

Financial Statements

Financial Statements

Report of the Auditors to the Members	28
Directors' Report	29 – 33
Consolidated Balance Sheet	34
Balance Sheet	35
Consolidated Income Statement	36
Income Statement	37
Consolidated Statement of Changes in Equity	38
Statement of Changes in Equity	39
Consolidated Cash Flow Statement	40
Cash Flow Statement	43
Notes to the Financial Statements	45
Statement by Directors	78
Statutory Declaration	78



Report Of The Auditors To The Members

We have audited the financial statements set out on pages 34 to 77. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements 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 all the information and explanations, which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- 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 state of affairs of the Group and of the Company as at 31 December 2002 and of the results and of the cash flows of the Group and of the Company for the year ended on that date; and
 - ii. 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;
- b. the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors as indicated in Note 4 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

WONG LIU & PARTNERS

A.F.0182

Chartered Accountants

TANG YIN KHAM

1728/3/04 (J)

Partner

Penang

Dated: 28 April 2003

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of its subsidiaries are set out in Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the year under review.

RESULTS

	Group RM	Company RM
Net profit for the year	<u>7,717,320</u>	<u>2,206,355</u>

DIVIDENDS

Since the end of the previous financial year, the Company paid a final tax exempt dividend of 4 sen per share in respect of the financial year ended 31 December 2001 totalling to RM2,412,467 on 18 August 2002.

The Directors recommend the payment of a final tax exempt dividend of 1 sen per share and a final gross dividend of 4.2 sen less tax at 28% in respect of the financial year ended 31 December 2002 totalling RM2,426,941 based on the issued & fully paid up share capital of RM60,311,667, subject to shareholders' approval at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those disclosed in the statements of changes in equity.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:-

Dato' Lim Cheah Chooi
 Dato' Kamal Mohd Hashim Bin Che Din
 Lim Kim Guan
 Siew Fook Kheong
 Ngoi Foo Sing
 Han Mun Kuan
 Abdul Rafique Bin Abdul Karim
 Lee Yoke Khay
 Dato' Tan King Tai @ Tan Khoon Hai
 Norman Bin A Rahman

In accordance with Article 76 of the Company's Articles of Association, Messrs. Siew Fook Kheong, Ngoi Foo Sing and Han Mun Kuan shall retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTEREST IN SHARES

The holdings and deemed holdings in the ordinary shares of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were directors at the year end as recorded in the register of directors' shareholdings are as follows:

Name of Directors	Ordinary Shares of RM1 each			Balance as at 31.12.02
	Balance as at 1.1.02	Bought	Sold	
Dato' Lim Cheah Chooi	16,206,937	5,502,313	-	21,709,250*
Dato' Kamal Mohd Hashim Bin Che Din	250,000	83,333	-	333,333
Lim Kim Guan	3,342,115	1,942,038	85,000	5,199,153*
Siew Fook Kheong	427,789	-	146,255	281,534*
Ngoi Foo Sing	3,499,709	1,134,570	-	4,634,279*
Han Mun Kuan	637,687	212,562	-	850,249*
Abdul Rafique Bin Abdul Karim	1,423,000	-	175,666	1,247,334*
Lee Yoke Khay	10,000	3,333	-	13,333
Dato' Tan King Tai @ Tan Khoon Hai	37,119	12,373	-	49,492*
Norman Bin A Rahman	10,000	3,333	-	13,333

* Certain shares are held through nominee companies

Subsidiary

Unimech Engineering (Vietnam) Sdn. Bhd.

Name of Directors	Ordinary Shares of RM1 each				
	Balance as at 1.1.02	Direct Interest Bought/ (Sold)	Balance as at 31.12.02	Deemed Interest as at 1.1.02	Balance as at 31.12.02
Siew Fook Kheong	1	38,000	38,001	231,800	231,800

Company

Name of Directors	Number of Options for Ordinary Shares of RM1 each			
	Balance as at 1.1.02	Granted	Exercised	Balance as at 31.12.02
Dato' Lim Cheah Chooi	-	290,000	58,000	232,000
Siew Fook Kheong	-	290,000	-	290,000
Lim Kim Guan	-	290,000	58,000	232,000
Ngoi Foo Sing	-	290,000	-	290,000
Han Mun Kuan	-	290,000	-	290,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than those included in the aggregate amount of emoluments received or receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies.

There were no arrangements during and at the end of the financial year which had the object of enabling the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the Employees' Share Option Scheme ("ESOS").

SIGNIFICANT EVENTS

Significant events during the year are disclosed in Note 26 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid ordinary shares capital was increased from 41,000,000 to 60,311,667 ordinary shares of RM1 each by the issue of 19,311,667 ordinary shares of RM1 each as follows:

Number of shares	Purpose of issue	Class of issue	Term of issue
5,465,000	Placement of shares	Ordinary	At issue price of RM1.34 per share
13,666,667	Bonus issue	Ordinary	One new ordinary share of RM1.00 each for every three existing ordinary shares of RM1.00 each held
180,000	Exercise of ESOS	Ordinary	At issue price of RM1.34 per share

The newly issued shares rank pari passu in all respects with the existing issued shares.

OPTIONS GRANTED OVER UNISSUED SHARES

No option was granted to any person to take up unissued shares of the Group and of the Company during the year apart from the issue of options pursuant to the ESOS.

At an extraordinary general meeting held on 26 March 2002, the Company's shareholders approved the establishment of an ESOS.

The options offered to take up unissued ordinary shares of RM1 each and the option price are as follows:-

Date of Offer	Number of Options over Ordinary Shares of RM1/- each			
	Option price	Granted	Exercised	Balance at 31.12.2002
8 April 2002	1.34	4,773,000	180,000	4,593,000
10 July 2002	1.34	432,000	-	432,000

The external auditors have verified the allocation of options granted during the financial year.

The main features of the ESOS are as follows:-

- i. The total number of shares to be offered under ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the duration of proposed ESOS;
- ii. ESOS shall continue to be in force for a period of five years commencing from 8 April 2002;
- iii. The option is personal to the Grantee and is exercised only by Grantee personally during his/her employment with any company comprised in the Group and is not assignable, transferable or disposable save except under the provisions provided for in the By-laws;
- iv. Eligible persons are full-time employees and executive directors of the Unimech Group Berhad ("UGB") who have been employed for a continuous period of at least one year in UGB on a full time basis and his/her employment must have been confirmed on the date of offer;
- v. The option granted may be exercised in full or lesser number of ordinary shares provided that the number shall be in multiple of 1,000 shares;
- vi. The option price for each ordinary share shall be at a discount of not more than 10% from the weighted average market price of the shares as shown in the daily official list issued by Kuala Lumpur Stock Exchange ("KLSE") for the five (5) Market Days preceding the Date of offer or at the par value of the shares, whichever is the higher, subject to the provisions of the By-Laws;
- vii. All shares issued pursuant to the exercise of ESOS shall upon allotment and issue, rank *pari passu* in all respects with all existing issued Shares, except that the new Shares will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid prior to the date of allotment of the new Shares;
- viii. In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or otherwise howsoever, the Company shall cause such adjustment to be made to the number of Shares and/or the subscription price as shall be necessary to give same proportion of the issued share capital of the Company; and
- ix. The consideration is payable in full on application. The options granted do not confer any right to participate in any share issue of any other company.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:-

- i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- ii. to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors of the Group and of the Company are not aware of any circumstances:-

- i. that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

- ii. that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- iii. which have arisen which render adherence to the existing method of valuation of assets and liabilities in the Group and of the Company misleading or inappropriate; or
- iv. not otherwise dealt with in this report or in the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:-

- i. any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- ii. any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs. Wong Liu & Partners have indicated their willingness to continue in office.

Signed in accordance with a
resolution of the directors,

DATO' LIM CHEAH CHOOI

LIM KIM GUAN

Penang
Dated: 28 April 2003

Consolidated Balance Sheet

As At 31 December 2002

	Notes	2002 RM	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	3		20,978,312	20,282,458
INVESTMENT IN ASSOCIATES	5		5,591,841	1,844,721
OTHER INVESTMENTS	6		362,980	623,120
INTANGIBLE ASSETS	7		1,413,861	1,334,435
CURRENT ASSETS				
Inventories	8	39,295,832		42,639,433
Trade and other receivables	9	32,799,837		31,362,297
Cash and cash equivalents	10	13,591,901		6,821,816
		85,687,570		80,823,546
CURRENT LIABILITIES				
Trade and other payables	11	8,164,596		9,172,056
Borrowings	12	12,324,186		15,591,664
Provision for taxation		1,684,150		1,429,719
		22,172,932		26,193,439
NET CURRENT ASSETS			63,514,638	54,630,107
			91,861,632	78,714,841
Financed by:-				
SHARE CAPITAL	13		60,311,667	41,000,000
RESERVES	14		25,856,948	32,306,930
SHAREHOLDERS' FUNDS			86,168,615	73,306,930
MINORITY INTEREST			3,341,310	2,707,323
BORROWINGS	12		2,229,607	2,380,388
DEFERRED TAXATION	15		122,100	320,200
			91,861,632	78,714,841

The annexed notes form an integral part of these financial statements.

