

9. INVESTMENT IN SUBSIDIARY COMPANIES

These consist of:

	The Group		The Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Consolidated subsidiary companies:				
Unquoted shares at cost less pre-acquisition dividends received	-	-	3,000,010	3,000,004
Unconsolidated subsidiary companies:				
Unquoted shares at cost less recovery of profit shortfall of a foreign subsidiary company (Note 15)	3,982,570	3,982,570	3,982,570	3,982,570
Amount owing by subsidiary companies	1,816,650	1,782,020	22,587,036	22,034,034
Less: Provision for doubtful debts	-	-	(11,000,000)	-
	<u>1,816,650</u>	<u>1,782,020</u>	<u>11,587,036</u>	<u>22,034,034</u>
	<u>5,799,220</u>	<u>5,764,590</u>	<u>18,569,616</u>	<u>29,016,608</u>

The net investment of RM5,799,220 (RM5,764,590 in 1999) for the Group pertains to the unconsolidated subsidiary companies.

Details of the subsidiary companies, all of which are incorporated in Malaysia, except for the non-consolidated subsidiary companies, Jutai Investments Limited (incorporated in the British Virgin Islands) and its subsidiary companies, Xiamen Jutai Invest Development Company Limited and Suzhou Henyu Real Estate Development Co. Ltd. (both incorporated in the People's Republic of China), are as follows:

Name of Company	Effective Ownership		Principal Activities
	2000 %	1999 %	
Direct Subsidiary Company			
Silverlight Prospects Sdn. Bhd.	100	100	Investment holding
Arena Raya Sdn. Bhd.	100	100	Investment holding
Jutai Investments Limited +	100	100	Investment holding

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Name of Company	Effective Ownership		Principal Activities
	2000 %	1999 %	
Crest Assets Sdn. Bhd.	100	-	Investment activities
Phroz Jaya Sdn. Bhd.	100	-	Dormant
Summitwin Sdn. Bhd.	100	-	Dormant
Indirect Subsidiary Company			
Xiamen Jutai Invest Development Company Limited (held through Jutai Investments Limited) +	100	100	Property investment and property development
Suzhou Henyu Real Estate Development Co. Ltd. (held through Xiamen Jutai Invest Development Company Limited) +	97	97	Property development
Heap Seng Heng (M) Sdn. Bhd. (held through Silverlight Prospects Sdn. Bhd.)	100	100	Marketing of paints and related products
Heap Seng Heng Paints Sdn. Bhd. (held through Silverlight Prospects Sdn. Bhd.)	100	100	Marketing of paints and related products
Mercury Paints Factory Sdn. Bhd. (held through Silverlight Prospects Sdn. Bhd.)	100	100	Manufacturing and sale of putty, underseal, lacquer and paints for the automotive and housing industry

Amount owing by subsidiary companies arose mainly from non-interest bearing advances and expenses paid on behalf.

+ Audited financial statements of these companies are not available. In prior years, the financial statements of these companies were examined by auditors other than the auditors of the Company.

10. **INVESTMENT IN ASSOCIATED COMPANIES**

Investment in associated companies, pertaining to the Group, consists of:

	The Group	
	2000	1999
	RM	RM
Share of net tangible assets	-	-
Amount owing by associated companies	922,333	922,333
Less : Provision for doubtful debts	(922,333)	(922,333)
	-	-
	-	-

Details of the associated companies are as follows:

Name of Company	Country of Incorporation	Effective Ownership		Principal Activities
		2000	1999	
		%	%	
Baoding Mercury Chemical Products Co. Ltd. (held indirectly through Mercury Paints Factory Sdn. Bhd.)	The People's Republic of China	50	50	Manufacturing and sale of putty. Ceased operations.
Hebei Jiahua Paint Co. Ltd. (held indirectly through Mercury Paints Factory Sdn. Bhd.)	The People's Republic of China	50	50	Manufacturing and sale of paints. Ceased operations.
Xiamen Hua Xia Plaza Construction Co. Ltd. (held indirectly through Xiamen Jutai Invest Development Company Limited)	The People's Republic of China	30	30	Property development

Amount owing by associated companies arose mainly from interest-free advances with no fixed repayment terms.

