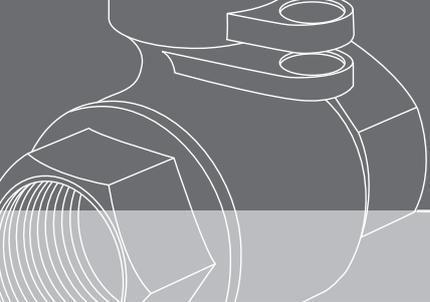


# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	Group RM	Company RM
Net profit for the year	<u>4,557,447</u>	<u>2,146,029</u>

### DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final gross dividend of 5 sen per share less income tax at 28% for the financial year ended 31 December 2003 amounting to RM2,419,188 on 28 July 2004.

The Directors recommend the payment of a first and final gross dividend of 2 sen per share less income tax at 28% amounting to RM1,935,350 for the financial year ended 31 December 2004, computed based on the issued and paid-up share capital as at 31 December 2004 of 134,399,334 ordinary shares of RM0.50 each.

### RESERVES AND PROVISIONS

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

### DIRECTORS OF THE COMPANY

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

Dato' Lim Cheah Chooi  
Dato' Seri 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 Abdul Rahman

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' INTEREST IN SHARES

The holdings and indirect holdings in the ordinary shares of the Company and of its related corporations (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:

#### Company

Name of Directors	Ordinary Shares of RM0.50 each			Balance at 31.12.04
	Balance at 1.1.04 #	Bought	Sold	
Dato' Lim Cheah Chooi	40,834,500	980,000	–	41,814,500
Dato' Seri Kamal Mohd Hashim Bin Che Din	666,666	–	–	666,666
Lim Kim Guan	10,294,306	–	–	10,294,306
Siew Fook Kheong	114,172	–	–	114,172
Ngoi Foo Sing	7,888,558	–	(217,600)	7,670,958
Han Mun Kuan	1,932,498	–	(554,000)	1,378,498
Abdul Rafique Bin Abdul Karim	1,194,668	4,000	–	1,198,668
Lee Yoke Khay	26,666	–	–	26,666
Dato' Tan King Tai @ Tan Khoon Hai	99,984	–	–	99,984
Norman Bin Abdul Rahman	26,666	–	–	26,666

# The opening balance has been adjusted to reflect the splitting of the Company's shares from par value of RM1 each to par value of RM0.50 each, which was completed on 9 August 2004.

Name of Directors	Number of Options for Ordinary Shares of RM0.50 each			Balance at 31.12.04
	Balance at 1.1.04 *	Granted	Exercised	
Dato' Lim Cheah Chooi	348,000	–	–	348,000
Siew Fook Kheong	348,000	–	–	348,000
Lim Kim Guan	348,000	–	–	348,000
Ngoi Foo Sing	348,000	–	–	348,000
Han Mun Kuan	348,000	–	–	348,000

\* The opening balance has been adjusted to reflect the splitting of the Company's shares from par value of RM1 each to par value of RM0.50 each, which was completed on 9 August 2004.

**DIRECTORS' INTEREST IN SHARES (Cont'd)**

**Related Corporations (Cont'd)**

**Unimech International Sdn. Bhd.**

(formerly known as Purcoat International (M) Sdn. Bhd.)

Name of Director	Direct interest		Ordinary Shares of RM1 each		Indirect interest	
	Balance at 1.1.04	Bought/ (Sold)	Balance at 31.12.04	Balance at 1.1.04	Bought/ (Sold)	Balance at 31.12.04
Siew Fook Kheong	219,000	-	219,000	-	-	-

**Unimech Valve Technology Sdn. Bhd.**

Name of Director	Direct interest		Ordinary Shares of RM1 each		Indirect interest	
	Balance at 1.1.04	Bought/ (Sold)	Balance at 31.12.04	Balance at 1.1.04	Bought/ (Sold)	Balance at 31.12.04
Siew Fook Kheong	30,000	-	30,000	-	-	-

**Luxurious Construction Sdn. Bhd.**

Name of Director	Direct interest		Ordinary Shares of RM1 each		Indirect interest	
	Balance at 1.1.04	Bought/ (Sold)	Balance at 31.12.04	Balance at 1.1.04	Bought/ (Sold)	Balance at 31.12.04
Dato' Lim Cheah Chooi	-	-	-	18,000	-	18,000

**Unimech Engineering (Vietnam) Sdn. Bhd.**

Name of Director	Direct interest		Ordinary Shares of RM1 each		Indirect interest	
	Balance at 1.1.04	Bought/ (Sold)	Balance at 31.12.04	Balance at 1.1.04	Bought/ (Sold)	Balance at 31.12.04
Siew Fook Kheong	38,001	-	38,001	-	-	-

## DIRECTORS' REPORT (cont'd)

### DIRECTORS' INTEREST IN SHARES (Cont'd)

#### Related Corporations (Cont'd)

##### Unimech Instruments & Control Sdn. Bhd.

Name of Director	Direct interest		Ordinary Shares of RM1 each		Indirect interest	
	Date of appointment	Bought/ (Sold)	Balance at 31.12.04	Date of appointment	Bought/ (Sold)	Balance at 31.12.04
Dato' Lim Cheah Chooi	1	(1)	–	–	35,000	35,000

##### Unimech Greenaire (Aust) Pty. Ltd.

Name of Director	Direct interest		Ordinary Shares of AUD1 each		Indirect interest	
	Date of appointment	Bought/ (Sold)	Balance at 31.12.04	Date of appointment	Bought/ (Sold)	Balance at 31.12.04
Siew Fook Kheong	10,000	–	10,000	–	–	–

##### Unimech International, Inc

Name of Director	Direct interest		Ordinary Shares of USD0.01 each		Indirect interest	
	Date of appointment	Bought/ (Sold)	Balance at 31.12.04	Date of appointment	Bought/ (Sold)	Balance at 31.12.04
Siew Fook Kheong	1,000,000	–	1,000,000	–	–	–

##### Unimech Greenhealth International Sdn. Bhd.

(formerly known as GoodAire (M) Sdn. Bhd.)

Name of Director	Direct interest		Ordinary Shares of RM1 each		Indirect interest	
	Date of appointment	Bought/ (Sold)	Balance at 31.12.04	Date of appointment	Bought/ (Sold)	Balance at 31.12.04
Siew Fook Kheong	10,000	–	10,000	–	–	–

In accordance with section 6A of the Companies Act, 1965, Dato' Lim Cheah Chooi, by virtue of his interest of more than 15% in the shares of the Company, is also deemed to have interest in the shares of all its subsidiaries to the extent the Company has an interest.

### 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 the benefits that may be deemed to have arisen in relation to transactions entered into in the ordinary course of business as disclosed in Note 25 of the financial statements. Neither during nor at the end of the financial year was the company a party to any arrangements whose object is to enable 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 DURING THE YEAR

Significant events during the year are disclosed in Note 27 to the financial statements.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital was increased from 61,090,667 to 67,199,667 ordinary shares of RM1 each by the issue of 6,109,000 ordinary shares of RM1 each as follows:

<u>Number of shares</u>	<u>Purpose of issue</u>	<u>Class of issue</u>	<u>Terms of Issue</u>
6,109,000	Private placement	Ordinary	At an issue price of RM1.30 per share

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

There were no debentures issued by the Group and by the Company during the financial year.

### 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.

## DIRECTORS' REPORT (cont'd)

### OPTIONS GRANTED OVER UNISSUED SHARES (cont'd)

The options offered to take up unissued ordinary shares of RM0.50 each and the option price are as follows:

Date of offer	Exercise price per ordinary share # RM	Number of Options over Ordinary Shares of RM0.50 each			
		Balance at 1.1.04 #	Granted	Exercised	Balance at 31.12.04 #
8 April 2002	0.67	7,628,000	–	–	7,628,000
10 July 2002	0.67	864,000	–	–	864,000
					8,492,000

# The option price per share and the number of ordinary shares have been adjusted to reflect the splitting of the Company's shares from par value of RM1 each to par value of RM0.50 each, which was completed on 9 August 2004.

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 the 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 Guarantee and is exercised only by the Guarantee 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 Bursa Malaysia Securities Berhad 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 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 2004 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.

### **SUBSEQUENT EVENTS**

The events subsequent to the balance sheet date are as disclosed in note 34 to the financial statements.

### **AUDITORS**

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

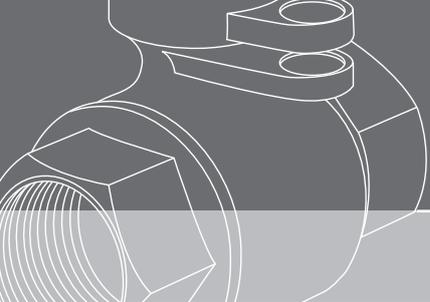
Signed in accordance with a  
resolution of the directors,

**DATO' LIM CHEAH CHOOI**

**SIEW FOOK KHEONG**

Penang

Dated: 28 April 2005



## STATEMENT BY DIRECTORS

31 December 2004

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 42 to 94 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 2004 and of the results and 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**

**SIEW FOOK KHEONG**

Penang

Dated: 28 April 2005



## STATUTORY DECLARATION

31 December 2004

I, Siew Fook Kheong, I/C No. 600427-08-6069, 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 42 to 94 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 Siew Fook Kheong )  
at Butterworth in the State of Penang )  
on 28 April 2005 )

**SIEW FOOK KHEONG**

Before me,

(Commissioner for Oaths)

## REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 42 to 94. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an opinion, based on our audit, on the financial statements and to report to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 2004 and of the results and 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 Companies Act, 1965 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 said Act.

The subsidiaries in respect of which we have not act as auditors are identified in Note 6 to the financial statements and we have considered their financial statements and the auditors' report thereon.

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**

1728/3/06 (J)  
Partner

Penang  
Dated: 28 April 2005

# CONSOLIDATED BALANCE SHEET

As At 31 December 2004

	Note	RM	RM	2003 RM
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	3	23,013,060		21,539,051
Land held for property development	4	2,153,409		–
Progress payments	5	643,599		–
Investment in associates	7	5,685,372		5,515,284
Other investments	8	831,508		1,587,887
Intangible assets	9	1,077,596		905,373
		<b>33,404,544</b>		29,547,595
<b>CURRENT ASSETS</b>				
Inventories	10	46,068,272		37,768,855
Trade and other receivables	11	41,003,726		38,815,400
Cash and cash equivalents	12	17,931,651		17,305,411
		<b>105,003,649</b>		93,889,666
<b>CURRENT LIABILITIES</b>				
Trade and other payables	13	17,094,675		13,642,437
Borrowings	14	15,752,252		14,380,727
Provision for taxation		232,812		606,184
		<b>33,079,739</b>		28,629,348
<b>NET CURRENT ASSETS</b>			<b>71,923,910</b>	65,260,318
			<b>105,328,454</b>	94,807,913
Financed by:				
<b>SHARE CAPITAL</b>	15	67,199,667		61,090,667
<b>RESERVES</b>	16	31,103,398		27,374,739
<b>SHAREHOLDERS' EQUITY</b>		<b>98,303,065</b>		88,465,406
<b>MINORITY INTEREST</b>		4,464,844		3,965,201
<b>LONG TERM AND DEFERRED LIABILITIES</b>				
Borrowings	14	2,093,622		1,643,694
Deferred tax liabilities	17	466,923		733,612
		<b>105,328,454</b>		94,807,913

