

Contents

Notice of Annual General Meeting	3
Organisation Chart	4
Corporate Information	5
Corporate History	6
Audit Committee	7-8
Chairman's Statement	9-11
Financial Statements	
Directors' Report	14-18
Report of the Auditors	19-20
Income Statements	21
Balance Sheets	22-23
Statements of Changes in Equity	24
Cash Flow Statements	25-27
Notes to the Financial Statements	28-61
Statement by Directors	62
Declaration by the Director Primarily Responsible for the Financial Management of the Company	63
Statistics of Shareholdings	64-66
List of Substantial Shareholders	67
List of Properties	68-69
Corporate Governance	70-71
Premises and Addresses	72-73
Form of Proxy	75

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty Eighth Annual General Meeting of Mechmar Corporation (Malaysia) Berhad will be held at The Auditorium of Mechmar Corporation (Malaysia) Berhad, No.1 Jalan Perunding U1/17, Seksyen U1, HICOM-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 29th June 2001 at 10.00 a.m. for the purpose of transacting the following businesses:-

AGENDA

Ordinary Business

1. To receive the Company's Audited Accounts for the year ended 31st December, 2000 together with the Reports of Directors and Auditors thereon. Resolution 1
2. To approve the payment of Directors' Fees of RM14,000.00 for the year ended 31st December, 2000. Resolution 2
3. To re-elect Director, Encik Ahmad @ Misron Bin Yusof who retires pursuant to Article 99 of the Company's Articles of Association. Resolution 3
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration. Resolution 4

Special Business

5. TO CONSIDER AND IF THOUGHT FIT, TO PASS THE FOLLOWING ORDINARY RESOLUTION: PROPOSED AUTHORITY TO DIRECTORS TO ISSUE NEW SHARES UNDER SECTION 132D OF THE COMPANIES ACT, 1965 Resolution 5
"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company at the time of issue, subject always to the approval of all relevant regulatory bodies being obtained for such allotments and issues and that the Directors be and are empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the KLSE and that such authorities shall continue in force until the conclusion of the next Annual General Meeting of the Company."
6. To transact any other ordinary business of the Company of which due notice shall have been given.

BY ORDER OF THE BOARD

LEONG OI MOOI
(MAICSA 0780977)
Company Secretary

Shah Alam, Selangor Darul Ehsan
7th June, 2001

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, under its Common Seal.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's Registered Office at No. 1, Jalan Perunding U1/17, Seksyen U1, HICOM-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan. Not less than forty-eight (48) hours before the time appointed for holding this meeting or at any adjournment thereof.

Notice of Annual General Meeting

EXPLANATORY NOTE ON SPECIAL BUSINESS

Ordinary Resolution

The Ordinary Resolution proposed under Agenda 5 if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot ordinary shares from unissued share capital of the Company up to an aggregate amount of not exceeding ten percent (10%) of the issued share capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

28TH ANNUAL GENERAL MEETING DIRECTOR STANDING FOR RE-ELECTION

1. a) Name : Ahmad @ Mison bin Yusof
Age : 58 yeras old
Nationality : Malaysian
Qualification : Diploma in Electrical Engineering and a Master Degree in Industrial Management
Position : Independent Non-Executive Director

b) Working Experience and Occupation : Former Managing Director of Federal Power Sdn Bhd

c) Other Directorships of public companies : Syarikat Permodalan Kebangsaan Berhad

d) Securities holdings in the company and its subsidiaries : None

e) Family relationship with any director and/or major shareholders of the company : None

f) He has no conflict of interest with the company; and

g) He has never been convicted for any offences within the past 10 years other than traffic offences.

2. Encik Mison has attended all the Board Meetings, Audit Committee Meetings and Annual General Meeting held during year 2000.

Organisation Chart

MANUFACTURING

- Mechmar Boilers Sdn. Bhd.
- P.T. Mechmar Jaya Industries
- Beel Industrial Boilers Plc.
- Cochran Boilers Ltd.
- Solar-Mate Sdn. Bhd.
- Mechmar Keppel Engineering Sdn. Bhd.

MARKETING

- Mechmar Energy Sdn. Bhd.
- Bells Marketing Sdn. Bhd.
- Handi-Mart (Malaysia) Sdn. Bhd.
- Handi-Mart (USJ) Sdn. Bhd.
- Mechmar Capital Sdn. Bhd.