Balance Sheet

As At 31 December 2002

	Notes	2002 RM	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	3		26,596	22,352
INVESTMENT IN SUBSIDIARIES	4		35,351,248	32,077,848
INVESTMENT IN ASSOCIATES	5		1,680,000	1,680,000
CURRENT ASSETS				
Trade and other receivables	9	31,513,451		29,675,672
Cash and cash equivalents	10	2,251,014		62,633
			33,764,465	29,738,305
CURRENT LIABILITIES				
Trade and other payables	11	146,583		109,344
NET CURRENT ASSETS			33,617,882	29,628,961
			70,675,726	63,409,161
Financed by:-				
SHARE CAPITAL	13		60,311,667	41,000,000
RESERVES	14		10,364,059	22,409,161
SHAREHOLDERS' FUNDS			70,675,726	63,409,161

The annexed notes form an integral part of these financial statements.

Consolidated Income Statement

For The Year Ended 31 December 2002

	Notes	2002 RM	2001 RM
Revenue	16	70,294,936	67,869,408
Cost of sales		(46,372,794)	(47,086,924)
Gross profit		23,922,142	20,782,484
Other operating income		1,532,049	1,166,831
Administration expenses		(10,244,568)	(8,882,893)
Selling & distribution expenses		(1,868,746)	(1,533,455)
Other operating expenses		(1,857,130)	(1,614,732)
Operating profit	17	11,483,747	9,918,235
Financing costs	18	(922,723)	(1,237,912)
Share of results of associates		326,095	(177,665)
Profit before tax		10,887,119	8,502,658
Tax expense	19	(2,896,129)	(1,990,906)
Net profit after tax		7,990,990	6,511,752
Minority interest		(273,670)	(195,680)
Net profit for the year		7,717,320	6,316,072
Basic earnings per ordinary share (sen)	20	13.24	15.41
Diluted earnings per ordinary share (sen)	20	12.08	15.41

The annexed notes form an integral part of these financial statements.

Income Statement

For The Year Ended 31 December 2002

	Notes	2002 RM	2001 RM
Revenue	16	2,590,413	19,614,086
Other operating income		64,266	–
Administration expenses		(256,363)	(189,363)
Other operating expenses		(168,219)	(69,690)
		<hr/>	
Profit before tax	17	2,230,097	19,355,033
Tax expense	19	23,742	(5,422,000)
		<hr/>	
Net profit after tax for the year		2,206,355	13,933,033

The annexed notes form an integral part of these financial statements.

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2002

	← Non-Distributable →				← Distributable →		Total RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Exchange Fluctuation Reserve RM	Reserves on Consolidation RM	Retained Profits RM	
At 1 January 2001	41,000,000	8,346,115	-	(28,651)	-	17,747,243	67,064,707
Net profit for the year	-	-	-	-	-	6,316,072	6,316,072
Dilution of share of net assets of subsidiary	-	-	-	-	-	(7,657)	(7,657)
Capitalisation of retained profits of a subsidiary	-	-	45,000	-	-	(45,000)	-
Shares issued expenses	-	(51,725)	-	-	-	-	(51,725)
Translation difference	-	-	(37,337)	-	-	(37,337)	-
Reserve on acquisition of a subsidiary	-	-	-	-	22,870	-	22,870
At 31 December 2001	41,000,000	8,294,390	45,000	(65,988)	22,870	24,010,658	73,306,930
Net profit for the year	-	-	-	-	-	7,717,320	7,717,320
Issuance of share capital	-	1,919,300	-	-	-	-	1,919,300
Bonus issue, ESOS and private placements of share capital	19,311,667	-	-	-	-	(14,513,467)	4,798,200
Dilution of share of net assets of a subsidiary	-	-	-	-	-	(7,543)	(7,543)
Shares issued expenses	-	(91,623)	-	-	-	-	(91,623)
Translation differences	-	-	-	91,698	-	-	91,698
Dividends	-	-	-	-	-	(2,412,467)	(2,412,467)
Transfer to capital reserve for bonus issue by subsidiary	-	-	846,800	-	-	-	846,800
At 31 December 2002	60,311,667	10,122,067	891,800	25,710	22,870	14,794,501	86,168,615

The annexed notes form an integral part of these financial statements.

Statement Of changes In Equity

For The Year Ended 31 December 2002

	Note	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
At 1 January 2001		41,000,000	8,346,115	181,738	49,527,853
Shares issued expenses		-	(51,725)	-	(51,725)
Net profit for the year		-	-	13,933,033	13,933,033
At 31 December 2001		41,000,000	8,294,390	14,114,771	63,409,161
Capitalised for bonus issue		-	-	(13,666,667)	(13,666,667)
Issuance of share capital		19,311,667	1,919,300	-	21,230,967
Shares issued expenses		-	(91,623)	-	(91,623)
Net profit for the year		-	-	2,206,355	2,114,732
Dividends	21	-	-	(2,412,467)	(2,412,467)
At 31 December 2002		60,311,667	10,122,067	241,992	70,675,726

The annexed notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For The Year Ended 31 December 2002

	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,887,119	8,502,658
Adjustments for:-		
Allowance for diminution in value of quoted investments	118,712	61,225
Amortisation of patents	8,170	8,170
Amortisation of development expenditure	203,369	152,000
Amortisation of goodwill	50,209	61,598
Currency translation differences	(26,832)	-
Depreciation of property, plant and equipment	2,515,294	2,386,905
Profit from disposal of property, plant and equipment	(148,406)	(37,270)
Property, plant and equipment written off	7,600	3,578
Profit from disposal of quoted investments	(44,855)	(25,810)
Share of results of associates	(326,095)	177,665
Dividends received	(19,720)	(26,300)
Interest received	(589,315)	(424,189)
Interest expenses	922,723	1,237,912
Rental received	(239,200)	(247,510)
Operating profit before working capital changes	13,318,773	11,830,632
(Increase)/decrease in inventories	3,355,232	(4,084,763)
(Increase)/decrease in trade and other receivables	(268,717)	78,291
Increase/(decrease) in trade and other payables	(1,231,086)	160,846
Cash generated from operations	15,174,202	7,985,006
Tax paid	(2,973,261)	(3,473,076)
Interest expense	(922,723)	(1,237,912)
Net cash generated from operating activities	11,278,218	3,274,018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note A)	(3,275,857)	(1,475,598)
Additions to development expenditure	(256,842)	(760,000)
Purchase of patents	-	(163,400)
Proceeds from disposal of property, plant and equipment	1,207,935	542,827
Proceeds from disposal of quoted investments	164,015	1,109,486
Acquisition of subsidiaries (Note B)	-	(1,554,038)
Acquisition of additional interest in subsidiaries	(152,590)	(20,000)
Acquisition of associates	(3,702,451)	(126,541)
Purchase of quoted investments	(5,032)	(367,895)
Increase/(decrease) in pledged deposits	(1,009,328)	193,119
Interest received	589,315	424,189
Dividends received	19,720	26,300
Rental received	239,200	247,510
Net cash used in investing activities	(6,181,915)	(1,924,041)

The annexed notes form an integral part of these financial statements.

Consolidated Cash Flow Statement (cont'd)

For The Year Ended 31 December 2002

	2002 RM	2001 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(2,412,467)	(2,361,600)
Proceeds from issuance of shares	7,678,300	50,022
Increase/(decrease) in amounts owing to directors	(143,065)	(32,715)
Increase in amount owing by associates	(213,408)	(525,620)
Shares issued expenses	(91,623)	(51,725)
Repayment of term loans	(843,859)	(946,060)
Repayment of hire purchase and finance lease	(822,018)	(707,441)
Increase/(decrease) in bank borrowings	(1,886,129)	5,016,870
Net cash inflow from financing activities	1,265,731	441,731
Net increase in cash and cash equivalents	6,362,034	1,791,708
Cash and cash equivalents at beginning of year	1,832,943	84,633
Effect of exchange rate differences on cash and cash equivalents	142,797	(43,398)
Cash and cash equivalents at end of year (Note C)	8,337,774	1,832,943

NOTES TO THE CASH FLOW STATEMENT

A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM4,239,919 (2001: RM2,399,149) of which RM964,062 (2001 : RM923,551) was acquired through hire purchase. The balance of RM3,275,857 (2001 : RM1,475,598) was paid by cash.

B. Analysis of acquisition of subsidiaries

	2002 RM	2001 RM
Cash and bank balances	-	483,973
Property, plant and equipment	-	823,877
Investments	-	75,463
Inventories	-	1,310,526
Trade & other receivables	-	2,531,477
Trade & other payables	-	(1,965,629)
Minority interest	-	(1,328,613)
Share of net assets acquired	-	1,931,074
Goodwill on acquisition	-	106,936
Total acquisition price	-	2,038,010
Cash & cash equivalents of subsidiaries acquired	-	(483,972)
Cash flow on acquisition, net of cash and cash equivalents acquired	-	1,554,038

The annexed notes form an integral part of these financial statements.