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

## BALANCE SHEET

As At 31 December 2004

	Note	RM	RM	2003 RM
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	3		<b>16,910</b>	21,520
Investment in subsidiaries	6		<b>38,533,829</b>	37,939,589
Investment in associates	7		<b>1,134,293</b>	1,680,000
			<u><b>39,685,032</b></u>	<u>39,641,109</u>
<b>CURRENT ASSETS</b>				
Trade and other receivables	11	<b>34,886,176</b>		31,803,982
Cash and cash equivalents	12	<b>5,113,114</b>		2,470,730
		<u><b>39,999,290</b></u>		<u>34,274,712</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	13	<b>253,960</b>		1,992,242
<b>NET CURRENT ASSETS</b>				
			<u><b>39,685,019</b></u>	<u>32,282,470</u>
			<u><b>79,430,362</b></u>	<u>71,923,579</u>
Financed by:				
<b>SHARE CAPITAL</b>	15		<b>67,199,667</b>	61,090,667
<b>RESERVES</b>	16		<b>12,230,695</b>	10,832,912
<b>SHAREHOLDERS' EQUITY</b>			<u><b>79,430,362</b></u>	<u>71,923,579</u>

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

# CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2004

	Note	RM	2003 RM
Revenue	18	<b>88,851,621</b>	89,006,913
Cost of sales		<b>(61,853,062)</b>	(65,818,997)
Gross profit		<b>26,998,559</b>	23,187,916
Other operating income		<b>1,466,158</b>	927,957
Administrative expenses		<b>(13,680,587)</b>	(11,214,022)
Selling & distribution expenses		<b>(3,506,806)</b>	(2,498,067)
Other operating expenses		<b>(3,138,570)</b>	(2,534,960)
Operating profit	19	<b>8,138,754</b>	7,868,824
Finance costs	20	<b>(1,146,486)</b>	(1,131,872)
Share of results of associates		<b>(170,169)</b>	(301,309)
Profit before tax		<b>6,822,099</b>	6,435,643
Tax expense	21	<b>(1,717,015)</b>	(1,839,953)
Net profit after tax		<b>5,105,084</b>	4,595,690
Minority interest		<b>(547,637)</b>	(577,841)
Net profit for the year		<b>4,557,447</b>	4,017,849
Basic earnings per ordinary share (sen)	22	<b>3.45</b>	3.32
Diluted earnings per ordinary share (sen)	22	<b>3.45</b>	3.10
Net dividend per ordinary share (sen)	23	<b>1.44</b>	1.80

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

# INCOME STATEMENT

For The Year Ended 31 December 2004

	Note	RM	2003 RM
Revenue	18	<b>4,148,401</b>	3,854,022
Other operating income		<b>166,434</b>	57,679
Administrative expenses		<b>(377,458)</b>	(285,812)
Other operating expenses		<b>(736,367)</b>	(101,623)
Profit before tax	19	<b>3,201,010</b>	3,524,266
Tax expense	21	<b>(1,054,981)</b>	(774,604)
Net profit for the year		<b>2,146,029</b>	2,749,662

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2004

Note	Non-Distributable			Distributable			Total RM	
	Share Capital RM	Share Premium RM	Share Revaluation Reserve RM	Capital Reserve RM	Exchange Fluctuation Reserve RM	Reserves on Consolidation RM		Retained Profits RM
<b>At 1 January 2003</b>	60,311,667	10,122,067	-	891,800	25,710	22,870	14,130,833	85,504,947
Surplus on revaluation	-	-	-	-	-	-	14,018	14,018
- Effect of adopting MASB 25	-	-	-	-	-	-	-	-
Shares issued under ESOS	779,000	264,860	-	-	-	-	-	1,043,860
Share issue expenses	-	(118,728)	-	-	-	-	-	(118,728)
Exchange differences on translation of financial statements of foreign entities	-	-	-	-	430,401	-	-	430,401
Net losses not recognised in income statement	-	(118,728)	-	-	430,401	-	-	311,673
Net profit for the year	-	-	-	-	-	-	4,017,849	4,017,849
Dividends	-	-	-	-	-	-	(2,426,941)	(2,426,941)
<b>At 31 December 2003</b>	61,090,667	10,268,199	-	891,800	456,111	22,870	15,735,759	88,465,406
Issuance of share capital by private placement	6,109,000	1,832,700	-	-	-	-	-	7,941,700
Share issue expenses	-	(161,758)	-	-	-	-	-	(161,758)
Revaluation surplus of property, plant and equipment, net of tax	-	-	237,632	-	-	-	-	237,632
Exchange differences on translation of financial statements of foreign entities	-	-	-	-	(318,174)	-	-	(318,174)
Net losses not recognised in Income statement	-	(161,758)	237,632	-	(318,174)	-	-	(242,300)
Net profit for the year	-	-	-	-	-	-	4,557,447	4,557,447
Dividends	-	-	-	-	-	-	(2,419,188)	(2,419,188)
<b>At 31 December 2004</b>	<b>61,090,667</b>	<b>10,106,441</b>	<b>237,632</b>	<b>891,800</b>	<b>137,937</b>	<b>22,870</b>	<b>17,874,018</b>	<b>90,361,365</b>

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

## STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2004

	Note	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
<b>At 1 January 2003</b>		60,311,667	10,122,067	241,992	70,675,726
Shares issued under ESOS		779,000	264,860	–	1,043,860
Share issue expenses		–	(118,728)	–	(118,728)
Net losses not recognised in income statements		–	(118,728)	–	(118,728)
Net profit for the year		–	–	2,749,662	2,749,662
Dividends	23	–	–	(2,426,941)	(2,426,941)
<b>At 31 December 2003</b>		61,090,667	10,268,199	564,713	71,923,579
Issuance of share capital by private placement		6,109,000	1,832,700	–	7,941,700
Share issue expenses		–	(161,758)	–	(161,758)
Net losses not recognised in income statements		–	(161,758)	–	(161,758)
Net profit for the year		–	–	2,146,029	2,146,029
Dividends	23	–	–	(2,419,188)	(2,419,188)
<b>At 31 December 2004</b>		<b>67,199,667</b>	<b>11,939,141</b>	<b>291,554</b>	<b>79,430,362</b>

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

# CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31 December 2004

	RM	2003 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>6,822,099</b>	6,435,643
Adjustments for:		
Allowance for doubtful debts	<b>516,580</b>	–
Allowance for/(write-back of) diminution in value of quoted investments	<b>34,208</b>	(101,786)
Amortisation of patents	<b>8,170</b>	8,170
Amortisation of premium	<b>13,300</b>	–
Amortisation of development expenditure	<b>296,465</b>	203,369
Amortisation of goodwill	<b>12,970</b>	41,344
Depreciation of property, plant and equipment	<b>2,937,198</b>	2,782,201
Deficit on revaluation of property, plant and equipment	<b>296,475</b>	–
Gain from disposal of property, plant and equipment	<b>(84,696)</b>	(122,450)
Property, plant and equipment written off	<b>2,510</b>	17,624
Progress payment written off	<b>80,015</b>	–
Gain from disposal of quoted investments	<b>(103,093)</b>	(1,936)
Loss on disposal of a subsidiary	<b>311,494</b>	–
Impairment loss of property, plant and equipment	–	94,717
Impairment of goodwill	–	263,636
Share of loss in associates	<b>170,169</b>	301,309
Dividends income	<b>(30,090)</b>	(11,365)
Interest income	<b>(430,722)</b>	(413,803)
Interest expense	<b>1,146,486</b>	1,131,872
Rental income	<b>(196,035)</b>	(156,952)
Operating profit before working capital changes	<b>11,803,503</b>	10,471,593
(Increase)/decrease in inventories	<b>(7,760,223)</b>	1,526,977
Increase in trade and other receivables	<b>(2,521,806)</b>	(5,050,821)
Increase in trade and other payables	<b>3,764,931</b>	5,057,679
Decrease/(increase) in amount due from associates	<b>513,277</b>	(309,318)
Cash generated from operations	<b>5,799,682</b>	11,696,110
Tax paid	<b>(2,993,454)</b>	(3,769,691)
Tax refunded	–	116,023
Interest paid	<b>(1,146,486)</b>	(1,131,872)
Net cash generated from operating activities	<b>1,659,742</b>	6,910,570

**CONSOLIDATED CASH FLOW STATEMENT** (cont'd)  
For The Year Ended 31 December 2004

	RM	2003 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition for land held for development	(2,153,409)	–
Purchase of property, plant and equipment (Note A)	(3,739,417)	(3,121,909)
Purchase of quoted investment	(289,166)	–
Additions to development expenditure	(465,487)	–
Proceeds from disposal of property, plant and equipment	925,310	414,737
Proceeds from disposal of quoted investments	233,921	50,136
Disposal of subsidiary (Note 29)	(166,506)	–
Acquisition of subsidiaries (Note B)	(193,478)	(16,143)
Acquisition of additional interest in subsidiaries (Note 28)	(191,643)	(113,628)
Acquisition of an associate	(287,727)	–
Increase of investment in associates	(85,224)	(150,001)
Increase in other investments	–	(1,171,321)
(Increase)/decrease in pledged deposits	(16,147)	992,668
Increase in progress payments	(643,599)	–
Interest received	430,722	413,803
Dividends received	30,090	11,365
Rental received	196,035	156,952
Net cash used in investing activities	<b>(6,415,725)</b>	<b>(2,533,341)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(2,419,188)	(2,426,941)
Proceeds from issuance of shares	8,574,138	1,043,860
(Increase)/decrease in amount due from directors	(214,570)	420,162
Increase in amount due from associates	(225,792)	(45,551)
Share issue expenses	(161,758)	(118,728)
Term loan drawdown	109,822	–
Repayment of term loans	(201,382)	(120,166)
Repayment of hire purchase and finance leases	(1,047,404)	(945,105)
(Decrease)/increase in bank borrowings	(403,877)	2,742,510
Net cash generated from financing activities	<b>4,009,989</b>	<b>550,041</b>
Effect of exchange rate changes	(265,270)	439,746
Net (decrease)/increase in cash and cash equivalents	<b>(1,011,264)</b>	<b>5,367,016</b>
Cash and cash equivalents at beginning of year	<b>13,794,923</b>	<b>8,337,774</b>
Effect of exchange rate differences on cash and cash equivalents	<b>(99,376)</b>	<b>90,133</b>
Cash and cash equivalents at end of year (Note C)	<b><u>12,684,283</u></b>	<b><u>13,794,923</u></b>



# CONSOLIDATED CASH FLOW STATEMENT (cont'd)

For The Year Ended 31 December 2004

## NOTES TO THE CONSOLIDATED 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 RM5,325,891 (2003: RM3,666,269) of which RM1,586,474 (2003: RM544,360) was acquired through hire purchase and finance leases. The balance of RM3,739,417 (2003: RM3,121,909) was paid by cash.

