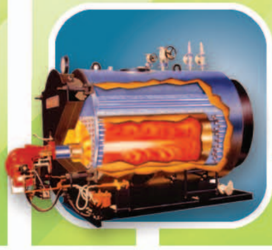
UNIMECH GROUP BERHAD
(Company No : 407580-X)



Powering Growth

ANNUAL REPORT

2011

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting ("AGM") of the Company will be held at Bayan I & II, Equatorial Hotel, No. 1, Jalan Bukit Jambul, 11900 Penang on Thursday, 21 June 2012 at 11.00 a.m. for the following purposes:-

AGENDA

1	To receive the Audited Financial Statements for the year ended 31 December 2011 together with the reports of the Directors and Auditors thereon.	(Please refer to Note A)
2	To declare a First and Final Tax Exempt Dividend of 5 sen per share for the year ended 31 December 2011.	Resolution 1
3	To approve an increase of Directors' Fees from RM170,000.00 to RM172,917.00 for the financial year ended 31 December 2011 and payment of such Fees to the Directors of the Company.	Resolution 2
4	To consider and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:- "THAT Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din, a Director who is over seventy years of age, who retires in compliance with Section 129(2) of the Companies Act, 1965 be hereby re-appointed as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next AGM."	Resolution 3
5	To re-elect the following Directors retiring under the provision of Article 97(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:-	
	(i) Mr. Lim Kim Guan	Resolution 4
	(ii) Dato' Abdul Rafique Bin Abdul Karim	Resolution 5
	(iii) Mr. Lim Jun Lin	Resolution 6
6	To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.	Resolution 7

SPECIAL BUSINESS

7 To consider and, if thought fit, to pass with or without modifications, the following resolutions:-

ORDINARY RESOLUTIONS

7.1 *Authority to Issue Shares*

"THAT pursuant to Section 132D of the Companies Act, 1965 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/ regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the issued share capital (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities." **Resolution 8**

7.2 *Renewal of Authority to Purchase its own Shares*

"THAT subject to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:- Resolution 9

7.2.1 The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;

7.2.2 The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained earnings and share premium account of the Company. As at the latest financial year ended 31 December 2011, the audited retained earnings and share premium account of the Company stood at RM17,511,509 and RM12,866,483 respectively;

7.2.3 The authority conferred by this resolution will be effective immediately upon the passing of this resolution; and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;

7.2.4 Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-

a) to cancel the shares so purchased; or

b) to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or

c) to retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of the Company's shares in accordance with the Companies Act, 1965, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

SPECIAL RESOLUTION

7.3 *Proposed Alteration of the Articles of Association*

"That the Proposed Alteration of the Articles of Association of the Company as set out in the Appendix A attached together with the Annual Report 2011 be and are hereby approved." Resolution 10

8 To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the First and Final Tax Exempt dividend of 5 sen per share for the financial year ended 31 December 2011, if approved, will be paid on 26 July 2012 to depositors registered in the Records of Depositors on 6 July 2012.

A Depositor shall qualify for entitlement to the Dividend in respect of: -

a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 6 July 2012 in respect of transfers;

b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities

By Order of the Board,

ANGELINA CHEAH GAIK SUAN (MAICSA 7035272)
LEE MEI MEI (MAICSA 7062284)
Secretaries
Penang

Dated: 30 May 2012

NOTES :

A. This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.

Proxy:

(i) A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
(ii) To be valid, the proxy form duly completed must be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time fixed for holding the meeting.
(iii) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting.
(iv) Where a member appoints up to two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
(v) If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

Explanatory Note On Special Business:

1. The proposed Resolution No. 8, if passed, will renew the authority to empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. The renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/ or acquisitions. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.

   As at the date of this notice, no new shares in the Company have been issued pursuant to the mandate granted to the Directors at the Fourteenth Annual General Meeting held on 22 June 2011 which will lapse at the conclusion of the Fifteenth AGM.

2. The proposed Resolution 9, if passed, will empower the Directors of the Company to purchase the Company's own shares up to ten per centum (10%) of the current issued and paid-up share capital of the Company by utilising the funds allocated which shall not exceed the total retained earnings and/or share premium account of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. Further information on the proposed Resolution is set out in the Share Buy-Back Statement in pages 7 to 11 of this Annual Report 2011.

3. The proposed Resolution 10, if approved, will result in the Articles of Association of the Company to be amended in the manner as set out in Appendix A attached to the Annual Report 2011.

Kindly note that the date of the General Meeting Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the Fifteenth Annual General Meeting shall be on 12 June 2012.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS (EXCLUDING DIRECTORS STANDING FOR A RE-ELECTION)

Pursuant to Paragraph 8.27(2) of the Bursa Securities Listing Requirements for Main Market, no individual is seeking election as a Director at the Fifteenth Annual General Meeting of the Company.

SHARE BUY-BACK STATEMENT

1. DISCLAIMER STATEMENT

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement ("Statement") prior to its issuance, and hence, takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

2. RATIONALE FOR THE PROPOSED PURCHASE BY UNIMECH GROUP BERHAD ("UGB" OR "THE COMPANY") OF ITS OWN ORDINARY SHARES OF RM0.50 EACH ("SHARES") REPRESENTING UP TO 10% OF THE EXISTING ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED SHARE BUY-BACK")

The Proposed Share Buy-Back, if exercised, would potentially benefit the Company and its shareholders as follows:-

i) The Proposed Share Buy-Back would enable the Company to utilise its surplus financial resources to purchase shares when appropriate, and at prices which the Board of Directors of the Company ("the Board") view as favourable to the Company;

ii) The Proposed Share Buy-Back would effectively reduce the number of shares carrying voting and participation rights (unless the Purchased Shares are resold on Bursa Securities or distributed as share dividends). Consequently, all else being equal, the Earnings Per Share of the UGB Group ("the Group") may be enhanced as the earnings of the Group would be divided by a reduced number of shares; and

iii) The Purchased Shares which will be retained as treasury shares may potentially be resold on Bursa Securities at a higher price and therefore realising a potential gain in reserves without affecting the total issued and paid-up share capital of the Company. The treasury shares may also be distributed to shareholders as dividends and, if undertaken, would serve to reward the shareholders of the Company.

3. RETAINED EARNINGS AND SHARE PREMIUM

Based on the audited financial statements of UGB as at 31 December 2011, the retained earnings and share premium of the Company stood at RM17,511,509 and RM12,866,483 respectively.

4. SOURCE OF FUNDING

The Proposed Share Buy-Back will be funded from internally generated funds. The Group has adequate resources to undertake the Proposed Share Buy-Back in view that the Group has net cash and cash equivalent balance of approximately RM9,429,453 based on the audited financial statements of UGB as at 31 December 2011. Any funds utilised by UGB for the Proposed Share Buy-Back will consequentially reduce the resources available to UGB for its operations by a corresponding amount for shares bought back.

5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors and substantial shareholders of UGB nor persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-Back and, if any, the resale of the treasury shares.

Based on the Register of Directors and the Register of Substantial Shareholders of UGB as at 2 May 2012 and assuming that UGB implements the Proposed Share Buy-Back in full, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors and substantial shareholders of UGB are as follows:-

5. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM (cont'd)

Directors

	Existing as at 2 May 2012				After the Proposed Share Buy-Back			
	Direct		Indirect #		Direct		Indirect #	
Name	No. of Shares	% *	No. of Shares	% *	No. of Shares	% ^	No. of Shares	% ^
Dato' Lim Cheah Chooi	38,162,500	31.64	4,035,134	3.35	38,162,500	31.75	4,035,134	3.36
Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din	600,066	0.50	–	–	600,066	0.50	–	–
Lim Kim Guan	10,000,000	8.29	1,509,638	1.25	10,000,000	8.32	1,509,638	1.26
Han Mun Kuan	1,326,498	1.10	313,332	0.26	1,326,498	1.10	313,332	0.26
Lim Jun Lin	1,300,734	1.08	–	–	1,300,734	1.08	–	–
Sim Yee Fuan	200,000	0.17	340,000	0.28	200,000	0.17	340,000	0.28
Dato' Abdul Rafique Bin Abdul Karim	1,348,668	1.12	–	–	1,348,668	1.12	–	–
Lee Yoke Khay	26,666	0.02	–	–	26,666	0.02	–	–
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	398,984	0.33	–	–	398,984	0.33	–	–

Substantial Shareholders

	Existing as at 2 May 2012				After the Proposed Share Buy-Back			
	Direct		Indirect #		Direct		Indirect #	
Name	No. of Shares	% *	No. of Shares	% *	No. of Shares	% ^	No. of Shares	% ^
Dato' Lim Cheah Chooi	38,162,500	31.64	4,035,134	3.35	38,162,500	31.75	4,035,134	3.36
Lim Kim Guan	10,000,000	8.29	1,509,638	1.25	10,000,000	8.32	1,509,638	1.26

Notes:

Indirect interest by virtue of shares held by persons connected to directors and substantial shareholders.

* Percentage shareholding computed based on 120,601,268 UGB shares excluding 12,960,066 shares held as treasury shares from the total issued and paid-up share capital of 133,561,334 Ordinary Shares of RM0.50 each.

^ Percentage shareholding computed based on 120,205,201 UGB shares excluding 13,356,133 shares held as treasury shares and assuming the Proposed Share Buy-Back is carried out in full and all the shares so purchased are held as treasury shares.

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

6.1 Potential Advantages of the Proposed Share Buy-Back

The potential advantages of the Proposed Share-Buy Back are as set out in Section 2 of this Statement.

6.2 Potential disadvantages of the Proposed Share Buy-Back

The potential disadvantages of the Proposed Share Buy-Back are as follows:-

i) The Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forego better future investment or business opportunities and/or any interest income that may be derived from the deposit of such funds in interest bearing instruments; and

6. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK (cont'd)

6.2 Potential disadvantages of the Proposed Share Buy-Back (cont'd)

ii) The Proposed Share Buy-Back may also result in a reduction of financial resources available for distribution in the form of cash dividends to shareholders of UGB in the immediate future.

However, the financial resources of the Group may increase pursuant to the resale of the Purchased Shares held as treasury shares at prices higher than the purchase price. In this connection, the Board will be mindful of the interests of the Group and shareholders of UGB in implementing the Proposed Share Buy-Back and in subsequent resale of the treasury shares on Bursa Securities, if any.

7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The material financial effects of the Proposed Share Buy-Back on the share capital, consolidated Net Assets ("NA"), working capital, earnings, dividends and the substantial shareholders' shareholdings in UGB are set out below:

7.1 Share Capital

As at 2 May 2012, the issued and paid-up capital of UGB was RM66,780,667 comprising 133,561,334 shares including 12,960,066 shares held as treasury shares. The maximum number of Purchased Shares that can be cancelled by UGB, pursuant to the Proposed Share Buy-Back is 13,356,133 shares. Under this scenario, the issued and paid-up share capital of UGB will be diminished from RM66,780,667 comprising 133,561,334 shares as at 2 May 2012 to RM60,102,601 comprising 120,205,201 shares.

The Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company as Shares purchased are to be retained as treasury shares. However, while the Purchased Shares are held as treasury shares, Section 67A (3C) of the Companies Act, 1965 states that the rights attached to them as to voting, dividends and participation in other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including without limiting the generality of this provision, the provisions of any law or requirements of the articles of association of the Company or the listing rules of a stock exchange on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

7.2 NA

The effects of the Proposed Share Buy-Back on the consolidated NA of the UGB Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to UGB to finance the Purchased Shares or any loss in interest income to UGB.

The Proposed Share Buy-Back will reduce the consolidated NA per Share at the time of purchase if the purchase price exceeds the consolidated NA per Share and conversely will increase the consolidated NA per Share at the time of purchase if the purchase price is less than the consolidated NA per Share.

