

# UNITED CHEMICAL INDUSTRIES BERHAD (5990-P)

## Notes on the quarterly report – 31<sup>st</sup> March 2006

### 1 General Information

United Chemical Industries Berhad ("UCI"), a company incorporated and domiciled in Malaysia, is a public company limited by shares, and is listed on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

Its registered office is located at 6th Floor, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan. The principal place of business of the Company is located at Level 6, KUB.com, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

UCI is an investment holding company which was previously involved in the manufacture and sale of polypropylene and polyethylene woven bags together with its allied products. Its subsidiary company was previously involved in the manufacture and sale of geotextile fabrics together with its allied products.

The Company and its subsidiary company, Geotextiles (M) Sdn Bhd ceased manufacturing operations with effect from 1 April 2003.

### 2 Basis of Preparation

Arising from the cessation of the principal activities of the Company and its subsidiary company (collectively "the Group") on 1 April 2003 and the intention to dispose of all the principal operation assets of the Company and its subsidiary company without intention to resume business operations and the net deficiency in shareholders' funds of the Company and the Group as at 31 December 2005, the preparation of the financial statements on the going concern basis as at 31 December 2005 is no longer appropriate.

As such, adjustments have been made to the financial statements of the Company and the Group to reduce the carrying value of assets to their estimated recoverable amounts, to provide for losses and liabilities that might arise as a result of the cessation and to reclassify property, plant and equipment and other non-current assets and non-current liabilities as current assets and current liabilities respectively. Correspondingly the unaudited financial statements for this quarter were also prepared on the same basis.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the results reported for this quarter. Actual results and amounts of assets and liabilities could differ from those estimates.

The interim financial report is unaudited and comply with applicable approved accounting standards in Malaysia and the provisions of the Companies' Act, 1965, and has been prepared in accordance with Financial Reporting Standard (FRS) 134, Interim Financial Reporting (formerly known as MASB 26) and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 Dec 2005.

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### 3. Auditors' Report of Preceding Annual Financial Statements

In the audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2005, the auditors have expressed their opinion that:-

- a) the financial statements are properly drawn up in accordance with the provisions of the Companies' Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of:-
  - i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;
  - ii) the state of affairs of the Group and of the Company at 31 December 2005 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;
- and
- b) the accounting and other records and the registers required by the Companies' Act, 1965 to be kept by the Company and its subsidiary company have been properly kept in accordance with the said Act.

The audit report on the financial statements of the subsidiary company was not subject to any qualification and did not include any adverse comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

The bases of preparation of the audited financial statements are as follows:-

- (a) Arising from the cessation of the principal activities of the Company and its subsidiary company (collectively "the Group") on 1 April 2003 and the intention to dispose of all the principal operating assets of the Company and its subsidiary company without intention to resume business operations and the net deficiency in shareholders' fund of the Company and the Group as at 31 December 2005, the preparation of the financial statements on the going concern basis as at 31 December 2005 is no longer appropriate.
- (b) As such, adjustments have been made to the financial statements of the Company and the Group to reduce the carrying value of assets to their estimated recoverable amounts, to provide for losses and liabilities that might arise as a result of the cessation and to reclassify property, plant and equipment and other non-current assets and non-current liabilities as current assets and current liabilities respectively. Correspondingly, the unaudited financial statements for this quarter were also prepared on the same basis.
- (c) The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the results reported for the financial year. Actual results and amounts of assets and liabilities could differ from those estimates.

### 4 Exceptional Items

There were no exceptional items for the interim period under review.

### 5 Extraordinary Items

There were no extraordinary items for the interim period under review.

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### 6 Taxation

Since the Company is at a tax loss position, there is no taxation charge on the results for the financial period under review.

### 7 Property, Plant and Equipment and Depreciation

Arising from the cessation of the operations on 1 April 2003 of the Company and its subsidiary company and the intention to dispose of all the principal operating assets of the Company and its subsidiary company without intention to resume business operation and the net deficiency in shareholders' funds of the Company and the Group as at 31 December 2005 all property, plant and equipment have been reclassified to current assets at their carrying amount as at 31 December 2005. Property, plant and equipment classified under current assets are stated at the lower of their carrying amount and anticipated realisable value in subsequent financial years pending their disposal. Consequentially, the same basis was adopted to ascertain the valuation of all property, plant and equipment as at 31 December 2005. No depreciation charges were therefore provided for all these classes of assets.

### 8 Profit on Sales of Unquoted Investments and/or Properties

There is no disposal of unquoted investment or properties for the financial period under review.

### 9 (a) *Particulars of Purchase or Disposal of Quoted Securities*

There were no transactions in quoted securities for the financial period under review.

### (b) *Profits on Sale of Quoted Securities*

There were no sales of quoted securities for the financial period under review.