11. **OTHER INVESTMENTS**

Other investments consist of the following:

	The Group and The Company	
	2000	1999
	RM	RM
Quoted shares - at cost		
Shares in corporations in Malaysia	3,306,449	-
	<u>3,306,449</u>	<u>-</u>
Market value of quoted shares	1,347,555	-
	<u>1,347,555</u>	<u>-</u>

12. **EXPENDITURE CARRIED FORWARD**

Expenditure carried forward, pertaining to two subsidiary companies, consists of:

	The Group	
	2000	1999
	RM	RM
Preliminary expenses	6,500	6,500
Pre-operating expenses	7,000	7,000
	<u>13,500</u>	<u>13,500</u>
Cumulative amortisation	(7,500)	(7,500)
	<u>6,000</u>	<u>6,000</u>
Amount written-off	(6,000)	-
	<u>-</u>	<u>6,000</u>

13. **INVENTORIES**

Inventories, pertaining to the Group, consist of:

	The Group	
	2000	1999
	RM	RM
At cost:		
Raw materials	3,755,779	2,415,690
Finished goods	449,060	190,838
Trading merchandise	1,863,708	2,411,015
	<u>6,068,547</u>	<u>5,017,543</u>
Less: Provision for inventory obsolescence	(19,780)	(299,406)
	<u>6,048,767</u>	<u>4,718,137</u>

14. TRADE RECEIVABLES

Trade receivables, pertaining to the Group, are as follows:

	The Group	
	2000	1999
	RM	RM
Trade receivables	17,071,895	13,662,505
Less: Provision for doubtful debts	<u>(1,059,306)</u>	<u>(2,113,655)</u>
Net	<u><u>16,012,589</u></u>	<u><u>11,548,850</u></u>

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Other receivables, deposits and prepayments are as follows:

	The Group		The Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
Other receivables, deposits and prepayments	106,326,512	122,215,779	93,793,538	101,545,870
Less: Provision for doubtful debts	<u>(91,072,896)</u>	<u>(93,622,980)</u>	<u>(91,072,896)</u>	<u>(93,622,980)</u>
Net	<u><u>15,253,616</u></u>	<u><u>28,592,799</u></u>	<u><u>2,720,642</u></u>	<u><u>7,922,890</u></u>

Included in other receivables, deposits and prepayments of the Company and of the Group is an amount of RM91,072,896 (RM97,042,980 in 1999) representing an accrual for recovery of the shortfall in the profit before tax of a foreign subsidiary company for the period 1st July, 1995 to 30th June, 1998 as provided for under an agreement between the vendor of the said subsidiary company and the Company.

The Directors of the Company are presently vigorously pursuing, through legal means, the recovery of the said amount. However, on the grounds of prudence, provision for doubtful recovery of the said amount has been made in the financial statements.

Also, included in other receivables, deposits and prepayments of the Company and of the Group is an amount of RM2,612,071 (RM2,612,071 in 1999) representing an accrual for recovery of the shortfall in the profit before tax of three local subsidiary companies for the period 1st September, 1997 to 31st December, 1998 as provided for under a management agreement between a third party and the Company.

Included in other receivables, deposits and prepayments of the Group is an amount of RM4,000,000 (RM15,000,000 in 1999) representing the balance of initial deposit paid in respect of the proposed acquisition of the entire issued and paid-up share capital of Mahawira Sdn. Bhd., a company incorporated in Malaysia, for a purchase consideration of RM118,000,000 which was subsequently revised downwards to RM80,000,000. However, during the current financial year, the said proposed acquisition of Mahawira Sdn. Bhd. was not approved by the relevant government authorities and, accordingly, an amount of RM11,000,000 of the said initial deposit paid had been forfeited in accordance with the Sale and Purchase Agreement and had been included as an exceptional item under Note 5.

16. OTHER PAYABLES AND ACCRUED EXPENSES

Included in other payables and accrued expenses of the Group is an amount of RM21,646,225 (RM18,979,553 in 1999) representing partial subscription monies received from a third party by a subsidiary company in respect of the proposed issue of RM24,000,000 nominal amount 4 % Redeemable Convertible Secured Loan Stock by the said subsidiary company.

17. HIRE-PURCHASE AND LEASE PAYABLES

Hire-purchase and lease payables consist of:

	The Group and The Company	
	2000 RM	1999 RM
Total outstanding obligations:		
Hire-purchase	15,364	27,305
Lease	-	4,241
	15,364	31,546
Less: Current portion (included under other payables and accrued expenses)		
Hire-purchase	11,311	11,941
Lease	-	4,241
	11,311	16,182
Non-current portion	4,053	15,364

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The interest rates implicit in these hire-purchase and finance lease obligations range from 6.5% to 10.2% (6.5% to 10.2% in 1999) per annum and the non-current portion is payable as follows:

	The Group and The Company	
	2000	1999
	RM	RM
2001	-	11,311
2002	4,053	4,053
	<u>4,053</u>	<u>15,364</u>

18. **BANK BORROWINGS (UNSECURED)**

Bank borrowings, pertaining to the Group, consist of:

	The Group	
	2000	1999
	RM	RM
Bank overdrafts	1,278,528	312,892
Bankers' acceptances	244,381	108,000
	<u>1,522,909</u>	<u>420,892</u>

The Group has bank overdrafts and other credit facilities totaling RM6,790,000 (RM6,890,000 in 1999) obtained by certain subsidiary companies. These credit facilities are covered by negative pledge on all the assets of the said subsidiary companies and are guaranteed by the Company. These facilities bear interest at rates ranging from 8.05% to 8.80% (7.65% to 13.05% in 1999) per annum.