Consolidated Cash Flow Statement (cont'd)

For The Year Ended 31 December 2002

NOTES TO THE CASH FLOW STATEMENT (Cont'd)

C. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amount:-

	2002 RM	2001 RM
Cash and bank balances	10,174,838	5,942,159
Fixed deposits	2,139,056	113,502
Bank overdraft	(3,976,120)	(4,222,718)
Total	8,337,774	1,832,943

The annexed notes form an integral part of these financial statements.

Cash Flow Statement

For The Year Ended 31 December 2002

	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,230,097	19,355,033
Adjustments for:-		
Depreciation of property, plant and equipment	5,076	2,794
Dividends received	(2,444,013)	(19,578,286)
Interest received	(64,117)	-
	(272,957)	(220,459)
Operating loss before working capital changes	(272,957)	(220,459)
(Increase)/decrease in other receivables	2,212	(18,859)
Increase/(decrease) in other payables	37,239	(45,662)
	(233,506)	(284,980)
Cash used in operations	(233,506)	(284,980)
Tax paid	(35,192)	(5,432,165)
	(268,698)	(5,717,145)
Net cash used in operating activities	(268,698)	(5,717,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note A)	(9,320)	-
Acquisition of a subsidiary	(3,273,400)	-
Interest received	64,117	-
Dividends received	2,444,013	19,578,286
	(774,590)	19,578,286
Net cash generated from/(used in) investing activities	(774,590)	19,578,286
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amount owing by an associate	-	5,130
Increase in amount owing by subsidiaries	(1,828,541)	(11,673,064)
Dividends paid	(2,412,467)	(2,361,600)
Proceeds from issuance of shares	7,564,300	-
Shares issued expenses	(91,623)	(51,725)
	3,231,669	(14,081,259)
Net cash generated from/(used in) financing activities	3,231,669	(14,081,259)
Net increase/(decrease) in cash and cash equivalents	2,188,381	(220,118)
Cash and cash equivalents at beginning of year	62,633	282,751
	2,251,014	62,633
Cash and cash equivalents at end of year (Note B)	2,251,014	62,633

The annexed notes form an integral part of these financial statements.

Cash Flow Statement (cont'd)

For The Year Ended 31 December 2002

NOTES TO THE CASH FLOW STATEMENT

A. Purchase of property, plant and equipment

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM9,320 (2001: RM Nil) through cash payment.

B. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amount:-

	2002 RM	2001 RM
Cash and bank balances	146,992	62,633
Fixed deposits	2,104,022	-
Total	<u>2,251,014</u>	<u>62,633</u>

The annexed notes form an integral part of these financial statements.

- The financial statements are authorised for issue by the Board of Directors on 23 April 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and are consistent with those adopted in the previous years except for the adoption of the following new Malaysian Accounting Standards ("MASB"), indicated in note (i) to (v), which became effective in the current year:

- MASB 20, Provision, Contingent Liabilities and Contingent Assets which is applied retrospectively. The adoption does not have any impact on the financial statements;
- MASB 21, Business Combinations. The adoption does not have any impact on the financial statements;
- MASB 22, Segmental Reporting which is applied retrospectively. The adoption resulted in new disclosure format as set out in Note 25 to the financial statements;
- MASB 23, Impairment of Assets which is applied prospectively. The adoption does not have any impact on the financial statements; and
- MASB 24, Financial Instruments: Disclosure and Presentation which has been adopted prospectively. The adoption resulted in new disclosure format as set out in Note 30 to the financial statements.

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and of the Company are prepared under the historical cost convention modified by the revaluation of freehold lands, leasehold lands and building unless otherwise indicated in the summary of significant accounting policies.

The financial statements of the Group and of the Company have been prepared in accordance with applicable accounting standards in Malaysia and the provisions of the Companies Act, 1965.

2.2 Basis of Consolidation

Subsidiaries are those enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The results of all the subsidiaries are consolidated on the following basis:-

Name of Subsidiaries	Methods of Consolidation
Unimech Engineering (M) Sdn. Bhd.	Merger accounting
Unimech Engineering (K.L.) Sdn. Bhd.	Merger accounting
Unimech Engineering (J.B.) Sdn. Bhd.	Merger accounting
Unimech Projects Sdn. Bhd.	Merger accounting
Arita Valve Mfg. (M) Sdn. Bhd.	Merger accounting
Arita Flanges Industries Sdn. Bhd.	Merger accounting
Multiplex Control & Engineering Services Pte. Ltd.	Merger accounting
Arita Engineering Sdn. Bhd.	Merger accounting
Q-Flex Industries (M) Sdn. Bhd.	Merger accounting
Unijin Instruments Industries Sdn. Bhd.	Acquisition accounting
Arita Valve (Tianjin) Co. Ltd.	Acquisition accounting

2.2 Basis of Consolidation (cont'd)

Under the merger method of accounting, the results of the subsidiaries are presented as if the companies had been combined throughout the current and previous financial years. The difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiaries acquired is taken to merger reserve. Any merger debit arising is written off against capital reserves and retained profits.

Under the acquisition method, the results of the subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition only. The difference between the acquisition cost of the subsidiaries and the fair value of the attributable net assets acquired are reflected as goodwill or reserve on consolidation, where appropriate.

Inter-company transactions are eliminated on consolidation.

2.3 Property, Plant and Equipment and Depreciation

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses; if any.

It is the policy of the Group and of the Company to state property, plant and equipment at cost. Revaluation of properties of the Group in May 1999 was not intended to effect a change in accounting policy to one of revaluation of properties. Hence, in accordance with the transitional provisions issued by the Malaysian Accounting Standards Board upon adoption of International Accounting Standards 16 (Revised) Property, Plant and Equipment, the valuation of these properties have not been updated and they are continued to be stated at their existing carrying amounts less accumulated depreciation.

Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In other cases, a decrease in carrying amount will be charged to the income statement.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

Depreciation of the property, plant and equipment is calculated to write off the cost or valuation of each asset on the straight line basis over its expected useful life. The principal annual rates used for this purpose are:-

Freehold buildings	2%
Long term leasehold lands	50 - 94 years
Long term leasehold buildings	2%
Short term leasehold lands & buildings	1- 49 years
Electrical installation & renovation	10%
Furniture, fittings & office equipment	10%
Heavy moving equipment & motor vehicles	10% - 20%
Plant & machinery, mould & equipment	10%

The leasehold lands and buildings are amortised in equal instalments over the period of the respective leases which ranges from 32 years to 94 years.

2.4 Impairment

The carrying amount of the Company's assets, other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement. (unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity).

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

2.5 Investments

Unquoted investments are stated at cost less provision for diminution in value where such diminution in value is considered by the directors to be of a permanent nature.

Quoted investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived using the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet. Increase or decrease in the carrying amount of quoted investments are credited or charged to the income statement.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

2.6 Intangible Assets

Goodwill

Goodwill on consolidation is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised from the date of initial recognition over its estimated useful lives of not more than 25 years. An impairment loss is also recognised when the directors are of the view that there is a diminution in its value which is other than temporary.

Patents

Patents are stated at cost and are amortised on a straight line basis over 20 years.

Development Expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the income statement as incurred.

2.6 Intangible Assets (cont'd)

Development Expenditure (cont'd)

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is stated at cost less accumulated amortisation and impairment losses.

Development expenditure is amortised over a period of 5 years on a straight line basis.

2.7 Associates

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

Investment in associates is stated in the Company's financial statements at cost less any provision for permanent diminution in value, if any. The Group's investment in associates is accounted for under the equity method of accounting based on the audited financial statements or the management accounts of the associates made up to the end of the financial year. Under this method of accounting, the Group's interest in the post-acquisition profit or loss of associates is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

A provision is made when the directors are of the opinion that there is a permanent diminution in value of the investment which is other than temporary.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and work-in-progress includes direct material, direct labour and an appropriate proportion of fixed and variable production overheads. Cost is determined on the first-in, first-out basis. The cost of inventories comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

2.9 Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is reasonable expectation of realisation in the near future.

2.10 Hire Purchase

Assets acquired under hire purchase instalment plans are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities.

2.11 Finance Lease

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Company's incremental borrowing rate is used.

2.12 Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

2.13 Foreign Currency

i. Foreign Currency Transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

ii. Financial Statements of Foreign Operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange difference arising on translation are recognised directly in equity.

The closing rate used in the translation of foreign currency monetary assets and liabilities are as follows:-

	2002 RM	2001 RM
1 Singapore Dollar	2.176	2.077
1 US Dollar	3.800	3.800
1 Indonesia Rupiah	0.00039	0.00039
1 Philippine Peso	0.0700	0.0759
1 Renminbi	0.4651	Not applicable

2.14 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.15 Expenditure Carried Forward

The preliminary and pre-operating expenses are written off to the income statement from the date of commencement of operations.