### 10 Status of Corporate Proposals

UCI had on 18 December 2002 made a Requisite Announcement on its restructuring plan to regularize its financial position as required under PN4/2001 of the Bursa Malaysia listing requirements after the execution of a Corporate Restructuring Agreement ("CRA") with Perbadanan Kemajuan Negeri Perak ("PKNP") and Majuperak Holdings Berhad (*formerly known as Majuperak Holdings Sdn Bhd and prior to that Aspirasi Ekuiti Sdn Bhd*) ("Newco").

Alliance Merchant Bank Berhad, on behalf of UCI, had submitted its restructuring proposal to the Securities Commission ("SC") and Foreign Investment Committee ("FIC") on 14 February 2003 and to the Ministry of International Trade and Industry ("MITI") on 17 February 2003.

UCI received a notice of hearing/deliberation on the de-listing of its securities of UCI by the Bursa Malaysia on 20 February 2003. The hearing by the Listing Sub-Committee was fixed on 12 March 2003. UCI had made an oral representation on its case at the hearing.

PKNP, the white knight, had also on 7 February 2003 and 8 May 2003 respectively received the approvals from the Ministry of Finance and the Economic Planning Unit, Prime Minister's Department on the corporatisation and privatisation of their property development business and assets via the reverse take over of UCI.

UCI had received approval from the FIC and MITI on 10 March 2003 and 9 April 2003 respectively.

On 30 May 2003, Bursa Malaysia has decided to await the outcome of the Company's application to the relevant authorities of its plan to regularise the financial position, given the fact that the Company has made submissions of its regularisation plan to the relevant authorities for approvals.

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On 3 July 2003, UCI, PKNP and Newco entered into a Second Supplementary Agreement for the purpose of amending certain provisions of the CRA and the Supplemental CRA which was entered into on 18 December 2002 and 13 February 2003 respectively. These amendments incorporate the following:-

- (a) the issuance of 2.5% Redeemable Convertible Unsecured Loan Stocks as proposed earlier be replaced by the proposed issuance of 2.5% Redeemable Convertible Secured Loan Stocks, to be secured against the existing assets of UCI which are presently charged to the secured lenders;
- (b) the proposed disposal of the Group's plant and machineries for a total cash consideration of RM2,500,000 and the disposal of the Group's business goodwill for a cash consideration of RM500,000 to Advance Technical Fabric Sdn Bhd ("Proposed Disposal");
- (c) the proposed transfer by the UCI Group of the remaining assets after the Proposed Disposal in (b) above to Newco; and
- (d) the proposed waiver to PKNP from a mandatory offer obligation to acquire the remaining Newco shares pursuant to the completion of the proposed corporate restructuring of UCI.

*(collectively hereinafter referred to as "the Updated Proposed Restructuring Exercise")*

On 4 July 2003, the Board of Directors of PKNP approved PKNP's corporate reorganisation plan which involves the participation of its subsidiaries, namely Harta Perak Corporation Sdn Bhd and Syarikat Majuperak Berhad in the restructuring and reverse take over of UCI.

On 6 August 2003, the SC approved UCI's application for a waiver from having to seek the SC's approval for the Proposed Disposal. The proceeds from the Proposed Disposal will be directly utilised to partially settle the amounts owing to the secured lenders of UCI, according to the charge over the assets disposed.

On 22 October 2003, Alliance Merchant Bank Berhad on behalf of UCI, submitted a Supplemental Application to seek the SC's approval for the Updated Proposed Restructuring Exercise as well as updating the financial forecast and projections of the acquiree companies.

On 10 November 2003, the High Court of Malaya granted UCI leave for the Proposed Disposal via a Validation Order pursuant to Section 176 (10C) of the Companies Act, 1965. The Proposed Disposal is now pending the release of the charge held by the secured lenders of UCI.

On 31 December 2003, the SC approved the Updated Proposed Restructuring Exercise without any revisions as follows:

- (i) Sub-division of each existing ordinary share in Newco from par value of RM1.00 each into two (2) ordinary shares of RM0.50 par value each;
- (ii) Proposed reduction of the issued and paid-up share capital of UCI from RM18,500,000 comprising 18,500,000 ordinary shares of RM1.00 each ("UCI Share") to RM7,955,000 comprising 18,500,000 ordinary shares of RM0.43 each by the cancellation of RM0.57 of the par value of each existing UCI Share and the subsequent consolidation of approximately every 2.326 ordinary shares of RM0.43 each into one (1) ordinary share of RM1.00 each in UCI ("Consolidated UCI Share") ("Proposed Capital Reduction");  
*(The Proposed Capital Reduction as set out above would give rise to a credit of RM10.545 million which will be utilised to reduce UCI's accumulated losses)*
- (iii) Proposed exchange of 7,955,000 Consolidated UCI Shares for 11,364,286 new ordinary shares of RM0.50 each in Newco pursuant to Section 176 of the Companies Act, 1965 after the Proposed Capital Reduction, at an issue price of RM0.70 per Newco share;