Should the Purchased Shares be resold, the consolidated NA will increase if the Company realises a capital gain from the resale, and vice-versa. However, the quantum of the increase in NA will depend on the selling prices of the Purchased Shares and the number of Purchased Shares resold.

7.3 Working Capital

The Proposed Share Buy-Back is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

7. MATERIAL FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (cont'd)

7.4 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to UGB to finance the Purchased Shares or any loss in interest income to UGB.

In view that the Purchased Shares would be retained as treasury shares, the reduction in the number of Shares applied in the computation of the Earnings Per Share ("EPS") pursuant to the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the EPS for the financial year ending 31 December 2012.

Should the Purchased Shares be resold, the extent of the impact to the EPS of the UGB Group will depend on the actual selling price, the number of treasury shares resold, and any effective funding cost from the Proposed Share Buy-Back.

7.5 Dividends

Assuming the Proposed Share Buy-Back is implemented in full, dividends would be paid on the remaining issued and paid-up share capital of UGB (excluding the Shares already purchased). The Proposed Share Buy-Back may have an impact on the Company's dividend policy for the financial year ending 31 December 2012 as it would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by UGB in the future would depend on, inter-alia, the profitability and cash flow position of the Group.

7.5 Substantial Shareholders

Shares bought back by the Company under the Proposed Share Buy-Back that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the substantial shareholders in the Company. Please refer to Section 5 of this Statement for further details.

8. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010 (THE "CODE")

In the event that the Proposed Share Buy-Back results in any substantial shareholder and/or persons acting in concert with him/her holding more than 33% of the voting shares of the Company, pursuant to the Code, the affected substantial shareholder and/or persons acting in concert with him/her will be obliged to make a mandatory offer for the remaining Shares not held by him/her.

In the event that the Proposed Share Buy-Back results in any substantial shareholder and/or persons acting in concert with him/her who already holds more than 33% of the voting shares of the Company increasing by more than 2% in any six (6) months period, pursuant to the Code, the affected substantial shareholder and/or persons acting in concert with him/her will be obligated to make a mandatory offer for the remaining Shares not held by it.

However, the affected substantial shareholder and/or persons acting in concert with him/her may apply for a waiver from the obligation to make a mandatory offer from the Securities Commission under the Practice Note 2.9.10 of the Code.

9. PURCHASES MADE BY THE COMPANY OF ITS OWN SHARES IN THE LAST FINANCIAL YEAR

The information on the purchases made by the Company of its own shares during the financial year ended 31 December 2011 is as set out on the page 29 of this Annual Report.

10. PUBLIC SHAREHOLDING SPREAD

According to the Record of Depositors maintained by Bursa Malaysia Depository Sdn. Bhd. as at 2 May 2012, the public shareholding spread of the Company was approximately 47.09%. In this regard, the Board undertakes to purchase shares only to the extent that the public shareholding spread of UGB shall not fall below 25% of the issued and paid-up share capital of the Company at all times pursuant to the Proposed Share Buy-Back, in accordance with paragraph 12.14 of the Main Market Listing Requirements.

11. DIRECTORS' STATEMENT

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Share Buy-Back described above is in the best interest of the Company.

12. DIRECTORS' RECOMMENDATION

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Fifteenth Annual General Meeting to give effect to the Proposed Share Buy-Back.

13. FURTHER INFORMATION

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in this Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Lim Cheah Chooi
Executive Chairman and Managing Director

Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din
Deputy Chairman, Independent Non-Executive Director

Lim Kim Guan
Deputy Managing Director

Han Mun Kuan
Executive Director

Lim Jun Lin
Executive Director

Sim Yee Fuan
Executive Director

Dato' Abdul Rafique Bin Abdul Karim
Non-Independent Non-Executive Director

Lee Yoke Khay
Independent Non-Executive Director

Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Independent Non-Executive Director

Ngoi Foo Sing
Executive Director
(Resigned w.e.f. 1 August 2011)

REGISTERED OFFICE

Suite S-21-H, 21st Floor, Menara Northam
55, Jalan Sultan Ahmad Shah
10050 Penang.
Tel : 04-210 7118
Fax : 04-210 7111

SHARE REGISTRAR

Plantation Agencies Sdn. Berhad
Standard Chartered Bank Chambers
Lebuh Pantai, 10300 Penang.
Tel : 04-262 5333
Fax : 04-262 2018

COMPANY SECRETARIES

Angelina Cheah Gaik Suan (MAICSA 7035272)
Lee Mei Mei (MAICSA 7062284) *(Appointed w.e.f. 10 January 2012)*
Chan Wai Fen (MAICSA 7028962) *(Resigned w.e.f. 10 January 2012)*

PRINCIPAL BANKERS

Hong Leong Bank Berhad
United Overseas Bank (Malaysia) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
RHB Bank Berhad
AM Islamic Bank Berhad

SOLICITORS

Wong Beh & Toh
CP Tang & Partners

AUDITORS

UHY
Chartered Accountants

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK CODE / STOCK NAME

7091 / Unimech

CORPORATE WEBSITE

www.unimechgroup.com

CORPORATE STRUCTURE
AS AT 24 APRIL 2012

UNIMECH GROUP BERHAD
(Company No : 407580-X)

UNIMECH ENGINEERING (M) SDN. BHD. 100%
- Unimech Flow System Sdn. Bhd. 100%
- Unimech Valve Technology Sdn. Bhd. 100%
- Unimech International Sdn. Bhd. 100%
- Unimech Marine & Sanitary Equipment Sdn. Bhd. 100%
- Unimech Instruments & Control Sdn. Bhd. 90%
- UME Service & Trading Sdn. Bhd. 85%
- Unimech Engineering (Vietnam) Sdn. Bhd. 81%
- Inventive Potentials Sdn. Bhd. 75%
- Unimech Engineering (Aust) Pty. Ltd. 61%
- Luxurious Construction Sdn. Bhd. 60%
- Unimech Engineering Group (Thailand) Co. Ltd. 29%

UNIMECH ENGINEERING (J.B.) SDN. BHD. 100%
- Unimech Engineering (Kuantan) Sdn. Bhd. 100%
- Hebei Arita Valve Industries Co. Ltd. 50.1%
- Unimech Engineering Group (Thailand) Co. Ltd. 20%

ARITA ENGINEERING SDN. BHD. 100%
- PT Arita Prima Indonesia 85%
  - PT Arita Prima Gemilang 100%
  - PT Arita Prima Teknindo 70%
  - PT Ragam Teknik 70%
  - PT Arita Prima Kalbar 70%
  - Arita System Sdn. Bhd. 40%

UNIMECH ENGINEERING (K.L.) SDN. BHD. 100%
- TCE Casting Sdn. Bhd. 51%
- Unimech Engineering (Korea) Ltd. 51%

UNIMECH CAPITAL SDN. BHD. 100%
- Bells Marketing Sdn. Bhd. 100%
- Bells Saga Sdn. Bhd. 100%
- Unimech FPC Sdn. Bhd. 80%
- Unimech Polymer Engineering Sdn. Bhd. 80%
- Unimech ABS Sdn. Bhd. 65%
- Tri Axis Technology (M) Sdn. Bhd. 60%
- Arita System Sdn. Bhd. 60%
- Icontronic Sdn. Bhd. 51%
- Unimech Bersatu Malaysia Sdn. Bhd. 49%
- TTS Valve Technologies Sdn. Bhd. 40%
- MKT Marketing Sdn. Bhd. 24%

100% UNIMECH WORLDWIDE (SHANGHAI) SDN. BHD.
- 100% Unimech (Shanghai) Co. Ltd.
- 95% Arita Engineering (Chengdu) Co. Ltd.
- 70% Senior Industries Resources Co. Ltd.

100% Q-FLEX INDUSTRIES (M) SDN. BHD.

100% MULTIPLEX CONTROL & ENGINEERING SERVICES PTE. LTD.
- 38% Multiplex Instrumentation & Control Equipment Services Phils, Inc.
- 35% Arita New Valve (Huangshan) Co. Ltd.
- 30% M.E.T. Resources Pte. Ltd.

100% ARITA VALVE MFG. (M) SDN. BHD.

100% ARITA FLANGES INDUSTRIES SDN. BHD.

100% ARITA VALVE (TIANJIN) CO. LTD.

100% GRIFERIA SANITARIO (M) SDN. BHD.

100% UNIMECH R & D CENTRE SDN. BHD.

76% SUZHOU SKYLINE MACHINERY TECHNOLOGY CORP. LTD.

51% M.E.T. MOTION HOLDING SDN. BHD.
- 100% M.E.T. Motion Engineering & Trading Sdn. Bhd.
- 100% M.E.T. Motion (Alor Star) Sdn. Bhd.
- 70% M.E.T. Motion (Ipoh) Sdn. Bhd.
- 70% M.E.T. Resources Pte. Ltd.

51% UNIJIN INSTRUMENTS INDUSTRIES SDN. BHD.

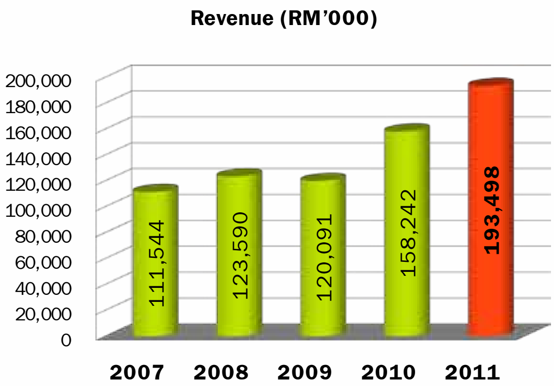
51% ICONTRONIC TECHNOLOGY SDN. BHD.

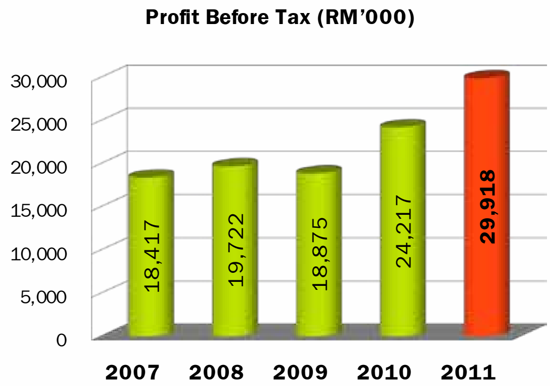
40% PREMIUM HEIGHTS SDN. BHD.

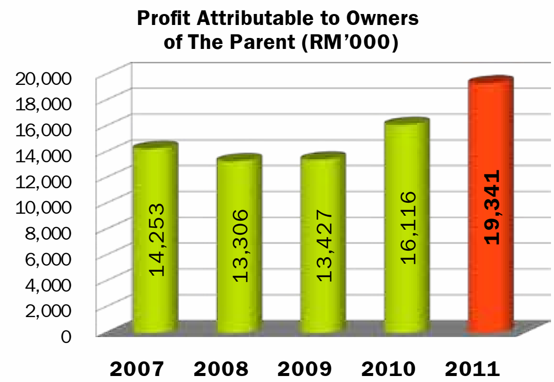
100% UNIMECH VENTURE SDN. BHD.
- 97% Unimech Holdings (Thailand) Co. Ltd.
  - 95.55% TM Unimech Co. Ltd.