Listing expenses and shares issued expenses are set off against share premium account in the year incurred.

2.16 Income Recognition

i. Sale of Goods

Revenue from the sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

ii. Interest income

Interest income is recognised as it accrues on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

iii. Dividend income

Dividend are recognised when the right to receive payment is established.

iv. Rental income

Rental income is recognised as it accrues.

v. Management fee

Management fee is recognised in the income statement when services are performed.

2.17 Liabilities

Borrowings and trade and other payables are stated at cost.

2.18 Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of past event and a reliable estimate can be made of the amount.

2.19 Financing Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financing costs. The interest component of finance lease payments and hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

3. PROPERTY, PLANT AND EQUIPMENT

Group	At Valuation				At Cost					
	Freehold lands & buildings RM	Long term leasehold lands & buildings RM	Short term leasehold lands & buildings RM	Freehold lands & buildings RM	Short term leasehold land & building RM	Electrical installation & renovation equipment RM	Furniture, fittings & office equipment RM	Heavy moving equipment & motor vehicles RM	Plant & machinery, moulds & equipment in progress RM	Total RM
Cost/Valuation										
At 1 January 2002	4,408,770	940,000	2,910,000	1,834,412	431,620	597,994	2,672,585	5,565,200	9,452,966	- 28,813,547
Acquisition of subsidiaries	-	-	-	-	-	-	30,562	199,064	132,164	- 361,790
Additions	709,935	-	-	-	-	35,560	250,728	716,921	928,538	1,236,447 3,878,129
Disposals	-	-	-	-	(431,620)	-	(23,550)	(330,945)	(612,582)	- (1,398,697)
Write-offs	-	-	-	-	-	(11,774)	(17,139)	(3,538)	-	- (32,451)
Reclassification	-	-	-	-	-	-	-	-	-	-
Exchange adjustment	-	-	-	-	-	-	-	-	18,503	- 18,503
At 31 December 2002	5,118,705	940,000	2,910,000	1,834,412	-	621,780	2,913,186	6,146,702	9,919,586	1,236,447 31,640,821
Accumulated Depreciation										
At 1 January 2002	139,635	42,556	182,086	64,536	26,976	239,657	1,300,601	2,862,421	3,672,621	- 8,531,089
Acquisition of subsidiaries	-	-	-	-	-	-	1,191	10,301	814	- 12,306
Charge for the year	55,145	14,184	60,695	38,271	-	59,881	294,936	865,392	1,126,790	- 2,515,294
Disposals	-	-	-	-	(26,976)	-	(5,969)	(232,943)	(112,443)	- (378,331)
Write-offs	-	-	-	-	-	(4,174)	(17,139)	(3,538)	-	- (24,851)
Reclassification	-	-	-	-	-	-	-	-	-	-
Exchange adjustment	-	-	-	-	-	-	-	-	7,002	- 7,002
At 31 December 2002	194,780	56,740	242,781	102,807	-	295,364	1,573,620	3,501,633	4,694,784	- 10,662,509
Net Book Value										
At 31 December 2002	4,923,925	883,260	2,667,219	1,731,605	-	326,416	1,339,566	2,645,069	5,224,805	1,236,447 20,978,312
At 31 December 2001	4,269,135	897,444	2,727,914	1,769,876	404,644	358,337	1,371,984	2,702,779	5,780,345	- 20,282,458
Depreciation for the year ended 31 December 2001	47,336	14,185	60,696	33,445	13,488	50,231	259,755	901,922	1,005,847	- 2,386,905

Notes To The Financial Statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Furniture, fittings & office equipment RM
Cost	
At 1 January 2002	27,940
Additions	9,320
At 31 December 2002	37,260
Accumulated Depreciation	
At 1 January 2002	5,588
Charge for the year	5,076
At 31 December 2002	10,664
Net Book Value	
At 31 December 2002	26,596
At 31 December 2001	22,352
Depreciation for the year ended 31 December 2001	2,794

The freehold, leasehold lands and buildings were revalued by the directors on an open market value basis for existing use based on a valuation exercise carried out by independent professional valuers in May 1999.

The deferred tax effect in connection with the surplus arising from the revaluation of freehold/ leasehold land and buildings is not provided as there is no intention to dispose of the properties in the foreseeable future.

The net book value of those revalued assets stated at their original cost less accumulated depreciation are as follows:-

Group 2002	Cost RM	Accumulated depreciation RM	Net Book value RM
Freehold lands	1,033,833	-	1,033,833
Freehold buildings	2,366,951	366,215	2,000,736
Leasehold lands	334,365	43,163	291,202
Leasehold buildings	2,026,607	366,776	1,659,831
Leasehold lands & buildings	1,159,816	141,290	1,018,526
Total	6,921,572	917,444	6,004,128

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group 2001	Cost RM	Accumulated depreciation RM	Net Book value RM
Freehold lands	1,033,833	–	1,033,833
Freehold buildings	2,366,951	318,876	2,048,075
Leasehold lands	334,365	39,383	294,982
Leasehold buildings	2,026,607	326,244	1,700,363
Leasehold lands & buildings	1,159,816	116,076	1,043,740
Total	<u>6,921,572</u>	<u>800,579</u>	<u>6,120,993</u>

Security

The property, plant and equipment of certain subsidiaries with net book value amounting to RM1,791,537 (2001: RM1,849,029) have been charged to various banks for term loan and bank overdraft facilities granted to the subsidiaries concerned.

Assets under hire purchase and finance lease liabilities

Included in the net book value of property, plant and equipment are assets acquired by way of hire purchase/finance lease instalment plans as follows:-

	Group	
	2002 RM	2001 RM
Machinery	986,221	689,248
Motor vehicles	1,531,875	2,116,606
Signboard	54,720	61,560
	<u>2,572,816</u>	<u>2,867,414</u>

4. INVESTMENT IN SUBSIDIARIES

	Company	
	2002 RM	2001 RM
(i) Unquoted shares in subsidiaries, at cost	<u>35,351,248</u>	<u>32,077,848</u>

Notes To The Financial Statements (cont'd)

4. INVESTMENT IN SUBSIDIARIES (cont'd)

(ii) Particulars of the subsidiaries are as follows:-

Name of Subsidiaries	Effective equity interest		Principal activities	Country of incorporation
	2002	2001		
Unimech Engineering (M) Sdn. Bhd.	100%	100%	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems	Malaysia
Unimech Engineering (K.L.) Sdn. Bhd.	100%	100%	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems	Malaysia
Unimech Engineering (J.B.) Sdn. Bhd.	100%	100%	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems	Malaysia
Arita Valve Mfg. (M) Sdn. Bhd.	100%	100%	Design and manufacture of valves, strainers, pipe fittings and chemical pumps for boilers	Malaysia
Unimech Projects Sdn. Bhd.	100%	100%	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems, heat & steam engineering	Malaysia
Arita Flanges Industries Sdn. Bhd.	100%	100%	Engineering design and manufacture of all type of steel flanges	Malaysia
Q-Flex Industries (M) Sdn. Bhd.	100%	100%	Manufacture of rubber flexible joint and mould products	Malaysia
Arita Engineering Sdn. Bhd.	100%	100%	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems	Malaysia
Multiplex Control & Engineering Services Pte. Ltd. *	100%	100%	Fabrication and installation of automation instruments/systems and control panels, trading of level switches and gauges and related products	Malaysia
Unijin Instruments Industries Sdn. Bhd.	51%	51%	Manufacture of pressure gauges and thermometers	Malaysia
Arita Valve (Tianjin) Co. Ltd. *	100%	–	Manufacture of all kinds of steel and cast iron industrial valves	The Peoples Republic of China

4. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of Subsidiaries	Effective equity interest		Principal activities	Country of incorporation
	2002	2001		
Subsidiaries of Unimech Engineering (M) Sdn. Bhd.				
Purcoat International (M) Sdn. Bhd.	70%	70%	Manufacture all kinds of coating materials, chemical & cementitious products	Malaysia
Performance Coatings Technology & Engineering Sdn. Bhd.	51%	51%	Supply of coating materials and engage in engineering works	Malaysia
Unimech Buildtech Sdn. Bhd.	81%	–	Trading and raised floor tiles and wholesaling of building materials	Malaysia
Subsidiary of Unimech Engineering (K.L.) Sdn. Bhd.				
TCE Casting Sdn. Bhd. *	51%	45%	Manufacture of metal stamping parts and tools, die casting and rental of machinery	Malaysia
Subsidiary of Unimech Engineering (J.B.) Sdn. Bhd.				
Unimech Engineering (Kuantan) Sdn. Bhd.	80%	60%	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems	Malaysia
Subsidiaries of Unimech Projects Sdn. Bhd.				
Inventive Potentials Sdn. Bhd.*	75%	75%	Manufacture of metal stamped parts and design of die casting mould	Malaysia
Unimech Engineering (Vietnam) Sdn. Bhd.	61%	76.25%	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems	Malaysia
Subsidiary of Arita Valve Mfg. (M) Sdn. Bhd.				
P.T. Arita Indonesia Manufacturing *	80%	80%	Manufacture of cast iron ball valves, pipe fittings and strainers	Indonesia
Subsidiary of Arita Engineering Sdn. Bhd.				
P.T. Arita Prima Indonesia *	51%	51%	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	Indonesia