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- (iv) Proposed settlement of debts owing by the UCI Group to its creditors based on the cut-off date as at 31 March 2003 totalling RM56,228,236 via the issuance of RM11,630,998 nominal value of 2.5% redeemable convertible secured loan stocks in Newco ("RCSLS-A"), RM307,402 nominal value of 2.5% redeemable convertible secured loan stocks in Newco ("RCSLS-B"), RM7,025,530 nominal value of 0.5% redeemable convertible unsecured loan stocks in Newco ("RCULS"), and 15,064,286 new Newco shares at an issue price of RM0.70 per Newco share ("Proposed Debt Restructuring");
- (v) Proposed transfer by the UCI Group of its assets, namely the land and buildings, motor vehicles and capital work-in-progress, to Newco at a consideration of RM7,315,695 to be satisfied by Newco via a partial set-off of the consideration against the inter-company debts due to Newco by UCI arising from the debt settlement by Newco on behalf of UCI pursuant to the Proposed Debt Restructuring;
- (vi) Proposed acquisition by Newco of 100% equity interest in Harta Perak Corporation Sdn Bhd ("Harta Perak") comprising 200,004 ordinary shares of RM1.00 each in Harta Perak for a purchase consideration of RM64,687,404 to be satisfied by the issuance of 92,410,577 new Newco shares, at an issue price of RM0.70 per Newco share;
- (vii) Proposed scheme of arrangement between Syarikat Majuperak Berhad ("Majuperak"), its shareholders and Newco under Section 176 of the Act, whereby the shareholders of Majuperak will exchange 5,500,000 ordinary shares of RM1.00 each in Majuperak for 15,324,834 new Newco shares at an issue price of RM0.70 per Newco share and 135,851,142 irredeemable convertible preference shares ("ICPS") (including ICPS issued as a result of the novation to Newco of debts owing by Majuperak to PKNP of RM0.50 each at an issue price of RM0.50 per ICPS, the total consideration of which is equivalent to RM78,652,955 ("Proposed Majuperak Scheme");
- (viii) Proposed public issue of 9,000,000 new Newco shares at RM0.70 per share;
- (ix) Proposed offer for sale of 4,000,000 Newco shares by PKNP to the public at RM0.70 per share;
- (x) Proposed transfer of the listing status of UCI on the Second Board of the Bursa Malaysia to Newco, whereby the Newco shares will be listed on the Main Board of the Bursa Malaysia; and
- (xi) Listing and quotation of the entire enlarged Newco shares and ICPS issued pursuant to the implementation of the Updated Proposed Restructuring Exercise and new Newco shares to be issued upon the conversion of RCSLS-A, RCSLS-B, RCULS and ICPS on the Bursa Malaysia.

The approval of the SC as stated above is subject to the following conditions:

- (i) UCI/Newco is required to make full disclosure in the circular to shareholders and the prospectus on the following:
  - (a) Risk factors associated with the business operations of Newco in property development, dependence of Newco on PKNP's business operations and management, market focus of Newco in the state of Perak, and action plan taken/ to be taken by Newco to mitigate the said business risks;
  - (b) PKNP's plan to delegate its property development activities to the Harta Perak Group and the Majuperak Group under Newco and the Newco Group's plan to explore markets outside the state of Perak as part of its business strategy; and
  - (c) An effective management succession plan that ensures continuity in the management of the Newco Group in the property development operations;