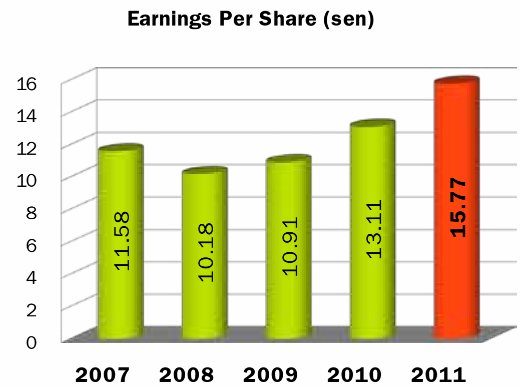
FINANCIAL HIGHLIGHTS

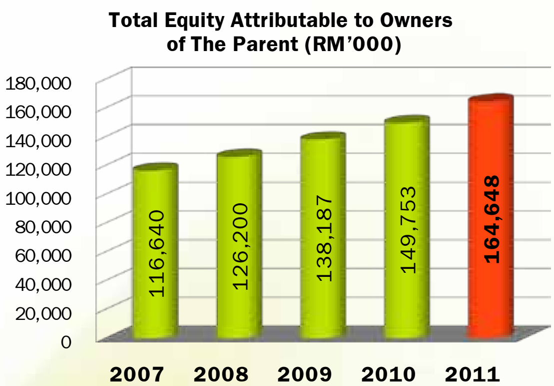
For The Financial Year Ended 31 December (RM'000)	2007	2008	2009	2010	2011
Revenue	111,544	123,590	120,091	158,242	**193,498**
Profit Before Tax	18,417	19,722	18,875	24,217	**29,918**
Profit Attributable to Owners of The Parent	14,253	13,306	13,427	16,116	**19,341**
Earnings Per Share (sen)	11.58	10.18	10.91	13.11	**15.77**
Net Dividend Per Share (sen)	2.960	2.775	2.775	3.600	**5.000**
Total Equity Attributable to Owners of The Parent	116,640	126,200	138,187	149,753	**164,648**
Return On Equity (Average Equity)	12.8%	11.0%	10.2%	11.2%	**12.3%**

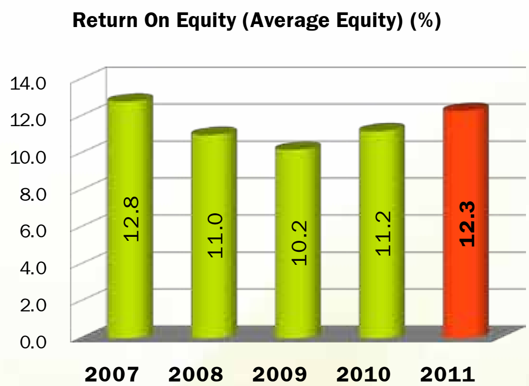












PROFILE OF DIRECTORS

DATO' LIM CHEAH CHOOI

Aged 63, a Malaysian, is the Executive Chairman and Managing Director of Unimech Group Berhad ("UGB"). He was appointed to the Board of UGB on 6 March 2000. He is the Chairman of the Remuneration Committee.

Dato' Lim is the founder of Unimech Group. He has good business acumen and entrepreneurship and has more than thirty-six (36) years of experience in manufacturing, trading and engineering in relation with the valves, pipe fitting, burner application and steam engineering systems. His invaluable business experience and vast management knowledge coupled with the business connections established in Malaysia and overseas over the years, has led the Group to become one of the main players in the industry. He is responsible for the long-term strategic planning and development of the Group's goals and objectives. He also sits on the Board of several private limited companies.

He is the brother of Mr. Lim Kim Guan and the father of Mr. Lim Jun Lin.

TAN SRI DATO' SERI KAMAL MOHD HASHIM BIN CHE DIN

Aged 73, a Malaysian, is the Deputy Chairman and Independent Non-Executive Director of UGB. He was appointed to the Board of UGB on 6 March 2000. He is also the Chairman of the Nomination Committee.

Tan Sri Dato' Seri Kamal is a businessman by profession and has more than forty-six (46) years of business experience. Currently, he is an Executive Director of Star Publications (Malaysia) Berhad. He is also the Honorary Chairman of Henry Butcher Malaysia Ventures Sdn. Bhd., Chairman of Henry Butcher Asset Auctioneers and Chairman of Wawasan QI Holdings Sdn. Bhd. He is the Director of I-Star, Radiofussion Sdn. Bhd., Rimakmur Sdn. Bhd. and ABS Land & Properties Sdn. Bhd.

Tan Sri Dato' Seri Kamal is also actively involved in various societies. He is the Advisor of the Malaysian Crime Prevention Foundation (Penang). He is one of the trustees of Yayasan Budi Penyayang Malaysia (Penyayang). He was the Honorary Consul of the Royal Netherlands Embassy in the states of Kedah, Penang, Perak and Perlis for 12 years. He was the President of the Justice of Peace, State of Penang from 1993 to 2001 and was also the Chairman of Lembaga Pelawat Hospital, Penang from 2003 to June 2008.

LIM KIM GUAN

Aged 58, a Malaysian, is the Deputy Managing Director of UGB. He was appointed to the Board of UGB on 6 March 2000. He obtained a Bachelor Degree of Science from Science University of Malaysia. He has been with UGB Group for more than twenty-eight (28) years and has been instrumental in developing the growth of UGB through his vast experience and technical expertise in marketing strategies and product development. He is the Managing Director of Unimech (Shanghai) Co. Ltd. He also sits on the Board of several private limited companies.

He is the brother of Dato' Lim Cheah Chooi and uncle of Mr. Lim Jun Lin.

HAN MUN KUAN

Aged 59, a Malaysian, is an Executive Director of UGB. He was appointed to the Board of UGB on 6 March 2000. With over thirty (30) years of experience in the Group, he has gained vast experience in the maintenance, installation and testing of valves and piping systems. He is responsible for the overall business operation of the Group and the southern region of Peninsular Malaysia. He is the Managing Director of Unimech Engineering (J.B.) Sdn. Bhd. and sits on the Board of several private limited companies.

LIM JUN LIN

Aged 37, a Malaysian, is an Executive Director of UGB. He was appointed to the Board on 10 August 2005. He obtained a Bachelor Degree in Commerce from Deakin University, Australia. He commenced his career in 1997 by joining UGB as Finance Manager and is responsible for the Group's accounting, finance and administrative matters. He also oversees the business development of overseas subsidiaries and manufacturing operations of the Group. He sits on the Board of several private limited companies.

He is the son of Dato' Lim Cheah Chooi and nephew of Mr. Lim Kim Guan.

SIM YEE FUAN

Aged 46, a Malaysian, is an Executive Director of UGB. He was appointed to the Board of UGB on 4 January 2010. He graduated from University of Malaya with Bachelor of Accounting (Honour) and obtained accounting professional qualification from Malaysian Institute of Certified Public Accountants (MICPA). He holds a Master Degree in Business Administration from Northern University of Malaysia. He is a Chartered Accountant registered with Malaysia Institute of Accountants (MIA).

He started his career with Bank Negara Malaysia ("BNM") from 1991 to 1995 and had gained the banking experience in Foreign Exchange Administration Department (formerly known as Balance of Payment Department) and Banking Supervision Department (formerly known as Bank Examination 1 Department). During 1995 to 2006, he was attached to public listed companies on Bursa Securities where his job responsibilities were mainly in the areas of accounting, finance and corporate management. He joined UGB as Group Accountant in 2006. Presently he is the Group General Manager of UGB and sits on the Board of several private limited companies. He is an Independent Non-Executive Director of Sinaria Corporation Berhad.

DATO' ABDUL RAFIQUE BIN ABDUL KARIM

Aged 56, a Malaysian, is a Non-Independent Non-Executive Director of UGB. He was appointed to the Board of UGB on 6 March 2000 as Independent Non-Executive Director and re-designated as Non-Independent Non-Executive Director on 14 March 2011. He is a member of the Remuneration Committee, Nomination Committee and Audit Committee.

Dato' Abdul Rafique is an experienced businessman. After completing his Higher School Certificate in 1974, he joined his family business. In 1975, he set up Syarikat Manora Sdn. Bhd. for venturing into construction and property development businesses. In 1983, owing to his active involvement in the local commercial community, he was selected by the government to undertake an Entrepreneurial Development Course at the International Small Business Institute of Management in United States of America. In 1988, he was elected to the Committee of the Penang Malay Chamber of Commerce and appointed as Vice President in 1990. He subsequently served as Deputy President from 1995 until early 2004. He was also an Executive Council Member of the National Malay Chamber of Commerce from 1998 to 2004. In year 2007, he was appointed as the Honorary Consul General of Pakistan to Penang. He is also the Deputy President of Penang Xiamen Friendship Association, Vice Chairman of Penang State Consultative Goodwill Council and an active member of various business and social organisations. He sits on the Board of several private limited companies.

LEE YOKE KHAY

Aged 61, a Malaysian, is an Independent Non-Executive Director of UGB. He was appointed to the Board of UGB on 6 March 2000. He is a member of the Remuneration Committee and Audit Committee.

Mr. Lee is an Advocate and Solicitor. He graduated in law and was awarded the degree of Barrister-at-Law by the Honourable Society of Lincoln' Inn, London, England. He was called to the Malaysian Bar in 1979 and is now one of the partners in a law firm in Penang. He also holds directorships in other private limited companies, acts as legal advisor to various local Chinese temples, guilds and associations and sits on the Board of Directors of various schools in Penang.

TAN SRI DATO' SERI TAN KING TAI @ TAN KHOON HAI

Aged 57, a Malaysian, is an Independent Non-Executive Director of UGB. He was appointed to the Board on 6 March 2000. He is the Chairman of the Audit Committee and a member of the Nomination Committee.

Tan Sri Tan is an Accountant by profession. He is a member of the Institute of Certified Public Accountants, Ireland and committee member of Malaysian Association of Company Secretaries. He has over thirty-three (33) years of experience in the fields of auditing, accounting, corporate finance and company secretarial services. He was appointed as Executive / Finance Director of Muar Ban Lee Group Berhad on 30 June 2009. He is a Non-Independent Non-Executive Director of Pensonic Holdings Berhad and Independent Non-Executive Director of Denko Industrial Corporation Berhad, both of which are listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Board of several private limited companies.

Notes:

1) Save as disclosed above, none of the directors of UGB have any family relationship with any director or substantial shareholder of the Company.

2) None of the directors of UGB have been convicted of any offences other than traffic offences with the past ten (10) years.

3) Other than those disclosed in the financial statements, there is no conflict of interest that the Directors have with the Group.

On behalf of the Board of Directors of Unimech Group Berhad ("UGB"), I am pleased to present the Annual Report of the Group for the financial year ended 31 December 2011 ("FY2011").

FINANCIAL REVIEW

The Group has achieved another successful year with a significant improvement over the previous year's results. For FY2011, the Group has reported a 22.3% growth in its revenue to RM193.498 million as compared to RM158.242 million in the previous financial year. The profit before tax for the FY2011 of RM29.918 million improved by 23.5% over the prior year's RM24.217 million. The increase in the revenue and profit before tax was due mainly to the improvement of sales in the Group's core business segment which are valves, fittings and instruments.

Earnings per share of the Group for FY2011 improved from 13.11 sen to 15.77 sen, representing an increase of 20.3%.

OPERATION REVIEW

To enhance its long-term competitiveness, the Group continued to focus on its core business in valves, fittings and instruments through product quality improvement, strengthening its own brand names and enhancing its manufacturing efficiency. In line with the Group's strategic objectives, it subscribed 35% of registered capital of Arita New Valve (Huangshan) Co. Ltd. ("ANV") which has obtained American Petroleum Institute ("API") Specification 6D certificate in December 2011. With this certification, Arita brand can now be API certified which is a milestone achievement of the Group. This will also enable ANV to be one of the future leading API valve manufacturers with Research & Development, design, engineering and production for the global industries.