PROPERTY DEVELOPMENT

- Relau Estates Sdn. Bhd.
- Sri Komakmur Sdn. Bhd.

POWER PLANT

- Independent Power Tanzania Limited

Corporate Information

GROUP EXECUTIVE CHAIRMAN

Dato' Tan Kean Wan

GROUP MANAGING DIRECTOR

Datuk Baharuden Bin Abd Majid

GROUP EXECUTIVE DIRECTOR

Loh Kiat Loon
Tan Keng Boon

NON-EXECUTIVE DIRECTORS

Low Hua Pek
Ahmad @ Misron Bin Yusof

SENIOR MANAGER - CORPORATE AFFAIRS/ GROUP COMPANY SECRETARY

Leong Oi Mooi

MAIN SUBSIDIARIES

*Principal Operation Officer
BIB Group Plc.*

Neville C Beel

Bells Marketing Sdn Bhd

Loh Kai Fun

Cochran Boilers Limited

Cochran Boilers (HK) Limited

Michael Helme

Handi-Mart (Malaysia) Sdn Bhd

Handi-Mart (USJ) Sdn Bhd

Tan Keng Boon

Independent Power Tanzania Ltd

Parthiban A/L Chandrasakaran

Mechmar Capital Sdn Bhd

Tan Keng Boon

Mechmar Energy Sdn Bhd

Peter Chong Kok Cheong

Lim Boon Kuan

*Overseas Rep. Offices for Mechmar Energy in
Jakarta, Sri Lanka, Papua New Guinea & Philippines*

Peter Chong Kok Cheong

P.T. Mechmar Jaya Industries

Mechmar Boilers Sdn Bhd

Kannan A/L Kuppusamy

Relau Estates Sdn Bhd

Awan Setia Sdn Bhd

Edwin Yang Cheong Sang

Solar-Mate Sdn Bhd

Anthony Wee

REGISTERED OFFICE

No 1 Jalan Perunding U1/17, Seksyen U1,
HICOM-Glenmarie Industrial Park
40150 Shah Alam, Selangor Darul Ehsan
Tel : 03-55692828
Fax : 03-55691316 / 55692888

AUDITORS

Deloitte KassimChan

Level 19, Uptown 1,
No. 1 Jalan SS21/58,
Damansara Uptown,
47400 Petaling Jaya.
Tel : 03-77261833 / 77236500
Fax : 03-77268986 / 77263986

SHARE REGISTRAR

PFA Registration Services Sdn Bhd

1301 Level 13, Uptown 1,
No. 1 Jalan SS21/58,
Damansara Uptown,
47400 Petaling Jaya.
Tel : 03-77254888
Fax : 03-77222311

PRINCIPAL BANKERS

Affin Bank Berhad

Alliance Merchant Bank Berhad

Arab-Malaysian Bank Berhad

Bank Islam Malaysia Berhad

Bank Islam (L) Ltd

Bank Utama (Malaysia) Berhad

Bumiputra-Commerce Bank Berhad

HSBC Bank Malaysia Berhad

Hong Leong Bank Berhad

Overseas Union Bank (M) Berhad

Public Bank (L) Ltd.

RHB Bank Berhad

Utama Merchant Bank Berhad

STOCK EXCHANGE LISTING

Main Board of the Kuala Lumpur Stock Exchange

AUDIT COMMITTEE MEMBERS

Chairman

Ahmad @ Misron Bin Yusof
(Independent Non-Executive Director)

Members

Datuk Baharuden Bin Abd. Majid (Executive Director)
Low Hua Pek (Independent Non-Executive Director)

Corporate History

1972

Mechmar Sdn. Bhd. was incorporated on 19th December, 1972.

1977

The Company commenced manufacturing of boilers in Pasir Gudang.

1984

The Company was merged with the Bestobell Group of Companies in Malaysia.

1985

The conversion to a Public Listed Company on 13th June, 1985, with an increase in paid-up capital to RM20 million. The public issue of 10 million ordinary shares on 14th December, 1985, increasing paid-up capital to RM30 million.

1986

The listing of shares on the Kuala Lumpur Stock exchange on 17th, June, 1986.

1988

The completion of a new engineering facility in HICOM, Shah Alam.

1989

The change of name to Mechmar Corporation (Malaysia) Berhad on 14th July, 1989.

1990

- The Rights Issue of 1 for 3, increasing paid-up capital to RM40 million on 17th August, 1990.
- The Executive Share Option Scheme of 1,400,000 shares was approved by the relevant authorities on 2nd November, 1990.