### B. Analysis of acquisition of subsidiaries

	2004 RM	2003 RM
	At date of acquisition	At date of acquisition
Non-current assets	60,625	4,081
Current assets	1,167,301	370,243
Current liabilities	(878,771)	(266,143)
Minority interest	(136,705)	(32,454)
Share of net assets acquired	212,450	75,727
Goodwill/(negative goodwill) on acquisition	157,525	(44,927)
Total acquisition price	369,975	30,800
Cash & cash equivalents of subsidiary acquired	(176,497)	(14,657)
Cash flow on acquisition, net of cash and cash equivalents	<u>193,478</u>	<u>16,143</u>

### C. Cash and cash equivalents

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

	2004 RM	2003 RM
Cash and bank balances	10,918,365	14,500,340
Deposits placed with licensed banks	7,013,286	2,805,071
Bank overdrafts	(4,945,882)	(3,225,149)
	12,985,769	14,080,262
Less: Pledged deposits	(301,486)	(285,339)
Total	<u>12,684,283</u>	<u>13,794,923</u>

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

# CASH FLOW STATEMENT

For The Year Ended 31 December 2004

	<b>RM</b>	<b>2003 RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>3,201,010</b>	3,524,266
Adjustments for:		
Depreciation of property, plant and equipment	<b>5,100</b>	5,076
Impairment losses on investment in associate	<b>545,707</b>	–
Interest income	–	(57,679)
Operating profit before working capital changes	<b>3,751,817</b>	3,471,663
Increase in trade and other receivables	<b>(2,227)</b>	(100,001)
(Decrease)/increase in trade and other payables	<b>(1,687,801)</b>	1,777,585
Cash generated from operations	<b>2,061,789</b>	5,149,247
Tax deducted at source	<b>(1,056,727)</b>	(772,805)
Net cash generated from operating activities	<b>1,005,062</b>	4,376,442
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(490)</b>	–
Acquisition of a subsidiary	<b>(594,240)</b>	(800,000)
Increase in investment in subsidiary	–	(1,788,341)
Interest received	–	57,679
Net cash used in investing activities	<b>(594,730)</b>	(2,530,662)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease/(increase) in amount due from an associate	<b>2,148</b>	(2,148)
Increase in amount due from subsidiaries	<b>(3,130,850)</b>	(122,107)
Dividend paid	<b>(2,419,188)</b>	(2,426,941)
Proceeds from issuance of shares	<b>7,941,700</b>	1,043,860
Share issue expenses	<b>(161,758)</b>	(118,728)
Net cash generated from/(used in) financing activities	<b>2,232,052</b>	(1,626,064)
Net increase in cash and cash equivalents	<b>2,642,384</b>	219,716
Cash and cash equivalents at beginning of year	<b>2,470,730</b>	2,251,014
Cash and cash equivalents at end of year (Note A)	<b>5,113,114</b>	2,470,730

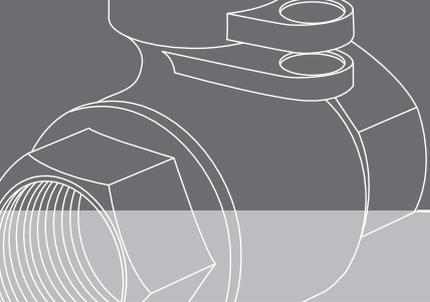
## NOTE TO THE CASH FLOW STATEMENT

### A. Cash and cash equivalents

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

	<b>2004 RM</b>	<b>2003 RM</b>
Deposits placed with licensed banks	<b>4,909,056</b>	501,274
Cash and bank balances	<b>204,058</b>	1,969,456
Total	<b>5,113,114</b>	2,470,730

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

## 1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of Bursa Malaysia Securities Berhad.

The financial statements of the Company are expressed in Ringgit Malaysia.

The registered office and the principal place of business of the Company is located at Wisma Unimech, 4934, Jalan Chain Ferry, 12100 Butterworth, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2005.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years.

### 2.1 Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention except as disclosed in the summary of significant accounting policies and comply with applicable approved accounting standards in Malaysia and the provision of the Companies Act, 1965.

### 2.2 Basis of Consolidation

#### Subsidiaries

Subsidiaries are those enterprises in which the Group has a long term equity interest and where it has the power, directly or indirectly to exercise control over 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.

## 2.2 Basis of Consolidation (Cont'd)

The following subsidiaries are consolidated using the merger method of accounting:

Unimech Engineering (M) Sdn. Bhd.  
Unimech Engineering (K.L.) Sdn. Bhd.  
Unimech Engineering (J.B.) Sdn. Bhd.  
Arita Valve Mfg. (M) Sdn. Bhd.  
Unimech Projects Sdn. Bhd.  
Arita Flanges Industries Sdn. Bhd.  
Q-Flex Industries (M) Sdn. Bhd.  
Arita Engineering Sdn. Bhd.  
Multiplex Control & Engineering Services Pte. Ltd.

Other subsidiaries are consolidated using the acquisition method of accounting.

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.

Intragroup transactions and balances and the resulting unrealised profits 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. The policy of the recognition and measurement of impairment losses is in accordance with Note 2.6.

The Group has adopted the policy of conducting a revaluation exercise by an independent firm of professional valuers at least once in every five years.

Surpluses arising from revaluation would be credited to revaluation reserve. 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.

### 2.3 Property, Plant and Equipment and Depreciation(Cont'd)

#### Depreciation

Freehold lands are not depreciated. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets over the expected useful lives. The principal annual rates used for this purpose are:

Freehold buildings	2% - 5%
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	5% - 50%
Heavy moving equipment & motor vehicles	10% - 20%
Plant, machinery, moulds & equipment	5% - 33.3%

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

Upon disposal of an item of property, plant or equipment, the differences between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use.

### 2.4 Investment in subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.6.

On disposals of such investment, the difference between the net disposal proceeds and their carrying amounts is charged or credited to the income statement.

### 2.5 Other 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 or 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 Impairment

The carrying amount of the Group and 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 revaluation reserve.

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, unless it reverses an impairment loss on a revalued asset, in which it is taken to revaluation reserve.

## 2.7 Intangible Assets

### 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.

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. Development expenditure is stated at cost less accumulated amortisation and impairment losses.

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

### 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 5 to 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.

## 2.8 Associates

An associate is a non-subsidiary 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 allowance for permanent diminution in value. 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.

An allowance is made when the directors are of the opinion that there is a permanent diminution in its value which is other than temporary.

## 2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of finished goods includes direct materials, 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. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

## 2.10 Income Taxes

Income taxes on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for the tax purposes and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

## 2.11 Hire Purchase

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

The interest component of 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.

## 2.12 Finance Lease

Leases in which the Group 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 2.12 Finance Lease (Cont'd)

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 Group's incremental borrowing rate is used.

## 2.13 Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Specific provisions are made for debts which have been identified as bad or doubtful.

## 2.14 Trade and Other Payables

Trade and other payables are stated at cost.

## 2.15 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.

## 2.16 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.

### iii) Closing Rates

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

	2004 RM	2003 RM
1 Singapore Dollar	2.3285	2.2370
1 US Dollar	3.8000	3.8000
1 Indonesia Rupiah	0.00039	0.00044
1 Philippine Peso	0.0668	0.0675
1 Renminbi	0.4591	0.4591
1 Korean Won	0.00367	Not applicable
1 Australian Dollar	2.9659	Not applicable

### **2.17 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.

### **2.18 Revenue Recognition**

#### **i) Sale of Goods**

Revenue comprises the invoiced value of goods and services, net of sales taxes, rebates and discounts, and after eliminating sales within the Group.

#### **ii) Interest income**

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

#### **iii) Dividend income**

Dividends are recognised in the income statement when the right to receive payment is established.

#### **iv) Rental income**

Rental income is recognised in the income statement as it accrues.

#### **v) Management fee**

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

### **2.19 Interest-Bearing Borrowings**

Interest-bearing borrowings are recorded at the amount of proceeds received.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets until such time as the assets substantially ready for their intended use or sale. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

### **2.20 Statement of Cash Flows**

The statement of cash flows classifies the changes in cash and cash equivalents according to operating, investing and financing activities. The statement of cash flows is prepared using the indirect method.

**2.21 Financial Instruments**

Financial instruments carried in the balance sheet include cash and cash equivalents, investments, borrowings, receivables and payables. The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

**2.22 Employee Benefits**

**i) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when services are rendered by employees that increase their entitlement to future compensated absences.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

**ii) Defined contribution plan**

Obligations for contributions to defined contribution plan (Employees Provident Fund) are recognised as an expense in the income statement as incurred.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 3. PROPERTY, PLANT AND EQUIPMENT

Group	At Valuation		At Cost					Total	
	Freehold lands & buildings	Leasehold lands & buildings long lease	Freehold lands & buildings under short lease	Leasehold land & building under short lease	Electrical installation & renovation	Furniture, fittings & office equipment	moving equipment & motor vehicles		Plant machinery, moulds & equipment
	RM	RM	RM	RM	RM	RM	RM	RM	
<b>Cost/Valuation</b>									
<b>At 1 January 2004</b>	<b>4,320,000</b>	<b>940,000</b>	<b>2,910,000</b>	<b>1,616,081</b>	<b>763,475</b>	<b>3,173,244</b>	<b>6,826,380</b>	<b>10,686,983</b>	<b>34,681,422</b>
Assets of subsidiaries acquired	-	-	-	-	-	27,053	46,072	-	73,125
Additions	-	-	1,768,678	4,316	332,462	416,526	1,484,333	1,319,576	5,325,891
Disposals	-	-	(508,200)	-	(23,487)	(29,931)	(748,871)	(13,734)	(1,324,223)
Write-offs	-	-	-	-	-	(41,683)	(48,214)	-	(89,897)
Elimination of accumulated depreciation on revaluation	(434,174)	(83,926)	(359,114)	-	-	-	-	-	(877,214)
Revaluation	(105,404)	103,926	49,114	-	-	-	-	-	47,636
Reclassification	2,199,578	-	(2,199,578)	-	-	-	-	-	-
Exchange differences	-	-	(77,100)	38	3	(27,345)	(96,587)	18,449	(182,542)
<b>At 31 December 2004</b>	<b>5,980,000</b>	<b>960,000</b>	<b>2,600,000</b>	<b>1,620,435</b>	<b>1,072,453</b>	<b>3,517,864</b>	<b>7,463,113</b>	<b>12,011,274</b>	<b>37,654,198</b>
<b>Accumulated Depreciation and Accumulated Impairment Loss</b>									
Accumulated depreciation	235,476	70,924	303,475	48,113	360,968	1,878,869	4,155,014	5,836,035	13,047,654
Accumulated impairment loss	-	-	-	-	-	94,717	-	-	94,717
<b>At 1 January 2004</b>	<b>235,476</b>	<b>70,924</b>	<b>303,475</b>	<b>48,113</b>	<b>360,968</b>	<b>1,973,586</b>	<b>4,155,014</b>	<b>5,836,035</b>	<b>13,142,371</b>
Assets of subsidiaries acquired	-	-	-	-	-	7,062	11,467	-	18,529
Charge for the year	73,937	13,854	60,598	61,105	100,361	357,674	1,035,617	1,203,765	2,937,198
Disposals	-	-	-	-	(1,604)	(12,711)	(456,680)	(9,614)	(480,609)
Write-offs	-	-	-	-	-	(39,173)	(48,214)	-	(87,387)
Elimination of accumulated depreciation on revaluation	(398,839)	(83,926)	(359,114)	-	-	-	-	-	(841,879)
Reclassification	95,629	-	(95,629)	-	-	-	-	-	-
Exchange differences	-	-	(7,772)	3	-	(16,785)	(38,426)	15,895	(47,085)
Accumulated depreciation	6,203	852	4,959	85,666	459,725	2,174,936	4,658,778	7,046,081	14,641,138
Accumulated impairment loss	-	-	-	-	-	94,717	-	-	94,717
<b>At 31 December 2004</b>	<b>6,203</b>	<b>852</b>	<b>4,959</b>	<b>85,666</b>	<b>459,725</b>	<b>2,269,653</b>	<b>4,658,778</b>	<b>7,046,081</b>	<b>14,641,138</b>
<b>Net Book Value</b>									
<b>At 31 December 2004</b>	<b>5,973,797</b>	<b>959,148</b>	<b>2,595,041</b>	<b>2,343,393</b>	<b>612,728</b>	<b>1,248,211</b>	<b>2,804,335</b>	<b>4,965,193</b>	<b>23,013,060</b>
<b>At 31 December 2003</b>	<b>4,084,524</b>	<b>869,076</b>	<b>2,606,525</b>	<b>3,286,479</b>	<b>402,507</b>	<b>1,199,658</b>	<b>2,671,366</b>	<b>4,850,948</b>	<b>21,539,051</b>
Depreciation for the year ended 31 December 2003	45,426	14,184	60,694	51,667	70,982	301,708	998,811	1,190,616	2,782,201

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
31 December 2004

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

<b>Company</b>	<b>Furniture, fittings &amp; office equipment RM</b>
<b>Cost</b>	
At 1 January 2004	37,260
Additions	490
At 31 December 2004	<u>37,750</u>
<b>Accumulated Depreciation</b>	
At 1 January 2004	15,740
Charge for the year	5,100
At 31 December 2004	<u>20,840</u>
<b>Net Book Value</b>	
At 31 December 2004	<u>16,910</u>
At 31 December 2003	<u>21,520</u>
Depreciation for the year ended 31 December 2003	<u>5,076</u>

The freehold, leasehold lands and buildings of the Group 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, Henry Butcher, Lim & Long (North) Sdn. Bhd. in December 2004.