CORPORATE DEVELOPMENT

The shareholders approved the renewal of authority for the Group to purchase its own shares on 22 June 2011. During the FY2011, the Group purchased 1,719,900 of its own shares from the open market for RM1,406,309 with an average purchase price of RM0.818 per share. During the financial year under review, 3,000,000 shares were cancelled through Bursa Malaysia.

PROSPECTS

The Group will continue to focus on its core business in valves, fittings and instruments. Although the Eurozone stress has a dampening impact on the global economy, it is envisaged that the economy will continue to grow, albeit at a moderate pace. The Group's core business is not expected to be significantly adversely affected barring a drastic change in global economics conditions.

DIVIDEND

The Board is pleased to recommend a first and final tax exempt dividend of 5 sen per ordinary share of RM0.50 each for the FY2011 to be approved by the shareholders at the forthcoming Fifteenth Annual General Meeting. The proposed final dividend, if approved, would amount to approximately RM6.060 million.

APPRECIATION

On behalf of the Board of Directors, I would like to thank the Management and Staff for their contribution, dedication and commitment. The Board also wishes to thank our valued customers, suppliers, business associates, bankers and various government and regulatory authorities for their continuous support towards the Group.

I also wish to thank my fellow members of the Board for their support and wise counsel and our shareholders for having confidence in the Board and Management of the Group.

Dato' Lim Cheah Chooi
Executive Chairman and Managing Director
24 April 2012

The Board of Directors ("Board") fully appreciates the importance of adopting high standard of corporate governance within the Group. Thus, the Group is committed to ensure that the highest standards of corporate governance will be practiced in the Group towards enhancing business prosperity and corporate accountability with the ultimate aim of enhancing shareholders' value.

The Board is pleased to explain the manner in which the Company has applied the Principles of Corporate Governance and the extent of compliance with the best practices of the Malaysian Code on Corporate Governance ("the Code").

BOARD OF DIRECTORS

Composition and Balance

The Board presently has nine (9) members comprising five (5) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non Independent Non-Executive Director. The Board's composition represents a mix of knowledge, skills, expertise, experience and core competencies to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction. Representation on the Board is reflective of the extent of shareholdings of various parties in the Company. The Board is of the view that its three (3) Independent Directors who have extensive knowledge and experience are justifiable to represent the investment of the public and minority interests.

Generally, the Executive Directors are responsible for making and implementing operational and corporate decisions. Independent Non-Executive Directors play their roles by giving objective and independent view, advice and judgement to take into account of the interest of all stakeholders and ensuring a practice of a balanced Board's decision making process. Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision-making process.

Although the roles of Chairman and Managing Director are combined, the Board is of the opinion that no one individual has unfettered powers of decision as there is a strong independent element within the Board in the form of the three (3) Independent Non-Executive Directors, who provide a check and balance in the process of decision-making by the Board. In addition, to ensure that there is division of responsibilities to balance authority and power, the Chairman encourages participation from all Directors and Shareholders during Board and Shareholders' meetings, as appropriate.

The appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed has not been made, given that the Board is open for full deliberation of all matters submitted to the Board and Shareholders' meetings. In addition, the Board has strong independent element within the Board in the form of the three (3) Independent Non-Executive Directors. Thus, the Board does not consider it necessary at this juncture to identify a Senior Independent Non-Executive Director.

Board Responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholders' value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including setting the strategic direction, establishing goals for Management, monitoring the achievement of these goals and ensuring that the Group's internal control system and reporting procedures are adequate.

Meetings

The Board meets on a scheduled basis, at least four (4) times a year. Additional meetings will be conveyed as and when required. During the financial year under review, there were five (5) Board meetings and the attendance record of each Director is as follows:

Executive Directors	Attendance
Dato' Lim Cheah Chooi	5 / 5
Lim Kim Guan	4 / 5
Ngoi Foo Sing (Resigned w.e.f. 1 August 2011)	2 / 2
Han Mun Kuan	5 / 5
Lim Jun Lin	5 / 5
Sim Yee Fuan	5 / 5
Independent Non-Executive Directors	
Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din	4 / 5
Lee Yoke Khay	5 / 5
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	4 / 5
Non Independent Non-Executive Director	
Dato' Abdul Rafique Bin Abdul Karim	4 / 5

Board Committees

The Board delegates certain responsibilities to the Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, in order to enhance business and operational efficiency as well as efficacy.

All Committees have written terms of reference and operating procedures and the Board receives reports of their proceedings and deliberations, where appropriate. The chairman of the various Committees will report the outcome of the Committees' meetings to the Board.

Supply of Information

Scheduled Board meetings are structured with a pre-set agenda. Prior to the Board meetings, all Directors are provided with the Board papers containing information relevant to the business of the meeting.

All Directors, whether as a Board or in their individual capacity have full access to information within the Group and to obtain independent professional advise in furtherance of their duties at the Group's expense, if required. In addition, all Directors have access to the advice and service of the Company Secretary.

Directors' Training

The Board, as a whole, ensures that it recruits to the Board only individual that has the character, experience, intergrity, competence and time to fulfill the duties of a Director appropriately. At the date of this statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme. The Directors will continue to undergo other relevant training programmes to enhance their skills and knowledge, where relevant. For the financial year ended 31 December 2011, the Directors have attended at least one training programme relating to corporate governance, risk management and financial reporting.

Re-election of Directors

According to the Articles of Association of the Company, an election of Directors shall take place each year and all Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election at the Annual General Meeting ("AGM"). The Articles also provide that at least one-third of the remaining Directors be subject to re-election by rotation at each AGM.

Appointment to the Board

At the date of this statement, the Nomination Committee comprises the following Directors:

Chairman	:	**Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din**	*Deputy Chairman, Independent Non-Executive Director*
Members	:	**Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai**	*Independent Non-Executive Director*
		Dato' Abdul Rafique Bin Abdul Karim	*Non-Independent Non-Executive Director*

The Nomination Committee is responsible for making recommendations on the appointments of new Directors to the Board, assessing the effectiveness of the Board, its Committee and the contribution of each individual Director on an annual basis.

DIRECTORS' REMUNERATION

Remuneration Committee

At the date of this statement, the Remuneration Committee comprises the following Directors:

Chairman	:	**Dato' Lim Cheah Chooi**	*Executive Chairman and Managing Director*
Members	:	**Lee Yoke Khay**	*Independent Non-Executive Director*
		Dato' Abdul Rafique Bin Abdul Karim	*Non-Independent Non-Executive Director*

The Remuneration Committee is responsible for drawing up the policy framework and for making recommendations to the Board on remuneration packages and benefits annually as extended to the Directors. The Board as a whole determines the remuneration package of the Directors with the Director concerned abstaining from participating on decisions in respect of his individual remuneration.

With the annual approval of the shareholders, the Company pays its Directors an annual fee.

Details of the nature and amount of each major element of the remuneration of the Directors of the Company, during the financial year, are as follows:

Directors	Fees (RM)	Salaries and Other Emoluments (RM)	Total (RM)
Executive	99,917	1,957,787	2,057,704
Non-Executive	73,000	5,400	78,400

DIRECTORS' REMUNERATION (cont'd)

Remuneration Committee (cont'd)

The number of Directors whose remuneration falls into the following bands comprises:

	Number of Directors	
Range of remuneration (RM)	**Executive**	**Non-Executive**
Below 50,000	-	4
50,001 – 100,000	1	-
100,001 – 150,000	-	-
150,001 – 200,000	-	-
200,001 – 250,000	1	-
250,001 – 300,000	-	-
300,001 – 350,000	1	-
350,001 – 400,000	-	-
400,001 – 450,000	1	-
450,001 – 500,000	-	-
550,001 – 600,000	2	-

Individual remuneration of each Director is not disclosed as the Directors are of the view that the disclosure by bands above provides sufficient information.

SHAREHOLDERS

The Company acknowledges the importance of communicating with its shareholders and investors. Quarterly announcements and release of financial results provides the shareholders and the investing public with an overview of the Group's performance and operations.

The AGM and Extraordinary General Meeting are the principal forums for dialogue with shareholders. Notice of the general meetings and the annual report are sent to shareholders at least twenty one (21) days before the date of the meeting.

The shareholders are encouraged to ask questions during the general meetings on the resolutions being proposed or about the Group's operations in general.

In addition, the Company makes various announcements through Bursa Malaysia Securities Berhad ("Bursa Securities"). Members of the public can also obtain the full financial results and the Company's announcements from Bursa Securities' website or the Company's website.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board always endeavours to present the annual report, annual audited financial statements and quarterly announcements to shareholders and the public as balanced and understandable assessment of the Group's financial performance and prospects. Audit Committee assists the Board in overseeing the Group's financial reporting processes and quality of its financial reporting. The Audit Committee ensures the accuracy and timely dissemination of financial and corporate announcement made to the Bursa Securities.

Directors' Responsibilities Statement in Financial Reporting

The Directors are satisfied that for the financial year ended 31 December 2011, the annual audited financial statements presented give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group and the Company. In preparing the annual audited financial statements, the Directors have ensured that the approved accounting standards in Malaysia and provisions of the Companies Act, 1965 have been applied.

State of Internal Controls

The Directors are aware of their responsibilities to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Directors' responsibilities for the Group's system of internal controls cover not only the financial aspect but also operational and compliance controls as well as risk management.

The Statement on Internal Control set out on pages 27 to 28 of the Annual Report provides an overview of the state of internal control within the Group.

Relationship with External Auditors

The Company has always maintained a formal and transparent professional relationship with the external auditors. The external auditors report their findings which are included as part of the Company's financial report with respect to each year's audit on the statutory financial statements.

The external auditors meet the Board of Directors at least once a year to discuss the conduct and concern arising from their audit without the presence of the Executive Directors and the Management.

Compliance Statement

Save and except where stated otherwise, the Board is pleased to state that the Group has substantially complied with the best practices of the Code throughout the financial year.

Corporate Social Responsibility ("CSR")

The Group is driven by the belief that in pursuit of any business objective, the Group needs to strike a balance between profitability and contributions to the social and environmental responsibilities. With such belief, the Group is committed and uses its best endeavour, on ongoing basis, to integrate CSR practices into its day to day business operations. At the marketplace, the Group maintains high integrity of corporate governance practices as well as enhancing the shareholders' value through strategic business planning and management accounting practices. In achieving its corporate goals, business ethical values will not be compromised.

The Group is committed in its social responsibilities at the workplace via compliance and respect to Human Rights which includes employment of employees under fair and equitable terms as well as offering equal opportunity for career advancement based on performance. Continuous learning and development programmes were carried out throughout the year to equip the employees with relevant skills, knowledge and experience which would enhance the individual employee's competency and eventually add value to the Group.

The Group acknowledges the responsibility to care for the environment. The Group considers safety and environmental factors in all operating decisions and explores feasible opportunities to minimise any adverse impact from manufacturing operation and waste disposal.

This statement is issued in accordance with a resolution of Directors dated 24 April 2012.

AUDIT COMMITTEE REPORT

The present membership of the Committee consists of:

Chairman	:	**Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai**	*Independent Non-Executive Director*
Members	:	**Lee Yoke Khay**	*Independent Non-Executive Director*
		Dato' Abdul Rafique Bin Abdul Karim	*Non-Independent Non-Executive Director*

TERMS OF REFERENCE

Members

The Committee shall consist of at least three (3) members appointed by the Board from amongst the Directors, all of whom shall be Non-Executive Directors. The majority of the Committee members shall be Independent Directors. None of the Alternate Directors shall be appointed as a member of the Committee. The members of the Committee shall select a Chairman from amongst the Independent Non-Executive Directors.

If a Member of the Committee for any reason ceases to be a Member of the Committee with the result that the number of Member is reduced below three (3), the Board shall within three (3) months of that event, appoint such number of new Member as may be required to make up the minimum number of three (3) Members.