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- (ii) In relation to the trade debtors of the Harta Perak Group and the Majuperak Group,
  - (a) full provision should be made for all overdue trade debtors which are in dispute or under legal action, or amounts which have been outstanding for more than six (6) months; and
  - (b) confirmation by the directors of the Harta Perak Group and the Majuperak Group to the SC that the trade debts exceeding the credit period are still recoverable and that full provision for the trade debts as mentioned in paragraph (ii)(a) above has been made in the accounts/ forecast/ projections of the Harta Perak Group and the Majuperak Group;
- (iii) Vendors of the Harta Perak Group and the Majuperak Group are required to pay Newco for any provision for doubtful debts/ bad debts which, at the completion date of the acquisition of the Harta Perak Group and Majuperak Group, had not been provided for or disclosed in the circular to shareholders or prospectus;
- (iv) Moratorium condition to be imposed on 53,867,706 Newco shares and 67,925,571 ICPS in Newco representing 50% of the total new Newco shares and ICPS issued to the vendors of Harta Perak and Majuperak as well as on new Newco shares to be issued upon the conversion of the ICPS under moratorium, for a period of one (1) year from the date the said Newco shares and ICPS are listed on the Bursa Malaysia. Alliance Merchant Bank Berhad/Newco is required to submit the list of shareholders and the quantum of their Newco shares and ICPS to be subjected to moratorium prior to the implementation of the Updated Proposed Restructuring Exercise;
- (v) The directors and the substantial shareholders of the Newco Group should not be involved in any business, which would be in conflict with the business of the Newco Group's business. Detailed disclosure of their involvement in similar business or competing business (if any) must be fully disclosed in the circular to shareholders and the prospectus. All business transactions between the Newco Group and PKNP and its subsidiary companies must be conducted at arm's length basis and should not be to the disadvantage to the Newco Group;
- (vi) UCI/ Newco is required to appoint an independent firm of auditors within two (2) months from the date of the SC's approval letter so as to ascertain the reasons for the past losses of UCI. The directors and management of UCI/ Newco are required to give full co-operations during the course of the investigative audits. UCI is also required to take the necessary/ related actions to recover the past losses. Based on the results of the investigative audits, UCI is required to report to the relevant authorities should there have been any transgression of any relevant laws, regulations, guidelines or the Memorandum and Articles of Association of UCI relating to UCI's Board of Directors and/ or any other relevant party that resulted in the said losses. The investigative audits must be completed within six (6) months from the date of appointment of the independent firm of auditors and appropriate announcement must be made on the findings of the investigative audits. Four (4) copies of the investigative report must be forwarded to the SC after the completion of the audit;
- (vii) Alliance Merchant Bank Berhad and Newco have to obtain the approval from the SC in respect of any changes to the terms and conditions of the RCSLS-A, RCSLS-B and RCULS; and
- (viii) Alliance Merchant Bank Berhad and UCI/ Newco are required to fully comply with the relevant requirements in relation to the implementation of the Updated Proposed Restructuring Exercise.

In the letter dated 31 December 2003, the SC has stated that it has no objection to the fixing of the conversion price of ICPS, RCULS-A, RCULS-B and RCULS at RM0.70 for each Newco share.

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On 12 January 2004, the SC granted a waiver to Perbadanan Kemajuan Negeri Perak ("PKNP") from the obligation to extend a mandatory offer arising from the implementation of the proposed corporate restructuring exercise of UCI. In the submission to the SC on 14 February 2003, Alliance Merchant Bank Berhad had, on behalf of PKNP, sought a waiver under Practice Note 2.9.3 of the Malaysian Code of Take-overs and Mergers, 1998, ("Code") from the requirement to extend a mandatory offer imposed under Part II of the Code to acquire the remaining ordinary shares of RM0.50 each in Aspirasi Ekuiti Sdn Bhd not held by PKNP upon the completion of the proposed corporate restructuring exercise of UCI.

On 24 February 2004, the Board of Directors of UCI appointed Messrs AljeffriDean & Co as an independent firm of auditors to conduct investigation audits on UCI, in compliance with the one of the conditions imposed by the SC in approving the Updated Proposed Restructuring Exercise. The purpose of the investigation audit is to ascertain the reasons for the past losses of UCI and in particular to find out if there have been any transgression of any relevant laws, regulations, guidelines or the Memorandum and Article of Association of UCI relating to UCI's Board of Directors and/ or any other relevant party that resulted in the said losses. The investigative audits must be completed within six (6) months from the date of appointment of the independent firm of auditors, or by 24 August 2004, and appropriate announcement must be made on the findings of the investigative audits.

On 3 March 2004, UCI, PKNP and Newco had agreed to change the method of share issuance and offering for the proposed public issue of 9,000,000 ordinary shares of RM0.50 each in Newco ("Newco Shares") and the proposed offer for sale of 4,000,000 Newco Shares by PKNP shall, subject to the approvals of the SC and other relevant authorities, be proceeded by way of placement to identified individuals and corporations.

On 1 April 2004, the SC approved the proposed variation to the method of shares issuance and offering for the proposed public issue of 9,000,000 ordinary shares of RM0.50 each in Newco ("Newco Shares") and the proposed offer for sale of 4,000,000 Newco Shares by PKNP shall, subject to the approvals of the SC and other relevant authorities, be proceeded by way of placement to identified individuals and corporations ("Proposed Placement"). The SC's approval is subject to Alliance Merchant Bank Berhad/the placement agent submitting to the SC the final list of placees who are the ultimate beneficiaries of the Newco Shares and confirmation that the Proposed Placement fully complies with the requirements stipulated under the Policies and Guidelines on Issue/ Offer of Securities.

On 22 April 2004, MITI informed that it has no objection to the revisions made to the Updated Proposed Restructuring Exercise, subject to UCI obtaining approval of the SC and the compliance with the guidelines on acquisition of interests, mergers and take-overs; and all other conditions as set out in MITI's letter dated 16 February 2004 remain unchanged.

On 23 June 2004, the members of Majuperak, in its Court Convened Meeting, approved the Proposed Majuperak Scheme in accordance with the provisions of Section 176 (3) of the Companies Act, 1965. The Proposed Majuperak Scheme forms one of the components of the Updated Proposed Restructuring Exercise.