Notes To The Financial Statements (cont'd)

4. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of Subsidiaries	Effective equity interest		Principal activities	Country of incorporation
	2002	2001		
Subsidiary of Purcoat International (M) Sdn. Bhd.				
Origin Chemical Technology Sdn. Bhd.	93.33%	93.33%	Trading in all kinds of coating material, chemical & cementitious products	Malaysia
Subsidiaries of P.T. Arita Prima Indonesia				
P.T. Arita Prima Perkasa *	70%	70%	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	Indonesia
P.T. Arita Prima Teknindo *	70%	70%	General trading.	Indonesia
P.T. Ragam Teknik Jakarta *	70%	70%	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	Indonesia
Subsidiaries of P.T. Arita Prima Perkasa				
P.T. Arita Prima Gemilang *	70%	70%	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	Indonesia
UD. Teknik Lestari *	70%	70%	Trading of boilers, combustion equipment, engineering equipment and piping systems	Indonesia

* Subsidiaries audited by other auditors

5. INVESTMENT IN ASSOCIATES

(i) Investment in associates

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Investment in associate, at cost	5,420,733	1,838,541	1,680,000	1,680,000
Share in post acquisition results	191,805	19,978	-	-
Accumulated amortisation of premium on acquisition	(20,697)	(13,798)	-	-
Interest in associates	5,591,841	1,844,721	1,680,000	1,680,000

5. INVESTMENT IN ASSOCIATES (cont'd)

	Group	
	2002 RM	2001 RM
Share of net tangible assets	5,411,767	1,686,041
Premium on acquisition	180,074	158,680
	5,591,841	1,844,721

Movement of premium on acquisition:

	Group	
	2002 RM	2001 RM
As at 1 January	158,680	165,579
Premium during the year	28,293	–
	186,973	165,579
Amortisation for the year	6,899	6,899
As at December 2002	180,074	158,680

(ii) Particulars of the associates are as follows:-

Name of Subsidiaries	Effective equity interest		Principal activities	Country of incorporation
	2002	2001		
Rigel Metalcraft (M) Sdn. Bhd. *	28%	28%	Production of investment castings of stainless steel and non-ferrous metals	Malaysia
Associate of Multiplex Control & Engineering Services Pte. Ltd.				
Multiplex Instrumentation and Control Equipment Services Phils Inc (Philippines) *	38%	–	Trading in automation instruments	The Philippines
Associate of Unimech Engineering (J.B.) Sdn. Bhd.				
TM Engineering (Thailand) Co. Ltd. *	20%	–	Trading, designing, fabricating, installation, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, oil and gas application and industries	Thailand

Notes To The Financial Statements (cont'd)

5. INVESTMENT IN ASSOCIATES (cont'd)

Name of Subsidiaries	Effective equity interest		Principal activities	Country of incorporation
	2002	2001		
Associate of Unimech Engineering (K.L.) Sdn. Bhd.				
TCE Casting Sdn. Bhd. *	51%	45%	Manufacture of metal stamping parts and tools, die-casting and rental of machinery	Malaysia
Haik Metal Works Co. Ltd. *	40%	–	Trading, designing, fabrication, installation, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, oil and gas application and industries	The People's Republic of China
Associate of Unimech Engineering (M) Sdn. Bhd.				
TM Engineering (Thailand) Co. Ltd. *	29%	–	Trading, designing, fabricating, installation, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, oil and gas application and industries	Thailand

*Associates audited by other auditors

Associate of Unimech Project Sdn. Bhd.

Premium Heights Sdn. Bhd.	40%	–	Property development	Malaysia
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The share of results of the above associate is equity accounted for based on unaudited management accounts for the year ended 31 December 2002.

6. OTHER INVESTMENTS

	Group	
	2002 RM	2001 RM
Quoted investments	433,992	609,345
Write down in value	(118,712)	(61,225)
	315,280	548,120
Unquoted investments	47,700	75,000
Total	362,980	623,120
Cost of quoted investments	941,308	1,011,276
Market value of quoted investments	315,280	548,120

7. INTANGIBLE ASSETS

Group	Development expenditure RM	Goodwill RM	Patents RM	Total RM
Cost				
At 1 January 2002	760,000	647,483	163,400	1,570,883
Acquisition of subsidiaries	-	59,822	-	34,821
Additions	256,842	-	-	281,843
At 31 December 2002	1,016,842	707,305	163,400	1,887,547
Amortisation				
At 1 January 2002	152,000	76,278	8,170	236,448
Amortisation charge for the year	203,369	25,699	8,170	237,238
At 31 December 2002	355,369	101,977	16,340	473,686
Net book value				
At 31 December 2002	661,473	605,328	147,060	1,413,861
At 31 December 2001	608,000	571,205	155,230	1,334,435
Amortisation for the year ended 31 December 2001	152,000	24,699	8,170	184,869

8. INVENTORIES

	Group	
	2002 RM	2001 RM
Inventories comprise the following, at cost:-		
Raw materials	2,510,850	2,872,707
Work-in-progress	446,803	338,767
Finished goods	33,137,885	39,427,959
Contract work-in-progress	3,200,294	-
Total	39,295,832	42,639,433

Notes To The Financial Statements (cont'd)

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade receivables				
Third parties	26,180,756	25,716,285	-	-
Less: Allowance for doubtful debts	362,511	256,431	-	-
	25,818,245	25,459,854	-	-
Due from associates	170,757	91,066	-	-
Non-trade receivables				
Other receivables and deposits	6,547,358	5,690,071	38,799	29,471
Due from associates	263,477	121,306	-	-
Due from subsidiaries	-	-	31,474,742	29,646,201
	6,810,835	5,811,377	31,513,451	29,675,672
	32,799,837	31,362,297	31,513,451	29,675,672

The non-trade amount due from associates and subsidiaries are interest free, unsecured with no fixed repayment terms.

Included in other receivables and deposits is an amount of RM678,308 (2001: RM3,050,000) being advances to a joint venture business which is unsecured with no fixed repayment terms. Interest is charged at the rate of 12% per annum.

Included in other receivables and deposits is an amount of RM Nil (2001: RM195,000) being deposit paid for the acquisition of plant & equipment.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Deposits placed with licenced banks	3,417,063	380,181	2,104,022	-
Cash and bank balances	10,174,838	6,441,635	146,992	62,633
Total	13,591,901	6,821,816	2,251,014	62,633

Fixed deposit amounting to RM275,868 (2001: RM266,679) is pledged to a local bank as securities for bank facilities granted to a subsidiary.

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade payables	5,387,123	6,844,720	-	-
Non-trade payables				
Other payables and accruals	2,573,763	1,980,560	146,583	109,344
Due to directors	203,710	346,776	-	-
	2,774,473	2,327,336	-	-
	8,164,596	9,172,056	146,583	109,344

The amount owing to directors is unsecured, interest free with no fixed repayment terms.

12. BORROWINGS - Group

	2002 RM	2001 RM
Current:		
Secured		
- Term loans	71,735	798,412
- Bank overdrafts	145,773	193,421
	217,508	991,833
Current:		
Unsecured		
- Term loan	41,185	41,185
- Bank overdrafts	3,830,347	4,528,772
- Bankers' acceptance	7,259,566	9,345,695
- Short term revolving credit	200,000	-
	11,331,098	13,915,652
Hire purchase liabilities	775,580	684,179
	12,324,186	15,591,664
Non-current		
- Term loans	816,236	933,418
- Hire purchase liabilities	1,413,371	1,446,970
	2,229,607	2,380,388

The secured overdraft, obtained from a local bank is secured by a pledge of fixed deposits belonging to a subsidiary.

The unsecured bank borrowings are obtained by way of negative pledges on the subsidiaries assets and are guaranteed by the Company.

The bank borrowing bear interest at rates ranging from 1.0% to 2.5% per annum above the banks' base lending rates.

Notes To The Financial Statements (cont'd)

12. BORROWINGS - Group (cont'd)

The secured term loans obtained from local banks, are secured by:-

- i. a fixed charge against a subsidiary's leasehold land & buildings (see Note 3);
- ii. a fixed charge against a subsidiary's machinery and equipment (see Note 3); and
- iii. a guarantee by the directors of the subsidiary concerned.

The unsecured term loans of the subsidiaries are obtained by way of negative pledges on their respective assets and are guaranteed by the Company.