1991

A joint-venture with Keppel Group of Singapore to form Mechmar Keppel Engineering Sdn. Bhd. on 4th November, 1991.

1992

The acquisition of 100% of Relau Estates Sdn. Bhd. on 31st August, 1992, by an issue of Mechmar shares, increasing paid-up capital to RM68,312,000.

1993

The opening of Handi-Mart's first store at Lot 110, Jalan Semangat, Petaling Jaya.

1995

The Prescription of Security of the Company by the Kuala Lumpur Stock Exchange to be deposited with the Malaysian Central Depository Sdn. Bhd. on 3rd October, 1995.

1996

- The acquisition of 60.8% equity in Beel Industrial Boilers Plc, U.K. on 2nd April, 1996.
- A joint-venture was set up with VIP Engineering and Marketing Ltd. of Tanzania to carry out the construction of a 100-Megawatt power plant as an independent power producer for a period of 20 years.

1997

- Acquisition of P.T. Mechmar Jaya Industries (95%) to carry out manufacturing and marketing of the 'Mechmar Titan' steam boiler in Indonesia.
- Opening of Handi-Mart's store No 2 at USJ, Shah Alam.
- Financial close of USD105 million project financing for Independent Power Tanzania Limited, a 70% owned subsidiary.
- Increase of Authorised Capital to RM500,000,000.

1998

- Rights Issue of 1 for 1, increasing paid-up capital to RM138,492,000 on 22nd December, 1998.
- The Executive Share Option Scheme of 12,603,200 shares was approved by all relevant authorities by 2nd November, 1998.
- Completion of construction of the 100-Megawatt power plant in Tanzania.

1999

- Acquisition of a warehouse in USJ for retail business.

2000

- Acquisition of Cochran Boilers Ltd..

Audit Committee

CHAIRMAN

Ahmad@Mison Bin Yusof (Independent Non-Executive Director)

MEMBERS

Datuk Baharuden Bin Abd. Majid (Executive Director)

Low Hua Pek (Independent Non-Executive Director)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Formation

The Board of Directors of the Company hereby resolves to establish a committee of the board to be known as the Audit Committee.

Membership

The Committee shall be appointed by the Board from amongst the Directors of the Group and shall consist of not less than 3 members of which 2 members shall be non-executive independent directors. The quorum for meetings of the Audit Committee shall be 2. The Chairman of the Committee shall be appointed by the Board.

Meetings of the Audit Committee

The Committee shall meet not less than 3 times a year. One meeting shall take place before the commencement of the interim and final audit of the full-year accounts, one following completion of the full-year audit and one or more other meetings at times as determined by the Committee.

The Company Secretary shall be the Secretary to the Audit Committee.

The Committee may require the Financial Controller, the Internal Auditor of the Company and representatives of the external auditors to attend any of its meeting as it determines.

Objective of Audit Committee

The general objective of the Committee is to ensure adequacy and effectiveness of the Company's system of internal controls and the quality of performance in carrying out the assigned responsibilities.

Specific Duties

The duties of the Audit Committee are as follows:-

- To review the audit plans with the external auditors;
- To review the half-year and annual financial statements before submission to the board, focusing particularly on any changes in accounting policies and practices, major judgemental areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with stock exchange and legal requirements;
- To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss;
- to keep under review the effectiveness of internal control systems, and in particular review the external auditors' management letter and management's response;
- To consider proposal for the appointment of external auditors, the audit fee and to make recommendations on the terms of such appointment;
- To investigate or cause to be investigated any activity within its terms of reference.

Authority

The Committee shall have the general authority to do all things necessary to fulfill its responsibilities as vested upon it by virtue of its appointment by the Board and such other special authority specifically vested by the Board from time to time. The Committee shall have authority to regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

Audit Committee

ATTENDANCE OF AUDIT COMMITTEE MEETINGS HELD DURING FINANCIAL YEAR ENDED 31 DECEMBER 2000

Directors	Number of Audit Committee Meetings Held	Number Of Meetings Attended
Encik Ahmad @ Misron Bin Yusof	4	4
Datuk Baharuden Bin Abd Majid	4	4
Low Hua Pek	0	0

SUMMARY OF ACTIVITIES

1. Reviewed audit plans with external auditors.
2. Reviewed half year and annual financial statements together with interim and final audit reports.
3. Reviewed reports of internal audit department.
4. Reviewed the effectiveness of internal control systems with the Internal Auditor and Group Financial Controller

INTERNAL AUDIT

1. *Audit Objectives*

- a) To review on the Company's policies and procedures to reasonably assure the adequacy of internal control and effectiveness of the system.
- d) To make all necessary study and evaluation on the established standards of corporate conduct and performance, deviations and therefrom.
- c) To make recommendations, if any, for the improvement of accounting and operation system.