Meetings

The Committee shall regulate its own proceedings. The Committee shall meet not less than four (4) times a year. Additional meetings may be held at the discretion of the Committee or at the request of external auditors.

The quorum of the meeting is two (2) and majority of Members present must be Independent Directors.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is also authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary.

Functions and Duties

The functions and duties of the Committee shall include:-

- To recommend the appointment of the external auditors, their audit fee and any question of their resignation or dismissal to the Board.
- To discuss with external auditors their audit plan, the nature and scope of the audit.
- To discuss problems and reservations arising from the interim and final audits, and any matters the external/ internal auditors may wish to discuss (excluding the attendance of other directors and employees of the Group).
- To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- To review the internal audit program, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- To review quarterly and year end financial statements, prior to the approval by the Board, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events, going concern assumption and compliance with accounting standards and other legal requirements.

Functions and Duties (cont'd)

- To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- To carry out such other functions and consider other topics, as may be agreed upon by the Board.
- To review the shares buy back transactions undertaken by the Company.
- To review the appraisal or assessment of the performance of the staff of the internal audit function; to approve any appointment or termination of senior staff of the internal audit function.

MEETING AND ACTIVITIES

During the financial year ended 31 December 2011, a total of four (4) meetings were held and the attendance of the Members of the Committee is as follows:-

Directors	Attendance
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	3/4
Lee Yoke Khay	4/4
Dato' Abdul Rafique Bin Abdul Karim	3/4

During the financial year under review, the Committee carried out the following activities:

- Reviewed the quarterly reports and annual audited financial statements with the Management for compliance with the listing requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the applicable accounting standards issued by the Malaysian Accounting Standards Board.
- Reviewed the internal audit reports, internal audit recommendations made and Management responses to these recommendations.
- Reviewed the functions and resources of the internal audit division for adequacy in carrying out the audits.
- Reviewed the statement on internal control and recommended for the Board's approval.
- Reviewed the related party transaction of the Group.
- Reviewed the performance and fees of the external auditors prior to recommending their re-appointment to the Board.
- Reviewed the share buy back transactions carried out by the Company.

INTERNAL AUDIT FUNCTION

The internal audit functions are to assist the Board in monitoring and managing risks and internal controls. The internal audit functions also assist the Committee in discharging its duties and responsibilities.

The principal responsibility of the internal audit functions is to undertake independent, regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is also the responsibility of the internal audit functions to provide the Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance with the Group's established policies and procedures as well as the relevant statutory requirements.

During the financial year under review, the internal auditors conducted audit on certain operating units in accordance with the approved risk-based internal audit plan. The findings and recommendation for improvements were presented to the Committee for deliberations.

SUMMARY OF INTERNAL AUDIT ACTIVITIES

Summary of activities that were carried out for the year under review as follows:

- Prepared the audit plan that focused on high risk areas.
- Performed internal audit reviews in accordance with the approval audit plan.
- Issued reports on the results of the internal audit reviews, identifying weaknesses with suggested recommendations for improvements to Management for further action.
- Attended Audit Committee's meetings to table and discuss the audit reports and follow-up on matters raised.
- Followed-up on the implementation of corrective action plans or best practices agreed with the Management.
- Reviewed the appropriateness of the disclosure statements with regard to compliance with the Malaysian Code on Corporate Governance and the state of internal controls.

STATEMENT ON SHARE ISSUANCE SCHEME

The Company has not granted any option under the Share Issuance Scheme to the Directors and eligible employees of the Group for the financial year 31 December 2011.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of Unimech Group Berhad ("Group") is pleased to provide a statement on Internal Control pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities'). The Board is committed to fulfilling its responsibilities of maintaining the internal control in the Group in accordance with the Malaysian Code on Corporate Governance that required all listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets.

With this, the Board is pleased to address the following statement which highlights the nature and scope of the Group's internal control during the financial year ended 31 December 2011.

BOARD RESPONSIBILITY

The Board recognises its responsibilities for the Group's system of internal control and for reviewing its adequacy and integrity. The system of internal control is designed to identify and manage the principal risks faced by the businesses rather than eliminate the risk of failure in achieving the Group's business objective. The internal control system serves to provide reasonable but not absolute assurance against the risk of material misstatement or loss. The internal control system covers inter alia, risk management and financial, organisational, operational and compliance controls.

The Group's system of internal control involves the management and staff from each business units of its respective subsidiaries. The Board is responsible for determining key strategies and policies for significant risks and control issues, whilst functional managers of the subsidiaries are responsible to implement the Board's policies effectively by designing, operating, monitoring and managing risks and control processes.

RISK MANAGEMENT FRAMEWORK

The risk management practices and internal control are embedded in the daily operations of the Group. Senior management of the Group appraises significant risks affecting the achievement of the Group's business on an ongoing basis, and considers the appropriateness of controls having regards to cost and benefit, materiality and the likelihood of the crystalisation of risks. In order to enhance the risk management practices, the Group has established a risk management framework which involved identifying, evaluating, monitoring and managing significant risks affecting the achievement of its business objectives.

INTERNAL AUDIT FUNCTION

The Audit Committee, assisted by the in-house Internal Audit Department, provides the Board with the assurance it requires on the adequacy and integrity of the system of internal controls. The cost incurred for the Internal Audit Department in respect of this financial year stood at RM177,500. The Internal Audit Department independently reviews the risk identification procedures and control processes implemented by the management, conducts audits that encompass reviewing critical areas that the Company faces, and reports to the Audit Committee on a quarterly basis.

The Internal Audit Department, which is independent of the activities they audit, maintains their impartiality, proficiency and due professional care by having their plans and reports directly under the purview of the Audit Committee who reviews and approves the Internal Audit Department's annual audit plan, financial budget and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors.

The Internal Audit Department also carried out internal control reviews on key activities of the Company's business on the basis of an annual internal audit plan that was presented and approved by the Audit Committee. The Internal Audit Function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group.

During the year under review, The Internal Audit Department has not reported any significant control weaknesses which may result in any material losses, uncertainties or contingencies that would require disclosure in the Group's Annual Report.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from the risk management and internal audit, to maintain a sound system of internal control, other key elements of internal control have been put in place throughout the Group.

The key elements of the Group's existing system of internal controls are described below:-

- The organisation structure is clearly defined by means of organisation charts and main job function and responsibilities are communicated to all levels.

- Clearly documented internal policies and procedures set out in a series of Standard Operating Procedure, which is currently being reviewed for improvement to reflect changes in business structures and processes.

- The Audit Committee examines the effectiveness of the Group's system of internal control on behalf of the Board. This is accomplished through the review of the internal audit department's work, which adopts a series of audit program in identifying areas of priority and which is carried out in accordance with the audit plan.

- Regular internal audit visits, which provide independent assurance on the effectiveness of the Group's system of internal control and advising management on areas for further improvement.

REVIEW OF STATEMENT BY EXTERNAL AUDITOR

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Internal Control for the inclusion in the Annual Report of the Group for the year ended 31 December 2011 and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in the reviewing of the adequacy and integrity of internal control of the Group.

CONCLUSION

The Board is of the view that there is a continuous process in managing significant risks faced by the Group and the system of internal controls in place during the financial year under review is sound and sufficient. As the development of a sound system of internal controls is an on-going process, the Board and the management maintain on-going commitment and continue to take appropriate measures to strengthen the internal control environment of the Group.

This statement is issued in accordance with a resolution of Directors dated 24 April 2012.

OTHER INFORMATION

(Pursuant to Paragraph 9.25 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Utilisation of Proceeds Raised from Corporate Proposal

Not applicable as none was proposed.

Share Buy-Back

Details of share buy-back during the financial year ended 31 December 2011 are as follows:

Month	No. of shares repurchased	Lowest price paid (RM)	Highest price paid (RM)	Average price paid (RM)	Total consideration paid (RM)
October 2011	1,070,900	0.750	0.830	0.796	852,971
November 2011	263,000	0.810	0.885	0.835	219,553
December 2011	386,000	0.840	0.875	0.865	333,785
	1,719,900			0.818	1,406,309

All the shares so purchased during the financial year were retained as treasury shares. As at the end of the financial year ended 31 December 2011, a total of 12,356,466 repurchased shares were held as treasury shares and carried at cost of RM8,055,850. There was no resale of treasury shares during the year.

There has been a cancellation of 3,000,000 treasury shares by the Company on 29 September 2011.

Options or Convertible Securities

There were no options or convertible securities were issued or exercised during the financial year ended 31 December 2011.

Depository Receipt Programme

The Company does not sponsor any depository receipt programme.

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2011.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year by the Company's auditor, or a firm or a corporation affiliated to the auditors' firm was RM1,500.

Variations of results

The Company did not issue or announce any profit estimate, forecast or projection to the public for the financial year ended 31 December 2011.

Profit Guarantee

There was no profit guarantee given by the Company during the financial year ended 31 December 2011.

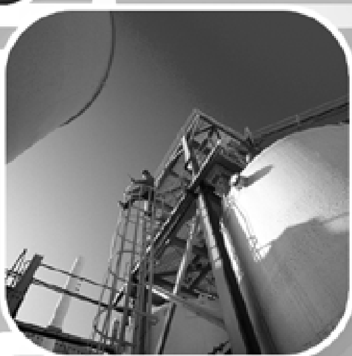
Material Contracts

There were no material contracts of the Company and its subsidiaries that involve the Directors' and Major Shareholders' interest.

Recurrent Related Party Transactions of Revenue or Trading Nature

The Company does not have any recurrent related party transactions of revenue or trading nature during the financial year ended 31 December 2011.

REPORTS AND FINANCIAL STATEMENTS



DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

Principal Activities

The principal activities of the Company are those of investment holding and provision of management services to its subsidiary companies and associate companies. The principal activities of the subsidiary companies and associate companies are disclosed in Notes 5 and 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM	Company RM
Profit before taxation	29,918,429	8,484,476
Taxation	(8,349,963)	(185,821)
Net profit for the financial year	21,568,466	8,298,655
Attributable to:		
Owners of the parent	19,341,475	8,298,655
Non-controlling interest	2,226,991	-
	21,568,466	8,298,655

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

Dividends

During the financial year, a first and final tax exempt dividend of 3.6 sen on 122,924,768 ordinary shares of RM0.50 each, amounting to a total dividend of RM4,425,292 in respect of the financial year ended 31 December 2010 was paid on 25 July 2011.

At the forthcoming Annual General Meeting, a first and final single tax exempt dividend of 5 sen on 121,204,868 ordinary shares of RM0.50 each, amounting to a total dividend payable of RM6,060,243 in respect of the financial year ended 31 December 2011 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2012.