Had the freehold land and building been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued assets that would have been included in the financial statements at the end of the financial year would be as follows:

<b>Group 2004</b>	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Net book value RM</b>
Freehold lands	2,652,515	–	2,652,515
Freehold buildings	3,603,419	178,414	3,425,005
Leasehold lands under long lease	156,723	1,685	155,038
Leasehold buildings under long lease	584,153	134,652	449,501
Leasehold lands & buildings under short lease	2,779,912	558,703	2,221,209
Total	<u>9,776,722</u>	<u>873,454</u>	<u>8,903,268</u>
<b>Group 2003</b>	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Net book value RM</b>
Freehold lands	1,033,833	–	1,033,833
Freehold buildings	2,366,951	413,553	1,953,398
Leasehold lands under long lease	156,723	–	156,723
Leasehold buildings under long lease	584,153	122,969	461,184
Leasehold lands & buildings under short lease	2,779,912	497,786	2,282,126
Total	<u>6,921,572</u>	<u>1,034,308</u>	<u>5,887,264</u>

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

**Securities**

The property, plant and equipment of certain subsidiaries with net book value amounting to RM2,038,359 (2003: RM1,734,046) have been charged to various banks for term loan and bank overdraft facilities granted to the subsidiaries concerned.

**Interest on borrowings**

Interest on borrowings used to finance the acquisition of buildings under construction have been capitalised under property, plant and equipment. The amount of interest capitalised for the current year is Nil (2003: RM38,348).

**Assets under hire purchase and finance lease liabilities**

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

	2004 RM	Group 2003 RM
Machinery	1,032,061	839,196
Motor vehicles	1,417,180	1,426,842
Signboard	-	47,880
	<u>2,449,241</u>	<u>2,313,918</u>

**4. LAND HELD FOR PROPERTY DEVELOPMENT**

	2004 RM	Group 2003 RM
Freehold land, at cost	<u>2,153,409</u>	<u>-</u>

**5. PROGRESS PAYMENTS**

These are payments made for freehold land & building which is under construction. Balance of the purchase price not provided for in the financial statements is as per Note 31.

**6. INVESTMENT IN SUBSIDIARIES**

	2004 RM	Company 2003 RM
(i) Unquoted shares in subsidiaries, at cost	<u>38,533,829</u>	<u>37,939,589</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
31 December 2004

**6. INVESTMENT IN SUBSIDIARIES (Cont'd)**

(ii) Particulars of the subsidiaries are as follows:

Name of subsidiaries	Effective equity interest		Principal activities	Country of incorporation
	2004 %	2003 %		
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	Singapore
Unijin Instruments Industries Sdn. Bhd.	51	51	Manufacture of pressure gauges and thermometers	Malaysia
Arita Valve (Tianjin) Co. Ltd. *	100	100	Manufacture of all kinds of steel and cast iron industrial valves	The People's Republic of China
Unimech Worldwide (Shanghai) Sdn. Bhd.	80	80	Design, fabricating, installing and testing and commissioning of fluid and control system for the application of water, petrochemical oil & gas industries	Malaysia

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 6. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name of subsidiaries	Effective equity interest		Principal activities	Country of incorporation
	2004 %	2003 %		
Green Acre Garden Sdn. Bhd.	100	–	Property development and construction	Malaysia
Jujur Bernas Sdn. Bhd.	80	–	Trading in all kind of valves and pipe fittings for water and steam industries	Malaysia
Unimech International, Inc. *#	51	–	Trading of technological and healthcare products via e-commerce	United States
<b>Subsidiaries of Unimech Engineering (M) Sdn. Bhd.</b>				
Unimech International Sdn. Bhd. (Formerly known as 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	81	Trading of raised floor tiles and wholesaling of building materials	Malaysia
UME Service & Trading Sdn. Bhd.	85	85	Servicing and trading of burners	Malaysia
Unimech Valve Technology Sdn. Bhd.	60	60	Trading in all kinds of coating material, chemical & cementitious products	Malaysia
Luxurious Construction Sdn. Bhd.	60	60	Construction	Malaysia
Unimech Instrument & Control Sdn. Bhd.	70	–	Trading of instrument and control equipment for water, steam, petrochemical, oil and gas industries	Malaysia
Unimech Greenaire (Aust) Pty. Ltd. *#	51	–	Trading of technological and health products via e-commerce network	Australia
<b>Subsidiary of Unimech Buildtech Sdn. Bhd.</b>				
Unimech Greenhealth International Sdn. Bhd. (Formerly known as GoodAire (M) Sdn. Bhd.)	85	–	Trading, designing, fabricating, installing, testing and commissioning of environmental control products for the purification of air	Malaysia
<b>Subsidiaries of Unimech Engineering (K.L.) Sdn. Bhd.</b>				
TCE Casting Sdn. Bhd. *	51	51	Manufacture of metal stamping parts and tools, die casting and rental of machinery	Malaysia
Unimech Engineering (Korea) Ltd. *	51	51	Designing, fabrication, installing, testing, and commissioning of fluid and control system for the application of water, petrochemical, oil and gas industries	Korea

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
31 December 2004

**6. INVESTMENT IN SUBSIDIARIES (Cont'd)**

**Subsidiary of Unimech Engineering (J.B.) Sdn. Bhd.**

Name of subsidiary	Effective equity interest		Principal activities	Country of incorporation
	2004 %	2003 %		
Unimech Engineering (Kuantan) Sdn. Bhd.	100	100	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	61	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems	Malaysia

**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
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**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 *	70	70	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	Indonesia
P.T. Arita Prima Gemilang *	70	–	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	Indonesia
P.T. Arindo Prima Lestari * (Formerly known as UD. Teknik Lestari)	70	–	Trading of boilers, combustion equipment, engineering equipment and piping systems	Indonesia

**6. INVESTMENT IN SUBSIDIARIES (Cont'd)**

**Subsidiaries of P.T. Arita Prima Perkasa**

Name of subsidiaries	Effective equity interest		Principal activities	Country of incorporation
	2004 %	2003 %		
P.T. Arita Prima Gemilang *	–	70	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	Indonesia
P.T Arindo Prima Lestari * (Formerly known as UD. Teknik Lestari)	–	70	Trading of boilers, combustion equipment, engineering equipment and piping systems	Indonesia
P.T. Primasawit Teknik Berjaya. *	<b>70</b>	70	Trading, installation, testing and commissioning of industrial equipment, engineering hardware and components for water, oil and application and industries	Indonesia

**Subsidiary of Unimech Worldwide (Shanghai) Sdn. Bhd.**

Senior Industries Resources Co. Ltd. *	<b>60</b>	–	Designing, fabricating, installing, testing and commissioning of fluid and heat control system for the application of water, petrochemical, oil & gas industries	The People's Republic of China
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\* Subsidiaries not audited by Wong Liu & Partners.

# These subsidiaries have been consolidated based on management accounts as the audited financial statements are not available.

**7. INVESTMENT IN ASSOCIATES**

(i) Investment in associates

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Investment in associates, at cost	<b>6,013,901</b>	5,624,059	<b>1,680,000</b>	1,680,000
Impairment losses	–	–	<b>(545,707)</b>	–
Share in post acquisition results	<b>(286,141)</b>	(80,047)	–	–
Accumulated amortisation of premium on acquisition	<b>(42,388)</b>	(28,728)	–	–
Interest in associates	<b>5,685,372</b>	5,515,284	<b>1,134,293</b>	1,680,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
31 December 2004

**7. INVESTMENT IN ASSOCIATES (Cont'd)**

	<b>2004 RM</b>	<b>Group 2003 RM</b>
Share of net tangible assets	<b>5,526,629</b>	5,343,241
Premium on acquisition	<b>158,743</b>	172,043
	<b>5,685,372</b>	5,515,284

Movement of premium on acquisition:

	<b>2004 RM</b>	<b>Group 2003 RM</b>
At 1 January	<b>172,043</b>	180,074
Amortisation for the year	<b>(13,300)</b>	(8,031)
At 31 December	<b>158,743</b>	172,043

(ii) Particulars of the associates are as follows:

<b>Name of Associate</b>	<b>Effective equity interest</b>		<b>Principal activities</b>	<b>Country of incorporation</b>
	<b>2004</b>	<b>2003</b>		
	%	%		
Rigel Metalcraft (M) Sdn. Bhd. *	<b>28</b>	28	Production of investment castings of stainless steel and non-ferrous metals	Malaysia
<b>Associate of Multiplex Control &amp; Engineering Services Pte. Ltd.</b>				
Multiplex Instrumentation and Control Equipment Services Phils Inc*	<b>38</b>	38	Trading in automation instruments	Philippines
<b>Associate of Unimech Engineering (M) Sdn. Bhd.</b>				
TM Unimech Co. Ltd. *	<b>29</b>	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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 7. INVESTMENT IN ASSOCIATES (Cont'd)

### Associate of Unimech Engineering (K.L.) Sdn. Bhd.

Name of Associate	Effective equity interest		Principal activities	Country of incorporation
	2004 %	2003 %		
Ningbo Haike Metal Products Co. Ltd.*	40	40	Trading, designing, fabricating, installing, 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 (J.B.) Sdn. Bhd.

TM Unimech Co. Ltd. *	20	20	Trading, designing, fabricating, installing, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, oil and gas application and industries	Thailand
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### Associate of Unimech Projects Sdn. Bhd.

Premium Heights Sdn. Bhd.*	40	40	Property development	Malaysia
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### Associate of Unimech Buildtech Sdn. Bhd.

Xiamen Greenaire International Trading Co. Ltd. *	50	-	Manufacturing, trading, designing, fabricating & assembling, installing, testing and commissioning of environmental control products for the purification of air pollution	The People's Republic of China
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\* Associates not audited by Wong Liu & Partners.