On 28 June 2004, the SC approved the application by Alliance Merchant Bank Berhad, on behalf of UCI, to seek a waiver from the SC from having to issue/transfer and register the titles of the properties under the name of Jua Juara Sdn Bhd ("JJSB") and Tenaga Danawa Sdn Bhd ("TDSB"). JJSB and TDSB are wholly owned subsidiaries of Harta Perak Corporation Berhad, which will be injected into Newco as part of the Updated Proposed Restructuring Exercise.

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The approval of the SC is subject to the following conditions:

1. UCI is required to obtain a full and irrevocable power of attorney from PKNP in favour of JJSB and TDSB, whichever is applicable, in respect of the properties before the implementation of the Updated Proposed Restructuring Exercise; and
2. UCI is required to disclose the information in the circular to shareholders on the following:
  - (a) The ownership interest, rights and obligations on the properties; and
  - (b) Risk factors associated with the ownership interest, rights and obligation on the properties.

On 2 August 2004, the SC on behalf of the FIC, approved the revisions made to the Updated Proposed Restructuring Exercise in respect of the variation to the method of offering for the new share issuance and share offering by Newco and PKNP respectively. All other conditions as set out in the FIC's letter dated 10 March 2003 in respect of its earlier approval shall remain unchanged.

The Updated Proposed Restructuring Exercise is currently subject to the following approvals being obtained:-

- the creditors of UCI for the Proposed Debt Restructuring;
- the shareholders of UCI;
- the High Court of Malaya; and
- Bursa Malaysia for the listing of and quotation for the new ordinary shares and the irredeemable convertible preference shares in Newco to be issued.

On 10 August 2004, Alliance Merchant Bank Berhad on behalf of UCI and Messrs AljeffriDean & Co., submitted an application to the SC to seek an extension of time for the completion and submission of the investigation audit report by Messrs AljeffriDean & Co to the SC from the original deadline of 24 August 2004 for a period of three months to 24 November 2004.

On 24 August 2004, the SC approved the extension of time of three months, from 24 August 2004 to 24 November 2004, for Messrs AljeffriDean & Co to complete and submit the investigative audit report to the SC.

On 20 September 2004, the High Court of Malaya in Ipoh had granted an extension to the existing Court Order for UCI to hold its court convened meetings pursuant to Section 176(1) of the Companies Act 1965 for a period of 3 months from 3 September 2004 to 3 December 2004. The previous Court Order had expired on 3 September 2004.

On 24 November 2004, Messrs AljeffriDean & Co. submitted the investigative audit report on UCI's past losses to the SC, in compliance with one of the conditions imposed by the SC in the letter dated 31 December 2003 which approved the Updated Proposed Restructuring Exercise.

On 8 December 2004, the High Court of Malaya in Ipoh granted UCI the following:-

- (i) an extension to the Order for the UCI to hold court convened meetings, separately between:
  - (a) its shareholders;
  - (b) its secured creditors; and
  - (c) its unsecured creditors,

pursuant to Section 176(1) of the Companies Act, 1965. The said Order expired on 3 December 2004, and the High Court of Malaya granted UCI an extension for a period of six (6) months from 3 December 2004 to 3 June 2005;

- (iii) a nine (9) months extension to the existing Restraining Order from 9 December 2004 to 9 September 2005, pursuant to Section 176(10) of the Companies Act, 1965.



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On 8 December 2004, the SC approved the extension of time for completion of the Updated Proposed Restructuring Exercise for a period of 6 months until 30 June 2004.

On 31 December 2004, UCI, PKNP and Newco had, mutually agreed to extend the completion date of the Corporate Restructuring Agreement dated 18 December 2002 to 30 June 2005.

On 20 June 2005, the High Court of Malaya in Ipoh had granted an extension to the Court Order which had expired on 3 June 2005 for UCI to hold its court convened meetings pursuant to Section 176(1) of the Companies Act 1965 for a further period of six (6) months to 3 December 2005.

On 27 June 2005, SC approved UCI's application for a further extension of time of six (6) months to 31 December 2005, for UCI to complete its proposed restructuring exercise.

On 30 June 2005, UCI, Perbadanan Kemajuan Negeri Perak and Newco had agreed to extend the completion date of the Corporate Restructuring Agreement to 31 December 2005.

On 15 August 2005, Alliance Merchant Bank Berhad announced the Notice of Extraordinary General Meeting for the shareholders of UCI and the Notice of Court Convened Meetings for the secured creditors, unsecured creditors and the shareholders of UCI, all of which are to be held on 8 September 2005, in accordance with Section 176 of the Companies Act, 1965. On the same date, the Originating Summons giving notice to the Court Convened Meetings for the secured creditors, unsecured creditors and the shareholders of UCI, as approved by the High Court of Malaya, was also announced by Alliance Merchant Bank Berhad.