Reserves and Provisions

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

Issue of Shares and Debentures

There were no issues of shares or debentures during the financial year under review.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

Directors

The Directors who served since the date of the last report are as follows:

Dato' Lim Cheah Chooi
Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din
Lim Kim Guan
Han Mun Kuan
Lim Jun Lin
Sim Yee Fuan
Dato' Abdul Rafique Bin Abdul Karim
Lee Yoke Khay
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai
Ngoi Foo Sing (resigned 01.08.2011)

Directors' Interests

Details of holdings and deemed interests in the share capital of the Company or its related corporations by the Directors in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:

	No. of ordinary shares of RM0.50 each			
	At 1.1.2011	**Acquired**	**Disposed**	**At 31.12.2011**
Unimech Group Berhad				
Direct interest				
Dato' Lim Cheah Chooi	40,162,500	1,100,000	(3,100,000)	38,162,500
Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din	600,066	-	-	600,066
Lim Kim Guan	10,000,000	-	-	10,000,000
Han Mun Kuan	1,326,498	-	-	1,326,498
Lim Jun Lin	1,300,734	-	-	1,300,734
Sim Yee Fuan	200,000	-	-	200,000
Dato' Abdul Rafique Bin Abdul Karim	1,148,668	200,000	-	1,348,668
Lee Yoke Khay	26,666	-	-	26,666
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	398,984	-	-	398,984
Indirect interest				
Dato' Lim Cheah Chooi [1]	4,035,134	-	-	4,035,134
Lim Kim Guan [1]	1,509,638	-	-	1,509,638
Han Mun Kuan [1]	313,332	-	-	313,332
Sim Yee Fuan [1]	340,000	-	-	340,000

Note:

[1] *Deemed interest through spouse and children*

By virtue of his interest in the shares of the Company, Dato' Lim Cheah Chooi is also deemed to have interests in the shares of all the subsidiary companies to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year under review.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangement the object of which 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 Statutory Information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

    (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

    (i) the amount written-off for bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

    (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;

    (iii) any amount stated in the financial statements of the Group and of the Company misleading; and

    (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) No contingent or other liabilities 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 affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due; and

(d) At the date of this report, there does not exist:

    (i) any charge on the assets of the Company or its subsidiary companies which have arisen since the end of the financial year to secure the liabilities of any other person; or

    (ii) any contingent liability in respect of the Company or its subsidiary companies which have arisen since the end of the financial year.

Significant Events

The significant events are disclosed in Note 34 to the financial statements.

Subsequent Event

The subsequent event is disclosed in Note 35 to the financial statements.

Auditors

The auditors, UHY, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors.

DATO' LIM CHEAH CHOOI	SIM YEE FUAN

PENANG

24 APRIL 2012

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, DATO' LIM CHEAH CHOOI and SIM YEE FUAN, being two of the Directors of UNIMECH GROUP BERHAD, do hereby state that, in the opinion of the Directors, the financial statements of the Group and of the Company set out on pages 38 to 118 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 16 to the financial statements have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors.

DATO' LIM CHEAH CHOOI

SIM YEE FUAN

PENANG

24 APRIL 2012

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, SIM YEE FUAN, being the Director primarily responsible for the financial management of UNIMECH GROUP BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 38 to 118 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed)
SIM YEE FUAN at Butterworth in the State of Penang)
this 24 APRIL 2012)

SIM YEE FUAN

Before me,

HJ.MD.ABU BAKAR BIN OTHMAN
P110
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF **UNIMECH GROUP BERHAD** (Company No. 407580-X)

Report on the Financial Statements

We have audited the financial statements of Unimech Group Berhad, which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 38 to 118.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimate made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have act as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

(c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 16 is solely disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR

24 APRIL 2012

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	3	57,441,058	47,184,880	252	883
Investment property	4	-	530,000	-	-
Investment in subsidiary companies	5	-	-	51,377,560	51,377,560
Investment in associate companies	6	9,734,236	8,806,878	3,000,000	3,000,000
Investment securities	7	5,445,653	5,734,131	534,715	1,004,380
Intangible assets	8	8,912,427	8,920,597	292,302	292,302
		81,533,374	71,176,486	55,204,829	55,675,125
Curent Assets					
Inventories	9	113,570,270	90,775,748	-	-
Trade receivables	10	53,688,450	49,678,498	-	-
Other receivables	11	22,303,892	15,250,838	34,407,945	30,044,077
Tax recoverable		432,106	362,366	-	42,564
Fixed deposits with licensed banks	12	599,085	1,365,977	-	-
Cash and bank balances		20,093,902	19,765,663	255,280	1,927,170
		210,687,705	177,199,090	34,663,225	32,013,811
Total Assets		292,221,079	248,375,576	89,868,054	87,688,936

The accompanying notes form an integral part of the financial statements.

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Equity					
Share capital	13	66,780,667	68,280,667	66,780,667	68,280,667
Share premium		12,866,483	13,242,083	12,866,483	13,242,083
Treasury shares	14	(8,055,850)	(8,525,140)	(8,055,850)	(8,525,140)
Reserves	15	3,482,352	2,098,448	6,495	22,345
Retained profits	16	89,574,101	74,656,761	17,511,509	13,638,146
		164,647,753	149,752,819	89,109,304	86,658,101
Non-controlling interest		12,982,945	10,788,191	-	-
Total Equity		177,630,698	160,541,010	89,109,304	86,658,101
Non-Current Liabilities					
Lease and hire purchase payables	17	2,956,376	2,508,554	-	-
Bank borrowings	18	17,440,043	11,487,704	-	-
Deferred tax liabilities	19	1,084,512	745,630	-	-
		21,480,931	14,741,888	-	-
Current Liabilities					
Trade payables	20	20,537,577	20,008,674	-	-
Other payables	21	20,450,028	15,730,117	611,853	1,030,835
Lease and hire purchase payables	17	1,590,106	1,279,758	-	-
Bank borrowings	18	47,525,206	34,529,055	-	-
Tax payable		3,006,533	1,545,074	146,897	-
		93,109,450	73,092,678	758,750	1,030,835
Total Liabilities		114,590,381	87,834,566	758,750	1,030,835
Total Equity and Liabilities		292,221,079	248,375,576	89,868,054	87,688,936

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Revenue	22	193,497,614	158,241,908	9,542,194	12,352,234
Cost of sales		(118,261,636)	(98,874,946)	-	-
Gross profit		75,235,978	59,366,962	9,542,194	12,352,234
Interest income	23	191,926	150,144	27,570	29,033
Dividend income	24	175,985	277,867	32,217	65,470
Other income	25	4,918,960	3,686,155	13,699	391,336
Administrative expenses		(27,230,584)	(21,790,712)	(910,990)	(1,036,936)
Selling and distribution expenses		(12,518,178)	(7,725,408)	(92,407)	(13,170)
Other operating expenses		(6,916,249)	(8,090,904)	(127,807)	(207,612)
Finance costs	26	(4,802,109)	(2,291,697)	-	(39,042)
Share of profit after taxation of associate companies		862,700	634,664	-	-
Profit before taxation	27	29,918,429	24,217,071	8,484,476	11,541,313
Taxation	28	(8,349,963)	(6,035,630)	(185,821)	(2,682,120)
Net profit for the financial year		21,568,466	18,181,441	8,298,655	8,859,193

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Other comprehensive income, net of tax					
Net gain on available-for-sale financial assets					
- Gain/(Loss) on fair value changes	15	40,441	297,595	(15,850)	8,898
- Transferred to profit or loss upon disposal	15	(162,223)	(81,731)	-	-
Foreign currency translation	15	1,492,862	(1,427,374)	-	-
Deferred tax relating to components of other comprehensive income	15	13,981	11,607	-	-
		1,385,061	(1,199,903)	(15,850)	8,898
Total comprehensive income for the financial year		22,953,527	16,981,538	8,282,805	8,868,091
Net profit for the financial year attributable to:					
Owners of the parent		19,341,475	16,115,813	8,298,655	8,859,193
Non-controlling interest		2,226,991	2,065,628	-	-
		21,568,466	18,181,441	8,298,655	8,859,193
Other comprehensive income attributable to:					
Owners of the parent		20,726,536	14,915,910	8,282,805	8,868,091
Non-controlling interest		2,226,991	2,065,628	-	-
		22,953,527	16,981,538	8,282,805	8,868,091
Earnings per share attributable to owners of the parent					
Basic/Diluted earnings per share	29	15.77	13.11		

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Share Capital	Share Premium	Treasury Shares	Revaluation Reserve	Fair Value Adjustment Reserve	Foreign Currency Translation Reserve	Capital Reserve	Retained Profits	Total	Non-Controlling Interest	Total Equity
		Attributable to Owners of the Parent										
			Non-Distributable						Distributable			
	Note	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group												
2010												
At 1 January 2010		68,280,667	13,242,083	(8,525,140)	875,294	-	1,469,893	891,800	61,952,110	138,186,707	9,765,791	147,952,498
Effects of adopting FRS 139		-	-	-	-	61,364	-	-	-	61,364	-	61,364
Total comprehensive income		-	-	-	11,607	215,864	(1,427,374)	-	16,115,813	14,915,910	2,065,628	1,6981,538
Transaction with owners												
- Changes in equity		-	-	-	-	-	-	-	-	-	(171,767)	(171,767)
- Dividends	30	-	-	-	-	-	-	-	(3,411,162)	(3,411,162)	(871,461)	(4,282,623)
		-	-	-	-	-	-	-	(3,411,162)	(3,411,162)	(1,043,228)	(4,454,390)
At 31 December 2010		68,280,667	13,242,083	(8,525,140)	886,901	277,228	42,519	891,800	74,656,761	149,752,819	10,788,191	160,541,010

		Attributable to Owners of the Parent										
		Non-Distributable						Distributable				
	Note	Share Capital	Share Premium	Treasury Shares	Revaluation Reserve	Fair Value Adjustment Reserve	Foreign Currency Translation Reserve	Capital Reserve	Retained Profits	Total	Non-Controlling Interest	Total Equity
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group												
2011												
At 1 January 2011		68,280,667	13,242,083	(8,525,140)	886,901	277,228	42,519	891,800	74,656,761	149,752,819	10,788,191	160,541,010
Total comprehensive income		-	-	-	13,981	(121,782)	1,492,862	-	19,341,475	20,726,536	2,226,991	22,953,527
Realisation of revaluation reserve		-	-	-	(1,157)	-	-	-	1,157	-	-	-
Transaction with owners												
- Purchase of treasury shares		-	-	(1,406,310)	-	-	-	-	-	(1,406,310)	-	(1,406,310)
- Cancellation of treasury shares		(1,500,000)	(375,600)	1,875,600	-	-	-	-	-	-	-	-
- Changes in equity		-	-	-	-	-	-	-	-	-	430,084	430,084
- Dividends	30	-	-	-	-	-	-	-	(4,425,292)	(4,425,292)	(462,321)	(4,887,613)
		(1,500,000)	(375,600)	469,290	-	-	-	-	(4,425,292)	(5,831,602)	(32,237)	(5,863,839)
At 31 December 2011		66,780,667	12,866,483	(8,055,850)	899,725	155,446	1,535,381	891,800	89,574,101	164,647,753	12,982,945	177,630,698

		Non-Distributable				Distributable	
		Share Capital	Share Premium	Treasury Shares	Fair value Adjustment Reserve	Retained Profits	Total Equity
Company	Note	RM	RM	RM	RM	RM	RM
At 1 January 2010		68,280,667	13,242,083	(8,525,140)	-	8,190,115	81,187,725
Effect of adopting FRS 139		-	-	-	13,447	-	13,447
Total comprehensive income for the financial year		-	-	-	8,898	8,859,193	8,868,091
Dividends	30	-	-	-	-	(3,411,162)	(3,411,162)
At 31 December 2010		68,280,667	13,242,083	(8,525,140)	22,345	13,638,146	86,658,101
At 1 January 2011		68,280,667	13,242,083	(8,525,140)	22,345	13,638,146	86,658,101
Total comprehensive income		-	-	-	(15,850)	8,298,655	8,282,805
Transactions with owners							
- Purchase of treasury shares	14	-	-	(1,406,310)	-	-	(1,406,310)
- Cancellation of treasury shares	14	(1,500,000)	(375,600)	1,875,600	-	-	-
- Dividends	30	-	-	-	-	(4,425,292)	(4,425,292)
		(1,500,000)	(375,600)	469,290	-	(4,425,292)	(5,831,602)
At 31 December 2011		66,780,667	12,866,483	(8,055,850)	6,495	17,511,509	89,109,304