The share of results and reserves of the associates are equity accounted for based on the audited financial statements or management accounts of the associates for the year ended 31 December 2004.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
31 December 2004

**8. OTHER INVESTMENTS**

	Group	
	2004 RM	2003 RM
Quoted shares in Malaysia	773,571	423,178
Write-back/(allowance) for diminution in value	(34,208)	101,786
	739,363	524,964
Unquoted shares, at cost	92,145	1,062,923
Total	831,508	1,587,887
Cost of quoted investments	1,219,198	930,032
Market value of quoted investments	760,066	527,814

**9. INTANGIBLE ASSETS**

Group	Development expenditure RM	Goodwill RM	Patents RM	Total RM
<b>Cost</b>				
At 1 January 2004	1,016,842	360,340	163,400	1,540,582
Addition during the year	465,487	-	-	465,487
Acquisition of subsidiaries	-	24,341	-	24,341
At 31 December 2004	1,482,329	384,681	163,400	2,030,410
<b>Amortisation</b>				
At 1 January 2004	558,738	51,961	24,510	635,209
Charge for the year	296,465	12,970	8,170	317,605
At 31 December 2004	855,203	64,931	32,680	952,814
<b>Net book value</b>				
At 31 December 2004	627,126	319,750	130,720	1,077,596
At 31 December 2003	458,104	308,379	138,890	905,373
Amortisation for the year ended 31 December 2003	203,369	10,814	8,170	222,353

**10. INVENTORIES**

	Group	
	2004 RM	2003 RM
Inventories comprise the following, at cost:		
Raw materials	5,488,333	3,206,582
Work-in-progress	716,064	702,908
Finished goods	39,763,804	33,859,365
Contract work-in-progress	100,071	-
Total	46,068,272	37,768,855

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables				
Third parties	<b>36,147,785</b>	34,051,904	-	-
Customers for contract works	<b>62,067</b>	241,714	-	-
Less: Allowance for doubtful debts	<b>(519,003)</b>	(442,337)	-	-
	<b>35,690,849</b>	33,851,281	-	-
Due from associates	-	480,075	-	-
	<b>35,690,849</b>	34,331,356	-	-
Non-trade receivables				
Other receivables and deposits	<b>3,583,008</b>	3,565,143	<b>110,028</b>	107,801
Due from associates	<b>534,820</b>	309,028	-	2,148
Due from subsidiaries	-	-	<b>34,745,292</b>	31,664,923
Tax recoverable	<b>1,195,049</b>	609,873	<b>30,856</b>	29,110
	<b>5,312,877</b>	4,484,044	<b>34,886,176</b>	31,803,982
Total	<b>41,003,726</b>	38,815,400	<b>34,886,176</b>	31,803,982

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

Included in trade receivables is an amount of RM1,336,186 (2003: RM1,126,666) being amounts owing by a joint venture business which are unsecured with no fixed repayment terms. Interest is charged at the rate of 0% (2003: 22.68%) per annum.

Included in other receivables and deposits is an amount of RM474,857 (2003: RM485,524) which are unsecured with no fixed repayment terms. Interest is charged at the rate of 0% (2003: 12%) per annum.

## 12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposits placed with licensed banks	<b>7,013,286</b>	2,805,071	<b>4,909,056</b>	501,274
Cash and bank balances	<b>10,918,365</b>	14,500,340	<b>204,058</b>	1,969,456
Total	<b>17,931,651</b>	17,305,411	<b>5,113,114</b>	2,470,730

Deposits placed with licensed banks amounting to RM301,486 (2003: RM285,339) are pledged to a local bank as securities for bank facilities granted to the subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 13. TRADE AND OTHER PAYABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables				
Third parties	<b>12,940,875</b>	8,280,498	–	–
Due to associate	<b>33,202</b>	–	–	–
	<b>12,974,077</b>	8,280,498	–	–
Non-trade payables				
Other payables and accruals	<b>3,711,296</b>	4,738,067	<b>236,367</b>	1,924,168
Due to directors	<b>409,302</b>	623,872	–	–
Due to a subsidiary	–	–	<b>17,593</b>	68,074
	<b>4,120,598</b>	5,361,939	<b>253,960</b>	1,992,242
Total	<b>17,094,675</b>	13,642,437	<b>253,960</b>	1,992,242

The amounts due to directors and a subsidiary are unsecured, interest free with no fixed repayment terms.

## 14. BORROWINGS - GROUP

	Group	
	2004 RM	2003 RM
Current:		
Secured		
Bank overdrafts	<b>23,391</b>	193,377
Term loans	<b>227,661</b>	131,015
	<b>251,052</b>	324,392
Unsecured		
Bank overdrafts	<b>4,922,491</b>	3,031,772
Bankers' acceptance	<b>7,435,000</b>	7,385,189
Trust receipts	<b>1,363,199</b>	1,816,887
Short term revolving credit	<b>1,000,000</b>	1,000,000
Term loan	–	40,376
	<b>14,720,690</b>	13,274,224
Finance leases	<b>85,930</b>	59,198
Hire purchase liabilities	<b>694,580</b>	722,913
	<b>15,752,252</b>	14,380,727
Non-current:		
Secured term loans	<b>489,769</b>	637,599
Finance leases	<b>57,367</b>	96,901
Hire purchase liabilities	<b>1,546,486</b>	909,194
	<b>2,093,622</b>	1,643,694

The secured overdrafts obtained from a local bank are secured by a pledge of fixed deposits belonging to a subsidiary.

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

**14. BORROWINGS - GROUP (Cont'd)**

The bank overdrafts bear interest at rates ranging from 1.25% to 2.50% (2003 1.25% to 2.50%) per annum above the banks' base lending rates.

Short term revolving credits are subject to interest at the rate of 1.75% (2003 1.75%) per annum above the bank's lending rate.

Bankers' acceptance are subject to interest at rates ranging from 2.90% to 3.15% (2003: 2.90% to 3.15%) per annum.

Trust receipts are subject to interest at the rate of Nil (2003: 1.00%) per annum above the bank's lending rate.

The term loans bear interest at rates ranging from 0.35% to 1.75% (2003: 0.35% to 2.00%) per annum above the banks' base lending rate and 12% per annum (2003: 12%). The term loans are repayable in full by way of monthly instalments until May 2009 and January 2012 respectively.

The secured term loans 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 loan granted to the subsidiaries are obtained by way of negative pledges over the respective subsidiaries' assets and are guaranteed by the Company.

The term loans are repayable as follows:

	2004 RM	Group 2003 RM
Secured		
Within 1 year	227,661	131,015
From 1 to 2 years	126,831	88,597
From 2 to 5 years	362,938	331,354
After 5 years	-	217,648
	<u>717,430</u>	<u>768,614</u>
Unsecured		
Within 1 year	-	40,376
	<u>-</u>	<u>40,376</u>

Hire purchase liabilities are payable as follows:

	2004 RM	Group 2003 RM
Minimum hire purchase payments:		
Less than 1 year	916,312	879,314
From 1 to 5 years	1,691,625	1,061,884
More than 5 years	95,265	29,279
	<u>2,703,202</u>	<u>1,970,477</u>
Less: Future interest payments	462,136	338,370
Present value of hire purchase payables	<u>2,241,066</u>	<u>1,632,107</u>
Analysed as:		
Amount due within 12 months	694,580	722,913
Amount due after 12 months	1,546,486	909,194
	<u>2,241,066</u>	<u>1,632,107</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
31 December 2004

**14. BORROWINGS - GROUP (Cont'd)**

Hire purchase liabilities are subject to fixed interest rates ranging from 2.88% to 7.50% (2003: 2.88% to 7.50%) per annum.

Finance lease liabilities are payable as follows:

	<b>2004 RM</b>	<b>Group 2003 RM</b>
Minimum finance lease payments:		
Less than 1 year	<b>102,203</b>	67,429
From 1 to 5 years	<b>67,113</b>	112,415
	<hr/> <b>169,316</b>	<hr/> 179,844
Less: Future interest payments	<b>26,019</b>	23,745
	<hr/> <b>143,297</b>	<hr/> 156,099
Analysed as:		
Amount due within 12 months	<b>85,930</b>	59,198
Amount due after 12 months	<b>57,367</b>	96,901
	<hr/> <b>143,297</b>	<hr/> 156,099

Finance lease liabilities are subject to fixed interest rates ranging from 4.37% to 5.40% (2003: 4.37% and 5.00%) per annum.

**15. SHARE CAPITAL**

	<b>2004 RM</b>	<b>Group &amp; Company 2003 RM</b>
Ordinary shares of RM0.50 each		
Authorised:	<b>100,000,000</b>	100,000,000
Issued and fully paid up:		
At 1 January	<b>61,090,667</b>	60,311,667
Issuance of shares under private placement	<b>6,109,000</b>	-
Issuance of shares pursuant to ESOS	-	779,000
At 31 December	<hr/> <b>67,199,667</b>	<hr/> 61,090,667

The number of ordinary shares for 2003 have been adjusted to take into account the splitting and division of the Company's share capital into ordinary shares of par value of RM0.50 each from par value of RM1.00, which was completed on 9 August 2004.

**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 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 Bursa Malaysia Securities Berhad preceding the Date of Offer, or at the par value of the shares, whichever is higher.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 15. SHARE CAPITAL (Cont'd)

There were no movement during the year in the number of share options held by the employees. The details of options granted to subscribe for shares which were outstanding as at 31 December 2004 are as follows:

Date of Offer	Option price per share # RM	Number of ordinary shares #
8 April 2002	0.67	7,628,000
10 July 2002	0.67	864,000
		8,492,000

# The option price per share and the number of ordinary shares have been adjusted to reflect the splitting of the Company's shares from par value of RM1 each to par value of RM0.50 each, which was completed on 9 August 2004.

## 16. RESERVES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Distributable				
Retained profits	<b>17,874,018</b>	1 5,735,759	<b>291,554</b>	564,713
Non-distributable				
Share premium	<b>11,939,141</b>	10,268,199	<b>11,939,141</b>	10,268,199
Capital reserve	<b>891,800</b>	891,800	-	-
Exchange fluctuation reserve	<b>137,937</b>	456,111	-	-
Revaluation reserve (Note 24)	<b>237,632</b>	-	-	-
Reserve on consolidation	<b>22,870</b>	22,870	-	-
Total	<b>31,103,398</b>	27,374,739	<b>12,230,695</b>	10,832,912

The movements of share premium and exchange fluctuation reserves are shown in the Statement of Changes in Equity.

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividend out of its retained profits as at 31 December 2004.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
31 December 2004

**17. DEFERRED TAX LIABILITIES**

Details of deferred tax liabilities provided for in the Group's financial statements are as follows:

	<b>2004 RM</b>	<b>Group 2003 RM</b>
Balance at 1 January		
As previously reported	<b>733,612</b>	122,100
Effect of adopting MASB 25	-	663,668
As restated	<b>733,612</b>	785,768
Surplus on revaluation - effect of adopting MASB 25	<b>71,145</b>	(14,018)
Net transfer from income statement (Note 21)	<b>(337,834)</b>	(38,138)
Balance at 31 December	<b>466,923</b>	733,612

**(a) Deferred Tax Liabilities**

Deferred tax liabilities provided for at statutory tax rate of 28% for the Group are related to the following temporary differences:

	<b>2004 RM</b>	<b>Group 2003 RM</b>
Excess of capital allowances over depreciation	<b>862,156</b>	902,949
Development expenditure	<b>71,326</b>	128,200
Revaluation of assets	<b>215,985</b>	218,444
	<b>1,149,467</b>	1,249,593

**(b) Deferred Tax Assets**

Deferred tax assets accounted for at statutory tax rate of 28% for the Group and for the Company are related to the following temporary differences:

	<b>Group</b>		<b>Company</b>	
	<b>2004 RM</b>	<b>2003 RM</b>	<b>2004 RM</b>	<b>2003 RM</b>
Unutilised capital allowances	<b>(174,299)</b>	(137,441)	<b>(5,735)</b>	(5,200)
Unutilised tax losses	<b>(714,689)</b>	(465,640)	-	(61,400)
Unutilised reinvestment allowances	<b>(616,866)</b>	(476,511)	-	-
Total	<b>(1,505,854)</b>	(1,079,592)	<b>(5,735)</b>	(66,600)

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 17. DEFERRED TAX LIABILITIES (Cont'd)

Deferred tax liabilities and assets are offset below where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same tax authority.