The term loans bear interest at rates ranging from 0.35% to 3.5% per annum above the banks' base lending rate and are repayable in full by way of monthly instalments until May 2009 and January 2012 respectively.

The term loans are repayable as follows:-

	Group	
	2002 RM	2001 RM
Secured		
Amount repayable:		
- Within 1 year	71,735	798,412
- 1 to 2 years	79,721	71,736
- 2 to 5 years	296,499	266,783
- After 5 years	370,830	504,275
	818,785	1,641,206
Unsecured		
Amount repayable:		
- Within 1 year	41,185	41,185
- 1 to 2 years	46,043	46,043
- 2 to 5 years	23,143	44,581
	110,371	131,809

Hire purchase liabilities are payable as follows:-

Group	Payments	Interest	Principal	Payments	Interest	Principal
	2002 RM	2002 RM	2002 RM	2001 RM	2001 RM	2001 RM
Less than 1 year	960,262	184,682	775,580	867,530	183,351	684,179
Between 1 and 5 years	1,661,121	268,642	1,392,479	1,821,750	388,202	1,433,548
More than 5 years	25,163	4,271	20,892	25,373	11,951	13,422
	2,646,546	457,595	2,188,951	2,714,653	583,504	2,131,149

Hire purchase liabilities are subject to fixed interest rates ranging between 4.90% to 9.80% (2001: 4.90% to 9.80%) per annum.

13. SHARE CAPITAL

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Ordinary shares of RM1/- each				
Authorised:	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid up:				
At beginning of year	41,000,000	41,000,000	41,000,000	41,000,000
Bonus issue of shares	13,666,667	–	13,666,667	–
Shares issued under placement	5,465,000	–	5,465,000	–
Issue of shares pursuant to ESOS	180,000	–	180,000	–
At end of year	60,311,667	41,000,000	60,311,667	41,000,000

Employees Share Option Scheme ("ESOS")

At an extraordinary general meeting held on 26 March 2002, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued and paid-up share capital of the Company at any point in time during the existence of ESOS, to the eligible directors and employees of the Group.

It shall be in force for a period of five (5) years commencing from 8 April 2002. The option price for each ordinary share may be subject to a discount of not more than 10% of the 5 days weighted average market price of the shares as shown in the Daily Official List of the Kuala Lumpur Stock Exchange preceding the Date of Offer, or at par value of shares, whichever is higher.

The details of options granted to subscribe for shares which were outstanding as at 31 December 2002 are as follows:

Date of Offer	Option price RM	Number of Ordinary Shares
8 April 2002	1.34	4,593,000
10 July 2002	1.34	432,000
		5,025,000

Notes To The Financial Statements (cont'd)

14. RESERVES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Distributable				
Retained profits	14,794,501	24,010,658	241,992	14,114,771
Non-distributable				
Share premium (Note 22)	10,122,067	8,294,390	10,122,067	8,294,390
Capital reserve	891,800	45,000	-	-
Exchange fluctuation reserve	25,710	(65,988)	-	-
Reserve on consolidation	22,870	22,870	-	-
Total	25,856,948	32,306,930	10,364,059	22,409,161

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of dividends out of all its retained profits as at 31 December 2002.

15. DEFERRED TAXATION

	Group	
	2002 RM	2001 RM
Balance at 1 January	320,200	244,900
Amount transfer from/(to) income statement	(198,100)	75,300
Balance at 31 December	122,120	320,200

The above balance comprises deferred tax provided for timing differences arising from the excess of capital allowances over depreciation.

Subject to agreement with the Inland Revenue Board, the Group has potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following items:-

	Group	
	2002 RM	2001 RM
Unutilised tax losses	2,180,200	1,188,200
Other timing differences	(162,500)	358,500
	2,017,700	1,546,700

16. REVENUE

Revenue of the Group represents gross invoiced value of sales less goods returned and discounts allowed.

Revenue of the Company represents management fee received & receivable, interest income and dividend income.

17. OPERATING PROFIT

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Operating profit is arrived at after charging:-				
Audit fee - current year	101,557	97,131	7,000	7,000
- prior year	(2,200)	-	-	-
Allowance for diminution in value of quoted investments	118,712	-	-	-
Allowance for doubtful debts	177,140	199,798	-	-
Amortisation of goodwill	50,209	61,598	-	-
Amortisation of development expenditure	203,369	152,000	-	-
Amortisation of patents	8,170	8,170	-	-
Bad debts written off	416,586	238,803	-	-
Depreciation of property, plant and equipment	2,515,294	2,386,905	5,076	2,794
Directors' commission	540,053	942,503	-	-
Directors' fee	238,905	60,000	80,000	60,000
Directors' meeting allowance	30,080	13,000	11,750	13,000
Directors' remuneration	1,774,520	1,656,124	36,000	36,000
Hiring of crane	3,630	-	-	-
Hiring of machinery	2,400	3,260	-	-
Loss on disposal of property, plant and equipment	1,220	28,720	-	-
Loss on foreign exchange - realised	8,378	714	-	-
- unrealised	-	7,249	-	-
Management fee	134,613	-	-	-
Preliminary expenses	4,752	-	-	-
Property, plant and equipment written off	7,600	3,578	-	-
Rental of factory	109,300	108,700	-	-
Rental of equipment	3,400	6,199	-	-
Rental of machinery	43,644	-	-	-
Rental of premises	239,220	211,573	-	-
Staff costs	5,374,489	5,124,172	20,720	-
And crediting:-				
Appreciation in value of quoted investment	300	-	-	-
Bad debts recovered	58,831	26,610	-	-
Commission received	30,934	-	-	-
Dividends received	19,720	26,300	2,444,013	19,470,086
Gain on disposal of investments	44,855	-	-	-
Gain on disposal of property, plant and equipment	148,406	65,990	-	-
Gain on foreign exchange - realised	265,465	324,268	-	-
- unrealised	21,832	20,619	-	-
Management fee received	-	-	146,400	144,000
Interest received	589,315	424,189	64,117	204,731
Insurance claims	-	1,018	-	-
Rental received	239,200	247,510	-	-
Write back of allowance for doubtful debts	31,554	-	-	-

Staff costs include salaries, allowances, bonuses, contributions to employees' provident fund and social security funds and all the staff related expenses but exclude directors' commission, directors' fee, directors' meeting allowances and directors' remuneration.

Notes To The Financial Statements (cont'd)

18. FINANCING COSTS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Financing costs comprise interest on:				
Bank overdraft	443,516	376,260	-	-
Bankers' acceptance	121,967	481,825	-	-
Hire purchase	197,798	170,847	-	-
Finance lease	9,160	19,962	-	-
Term loan	128,771	173,687	-	-
Other interest	21,511	15,331	-	-
Total	922,723	1,237,912	-	-

19. TAX EXPENSE

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Current taxation				
Provision for current year	3,003,356	1,934,577	-	5,422,000
Under/(over) provision for prior year	(2,156)	(22,103)	23,742	-
	3,001,200	1,912,474	23,742	5,422,000
Share of taxation of associates	92,529	4,432	-	-
	3,093,729	1,916,906	23,742	5,422,000
Deferred taxation	197,600	74,000	-	-
Total	2,896,129	1,990,906	23,742	5,422,000

Subject to agreement with the Inland Revenue Board, the following estimated amounts are available to set off against future taxable business profits of certain subsidiaries:-

	Group	
	2002 RM	2001 RM
Unutilised tax losses	2,472,800	1,934,900
Unutilised capital allowances	700,800	697,070
Unutilised reinvestment allowances	1,618,480	2,513,700
Total	4,792,080	5,145,670

The disproportionate tax charge in relation to the Group's results for the financial year was mainly due to the availability of tax incentives to certain subsidiaries and the absence of group relief in respect of losses suffered by certain subsidiaries.

20. EARNINGS PER SHARE - GROUP**Basic**

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM7,717,320 (2001: RM6,316,072) and the weighted average number of ordinary shares during the financial year of 58,280,820 (2001: RM41,000,000).

Weighted average number of ordinary shares

	2002 RM	2001 RM
Issued ordinary shares at beginning of year	41,000,000	41,000,000
Effect of shares issued during the year	17,280,820	-
Weighted average number of ordinary shares	58,280,820	41,000,000

Diluted

The calculation of diluted earnings per share is based on the net profit attributable to ordinary shareholders of RM7,717,320 (2001: RM6,316,072) and the weighted average number of ordinary shares outstanding during the year of 63,877,418 (2001: 41,000,000)

Weighted average number of ordinary shares

	2002 RM	2001 RM
Issued ordinary shares at beginning of year	41,000,000	41,000,000
Effect of shares issued during the year	19,311,667	-
Effect of share options - ESOS	3,565,751	-
Weighted average number of ordinary shares	63,877,418	41,000,000

The assumed conversion from the exercise of the outstanding Employees' Share Option Scheme for prior year was anti-dilutive. Accordingly, the basic and fully diluted earnings per share were the same.