On 7 September 2005, the High Court of Malaya in Ipoh had granted an a nine (9) months extension to the existing Restraining Order from 9 September 2005 to 9 June 2006, pursuant to Section 176(10) of the Companies Act, 1965.

On 8 September 2005, Alliance Merchant Bank Berhad announced that UCI had successfully obtained the requisite majority, comprising a minimum of three-fourths (75%) in the value or voting rights and a majority in the number of voters present and voting, in each of the Court Convened Meetings of its secured lenders, unsecured lenders and shareholders, for the Proposed Debt Restructuring and the Proposed Capital Reduction. In addition, the shareholders of UCI have also approved the Updated Proposed Restructuring Exercise in the Extraordinary General Meeting which was convened on the same day.

On 17 October 2005, the High Court of Malaya in Ipoh granted its Sanction for the scheme of arrangement and compromise between UCI, its shareholders and Newco and the scheme of arrangement between Majuperak, its shareholders and Newco pursuant to Section 176 of the Companies' Act, 1965 in relation to the Updated Proposed Restructuring Exercise. With the granting of this Court Sanction, the Proposed Capital Reduction, the Proposed Debt Restructuring and the Proposed Majuperak Scheme are now unconditional and legally binding on all parties involved.

On 20 October 2005, Alliance Merchant Bank Berhad on behalf of UCI and Messrs AljeffriDean & Co. announced the findings of the investigative audit performed by Messrs AljeffriDean & Co., and was completed on 24 November 2004 as one of the conditions imposed by the SC in its letter dated 31 December 2003.

On 28 December 2005, the SC approved UCI's application for a further extension of time of six (6) months to 30 June 2006, for UCI to complete its proposed restructuring exercise.

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On 30 December 2005, UCI, Perbadanan Kemajuan Negeri Perak and Newco had agreed to extend the completion date of the Corporate Restructuring Agreement to 30 June 2006.

On 21 February 2006, the High Court of Malaya in Ipoh granted UCI and Majuperak Holdings Berhad ("Newco") a Vesting Order which will facilitate Newco settling UCI's liabilities under the Corporate Restructuring Exercise whereby all of the assets of UCI will be transferred to Newco and collateralised against the issuance by Newco of 2.5% Redeemable Convertible Secured Loan Stocks to the secured creditors of UCI.

Upon approval by Bursa Malaysia, the relevant authorities, the creditors of UCI, the shareholders of UCI and the implementation of the Updated Proposed Restructuring Exercise, UCI would be able to meet the minimum share capital requirement of RM 60 million for a listing on the Main Board of Bursa Malaysia as required by the SC.

### **11 Debt and Equity Securities**

There are no issuance, cancellation, repurchase, resale and repayment of debts and equity securities.

### **12 Related party Transactions**

There were no related party transactions for the quarter under review, other than the rental and utilisation of ancillary services for the Company's corporate office in Kuala Lumpur from the KUB Malaysia Berhad Group, at a monthly rental rate of RM2.21 per sq. ft. or a total amount of RM2,000. This rental rate is lower than the average rate offered to other tenants of KUB.com of RM2.80 per sq. ft.

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### 13 Group Borrowings and Debt Securities

The total Group borrowings as at 31 March 2006 are as follows:-

		RM (‘000)
<b><u>SECURED</u></b>		
Term Loan (SME Bank Berhad)	(a)	893
Interest		431
Revolving Loan (SME Bank Berhad)	(a)	1,458
Interest		1,134
Syndicated Term Loan (Affin Merchant Bank):	(b)	
Drawn down on 23 January 1997		30,000
Interest		28,048
		<b><u>61,964</u></b>
<b><u>UNSECURED</u></b>		
Term Loan (RHB Bank)		3,777
Interest		2,236
Revolving Credit (UOB)		1,500
Interest		367
Bank Overdraft (UOB)		819
		<b><u>8,699</u></b>
<b>SECURED</b>		<b>61,964</b>
<b>UNSECURED</b>		<b>8,699</b>
<b>Total Borrowings</b>		<b><u>70,663</u></b>

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### **NOTES :-**

- (a) *The Term Loan and Revolving Loan facilities granted by SME Bank Berhad (formerly known as Bank Industri & Teknologi Malaysia Berhad) were secured on a debenture by way of 1st fixed charge on the machineries and equipment of UCI financed by the bank and a debenture by way of fixed and floating charge over the present and future assets of the Company.*
- (b) *The Syndicated Term Loan facility granted by Affin Merchant Bank Berhad was secured on a debenture by way of 1st charge over all the present and future assets of the Company.*

*Commencing from 3 May 2002, the Company had announced the loan defaults for the Term Loan and Revolving Credit granted by BITM totalling RM 2.55 million and also the Term Loan outstanding of RM 3.98 million due to RHB Bank Berhad ("RHB").*

*RHB has on 4 July 2002 filed a Writ of Summons against UCI for the recovery of the Term Loan extended to UCI. UCI's solicitor has since filed a Memorandum of Appearance on behalf of UCI on 20 August 2002. This legal action has since been held in abeyance pending the completion of the corporate restructuring exercise.*

### **14 Capital Commitments**

There were no capital commitments for the financial period under review.