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Cash Flows From Operating Activities				
Profit before taxation	29,918,429	24,217,071	8,484,476	11,541,313
Adjustments for:				
Amortisation of patents	8,170	8,170	-	-
Bad debts recovered	(115,845)	(21,305)	-	-
Bad debts written off	233,458	384,353	-	27
Depreciation of property, plant and equipment	4,434,086	3,860,679	631	2,620
Dividend income	(175,985)	(277,867)	(32,217)	(65,470)
(Gain)/Loss on disposal of investment in associate companies	(714,750)	2,261	-	-
Gain on disposal of investment property	(235,000)	-	-	-
Gain on disposal of property, plant and equipment	(418,706)	(390,905)	-	-
(Loss)/Gain on disposal of investment securities	193,310	(1,105,282)	(13,699)	(384,727)
Impairment loss on investment securities	561,998	410,504	127,807	112,612
Impairment loss on investment in subsidiary companies	-	-	-	95,000
Impairment on trade receivables	110,580	-	-	-
Impairment on slow moving inventories	70,650	-	-	-
Interest expense	4,802,109	2,291,697	-	39,042
Interest income	(191,926)	(150,144)	(27,570)	(29,033)
Gain on foreign exchange - unrealised	-	(50,726)	-	-
Loss on foreign exchange - unrealised	-	7,086	-	-
Negative goodwill written off	(947,667)	-	-	-
Property, plant and equipment written off	49,269	30,871	-	-
Share of profit after taxation of associate companies	(862,700)	(634,664)	-	-
Reversal of impairment on trade receivables	(207,989)	-	-	-
Reversal impairment on amount owing by associate companies	-	(3,121)	-	-
Waiver of debts from other payables	(7,416)	-	-	-
Write-back of impairment on inventories	(4,498)	-	-	-
Write-back on impairment of investment securities	(4,045)	-	-	-
Operating profit before working capital changes	36,495,532	28,578,678	8,539,428	11,311,384

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
(Increase)/Decrease in working capital					
Inventories		(17,868,975)	(16,357,210)	-	-
Receivables		(11,750,400)	(12,849,196)	(644,324)	54,925
Payables		(1,881,660)	14,700,020	(694,840)	(448,547)
		(31,501,035)	(14,506,386)	(1,339,164)	(393,622)
Cash generated from operations		4,994,497	14,072,292	7,200,264	10,917,762
Tax paid		(6,491,179)	(5,057,862)	(22,529)	(2,682,120)
Tax refund		32,049	-	26,169	-
Interest paid		(4,802,109)	(2,291,697)	-	(39,042)
		(11,261,239)	(7,349,559)	3,640	(2,721,162)
Net cash (used in)/from operating activities		(6,266,742)	6,722,733	7,203,904	8,196,600
Cash Flows From Investing Activities					
Additions of trade marks		-	(95,076)	-	-
Dividend received		175,985	277,867	32,217	65,470
Interest received		191,926	150,144	27,570	29,033
Investment in an associated company		(853,055)	-	-	-
Net cash outflow on acquisition of subsidiary companies	5(c)	(1,241,503)	(58,565)	-	(2)
Proceeds from disposal of investment securities		10,290,014	11,513,938	3,539,198	2,704,010
Proceeds from disposal of property, plant and equipment		1,895,980	1,873,672	-	-
Proceeds from disposal of associate companies		1,378,164	17,739	-	-
Proceeds from disposal of a subsidiary company		-	-	-	2
Proceeds from disposal of investment property		765,000	-	-	-
Purchase of investment securities		(10,874,581)	(10,727,051)	(3,199,491)	(2,615,136)
Purchase of property, plant and equipment	3(d)	(9,241,660)	(13,829,205)	-	-
Net cash (used in)/from investing activities		(7,513,730)	(10,876,537)	399,494	183,377

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Cash Flows From Financing Activities					
Amount owing by/to associate companies		7,451,475	(2,787,672)	(260,501)	(23,184)
Amount owing/to subsidiary companies		-	-	(3,183,185)	(3,085,714)
Amount owing to Directors		(224,275)	-	-	-
Proceeds from issuance of shares to non-controlling interest		-	41,998	-	-
Withdrawn of bank borrowings		10,718,044	17,911,578	-	-
Repayment of bank borrowings		(3,060,699)	(3,543,284)	-	-
Repurchase of treasury shares	14	(1,406,310)	-	(1,406,310)	-
Dividends paid to shareholders and non-controlling interests	30	(4,887,613)	(4,282,623)	(4,425,292)	(3,411,162)
Net cash from/(used in) financing activities		8,590,622	7,339,997	(9,275,288)	(6,520,060)
Net (decrease)/increase in cash and cash equivalents		(5,189,850)	3,186,193	(1,671,890)	1,859,917
Currency translation difference		994,751	(1,016,533)	-	-
Cash and cash equivalents at beginning of the financial year		13,624,552	11,454,892	1,927,170	67,253
Cash and cash equivalents at end of the financial year		9,429,453	13,624,552	255,280	1,927,170
Cash and cash equivalents at end of the financial year comprise:					
Fixed deposits with licensed banks		599,085	1,365,977	-	-
Cash and bank balances		20,093,902	19,765,663	255,280	1,927,170
Bank overdrafts		(11,263,534)	(7,507,088)	-	-
		9,429,453	13,624,552	255,280	1,927,170

The accompanying notes form an integral part of the financial statements.

1. **Corporate Information**

The principal activities of the Company are those of investment holding and provision of management services to its subsidiary companies and associate companies. The principal activities of the subsidiary companies and associate companies are disclosed in Notes 5 and 6 to the financial statements.

The Company is a public limited liability company, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 Penang.

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

2. **Basis of Preparation and Significant Accounting Policies**

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

(b) Significant accounting policies

During the financial year, the Group and the Company have adopted the following new Financial Reporting Standards ("FRSs"), revised FRSs, Issues Committee ("IC") Interpretations and amendments to FRSs, issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

FRS 1	First-time adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investments in a Foreign Operations
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to FRS 1	Limited exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation - Classification of Rights Issues
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

Adoption of the above FRSs, IC Interpretations, Amendments to FRSs and "Improvements to FRSs (2010)" did not have any significant effect on the financial statements of the Group and of the Company, other than for the following:

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(b) Significant accounting policies (cont'd)

(i) FRS 3 Business Combinations and FRS 127 Consolidated and Separate Financial Statements (Amendments)

The adoption of the two revised standards affects the way in which the Group accounts for business combinations and the preparation of its consolidated financial statements.

The revised FRS 127 replaces the current term "minority interest" with a new term "non-controlling interest" which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. It also requires that changes in ownership interest which do not result in a loss of control be accounted for as equity transactions. If the changes in ownership interest results in loss of control, any remaining interest in the entity is remeasured at fair value and any resulting gains or losses is recognised in profit or loss.

Under the revised FRS 3, all acquisition-related costs are recognised as an expense in the profit or loss in the period in which they are incurred. All considerations transferred, including contingent considerations, are measured at fair value as at the acquisition date. Any equity interests held prior to the date control is obtained is remeasured at fair value, with the resulting gains or losses recognised in the profit or loss. There is now an option on a case to case basis to measure non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the net identifiable assets of the assets acquired. Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interests in the acquiree and the fair value at acquisition date of any previously held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

The revised FRS 3 and FRS 127 were applied prospectively to acquisitions and/or changes in ownership interest in subsidiary companies occurred during the financial year.

(ii) Amendments to FRS 7 Improving Disclosures about Financial Instruments

Amendments to FRS 7 require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy was introduced. Each class of financial instrument is to be classified in accordance to this hierarchy which reflects the inputs used in making the fair value measurement. It also reinforces the existing principles for disclosures on liquidity and credit risks. The adoption of this amendment resulted in additional disclosures in the financial statements but did not have any financial impact on the Group and on the Company.

(iii) Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

The amendments mainly provide guidance, clarify wordings and remove inconsistencies in existing FRSs. These amendments have extended some of the disclosure requirements under FRS 7, such as the quantification of the extent to which collateral and other credit enhancements mitigate credit risk; and remove certain disclosure requirements such as the carrying amount of renegotiated assets. These changes are only presentational in nature and did not have any financial impact on the Group and on the Company.

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein called "Transitioning Entities").

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(b) Significant accounting policies (cont'd)

(iii) Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)" (cont'd)

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

Financial statements that are drawn up in accordance with the new MFRS framework will be equivalent to financial statements prepared by other jurisdictions which adopt IFRSs ("International Financial Reporting Standards").

The Group and the Company will prepare its financial statements in accordance with the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2012. In presenting its first MFRS financial statements, the Company will be required to apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") in order to assert full compliance with MFRSs and IFRSs. MFRS 1 requires restatement of the financial position as at 1 January 2011 (the date of transition to MFRS) to amounts reflecting the application of MFRS Framework. As at 31 December 2011, the existing FRS Framework is already largely aligned with the MFRS Framework except for MFRS 1 which provides first-time adopter certain exemptions and policy choice.

The Group and the Company have started assessment of the impact arising from the adoption of MFRS 1 and are in the process of assessing the financial effects of differences between the existing FRSs and the MFRSs. Accordingly, the financial performance and financial position as disclosed in these financial statements for the financial year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

The Group and the Company has not early adopted the following MFRSs, which have been issued as at the date of authorisation of this financial statements and will be effective for the financial periods as stated below:

		Effective date for financial periods beginning on or after
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
MFRS 124	Related Party Disclosures (revised)	1 January 2012
Amendments to MFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to MFRS 7	Disclosures - Transfers of Financial Assets	1 January 2012
Amendments to MFRS 112	Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to MFRS 9 (IFRS 9 as issued by IASB in November 2009), MFRS 9 (IFRS 9 as issued by IASB in October 2010) and MFRS 7	Mandatory Effective Date of FRS 9 and Transition Disclosures	1 March 2012

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(b) Significant accounting policies (cont'd)

(iii) Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)" (cont'd)

		Effective date for financial periods beginning on or after
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (revised)	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132 Financial Liabilities	Offsetting Financial Assets and	1 January 2014
MFRS 9 (IFRS 9 as issued by IASB in November 2009)	Financial Instruments	1 January 2015*
MFRS 9 (IFRS 9 as issued by IASB in October 2010)	Financial Instruments	1 January 2015*

* Original effective date of 1 January 2013 deferred to 1 January 2015 via amendments issued by MASB on 1 March 2012.

The above new MFRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the initial applications of these Standards and IC Interpretations will have no significant impact on the financial statements of the Group and of the Company, except as discussed below:

(i) MFRS 124 Related Party Disclosures

The revised MFRS 124 simplify the definition of a related party, clarifies its intended meaning and eliminates inconsistencies from the definition and gives partial exemption from disclosure for government-related entities. These changes affect disclosures in the financial statements and did not have any impact on the financial results of the Group and of the Company.

(ii) Amendments to MFRS 112 Deferred Tax: Recovery of Underlying Assets

This amendment supersedes and introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in existing FRS 140 Investment Property. As a result of the amendments, IC Interpretation 121 Income Taxes - Recovery of Revalued Non-Depreciable Assets will be superseded and its guidance will be incorporated into MFRS 112.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(b) Significant accounting policies (cont'd)

(iii) Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)" (cont'd)

(iii) Amendment to MFRS 1 First-time Adoption on Fixed Dates and Hyperinflation

This amendment includes two changes to MFRS 1. The first replaces references to a fixed date of '1 January 2006' with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

(iv) Amendments to MFRS 7 Disclosures - Transfers of Financial Assets

The amendment enhances the transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

(v) Amendments to MFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities and Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

The amendment requires financial assets and financial liabilities to be offset and present the net amount in the statement of financial position, only if the entity has an unconditional and legally enforceable right to set off the financial asset and financial liability, and it intends either to settle the financial asset and financial liability net or to realise the financial asset and settle the financial liability simultaneously.