	2004 RM	Group 2003 RM
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	933,482	1,031,149
Deferred tax assets	(682,544)	(515,981)
	<u>250,938</u>	<u>515,168</u>
Deferred taxation arising from revaluation of property, plant and equipment charged to equity	215,985	218,444
	<u>466,923</u>	<u>733,612</u>

The Group and the Company recognised deferred tax assets to the extent that the immediate corresponding deferred tax liabilities can be set off.

The unrecognised deferred tax assets are as follows:

	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
Unutilised capital allowances	122,177	5,200	5,735	5,200
Unutilised tax losses	452,549	81,900	-	61,400
Unutilised reinvestment allowances	248,584	476,511	-	-
Total	<u>823,310</u>	<u>563,611</u>	<u>5,735</u>	<u>66,600</u>

The unutilised capital allowances, tax losses and reinvestment allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items because it is uncertain whether future taxable profit will be available against which the subsidiaries concerned can utilise the benefits.

## 18. REVENUE

	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
Sales of goods	88,851,621	89,006,913	-	-
Management fee	-	-	374,378	312,000
Dividend income	-	-	3,774,023	3,542,002
	<u>88,851,621</u>	<u>89,006,913</u>	<u>4,148,401</u>	<u>3,854,022</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 19. OPERATING PROFIT

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Operating profit is arrived at after charging:				
Audit fee	136,330	122,267	10,000	8,000
Allowance for diminution in value of quoted investments	41,501	-	-	-
Allowance for doubtful debts	516,580	196,419	-	-
Amortisation of goodwill	12,970	41,344	-	-
Amortisation of development expenditure	296,465	203,369	-	-
Amortisation of patents	8,170	8,170	-	-
Amortisation of premium	13,300	8,031	-	-
Bad debts written off	193,584	658,622	-	-
Deficit on revaluation of property, plant and equipment	296,475	-	-	-
Depreciation of property, plant and equipment	2,937,198	2,782,201	5,100	5,076
Directors' remuneration	2,772,301	2,113,002	96,000	36,000
Directors' fee	333,484	263,625	100,000	100,000
Directors' commission	509,801	533,526	-	-
Directors' incentive	21,583	-	-	-
Directors' meeting allowance	11,250	9,250	11,250	9,250
Employees Provident Fund for directors	215,721	115,342	-	-
Hiring of machinery and equipment	27,499	18,375	-	-
Impairment of goodwill	-	263,636	-	-
Impairment loss on property, plant and equipment	-	94,717	-	-
Impairment loss of investment in associate	-	-	545,707	-
Loss on disposal of property, plant and equipment	65,593	3,794	-	-
Loss on disposal of subsidiary	311,494	-	-	-
Loss on disposal of quoted investment	-	874	-	-
Loss on foreign exchange - realised	45,398	38,721	-	-
Management fee	-	348,871	-	-
Preliminary expenses	12,544	-	-	-
Progress payment written off	80,015	-	-	-
Property, plant and equipment written off	2,510	17,624	-	-
Rental of equipment	12,017	1,265	-	-
Rental of machinery	-	43,644	-	-
Rental of motor vehicles	9,592	10,150	-	-
Rental of premises - current year	549,891	379,652	-	-
- prior year	2,893	-	-	-
Staff costs (Note 32)	<b>6,348,105</b>	5,507,092	<b>39,568</b>	32,462
And crediting:				
Bad debts recovered	17,243	23,172	-	-
Commission received	7,490	5,329	-	-
Dividend income	30,090	11,365	3,774,023	3,542,022
Gain on disposal of quoted investments	103,093	1,936	-	-

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 19. OPERATING PROFIT (Cont'd)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Gain on disposal of property, plant and equipment	150,289	126,244	-	-
Gain on foreign exchange - realised	130,794	36,078	-	-
Management fee received	-	96,000	374,378	312,000
Interest income	430,722	413,803	166,434	57,679
Rental income	196,035	156,952	-	-
Write-back of allowance for diminution in value of quoted investments	7,293	101,786	-	-
	<u>7,293</u>	<u>101,786</u>	<u>-</u>	<u>-</u>

## 20. FINANCE COSTS

	Group	
	2004 RM	2003 RM
Finance costs comprise interest on:		
Bank overdraft	260,782	249,678
Bankers' acceptance	370,798	309,982
Hire purchase	193,903	169,626
Finance lease	29,216	65,509
Term loan	52,134	65,732
Trust receipts	43,488	1,349
Short term revolving credit	58,714	49,464
Overdue interest	33,430	57,826
Other interest	104,021	162,706
Total	<u>1,146,486</u>	<u>1,131,872</u>

## 21. TAX EXPENSE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current tax expense				
Provision for current year	2,018,250	1,922,185	1,054,981	774,604
Under provision for prior year	16,656	43,644	-	-
	<u>2,034,906</u>	<u>1,965,829</u>	<u>1,054,981</u>	<u>774,604</u>
Deferred tax expense				
Reversal of temporary differences - Property, plant and equipment	(337,834)	(38,138)	-	-
	<u>1,697,072</u>	<u>1,927,691</u>	<u>1,054,981</u>	<u>774,604</u>
Share of taxation of associates	19,943	(87,738)	-	-
Total	<u>1,717,015</u>	<u>1,839,953</u>	<u>1,054,981</u>	<u>774,604</u>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 21. TAX EXPENSE (Cont'd)

Reconciliation of effective tax charge

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit before tax	<b>6,822,099</b>	6,435,643	<b>3,201,010</b>	3,524,266
Income tax using Malaysian statutory tax rate of 28%	<b>1,910,188</b>	1,801,980	<b>896,283</b>	986,794
Tax effects in respect of:				
Effect of different tax rates in foreign jurisdiction	<b>(40,615)</b>	(47,866)	-	-
Non-deductible expenses	<b>801,935</b>	506,790	<b>158,698</b>	6,771
Non-taxable income	<b>(716,672)</b>	-	-	-
Tax exempt income	-	(417,760)	-	(218,961)
Utilisation of previously unused tax losses	<b>(60,258)</b>	(22,596)	-	-
Utilisation of previously unused capital allowance	<b>(96,033)</b>	(92,573)	-	-
Unrecognised deferred tax benefits	<b>170,006</b>	(24,893)	-	-
Effect of lower tax rates for certain subsidiaries	<b>(201,226)</b>	(13,052)	-	-
Losses not available for set off	<b>182,582</b>	229,225	-	-
Utilisation of reinvestment allowance	<b>(288,150)</b>	(29,698)	-	-
Expenses eligible for double deduction	<b>(4,891)</b>	(2,555)	-	-
Share of tax of associate	<b>19,943</b>	(87,738)	-	-
Others	<b>(8,024)</b>	(2,955)	-	-
	<b>1,668,785</b>	1,796,309	<b>1,054,981</b>	774,604
Under provision in prior years				
Current tax expense	<b>16,656</b>	43,644	-	-
Deferred tax expense	<b>31,574</b>	-	-	-
	<b>1,717,015</b>	1,839,953	<b>1,054,981</b>	774,604

## 22. EARNINGS PER SHARE - GROUP

### (a) Basic earning per share

The calculation of the basic earnings per share is based on the net profit for the year of RM4,557,447 (2003: RM4,017,849) divided by the adjusted weighted average number of ordinary shares of RM0.50 each in issue during the financial year of 132,156,148 ordinary shares (2003: 120,996,582). The weighted average number of ordinary shares used in the previous year's earnings per share calculation have been adjusted for the effects of the share split which was completed during the year for comparability purposes.

Weighted average number of ordinary shares

	2004 RM	2003 RM
Issued ordinary shares at beginning of year	<b>122,181,334</b>	120,623,334
Effect of shares issued during the year	<b>9,974,814</b>	373,248
Weighted average number of ordinary shares	<b>132,156,148</b>	120,996,582

**22. EARNINGS PER SHARE - GROUP (Cont'd)**

**(b) Diluted earnings per share**

The diluted earnings per share for 2004 is the same as the basic earnings per share as the effect of anti-dilutive potential shares were ignored in calculating the diluted earnings per share in accordance with MASB 13, Earnings per share.

The calculation of the diluted earnings per share for 2003 is based on the profits for the year of RM4,017,849 divided by the adjusted weighted average number of ordinary shares of RM0.50 each in issue under the exercise of share options granted under the Employees' Shares Option Scheme of 129,488,582 ordinary shares.

**23. DIVIDENDS**

	Group & Company			
	2004		2003	
Dividends paid	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
First & final dividend:				
1 sen per share in respect of the year ended 31.12.2002	-	-	1.000	603,116
4.2 sen per share less 28% tax in respect of the year ended 31.12.2002	-	-	3.024	1,823,825
5 sen per share less 28% tax in respect of the year ended 31.12.2003	<b>3.600</b>	<b>2,419,188</b>	-	-
	<b>3.600</b>	<b>2,419,188</b>	<b>4.024</b>	<b>2,426,941</b>

The Directors have proposed the payment of a first and final gross dividend of 2 sen per share less income tax at 28% amounting to RM1,935,350 based on the issued and paid-up capital of 134,399,334 ordinary shares of RM0.50 each in respect of the financial year ended 31 December 2004, subject to the shareholders' approval at the forthcoming Annual General Meeting.

These financial statements do not reflect the final dividend which, when approved by the shareholders, will be accounted for as an appropriation of retained profits from the shareholders' equity in the financial year ending 31 December 2005.

Accordingly, based on the above, the gross and net dividend per share declared for each financial year are as follows:

Dividends per RM0.50 share:

**Proposed**

	Net per share	
	2004 Sen	2003 Sen
First & final dividend of 2 sen per share less 28% tax	<b>1.44</b>	-
First & final dividend of 2.5 sen per share less 28% tax	-	1.80
	<b>1.44</b>	1.80

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
31 December 2004

**24. REVALUATION RESERVES**

	<b>Group &amp; Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Balance at 1 January 2004	–	–
Surplus on revaluation	202,030	–
Deferred tax arising on revaluation		
- Reversal of temporary differences	159,030	–
- Origination of temporary differences	(123,428)	–
	<b>237,632</b>	–
Balance at 31 December 2004	<b>237,632</b>	–

**25. RELATED PARTY TRANSACTIONS**

Related parties of the Company are as follows:

- (i) Subsidiaries and associates as disclosed in the financial statements.
- (ii) C.R.P. Industries (M) Sdn. Bhd., a company in which the directors, Dato' Lim Cheah Chooi and Mr. Ngoi Foo Sing have substantial equity interest.

**(a) Significant inter-company transactions for the year are as follows:**

	<b>Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Interest received from a subsidiary	–	12,000
Dividends received from subsidiaries	3,774,023	2,769,217
Management fee received from subsidiaries	374,378	312,000
	<b>374,378</b>	312,000

**(b) Significant transactions with a related party**

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Sales to C.R.P. Industries (M) Sdn. Bhd.	766,824	924,699
Purchases from C.R.P. Industries (M) Sdn. Bhd.	433,314	511,698
	<b>433,314</b>	511,698

**(c) Transaction with a director, Dato' Lim Cheah Chooi:**

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Rental paid	12,000	12,000
	<b>12,000</b>	12,000

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established under normal commercial terms which are not more favourable to the related parties than those arranged with independent third parties.

**(d) Other transactions with directors:**

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

## 26. SEGMENT INFORMATION

### a) 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.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that 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.