21. DIVIDENDS

	Group & Company			
	2002	2001	2002	2001
	Dividend per share net of tax SEN	Amount of dividend net of tax RM	Dividend per share net of tax SEN	Amount of dividend net of tax RM
Final dividend - 4% tax exempt	4	2,412,467	-	-

The Directors recommend the payment of a final tax exempt dividend of 1 sen per share and a final gross dividend of 4.2 sen less tax at 28% in respect of the financial year ended 31 December 2002 totalling RM2,426,941 based on the issued & fully paid up share capital of RM60,311,667, subject to shareholders' approval at the forthcoming Annual General Meeting.

These financial statements do not reflect the final dividend which, when approved by members, will be accounted for as an appropriation of retained profits from shareholders' equity in the financial year ending 31 December 2003.

Notes To The Financial Statements (cont'd)

22. SHARE PREMIUM

	Group & Company	
	2002 RM	2001 RM
Non-distributable:		
Balance at 1 January	8,294,390	8,346,115
Arising from issuance of shares	1,919,300	–
Shares issued expenses	(91,623)	(51,725)
Balance at 31 December	10,122,067	8,294,390

23. SIGNIFICANT INTER-COMPANY TRANSACTIONS

Significant inter-company transactions for the year are as follows:-

	Company	
	2002 RM	2001 RM
Interest received from a subsidiary	3,000	–
Dividends received from subsidiaries	2,444,013	19,470,086
Management fee received from subsidiaries	146,400	144,000

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

Transactions with a director, Dato' Lim Cheah Chooi:

	2002 RM	2001 RM
Rental paid	12,000	12,000

The Directors are of the opinion that the above transaction has been entered into in the normal course of business and has been established under terms that are no less favourable than those arranged with independent third parties.

Transactions with the directors:

There were no transactions with the directors other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

25. SEGMENTAL INFORMATION

Primary reporting format - business segments

Definition of Segments

Segment information is presented in respect of the Group's business segments.

For management purposes, the group is organised into 3 major operating divisions. The divisions form the basis on which the group reports its primary segment information.

25. SEGMENTAL INFORMATION (cont'd)

Segment results, assets and liabilities include items directly attributable to a segment as well as those than can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments:

i. Valves, instrumentation & fittings

System design, fabrication, manufacturing and distribution of all kinds of valves, instrumentation and fittings.

ii. Rubber products

Manufacture of rubber flexible joints and mould products.

iii. Heat & steam engineering

Fabrication, installation and maintenance of boilers, combustion equipment and piping systems.

Geographical segments:

The valves, instrumentation and fittings business segments are operated in three other principal geographical areas apart from Malaysia. Rubber products and heat and steam engineering segments are operated solely in Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on the principal geographical areas where operations are based.

Segments assets are also based on the geographical location of assets.

a. Primary reporting format - business segment

	Valves, instrumentation & fittings RM	Rubber products RM	Heat & steam engineering RM	Elimination RM	Consolidated RM
2002					
Business segments					
External revenue	54,226,067	2,697,069	13,371,800	-	70,294,936
Inter-segment revenue	19,410,917	134,594	286,907	(19,832,418)	-
Total revenue	73,636,984	2,831,663	13,658,707	(19,832,418)	70,294,936
Segment results	9,723,084	96,821	1,328,631	-	11,148,536
Unallocated expenses					(254,104)
Operation profit					10,894,432
Share of results of associates					326,095
Interest expenses					(922,723)
Interest income					589,315
Profit before taxation					10,887,119
Tax expense					(2,896,129)
Minority interests					(273,670)
Net profit for the year					7,717,320

Notes To The Financial Statements (cont'd)

25. SEGMENTAL INFORMATION (cont'd)

a. Primary reporting format - business segment (contd)

2001	Valves, instrumentation & fittings RM	Rubber products RM	Heat & steam engineering RM	Elimination RM	Consolidated RM
Business segments					
External revenue	49,843,774	2,607,370	15,418,264	-	67,869,408
Inter-segment revenue	24,052,214	105,232	513,343	(24,670,789)	-
Total revenue	73,895,988	2,712,602	15,931,607	(24,670,789)	67,869,408
Segment results	9,410,536	(697,736)	1,010,490		9,723,290
Unallocated expenses					(229,244)
Operation profit					9,494,046
Share of results of associates					(177,665)
Interest expenses					(1,237,912)
Interest income					424,189
Profit before taxation					8,502,658
Tax expense					(1,990,906)
Minority interests					(195,680)
Net profit for the year					6,316,072

2002 Group	Valves, instrumentation & fittings RM	Rubber products RM	Heat & steam engineering RM	Total RM
Segment assets	93,445,621	3,813,330	8,843,452	106,102,403
Investment in associates	911,841	-	3,000,000	3,911,841
	94,357,462	3,813,330	11,843,452	110,014,244
Unallocated assets	-	-	-	3,996,320
Total assets	94,357,462	3,813,330	11,843,452	114,010,564
Segment liabilities	20,623,004	1,101,906	2,531,046	24,255,956
Unallocated liabilities	-	-	-	146,583
Total liabilities	20,623,004	1,101,906	2,531,046	24,402,539
Other segment items				
Incurred capital expenditure	3,490,262	267,793	472,544	4,230,599
Depreciation	1,925,437	316,362	268,419	2,510,218

25. SEGMENTAL INFORMATION (cont'd)

a. Primary reporting format - business segment (contd)

2001 Group	Valves, instrumentation & fittings RM	Rubber products RM	Heat & steam engineering RM	Total RM
Segment assets	87,008,490	3,827,115	12,074,498	102,910,103
Investment in associates	203,721	-	-	203,721
	87,212,211	3,827,115	12,074,498	103,113,824
Unallocated assets	-	-	-	1,794,456
Total assets	87,212,211	3,827,115	12,074,498	104,908,280
Segment liabilities	25,463,591	1,180,381	1,820,511	28,464,483
Unallocated liabilities	-	-	-	109,344
Total liabilities	25,463,591	1,180,381	1,820,511	28,573,827
Other segment items				
Incurring capital expenditure	1,938,785	437,143	170,191	2,546,119
Depreciation	1,889,154	282,643	215,108	2,386,905

b. Second of reporting format - geographical segment

	Segment assets by location of assets		Capital expenditure by location	
	2002 RM	2001 RM	2002 RM	2001 RM
Malaysia	97,555,763	94,582,161	2,334,856	1,876,122
Indonesia	7,100,199	6,329,723	232,656	642,340
Singapore	1,829,197	1,998,606	15,247	27,657
China	3,529,085	-	1,647,840	-
	110,014,244	102,910,490	4,230,599	2,546,119

	Revenue by location of business operations	
	2002 RM	2001 RM
Malaysia	57,921,490	58,617,003
Indonesia	8,288,671	6,158,547
Singapore	3,181,563	3,093,858
China	903,212	-
	70,294,936	67,869,408

26. SIGNIFICANT EVENTS DURING THE YEAR

- i. On 18 January 2002, the Company increased its issued and fully paid up capital from RM41,000,000 to RM54,666,667 by a bonus issue of 13,666,667 new ordinary shares of RM1 each, credited as fully paid up.
- ii. On 31 January 2002, a subsidiary, Unimech Engineering (M) Sdn. Bhd. subscribed for 162,000 ordinary shares of RM1 each representing 81% equity interest in Unimech Buildtech Sdn. Bhd., a company incorporated in Malaysia, at RM1 per share, paid in cash.
- iii. On 26 March 2002, the Company at an Extraordinary General Meeting, approved the establishment of an Employees' Share Option Scheme ("ESOS") under which, options will be granted to such eligible employees to subscribe for new shares in the capital of the Company provided that the aggregate number of ordinary shares to be allotted and issued pursuant to this ESOS shall not exceed 10% of the total enlarged issued and paid up ordinary share capital of the Company at any one time.
- iv. On 27 March 2002, the Company subscribed for 5,500,000 ordinary shares of RMB1/- each representing 100% equity interest in Arita Valve (Tianjin) Co. Ltd., a company incorporated in The People's Republic of China, at a total cash consideration of RM3,273,400.
- v. On 15 April 2002, the Company increased its issued and fully paid up capital from RM54,666,667 to RM60,131,667 by the private placement of 5,465,000 new ordinary shares of RM1 each at an issue price of RM1.34 per share.
- vi. In April 2002, an indirect subsidiary, P.T. Arita Indonesia Manufacturing, a company incorporated in Indonesia, ceased its production activity.
- vii. On 20 August 2002, a subsidiary, Unimech Engineering (KL) Sdn. Bhd. increase its equity interest in a subsidiary, TCE Casting Sdn. Bhd., from 45% to 51%, by the acquisition of 63,000 ordinary shares of RM1 each for a total consideration of RM100,500, satisfied by cash.