2. *Key Audit Areas*

The key audit areas will be mainly on internal control system, reliability of financial reporting, efficiency and effectiveness of operations, compliance with application laws and regulations and other concerns identified by management.

The evaluation of these areas will enable the internal auditors to gain adequate assurance as to the accuracy and completeness of the records and to determine whether the business of the company is carried in a orderly and efficient manner as required by the management.

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors of Mechmar Corporation (Malaysia) Berhad, I am pleased to present herewith the Annual Report and Financial Statements of the Group for financial year ended 31st December 2000.

The past three years were trying times for the Group given the difficult market conditions set against the backdrop of the Asian financial crisis. The aftermath effects of the currency crisis continue to depress orders from the region and a decline in the oil and gas power generation market in the United Kingdom has affected our overseas subsidiaries.

In addition to on-going reorganisation and cost saving measures, the Company had also undertaken to divest investments and landed property, which did not generate sufficient earnings contribution as well as the restructuring of bank borrowings.

FINANCIAL PERFORMANCE

- Group's revenues increase by 62.5% to RM208.2 million
- The Group registered a Net Loss for the year of RM17.4 million. This loss was attributed to losses suffered by the retail division and the Indonesian and UK subsidiaries.
- Direct costs were generally kept under control for the Group's products as a result of more stable foreign exchange rates.
- The Group registered an unfavorable variance for interest expenses of approximately RM3.9 million, which was mainly brought about by the increased principal borrowings of the Company and its UK subsidiary.
- Staff retrenchments were effected in the Group's property management division during the first quarter of the financial year 2001.
- The Group's results include a profit contribution of RM1.1 million from the Group's only associate company.

CORPORATE EVENTS

- The Group has acquired the business assets of Cochran Boilers Ltd, a division of Rolls-Royce Power Engineering Plc as a going concern for a total consideration of GBP 3,750,000.
- The proposed acquisition of a warehouse in USJ for its retail business at RM12.5 million has been rescinded. Submission has been made to Securities Commission for approval to utilize the RM12.5 million cash consideration towards repayment of bank borrowings.
- International Centre For Settlement of Investment Disputes (ICSID) has rendered its basic decisions in early February 2001 in respect of the cost of the Group's power plant in Tanzania, which constitutes the basis of the resultant tariff rates. The twenty-year term of the Power Purchase Agreement would begin from the Commercial Operation Date which is expected to be August/September 2001.

Chairman's Statement

DIVIDEND

The Board of Directors has decided not to recommend any dividend payment for the financial year ended 31st December 2000.

OUTLOOK FOR 2001

The Group will continue to consolidate and focus on its core business with the addition of Cochran Boilers Ltd, the largest fire-tube boiler manufacturer in the UK in 2001.

The full contribution from the operations of the Power Plant in Tanzania would only be realised in the year 2002

APPRECIATION

I would like to thank our shareholders and financiers for their continued support, my fellow Directors, the Audit Committee and last but not least staff at all levels for their contribution and dedication during its challenging period and I look forward to their continued support in the ensuing year.

Dato' Tan Kean Wan
31st May 2001

Chairman's Statement

STOCK MARKET QUOTATIONS 2000

	CLOSE RM	HIGHEST RM	LOWEST RM	TOTAL VOL. ('000)
January	1.68	2.14	1.03	82,684
February	1.79	2.10	1.69	110,300
March	1.59	1.81	1.31	54,264
April	1.33	1.62	1.20	20,858
May	1.24	1.44	1.18	8,814
June	1.03	1.24	0.95	4,263
July	1.08	1.43	1.00	19,717
August	1.10	1.19	0.75	11,312
September	0.795	1.18	0.79	9,996
October	0.73	0.985	0.69	9,952
November	0.695	0.78	0.68	2,907
December	0.545	0.69	0.445	1,061

KLSE MONTHLY CLOSING PRICES (RM) (JANUARY - DECEMBER 2000)