(iv) Others

Other business segments include trading of building materials and provision of maintenance services, none of which are of sufficient size to be reported separately.

### (b) Secondary reporting format - geographical segments:

The valves, instrumentation and fittings business segment is operated in four principal geographical areas, Malaysia, Indonesia, Singapore and Thailand. 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 geographical location of customers. Segment assets are also based on the geographical location of assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
31 December 2004

26. SEGMENT INFORMATION (Cont'd)

a) Primary reporting format - business segments

	Valves, instrumentation & fittings RM	Rubber products RM	Heat & steam engineering RM	Others RM	Elimination RM	Consolidated RM
<b>2004</b>						
<b>Revenue</b>						
External revenue	77,293,586	3,518,925	4,868,927	3,170,183	-	88,851,621
Inter-segment revenue	35,636,002	216,454	99,575	475,704	(36,427,735)	-
<b>Total revenue</b>	<b>112,929,588</b>	<b>3,735,379</b>	<b>4,968,502</b>	<b>3,645,887</b>	<b>(36,427,735)</b>	<b>88,851,621</b>
<b>Results</b>	<b>8,423,046</b>	<b>334,551</b>	<b>263,699</b>	<b>(895,102)</b>	-	<b>8,126,194</b>
Unallocated costs						(418,162)
Operating profit						7,708,032
Share of results of associates						(170,169)
Finance costs						(1,146,486)
Interest income						430,722
Profit before tax						6,822,099
Tax expense						(1,717,015)
Minority interest						(547,637)
<b>Net profit for the year</b>						<b>4,557,447</b>

	Valves, instrumentation & fittings RM	Rubber products RM	Heat & steam engineering RM	Others RM	Elimination RM	Consolidated RM
<b>2003</b>						
<b>Revenue</b>						
External revenue	61,083,706	2,476,397	20,495,390	4,951,420	-	89,006,913
Inter-segment revenue	20,195,219	167,860	184,022	-	(20,547,101)	-
<b>Total revenue</b>	<b>81,278,925</b>	<b>2,644,257</b>	<b>20,679,412</b>	<b>4,951,420</b>	<b>(20,547,101)</b>	<b>89,006,913</b>
<b>Results</b>	<b>7,277,011</b>	<b>(25,107)</b>	<b>609,016</b>	<b>(18,464)</b>	-	<b>7,842,456</b>
Unallocated costs						(387,435)
Operating profit						7,455,021
Share of results of associates						(301,309)
Finance cost						(1,131,872)
Interest income						413,803
Profit before tax						6,435,643
Tax expense						(1,839,953)
Minority interest						(577,841)
<b>Net profit for the year</b>						<b>4,017,849</b>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
31 December 2004

26. SEGMENT INFORMATION (Cont'd)

a) Primary reporting format - Business Segment

	Valves, instrumentation & fittings RM	Rubber products RM	Heat & steam engineering RM	Others RM	Total RM
<b>Group 2004</b>					
Segment assets	110,285,991	3,829,680	7,180,835	6,155,405	127,451,911
Investment in associates	1,142,587	–	2,980,440	334,507	4,457,534
	<u>111,428,578</u>	<u>3,829,680</u>	<u>10,161,275</u>	<u>6,489,912</u>	<u>131,909,445</u>
Unallocated assets					<u>6,498,748</u>
<b>Total assets</b>					<u><u>138,408,193</u></u>
Segment liabilities	27,946,839	975,366	4,783,163	1,698,549	35,403,917
Unallocated liabilities					236,367
<b>Total liabilities</b>					<u><u>35,640,284</u></u>
<b>Other segment information</b>					
Capital expenditure	4,953,894	74,881	12,000	285,116	5,325,891
Depreciation	2,338,266	319,489	154,866	124,577	2,937,198
Impairment losses	–	–	–	–	–
	Valves, instrumentation & fittings RM	Rubber products RM	Heat & steam engineering RM	Others RM	Group RM
<b>Group 2003</b>					
Segment assets	101,709,385	3,747,294	9,777,192	–	115,233,871
Investment in associates	892,081	–	3,000,000	–	3,892,081
	<u>102,601,466</u>	<u>3,747,294</u>	<u>12,777,192</u>	<u>–</u>	<u>119,125,952</u>
Unallocated assets					<u>4,311,309</u>
<b>Total assets</b>					<u><u>123,437,261</u></u>
Segment liabilities	16,247,893	2,621,250	10,213,343	–	29,082,486
Unallocated liabilities					1,924,168
<b>Total liabilities</b>					<u><u>31,006,654</u></u>
<b>Other segment information</b>					
Incurred capital expenditure	3,040,895	610,839	14,535	–	3,666,269
Depreciation	2,251,820	377,960	152,421	–	2,782,201
Impairment losses	94,717	–	–	–	94,717

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
31 December 2004

**26. SEGMENT INFORMATION (Cont'd)**

**b) Secondary reporting format - Geographical Segment**

	Revenue by location of customers	
	2004	2003
	RM	RM
Malaysia	<b>58,508,422</b>	57,721,114
Indonesia	<b>13,976,836</b>	18,719,404
Singapore	<b>5,644,521</b>	4,068,785
China	<b>3,766,852</b>	5,310,845
Other foreign countries	<b>6,954,990</b>	3,186,765
	<b>88,851,621</b>	89,006,913

	Segment assets by location of assets		Capital expenditure by location of assets	
	2004	2003	2004	2003
	RM	RM	RM	RM
Malaysia	<b>115,355,998</b>	104,850,347	<b>3,707,211</b>	955,927
Indonesia	<b>8,429,838</b>	10,325,434	<b>320,165</b>	779,243
Singapore	<b>4,196,153</b>	2,397,528	<b>5,880</b>	13,104
China	<b>7,753,977</b>	5,863,952	<b>1,232,652</b>	1,917,995
Other foreign countries	<b>2,672,227</b>	-	<b>59,983</b>	-
	<b>138,408,193</b>	123,437,261	<b>5,325,891</b>	3,666,269

**27. SIGNIFICANT EVENTS DURING THE YEAR**

On 29 January 2004, a subsidiary, Unimech Builtech Technology Sdn. Bhd. ("UBT"), subscribed for 27,500 ordinary shares of RM1 each representing 55% equity interest in Unimech Greenhealth International Sdn. Bhd. ("UGI"), a company incorporated in Malaysia, at a cash consideration of RM27,500. On 23 August 2004, UBT subscribed for a rights issue of 27,500 ordinary shares of RM1 each in UGI at a cash consideration of RM27,500 and, at the same time, increased its equity interest from 55% to 85% by the acquisition of 30,000 ordinary shares of RM1 each at a cash consideration of RM30,000.

On 31 January 2004, a subsidiary, Arita Valve Mfg. (M) Sdn. Bhd., disposed of its equity interest of 80% in a subsidiary P.T Arita Indonesia Manufacturing, a company incorporated in Indonesia for a cash consideration of RM96,688.

On 3 February 2004, the Company subscribed for 2 ordinary shares of RM1 each representing 100% equity interest in Green Acre Garden Sdn. Bhd., a company incorporated in Malaysia, at a cash consideration of RM2.

**27. SIGNIFICANT EVENTS DURING THE YEAR (Cont'd)**

On 15 April 2004, a subsidiary, Unimech Engineering (M) Sdn. Bhd., subscribed for 35,000 ordinary shares of RM1 each representing 70% equity interest in Unimech Instruments & Control Sdn. Bhd., a company incorporated in Malaysia, at a cash consideration of RM35,000.

On 28 April 2004, a subsidiary, Unimech Buildtech Technology Sdn. Bhd., subscribed for 150,000 ordinary shares of RMB1 each representing 50% equity interest in Xiamen Greenaire International Trading Co. Ltd., a company incorporated in The People's Republic of China, at a cash consideration of RM228,951.

On 11 August 2004, the Company subscribed for 400,000 ordinary shares of RM1 each representing 80% equity interest in Jujur Bernas Sdn. Bhd., a company incorporated in Malaysia, at a cash consideration of RM400,000.

On 28 August 2004, a subsidiary, Unimech Engineering (M) Sdn. Bhd., subscribed for 51,000 ordinary shares of AUD1 each representing 51% equity interest in Unimech Greenaire (Aust) Pty. Ltd., a company incorporated in Australia, at a cash consideration RM136,425.

On 2 September 2004, the Company subscribed for 5,100,000 ordinary shares of USD0.01 each representing 51% equity interest in Unimech International Inc., a company incorporated in the United States, at a cash consideration RM193,800.

On 14 December 2004, a subsidiary, Unimech Worldwide (Shanghai) Sdn. Bhd., subscribed for 90,000 ordinary shares of USD1 each representing 60% equity interest in Senior Industries Resources Co. Ltd., a company incorporated in The People's Republic of China, at a cash consideration RM342,475.

**28. SIGNIFICANT ACQUISITIONS**

- a) On 29 January 2004, the Group acquired 27,500 ordinary shares of RM1 each representing 55% of the equity interest in Unimech Greenhealth International Sdn. Bhd., a company incorporated in Malaysia, at a cash consideration of RM27,500.

Details of net liabilities acquired, goodwill and cash flow arising from the acquisition are as follows:

	<b>At date of acquisition RM</b>
Non-current assets	14,593
Current assets	572,527
Current liabilities	(646,255)
Minority interest	26,611
Share of net liabilities acquired	(32,524)
Goodwill on acquisition	60,024
Acquisition price	27,500
Cash and cash equivalents of subsidiary acquired	(4,954)
Cash flow on acquisition, net of cash and cash equivalents	<u>22,546</u>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
31 December 2004

**28. SIGNIFICANT ACQUISITIONS (Cont'd)**

The effect of the acquisition on the results of the Group for the period from the date of acquisition to 31 December 2004 is as follows:

	<b>RM</b>
Revenue	<b>1,935,623</b>
Operating expenses	<b>(1,939,812)</b>
	<b>(4,189)</b>
Loss for the period	<b>(4,189)</b>
Minority interest	<b>1,885</b>
	<b>(2,304)</b>
Decrease in Group's profit	<b>(2,304)</b>

The effect of the acquisition of the subsidiary on the financial position of the Group as at 31 December 2004 is as follows:

	<b>RM</b>
Property, plant and equipment	<b>418,489</b>
Inventories	<b>431,217</b>
Trade and other receivables	<b>1,453,524</b>
Cash and cash equivalents	<b>23,810</b>
Trade and other payables	<b>(2,340,363)</b>
Minority interest	<b>5,995</b>
	<b>(7,328)</b>
Decrease in Group's net assets	<b>(7,328)</b>

Acquisition of additional interest in a subsidiary

On 23 August 2004, the Group subscribed for a rights issue of 27,500 ordinary shares of RM1 each in UGI at a cash consideration of RM27,500 and, at the same time, increased its equity interest from 55% to 85% by the acquisition of 30,000 ordinary shares of RM1 each at a cash consideration of RM30,000.