19. **DEFERRED TAX LIABILITIES**

	The Group	
	2000	1999
	RM	RM
Balance at beginning of year	140,000	209,033
Transfer from/(to) income statements (Note 6)	80,000	(69,033)
	<u>220,000</u>	<u>140,000</u>

The deferred tax liabilities are in respect of the tax effects of the following:

	The Group	
	2000 RM	1999 RM
Timing differences between depreciation and tax capital allowances on property, plant and equipment	276,000	167,000
Timing differences in respect of unrealised loss on foreign exchange	(56,000)	-
Others	-	(27,000)
	<u>220,000</u>	<u>140,000</u>

20. **SHARE CAPITAL**

Share capital is represented by:

	2000 RM	1999 RM
Authorised:		
50,000,000 ordinary shares of RM1 each	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid:		
36,182,000 ordinary shares of RM1 each	<u>36,182,000</u>	<u>36,182,000</u>

21. **RESERVES**

	The Group		The Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Non-distributable reserves				
Share premium	81,819,000	81,819,000	81,819,000	81,819,000
Reserve arising on consolidation	<u>2,004,625</u>	<u>2,004,625</u>	<u>-</u>	<u>-</u>
	83,823,625	83,823,625	81,819,000	81,819,000
Accumulated loss	<u>(91,579,597)</u>	<u>(81,384,007)</u>	<u>(94,880,123)</u>	<u>(82,751,858)</u>
	<u>(7,755,972)</u>	<u>2,439,618</u>	<u>(13,061,123)</u>	<u>(932,858)</u>

22. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Cash and bank balances	1,937,502	3,463,485	220,136	467,834
Bank overdrafts (Note 18)	<u>(1,278,528)</u>	<u>(312,892)</u>	<u>-</u>	<u>-</u>
	<u>658,974</u>	<u>3,150,593</u>	<u>220,136</u>	<u>467,834</u>

23. SEGMENT INFORMATION - GROUP

Financial information by geographical segment are not presented as the Group's activities, other than those relating to the foreign subsidiary companies located in the People's Republic of China which are not included in the consolidated financial statements, are conducted principally in Malaysia.

Financial information by industry segment are as follows:

	Revenue RM	Profit/(Loss) before tax RM	Total assets employed RM
2000			
Manufacturing and marketing of paints and related products	24,434,218	2,871,793	36,454,274
Non - segment items	<u>-</u>	<u>(12,146,982)</u>	<u>21,772,915</u>
Total	<u>24,434,218</u>	<u>(9,275,189)</u>	<u>58,227,189</u>
1999			
Manufacturing and marketing of paints and related products	21,474,682	3,114,311	55,202,188
Non - segment items	<u>-</u>	<u>1,477,431</u>	<u>8,032,221</u>
Total	<u>21,474,682</u>	<u>4,591,742</u>	<u>63,234,409</u>

Income derived from activities other than manufacturing and marketing of paints and related products are included under Non-segment items.

24. CONTINGENT LIABILITIES (UNSECURED)

The Company has issued corporate guarantees to certain banks for credit facilities totalling RM6,790,000 (RM6,450,000 in 1999) granted to its subsidiary companies. Accordingly, the Company is contingently liable to the extent of credit facilities utilised by the said subsidiary companies.

25. PROPOSED DISPOSAL OF SUBSIDIARY COMPANY

As of 31st December, 2000, the Company had announced the proposed disposal of the Company's entire equity interest in Jutai Investments Limited for a cash consideration of USD 7.5 million.

The said proposed disposal, which has been approved by the shareholders of the Company at an Extraordinary General Meeting held on 27th April, 1999 and the relevant government authorities, is pending completion.

26. GENERAL INFORMATION

The total number of employees of the Group and of the Company at the end of the financial year amounted to 83 (72 in 1999) and 13 (5 in 1999), respectively.

The Company's registered office is located at 49-3, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan.

The Company's principal place of business is located at Suite 7.01D, 7th Floor, Menara Promet, Jalan Sultan Ismail, 50250 Kuala Lumpur.

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MERCURY INDUSTRIES BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **MERCURY INDUSTRIES BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia, except for the non-compliance with Malaysian Accounting Standards Board Standard 11, Consolidated Financial Statements and Investments in Subsidiaries, so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31st December, 2000 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

DATO' SERI PEH TECK QUEE

DR LIOW SZE YIN

Kuala Lumpur,
20th April, 2001

**DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR
THE FINANCIAL MANAGEMENT OF THE COMPANY**

I, **DATO' SERI PEH TECK QUEE**, the Director primarily responsible for the financial management of **MERCURY INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **DATO' SERI PEH TECK QUEE** at
KUALA LUMPUR this 20th day of
April, 2001.

Before me,

COMMISSIONER FOR OATHS