### **15 Changes in Contingent Liabilities / Contingent Assets**

There have been no changes in contingent liabilities since the last audited balance sheet as at 31 December 2005.

### **16 Off Balance Sheet Financial Instrument**

There were no off balance sheet financial instruments for the financial period under review.

# UNITED CHEMICAL INDUSTRIES BERHAD (5990-P)

## Notes on the quarterly report – 31<sup>st</sup> March 2006

### 17 Material Litigation

Save as disclosed below, UCI and its subsidiary company are not in any material litigations, either as plaintiff or defendant, and the Directors of UCI have no knowledge of any proceedings, pending or threatened, against UCI and/or its subsidiary company or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of UCI and/or its subsidiary company.

### UCI Against Third Parties

#### **(a) UCI - vs. - Sungei Wang Properties Sdn Bhd (Claim for Refund of Deposit)**

A Demand Letter was sent on 14 September 2001 to Sungei Wang Properties Sdn Bhd ("SWP") for the recovery of RM 35,300,000.00 due to UCI from SWP as a result of the termination of the Sale & Purchase and Supplemental Sale & Purchase Agreement entered into for the acquisition of the entire paid up capital of Hongkew Holdings (M) Sdn Bhd. The extracted Writ of Summons was served on SWP on 25 February 2002. SWP had on 13 March 2002 filed its defence on the Writ of Summons and also a counterclaim of RM 45,000,000.00. UCI had filed its reply and the defence on the counterclaim on 8 April 2002 and applied for Summary Judgement on UCI's claim and the striking out of SWP's counter-claim.

Both of these applications by UCI have been dismissed by the court at its hearing on 20 December 2002. Subsequently, UCI has filed in a Notice of Appeal and on 25 March 2005, the High Court of Malaya dismissed UCI's appeal and deemed that there are issues to be tried on both parties' applications. On 22 April 2005, UCI's solicitor filed an appeal to the Court of Appeal against the decision by the High Court of Malaya

#### **(b) UCI - vs. - Sakma Trading & Industry Sdn Bhd**

A claim against Sakma Trading & Industry Sdn Bhd for debts of RM 20,487.98. An application to amend the judgement sum in the earlier judgement dated 17 July 2002 (which was then set at RM2,847.28). On 5 February 2004, the Magistrate Court has amended the judgement to reflect a more appropriate sum of RM20,487.98.

#### **(c) UCI - vs. - RBI Rubber Base Industries Sdn Bhd**

A claim against RBI Rubber Base Industries Sdn Bhd ("RBI") for debts of RM 189,942.29. UCI's lawyer recorded the terms of settlement in court and approved by RBI in court on 19 November 2002. To date RM 50,000.00 has been received.

#### **(d) UCI - vs. - Konome Polymer (M) Sdn Bhd**

A claim against Konome Polymer (M) Sdn Bhd for debts of RM 311,057.32. UCI has filed Writ Summons & Statement of Claim on 20 September 2002. Konome Polymer (M) Sdn Bhd has filed a counter-claim amounting to RM 579,750.00. Case Management has been fixed on 11 July 2006.

### Third Parties Against UCI

#### **(a) SA Architects Sdn Bhd - vs. - UCI**

A claim from SA Architects Sdn Bhd amounting to RM 116,943.75 for professional fee for the proposed development of UCI's Seberang Jaya land. UCI has initiated its defence of this claim and also seeking an agreement with the plaintiff to settle the case out of court. The plaintiff has applied to amend their statement of claim, which was allowed by the Kuala Lumpur Session Court on 29 October 2003. On 24 January 2006, further mention date has been fixed on 14 Jun 2006.

# UNITED CHEMICAL INDUSTRIES BERHAD (5990-P)

## Notes on the quarterly report – 31<sup>st</sup> March 2006

### **(b) Third Party Notice Action By Eng Poh Hong @ Wong Choon Ming - vs. – UCI**

UCI was served with a Third Party Notice and Writ of Summons on 14 January 2002 by the defendant, Mr Eng Poh Hong @ Wong Choon Ming in relation to a claim by United Overseas Bank (Malaysia) Berhad against himself of the sum of RM 2,011,054.46 for settlement of outstanding overdraft and revolving credit facilities. The defendant of this matter is being sued in his capacity as the guarantor for the said facilities taken by UCI. The case has been mentioned on 21 May 2002 in court and the court has dismissed on the same date the application by Mr Eng Poh Hong to strike out the case brought against him by the bank. UCI will proceed with its defence under the Third Party Notice.