Details of net assets acquired, goodwill and cash flow arising from the acquisition are as follows:

	<b>At date of acquisition RM</b>
Non-current assets	<b>279,269</b>
Current assets	<b>1,175,392</b>
Current liabilities	<b>(1,239,160)</b>
	<b>215,501</b>
Less: Minority interest	<b>(32,325)</b>
Interest already held by the Group	<b>(118,526)</b>
	<b>64,650</b>
Share of net assets acquired	<b>64,650</b>
Negative goodwill on acquisition	<b>(34,650)</b>
	<b>30,000</b>
Acquisition price	<b>30,000</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 28. SIGNIFICANT ACQUISITIONS (Cont'd)

The effect of the acquisition on the results of the Group for the period from the date of acquisition to 31 December 2004 is as follows:

	<b>RM</b>
Revenue	<b>622,545</b>
Operating expenses	<b>(851,369)</b>
Loss for the period	<b>(228,824)</b>
Minority interest	<b>34,324</b>
	<b>(194,500)</b>
Less: Group's share of the net loss had the Group not acquired the additional 30% interest	<b>125,853</b>
Decrease in Group's net profit	<b>(68,647)</b>

The effect of the acquisition of the subsidiary on the financial position of the Group as at 31 December 2004 is as follows:

	<b>RM</b>
Property, plant and equipment	<b>418,489</b>
Inventories	<b>431,217</b>
Trade and other receivables	<b>1,453,524</b>
Cash and cash equivalents	<b>23,810</b>
Trade and other payables	<b>(2,340,363)</b>
Minority interest	<b>1,998</b>
Group's share of net liabilities	<b>(11,325)</b>
Less: Group's share of the net liabilities had the Group not acquired the additional 30% interest	<b>(7,328)</b>
Decrease in Group's net assets	<b>(3,997)</b>

- b) On 14 December 2004, the Group acquired 342,475 ordinary shares of RM1 each representing 60% of the equity interest of a subsidiary, Senior Industries Resources Co. Ltd., a company incorporated in The People's Republic of China, at a cash consideration of RM342,475.

Details of net liabilities acquired, goodwill and cash flow arising from the acquisition are as follows:

	<b>At date of acquisition</b>
	<b>RM</b>
Non-current assets	<b>46,032</b>
Current assets	<b>594,774</b>
Current liabilities	<b>(232,516)</b>
Minority interest	<b>(163,316)</b>
Share of net assets acquired	<b>244,974</b>
Goodwill on acquisition	<b>97,501</b>
Acquisition price	<b>342,475</b>
Cash and cash equivalents of subsidiary acquired	<b>(171,543)</b>
Cash flow on acquisition, net of cash and cash equivalents	<b>170,932</b>

The effect of the subsidiary on the results of the Group for the period from the date of acquisition to 31 December 2004 is as follows:

	<b>RM</b>
Revenue	<b>119,846</b>
Operating expenses	<b>(114,061)</b>
Profit before tax	<b>5,785</b>
Minority interest	<b>(2,314)</b>
Increase in Group's profit	<b>3,471</b>

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
31 December 2004

**28. SIGNIFICANT ACQUISITIONS (Cont'd)**

The effect of the acquisition of the subsidiary on the financial position of the Group as at 31 December 2004 is as follows:

	RM
Property, plant and equipment	45,078
Inventories	394,465
Trade and other receivables	83,407
Cash and cash equivalents	121,831
Trade and other payables	(230,706)
Minority interest	(165,630)
	248,445
Increase in Group's net asset	248,445

**29. DISPOSAL OF SUBSIDIARY**

On 31 January 2004, the Group disposed of its subsidiary, P.T. Arita Indonesia Manufacturing, a company incorporated in Indonesia, for a cash consideration of RM96,688.

The effect of the disposal on the financial position of the Group was as follows:

	RM
Cash and bank balances	263,194
Receivables	343,018
Payables	(26,464)
Minority interest	(115,950)
	463,798
Reclassification from shareholders' equity	
- Currency translation difference	(55,616)
Net disposal proceed	(96,688)
	311,494
Loss on disposal	311,494

The cash flow on disposal is determined as follows:

	RM
Proceed from disposal in cash	96,688
Cash and bank balances of subsidiary disposed of	(263,194)
Net cash inflow on disposal	(166,506)

**30. CAPITAL COMMITMENTS**

	2004 RM	Group	2003 RM
Property, plant and equipment:			
Contracted but not provided for	189,866		998,652

**31. FINANCIAL INSTRUMENTS**

Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its credit, interest rate, foreign currency and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board.

**31. FINANCIAL INSTRUMENTS (Cont'd)**

**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 does 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's income and operating cash flows are substantially dependent on changes in market interest rates. Interest rate exposure arising from the Group's borrowings is managed through the use of floating rate debts.

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

**Foreign currency risk**

The Group is exposed to foreign currency risks on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily US Dollars. The risk exposure is mitigated as a result of the pegging of Ringgit Malaysia against the US Dollar by the Malaysian Government. The Company enters into forward foreign currency exchange contracts where appropriate to limit their exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

**Liquidity risk**

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and to mitigate the effects of fluctuations in cash flows.

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

**Effective interest rates and repricing analysis**

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 31. FINANCIAL INSTRUMENTS (Cont'd)

### Group 2004

	Effective interest rate per annum %	Total RM	Within 1 year RM	1-5 years RM	After 5 years RM
Financial asset:					
Deposits with licensed banks	3.00 – 3.70	7,013,286	7,013,286	–	–
Financial liabilities:					
Secured term loans	6.35 – 7.75	717,430	227,661	489,769	–
Secured bank overdrafts	7.50	23,391	23,391	–	–
Unsecured term loan	–	–	–	–	–
Unsecured bank overdrafts	7.25 – 9.72	4,922,491	4,922,491	–	–
Unsecured bankers' acceptance	2.90 – 3.15	7,435,000	7,435,000	–	–
Unsecured short term revolving credit	7.75	1,000,000	1,000,000	–	–
Unsecured trust receipts	7.25 – 7.50	1,363,199	1,363,199	–	–
Finance leases	8.18 – 9.95	143,297	85,930	57,367	–
Hire purchase liabilities	5.43 – 13.34	<u>2,241,066</u>	<u>694,580</u>	<u>1,511,383</u>	<u>35,103</u>

### Group 2003

Financial asset:					
Deposits with licensed banks	3.00 – 4.00	2,805,071	2,805,071	–	–
Financial liabilities:					
Secured term loans	6.35 – 12.00	768,614	131,015	419,951	217,648
Secured bank overdrafts	7.50 – 7.90	193,377	193,377	–	–
Unsecured term loan	7.75 – 8.00	40,376	40,376	–	–
Unsecured bank overdrafts	7.50 – 8.90	3,031,772	3,031,772	–	–
Unsecured bankers' acceptance	2.90 – 3.15	7,385,189	7,385,189	–	–
Unsecured short term revolving credit	6.00 – 6.13	1,000,000	1,000,000	–	–
Unsecured trust receipts	7.00	1,816,887	1,816,887	–	–
Finance leases	8.18 – 8.68	156,099	59,198	96,901	–
Hire purchase liabilities	5.43 – 16.50	<u>1,632,107</u>	<u>722,913</u>	<u>881,090</u>	<u>28,104</u>

**31. FINANCIAL INSTRUMENTS (Cont'd)**

**Company**

	Effective interest rate per annum %	Total RM	Within 1 year RM	1-5 years RM	After 5 years RM
<b>2004</b>					
Financial asset:					
Deposits with licensed banks	3.20 – 4.00	<u>4,906,056</u>	<u>4,906,056</u>	–	–
<b>2003</b>					
Financial asset:					
Deposits with licensed banks	3.20 – 4.00	<u>501,274</u>	<u>501,274</u>	–	–

**Fair Values**

The following methods and assumptions are used to determine the fair values of financial instruments:

- (i) Cash and cash equivalents, other receivables, other payables and bank borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial assets and liabilities.

- (ii) Trade receivables and trade payables

The carrying amounts of receivables and payables approximate fair values as these are subject to normal trade credit terms.

- (iii) Hire purchase liabilities and term loans

The carrying amount of hire purchase liabilities and term loans approximate fair values as the interest rate charged reflect the current market interest rates of similar type of borrowings.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 December 2004

## 31. FINANCIAL INSTRUMENTS (Cont'd)

The aggregate fair values of financial assets and liabilities carried in the balance sheet are presented in the following table:

2004	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets:				
Deposits with licensed banks	7,013,286	7,013,286	4,906,056	4,906,056
Unquoted investments	92,145	92,145	–	–
Due from associates	–	–	–	#
Due from subsidiaries	–	–	34,745,292	#
Financial liabilities:				
Secured term loans	717,430	717,430	–	–
Secured bank overdrafts	23,391	23,391	–	–
Unsecured term loan	–	–	–	–
Unsecured bank overdraft	4,922,491	4,922,491	–	–
Unsecured bankers' acceptance	7,435,000	7,435,000	–	–
Unsecured short term revolving credit	1,000,000	1,000,000	–	–
Unsecured trust receipts	1,363,199	1,363,199	–	–
Finance leases	143,297	143,297	–	–
Hire purchase liabilities	2,241,066	2,241,066	–	–
Due to subsidiary	–	–	17,593	#
<hr/>				
2003	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets:				
Deposits with licensed banks	2,805,071	2,805,071	501,274	501,274
Unquoted investments	1,062,923	*	–	–
Due from associates	–	–	2,148	#
Due from subsidiaries	–	–	31,664,923	#
Financial liabilities:				
Secured term loans	768,614	768,614	–	–
Secured bank overdrafts	193,377	193,377	–	–
Unsecured term loan	40,376	40,376	–	–
Unsecured bank overdrafts	3,031,772	3,031,772	–	–
Unsecured bankers' acceptance	7,385,189	7,385,189	–	–
Unsecured short term revolving credit	1,000,000	1,000,000	–	–
Unsecured trust receipts	1,816,887	1,816,887	–	–
Finance leases	156,099	156,099	–	–
Hire purchase liabilities	1,632,107	1,632,107	–	–
Due to a subsidiary	–	–	68,074	#
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**31. FINANCIAL INSTRUMENTS (Cont'd)**

\* It is not practicable to estimate the fair value of the Group's unquoted investments due to lack of market prices and the inability to estimate fair value without incurring excessive costs.

# It is not practicable to estimate the fair values of amounts due from/(to) subsidiaries as there is no fixed repayment term entered into by the parties involved. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

**32. EMPLOYEE INFORMATION**

Included in staff costs of the Group and of the Company are amounts of RM6,348,105 and RM39,568 (2003: RM5,507,092 and RM32,462) respectively being contributions made to defined contribution plan, the Employees Provident Fund.

The number of employees of the Group and of the Company at the end of the financial year was 354 and 1 (2003: 389 and 1) respectively.

**33. CONTINGENT LIABILITIES**

	Group	
	2004	2003
	RM	RM
Corporate guarantee issued to financial institutions for banking facilities granted to subsidiaries	<u>46,409,000</u>	<u>30,645,750</u>

**34. EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

On 15 April 2005, the Company subscribed for 3,000,000 ordinary shares of RMB1 each representing 100% equity interest in Suzhou Skyline Machinery Technology Corp., Ltd., a company incorporated in The People's Republic of China, at a cash consideration of RM1,390,000.

On 26 May 2004, the Company provided an additional corporate guarantee of RM1,030,000 in favour of a licensed bank for banking facilities granted to a subsidiary.

# PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_

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

\_\_\_\_\_

of \_\_\_\_\_

or failing whom \_\_\_\_\_

of \_\_\_\_\_

as \*my/our proxy to vote for \*me/ \*us and on \*my/our behalf at the Eighth Annual General Meeting of the Company, to be held at Serindit Room, Equatorial Hotel, No.1, Jalan Bukit Jambul, 11900 Penang on Thursday, 16 June 2005 at 11.30am 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		

**No. Of Shares Held**

\_\_\_\_\_  
Signature of Members

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

## 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. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. 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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POSTAGE

The Company Secretary  
**UNIMECH GROUP BERHAD** (407580-X)  
4934, Jalan Chain Ferry  
12100 Butterworth, Penang, Malaysia.

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