27. ACQUISITIONS

A. Acquisition of Unimech Buildtech Sdn. Bhd.

On 31 January 2002, the Group acquired 162,000 ordinary shares of RM1 each representing 81% equity interest in Unimech Buildtech Sdn. Bhd. for a consideration of RM162,000, satisfied by cash. The acquisition was accounted for using the acquisition method of accounting.

- i. The effect of the above acquisition on the financial results of the Group for the period from date of acquisition to 31 December 2002 is as follows:

	RM
Revenue	217,996
Operating expenses	(391,581)
	<hr/>
	(173,585)
Minority interest	32,981
	<hr/>
Reduction in Group profit	(140,604)
	<hr/>

27. ACQUISITIONS (cont'd)

ii. The effect of the above acquisition on the financial position of the Group as at 31 December 2002 is as follows:

	2002 RM
Property, plant and equipment	197,422
Inventories	61,125
Trade and other receivables	138,401
Cash and cash equivalents	4,618
Trade and other payables	(375,151)
Minority interest	(5,019)
	21,396
Increase in Group's net assets	21,396

B. Acquisition of Arita Valve (Tianjin) Co. Ltd.

On 27 March 2002, the Company subscribed 100% equity interest in Arita Valve (Tianjin) Co. Ltd. for a consideration of RM3,273,400, satisfied by cash. The acquisition was accounted for using the acquisition method of accounting.

i. The effect of the acquisition of the subsidiary on the financial results for the period from date of acquisition to 31 December 2002 is as follows:

	2002 RM
Revenue	903,212
Operating expenses	(1,060,622)
	(157,410)
Decrease in Group profit	(157,410)

ii. The effect of the acquisition of the subsidiary on the financial position of the Group as at 31 December 2002 are as follows:

	2002 RM
Property, plant and equipment	1,632,289
Inventories	23,580
Trade and other receivables	621,839
Trade and other payables	(292,351)
	3,236,734
Increase in Group's net assets	3,236,734

Notes To The Financial Statements (cont'd)

28. CAPITAL COMMITMENTS

	Group	
	2002 RM	2001 RM
Property, plant and equipment:-		
Contracted but not provided for	998,352	383,352

29. EMPLOYEE INFORMATION

	Group		Company	
	2002	2001	2002	2001
The number of employees (including executive directors) employed at end of year	407	298	1	5

30. FINANCIAL INSTRUMENTS

Financial risk management objective and policies

The Group are exposed to credit, interest rate and currency risks in the normal course of the Group's business. The Board reviews and agrees policies for managing each of these risks as summarised below.

Credit risk

The Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group do not require collateral in respect of financial assets.

Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. At balance sheet date, there were no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The Group borrows from a licensed bank at interest rates approved by Bank Negara Malaysia to finance its working capital. The interest rate is relatively competitive compared to interest rates of similar instruments in the market.

The Company places excess funds with reputable bank to generate interest income for the Company. The Company manages its interest rate risk by monitoring market rates and placing such balances on varying maturities and interest rate terms.

30. FINANCIAL INSTRUMENTS (cont'd)**Foreign currency risk**

The Group incurs foreign currency risks on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk are primarily US dollars. The Group does not hedge these exposures by purchasing forward currency contracts at present given the government "peg". However, the Board keeps this policy under review.

The following table shows information about the Group's exposure to interest rate risk:

Effective interest rates

In respect of interest earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

Group	Effective interest rate % per annum	Total	Within 1 year	1-5 years	After 5 years
		RM	RM	RM	RM
Financial assets:					
Short term deposits with licensed banks	3.20 - 4.00	3,417,063	3,417,063	-	-
Cash and bank balances	Nil	10,174,838	10,174,838	-	-
Financial liabilities:					
Secured term loans	0.35 - 1.75	818,785	71,735	376,220	370,829
Secured bank overdraft	1.50	145,773	145,773	-	-
Unsecured term loan	4.15	110,371	41,184	69,187	-
Unsecured bank overdraft	1.25 - 7.40	3,830,347	3,830,347	-	-
Unsecured bankers' acceptance	3.15	7,259,566	7,259,566	-	-
Unsecured short term revolving credit	6.01 - 6.13	200,000	200,000	-	-
Hire purchase liabilities	4.90 - 9.80	2,188,851	775,580	1,392,479	20,892
Company					
Financial assets:					
Short term deposits with licensed banks	3.20 - 4.00	2,104,022	2,104,022	-	-
Cash and bank balances	Nil	146,992	146,992	-	-

Notes To The Financial Statements (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

Fair Values

The aggregate fair values of financial assets and liabilities carried in the balance sheet as at 31 December 2002 are presented in the following table:

	Group		Company	
	Carrying Amount RM	Fair value RM	Carrying Amount RM	Fair value RM
Financial assets:				
Short term deposits with licensed banks	3,417,063	3,417,063	2,104,022	2,104,022
Cash and bank balances	10,174,838	10,174,838	146,992	146,992
Financial liabilities:				
Secured term loans	818,785	818,785	-	-
Secured bank overdrafts	145,773	145,773	-	-
Unsecured term loan	110,371	110,371	-	-
Unsecured bank overdraft	3,830,347	3,830,347	-	-
Unsecured bankers' acceptance	7,259,566	7,259,566	-	-
Unsecured short term revolving credit	200,000	200,000	-	-
Hire purchase liabilities	1,834,192	1,834,192	-	-

In respect of trade and other receivables, trade and other payables, the carrying amounts approximate their fair values due to the relatively short term nature of these financial instruments.

31. CONTINGENT LIABILITIES

	Group	
	2002 RM	2001 RM
Corporate guarantee issued to financial institutions for banking facilities granted to subsidiaries	67,000,000	39,080,000

32. COMPARATIVE INFORMATION

Significant comparative information which have been reclassified are as follows:-

Group	As reclassified RM	As previously reported RM
Trade and other receivables	31,362,297	-
Trade debtors	-	25,459,854
Other debtors, deposits and prepayments	-	5,690,071
Amounts owing by associates	-	212,372
Cash and cash equivalents		
Fixed deposits	6,821,816	380,181
Cash and bank balances	-	6,441,635
Trade and other payables	9,172,056	-
Borrowings	15,591,664	-
Trade creditors	-	6,844,720
Other creditors and accruals	-	2,664,739
Amounts owing to directors	-	346,776
Term loans	-	839,597
Bank borrowings	-	14,067,888
Borrowings	2,380,388	-
Term loans	-	933,418
Hire purchase and finance lease creditors	-	1,446,970
Company		
Trade and other receivables	29,675,672	-
Other debtors, deposits and prepayments	-	29,471
Amounts owing by subsidiaries	-	29,646,201
Cash and cash equivalents	62,633	-
Fixed deposits	-	-
Cash and bank balances	-	62,633
Trade and other payables	109,344	-
Other creditors and accruals	-	109,344

These figures have been reclassified to conform with the current year's presentation.

Statement By Directors

We, the undersigned, being two of the directors of Unimech Group Berhad, state that in the opinion of the directors, the financial statements set out on pages 34 to 77 are drawn up in accordance with approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2002 and of the results of the Group and of the Company and the cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Directors,

DATO' LIM CHEAH CHOOI

LIM KIM GUAN

Penang

Dated: 28 April 2003

Statutory Declaration

I, Dato' Lim Cheah Chooi, I/C No. 490612-07-5527, the director responsible for the financial management of Unimech Group Berhad, do solemnly declare that to the best of my knowledge and belief, the financial statements set out on pages 34 to 77 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Dato' Lim Cheah Chooi at)
Butterworth in the State of Penang this)
28 day of April, 2003.) **DATO' LIM CHEAH CHOOI**

Before me,

(Commissioner for Oaths)

Proxy Form

UNIMECH GROUP BERHAD (407580-X)

No. Of Shares Held

I/We _____

Of _____

being a member/members of Unimech Group Berhad, hereby appoint

of _____

or failing him the Chairman of the meetings as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company, to be held at Balau Room (Level 2), Sunway Hotel Seberang Jaya, No. 11, Lebuhr Tenggiri Dua, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Tuesday, 10 June 2003 at 11:30 a.m. and at any adjournment thereof.

Please indicate the manner in which you wish your votes should be cast, with a tick (✓) in the appropriate spaces below. Unless voting instruction are specified therein, the proxy will vote or abstain from voting as he/she thinks fit.

	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		

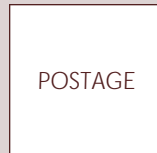
Signed this _____ day of _____ 2003 Signature of Members _____

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and if the proxy is not a member of the Company, the proxy shall be an advocate or an approved company auditor or a person approved by the Registrar of Companies.
2. The Form of Proxy must be deposited at the Company's Registered Office at Wisma Unimech, 4934, Jalan Chain Ferry, 12100 Butterworth not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
3. A member shall be entitled to appoint more than one proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meetings. Where a member appoints more than one proxy (subject always to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

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The Company Secretary

UNIMECH GROUP BERHAD (407580-X)

4934, Jalan Chain Ferry

12100 Butterworth, Pulau Pinang

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