### **(c) Robotech (M) Sdn Bhd - vs. – UCI**

A claim from Robotech (M) Sdn Bhd amounting to RM 85,500.00 for charges of installation of CCTV facilities at UCI's plant in Seberang Prai, Pulau Pinang. Judgement granted for plaintiff. UCI filed in the appeal and also the application for a stay of execution and was rejected on 27 January 2003. UCI filed in its appeal on 25 February 2003. Robotech has given the S 218 Notice to UCI dated 18 February 2003 giving UCI 21 days to settle the amount claim including cost and interest failing which a petition for winding up will be taken against UCI. On 13 March 2003, Robotech (M) Sdn Bhd attempted to enforce a seizure notice on UCI but UCI had obtained restraining order from the High Court of Malaya in Ipoh on 10 March 2003. This restraining order has since been extended until 9 June 2006.

### **(d) Sungei Wang Properties Sdn Bhd - vs. - UCI (Claim for Rental)**

SWP has initiated action to claim for rental due to them of RM 295,750.00 for the period from 1 July 2000 until 31 August 2001. During the period from 1 November 1996 until 31 August 2001, UCI had occupied 6,800 sq. ft. of office space on the West Wing, 20<sup>th</sup> floor, Plaza Permata, 50400 Kuala Lumpur which was rented from SWP for a total rental amount of RM22,750 per month. On 21 December 2005, the Plaintiff's solicitors did not attend the mention, and they have now written to the Court to acquire the status, after which they will inform UCI's solicitor, Messrs Rusnah Loh Ng & Co., accordingly.

## **18 Segment Revenue and Results**

No segment analysis has been prepared in view of cessation of the manufacturing operations with effect from 1 April 2003 and the similarity of the manufacturing operations within the Group.

## **19 Review of Quarterly Results**

The Group did not record any revenue in this quarter, which was the same situation as the preceding year's corresponding quarter, due to the lack of any income generating activities following the Group's cessation of the manufacturing operations with effect from 1 April 2003. For the quarter ended 31 March 2006, the Group recorded a loss before taxation of RM1.94 million as compared to a loss before taxation of RM1.75 million recorded in the previous corresponding quarter. The losses were mainly attributable to higher interest charges accruing on the Group's borrowings of RM1.81 million, compared to RM1.64 million in the previous corresponding quarter. The other operating income of was derived from the rental of the Group's factory premises in Seberang Prai to a third party.

## **20 Review of Performance of Company and its Subsidiary**

The Group has ceased its manufacturing operations with effect from 1 April 2003 and presently does not have any principal business activities. Hence, a review of performance of the Company and its subsidiary is not applicable.

# UNITED CHEMICAL INDUSTRIES BERHAD (5990-P)

## Notes on the quarterly report – 31<sup>st</sup> March 2006

### 21 Material Events Subsequent to the End of Reporting Period

On 14 April 2006, Bursa Malaysia granted its approval in principle for the listing of and quotation for the new securities to be issued by Newco, Majuperak Holdings Berhad (“MHB”) pursuant to the corporate restructuring exercise of UCI.

On 5 May 2006, Alliance Merchant Bank Berhad on behalf of UCI announced UCI’s Notice of Books Closure which accompanied the Circular to the Shareholders of UCI in relation to UCI’s capital reduction and share consolidation and following that, the share exchange involving the recall of UCI’s consolidated shares and the issuance of new MHB shares in exchange to the existing shareholders of UCI which is a part of the implementation of the corporate restructuring exercise of UCI.

### 22 Seasonal and Cyclical Factors

These are not applicable as UCI has ceased its business operations effective from 1 April 2003.

### 23 Current Year Prospects

The Group has ceased its manufacturing operations and under the proposed corporate restructuring exercise, the listing status will be assumed by a new company, which will have a core business of property development and related activities. The SC has given the company a time frame of up to 30 June 2006 to complete the implementation of its corporate restructuring exercise.

### 24 Profit Forecast or Profit Guarantee

There was no profit forecast provided by the Company.

### 25 Changes in Estimates

There have been no changes in estimates having a material effect in the current interim period.

### 26 Changes in Composition of the Group

For the current interim period there is no record of changes in the composition of the Company.

### 27 Dividend

No Dividend has been declared and paid.

### 28 Earnings Per Share

In respect of the calculation of the loss per share:-

- (i) The amount used as the numerators are a loss before tax and a loss after tax of RM1.94 million for the current quarter (previous corresponding period: a loss before tax and a loss after tax of RM1.75 million) and a cumulative loss before tax and a cumulative loss after tax of RM1.94 million for the year-to-date (previous corresponding period year-to-date: a cumulative loss before tax and a cumulative loss after tax of RM1.75 million)
- (ii) The number of ordinary shares used as the denominator is 18,500,000 (number of ordinary shares for the previous corresponding period: 18,500,000).

*Note:- No diluted earnings or weighed average number of ordinary shares are applicable in this case.*