the Company for every two (2) existing ordinary shares held at entitlement date by way of capitalisation of share premium account and unappropriated profit;
- (b) A proposed rights issue of 15,000,000 new ordinary shares of RM1.00 each in the Company on the basis of one (1) new ordinary share of RM1.00 each in the Company for every two (2) existing ordinary shares held at entitlement date;
- (c) A proposed executives' share option scheme for the eligible executives and executive directors of the Company and of its subsidiary companies;
- (d) Proposed increase in the authorised share capital of the Company from RM100,000,000, comprising 100,000,000 ordinary shares of RM1.00 each to RM500,000,000, comprising 500,000,000 ordinary shares of RM1.00 each through the creation of an additional 400,000,000 ordinary shares of RM1.00 each.

On 3 February 2000, the Group through its wholly-owned subsidiary company, Abric Worldwide Sdn. Bhd., incorporated a 70% owned subsidiary company, e-LOCKED dotcom, Inc. in the United States of America. The said subsidiary company, which is intended to be principally involved in the provision of digital sealing and information tracking systems, is expected to commence business operations on 1 June 2000.

## 29. SEGMENTAL INFORMATION

During the financial year, the Group principally operates in the following main industry segments:

Industry Segment	Description
Manufacturing	Manufacturing and marketing of security seals
Engineering	Services and products offered to the construction industry for curtain wall and cladding and related aluminium and glass work

The segment information by industry segment for the Group are as follows:

	Turnover RM	Profit /(Loss) Before Taxation RM	Assets Employed RM
<b>1999</b>			
Investment holding	440,734	(1,889,364)	36,096,491
Manufacturing	38,511,166	11,854,281	49,627,422
Engineering	14,866,791	1,240,823	20,082,597
Total	<u>53,818,691</u>	<u>11,205,740</u>	<u>105,806,510</u>
<b>1998</b>			
Investment holding	184,634	(410,490)	37,068,893
Manufacturing	21,513,861	4,682,816	19,386,796
Engineering	18,556,500	3,793,543	28,228,361
Total	<u>40,254,995</u>	<u>8,065,869</u>	<u>84,684,050</u>

The segment information by geographical location for the Group in 1999 are as follows:

	<b>Turnover RM</b>	<b>Profit Before Taxation RM</b>	<b>Assets Employed RM</b>
Malaysia	49,638,744	10,905,174	95,182,200
Europe	4,179,947	300,566	6,350,114
America	-	-	4,274,196
	<u>53,818,691</u>	<u>11,205,740</u>	<u>105,806,510</u>

In 1998, the Group operates principally in Malaysia and, accordingly, segment information by geographical location are not presented.

### 30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with their presentation in the current financial year.

## Kassim Chan



**Kassim Chan & Co** (AF 0080)  
Public Accountants  
Level 19, Uptown 1  
1 Jalan SS 21/58, Damansara Uptown  
47400 Petaling Jaya, Malaysia

Tel (603) 7161833, 7136500  
Fax (603) 7163986, 7168986  
E-mail [audit@kassimchan.com.my](mailto:audit@kassimchan.com.my)

P. O. Box 10093, 50704 Kuala Lumpur  
Malaysia

### REPORT OF THE AUDITORS TO THE MEMBERS OF

#### **ABRIC BERHAD**

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of 31 December 1999, the related profit and loss accounts and consolidated cash flow statement, together with the notes thereto, for the year then ended. These accounts are the responsibility of the Company's directors. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned accounts are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as of 31 December 1999 and of the results of the Group and of the Company and the cash flows of the Group for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the accounts and consolidated accounts; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(Forward)

**Deloitte Touche  
Tohmatsu**

We have considered the accounts and auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 6 to the Accounts, being accounts that have been included in the consolidated accounts.

We are satisfied that the accounts of the subsidiary companies that have been consolidated with the accounts of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

*Kassim Chan & Co*

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

*Yee Yoon Chong*

**YEE YOON CHONG**  
**1829/7/01 (J)**  
**Partner**

11 February 2000