(vi) MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009) and MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

MFRS 9 (IFRS 9 issued by IASB in November 2009) specifies how an entity should classify and measure financial assets. This standard replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

MFRS 9 (IFRS 9 issued by IASB in October 2010) specifies the requirements for the classification and measurement of financial liabilities, which are generally similar to the requirements of the existing MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(b) Significant accounting policies (cont'd)

(iii) Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)" (cont'd)

(vii) MFRS 10 Consolidated Financial Statements

MFRS 10 will replace all the guidance on control and consolidation in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation - Special Purpose Entities.

MFRS 10 changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements.

(viii) MFRS 13 Fair Value Measurement

This standard defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. The definition of fair value under this standard emphasises the principle that fair value is a market-based measurement, not an entity specific measurement.

(ix) MFRS 119 Employee Benefits (as amended in November 2011)

This revised MFRS 119 will supersede the existing MFRS 119 when effective. This new standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. Past service costs, whether unvested or already vested, are recognised immediately in the profit or loss as incurred and the annual defined benefit costs in the profit or loss will include net interest expense/income on the defined benefit asset/liability.

(x) FRS 127 Separate Financial Statements (as amended in November 2011)

Upon the adoption of MFRS 10, the accounting requirements relating to the preparation of consolidated financial statements are no longer covered under MFRS 127. This revised MFRS 127 only cover the requirements relating to the accounting for investments in subsidiary companies, associated companies and joint ventures in the separate financial statements of the entity. In such cases, the entity should account for such investments either at cost, or in accordance with MFRS 9.

(xi) MFRS 128 Investments in Associates and Joint Ventures (as amended in November 2011)

This revised MFRS 128 incorporates the requirements for accounting for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11. However, the revised MFRS 128 exempts the investor from applying equity accounting in certain circumstances, ie. where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(d) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment to be within 5 to 50 years as stated in Note 2(f)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could have impact on the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's and of the Company's property, plant and equipment as at 31 December 2011 is disclosed in Note 3 to the financial statements.

(ii) Estimation of fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; or

(b) recent prices of similar properties based on less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(iii) Impairment of investment in subsidiary companies

The carrying values of investment in subsidiary companies and the related goodwill are reviewed for impairment. In the determination of the value in use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiary companies as at 31 December 2011 is disclosed in Note 5 to the financial statements.

(iv) Impairment of investment in associated companies

The carrying values of investment in associated companies and the related goodwill are reviewed for impairment in accordance with FRS 128, Investments in Associates.

In the determination of the value in use of the investment, the Group and the Company is required to estimate the expected cash flows to be generated by the associated company and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's and the Company's investment in associated companies as at 31 December 2011 is disclosed in Note 6 to the financial statements.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(d) Significant accounting estimates and judgements (cont'd)

(v) Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis, in accordance with the accounting policy stated in Note 2(h). This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(vi) Impairment of financial assets

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial assets is impaired. To determine whether there is objective evidence of impairment, the Group and the Company considers factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and of the Company's loans and receivables as at 31 December 2011 is disclosed in Notes 10 and 11 to the financial statements.

(vii) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will have impact on the income tax and deferred tax provisions in the period in which such determination is made.

(e) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies and its associate companies through equity accounting, which are made up to the end of the financial year.

In the Company's separate financial statements, investments in subsidiary companies and investment in associate companies are stated at cost less impairment losses in accordance with Note 2(h). On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the statements of comprehensive income.

(i) Subsidiary companies

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiary companies are consolidated using the acquisition method of accounting except for the following subsidiaries which were accounted for 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.
- Arita Flanges Industries Sdn. Bhd.
- Q-Flex Industries (M) Sdn. Bhd.
- Arita Engineering Sdn. Bhd.
- Multiplex Control & Engineering Services Pte. Ltd.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(e) Basis of consolidation (cont'd)

(i) Subsidiary companies (cont'd)

The Group has taken advantage of the exemption provided by FRS 3 to apply this Standard prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with this Standard.

Under the merger method, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. The combination date is the date on which one combining entity effectively obtains control of the other combining entities. On consolidation, the cost of the merger should be cancelled against the nominal values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for acquisition of a subsidiary is measured as the fair value of the assets given, equity instruments issued and or liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statements of comprehensive income.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(e) Basis of consolidation (cont'd)

(ii) Associated companies

Associate companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associate companies are accounted for using the equity method of accounting.

Equity accounting involves recording investments in associate companies initially at cost, and recognising the Group's share of its associate companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate company.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is recognised in profit or loss on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

Building under construction and capital work-in-progress are not depreciated as these assets are not yet available for use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	2% - 5%
Furniture, fittings and office equipment	5% - 33%
Heavy moving equipment and motor vehicles	10% - 20%
Plant, machinery, moulds and equipment	5% - 33.33%
Electrical installation and renovation	10% - 20%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each financial year end.

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to profit or loss. On disposal of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(g) Intangible assets

(i) Goodwill arising from consolidation

For acquisitions prior to 1 January 2006, goodwill acquired in a business combination represents the excess of the cost of the acquisition of subsidiary companies over the Group's interest in the fair values of the net identifiable assets (including intangible assets) at the date of acquisition. With the adoption of FRS 3 Business Combinations beginning 1 January 2006, goodwill arising on consolidation represents the excess of the costs of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary companies acquired at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the statements of comprehensive income.

Upon adoption of the revised FRS 3 Business Combinations on 1 January 2011, goodwill is measured as the excess of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest in the subsidiary company over the fair value of the Group's share of the identifiable net assets acquired.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired, in accordance with Note 2(h).

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Patents

Patents are stated at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight line method over their estimated useful lives of 20 years.

(iii) Trademarks

Trademarks are stated at cost less accumulated impingent losses.

(h) Impairment of non-financial assets

The carrying amounts of assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statements of comprehensive income in the period in which it arises.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the 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.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(i) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value with any change therein recognised in the statements of comprehensive income. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damage, obsolete or slow-moving inventories.

The cost of inventories is based on the first-in first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress, manufactured inventories and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Financial assets

Financial assets are recognised on the statements of financial position when, and only when the Group and of the Company becomes a party to the contractual provisions of the financial instrument.

(i) Classification

The Group and of the Company classifies its financial assets in the following categories: at fair value through profit or loss (FVTPL), loans and receivables, available-for-sale (AFS) and held-to-maturity (HTM). The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(k) Financial assets (cont'd)

(i) Classification (cont'd)

AFS Financial Assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. If the Group and the Company were to sell other than an insignificant amount of HTM financial assets, the whole category would be tainted and reclassified as AFS.

HTM investment are classified as non-current assets, except for those having maturity date within 12 months after the end of the reporting period which are classified as current.

(ii) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at FVTPL, which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately in the statements of comprehensive income.

Regular way purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Company commits to purchase or sell the asset.

(iii) Subsequent measurement

Financial assets, both AFS and at FVTPL are subsequently carried at fair value. The fair value measurement considerations of the Group and of the Company are as disclosed in Note 2(l).

Equity instrument which are classified as AFS that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

Changes in the fair values of financial assets at FVTPL including the effects of currency translation, interest and dividends, are recognised in the statement of comprehensive income when the changes arise.

Interest and dividend income on AFS financial assets are recognised separately in the statement of comprehensive income. Changes in fair values of AFS equity securities (i.e. non-monetary items) are recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, which are recognised in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iv) Impairment

The Group and the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(k) Financial assets (cont'd)

(iv) Impairment (cont'd)

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, it is written off against the related accumulated impairment losses account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statements of comprehensive income.

AFS Financial Assets

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the other comprehensive income shall be reclassified to the profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in the profit or loss on equity securities are not reversed through the profit or loss.

HTM investments

Impairment in respect of HTM investment carried at amortised cost are measured as the difference between the asset's carrying amount and the present values of their estimated future cash flows discounted at the HTM investments' original effective interest rate.

The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(v) Reclassification of financial assets

The Group and of the Company may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and the Company may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or AFS categories if the Group and the Company have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If the Company were to sell or reclassify more than an insignificant amount of HTM investments before maturity, the entire category would be tainted and be reclassified to available-for-sale.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the profit or loss is not reversed.

As at the end of the reporting period, the Group and the Company have not made any such reclassifications of financial assets.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(k) Financial assets (cont'd)

(vi) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all risks and rewards of ownership. On derecognition disposal of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

(l) Determination of fair value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value is measured in accordance with the valuation methodologies as set out in Note 38(g).

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at the end of each reporting period.

(m) Derivatives

Derivatives relate to fair value hedges on financial assets held through profit or loss. Derivatives are initially recognised at fair values on the date the contract is entered into and is subsequently carried at fair value.

The fair value hedges are not designated as effective hedging investments therefore changes in fair value are recognised immediately in the statements of comprehensive income.

(n) Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when the Group and the Company becomes a party to the contractual provisions of the financial instrument.

The Group and the Company classifies its financial liabilities in the following categories: at FVTPL or other financial liabilities. Management determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initial recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as FVTPL. Changes in the carrying value of these liabilities are recognised in the profit or loss.

Financial liabilities at FVTPL include financial liabilities held for trading, derivative (except for financial guarantee contracts or a designated and effective hedging instrument) and financial liabilities designated into this category upon initial recognition.

Other financial liabilities are non-derivatives financial liabilities. The Group and the Company's other financial liabilities comprise trade and other payables and borrowings. Financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

(o) Lease and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are treated as operating leases.

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as liabilities. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(o) Lease and hire purchase (cont'd)

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the statements of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for assets acquired under hire purchase is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the statements of comprehensive income on a straight line basis over the term of the relevant lease.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and exclude fixed deposits, sinking funds account and cash collateral account pledged to secure banking facilities, if any.

(q) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as deduction from share premium, otherwise, it is charged to the statements of comprehensive income.

When shares are repurchased, the amount of consideration paid, including directly attributable costs, is measured at cost and set off against equity. Shares repurchased and not cancelled are classified as treasury shares. Where treasury shares are reissued by re-sale in the open market, the difference between the sale consideration and the carrying amount is recognised in equity.

Dividends on ordinary shares, when declared or proposed by the Director of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of retained profit in the financial year in which the dividends are paid.

(r) Borrowing costs

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 those assets, until such time as the assets are substantially ready for their intended use or sale.

When the borrowings are 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 less any investment income on the temporary investment of funds drawndown from that borrowing facility.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the financial year.

All other borrowing costs are recognised as an expense in the statements of comprehensive income in the period in which they are incurred.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(s) Provision for liabilities

Provisions for liabilities are recognised when the Group and the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(t) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Foreign currencies

(i) Foreign and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(u) Foreign currencies (cont'd)

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the end of the reporting period;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

(v) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Goods sold and services rendered

Revenue from sales of goods and services measured at the fair value of the consideration receivable and is recognised when significant risk and rewards have been transferred to the buyer, if any, or upon performance of services, net of sales taxes and discounts.

(ii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(iii) Management fees

Management fees for services provided to subsidiary companies and associate companies are recognised in profit or loss on an accrual basis.

(iv) Rental income/interest income

Rental income/interest income is recognised as it accrues unless ability to collect is in doubt.

(w) Income taxes

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

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an assets or liabilities in the statements of financial position and its tax base at the end of the reporting period. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

2. **Basis of Preparation and Significant Accounting Policies (cont'd)**

(w) Income taxes (cont'd)

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the statements of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(x) Earnings per share

The Group presents basis and diluted earnings per share ("EPS") data for its ordinary shares. Basis EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(y) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statements of comprehensive income in the period to which they relate.

(z) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group's Executive Board, to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

3. **Property, Plant and Equipment**

	At Valuation		At cost									
	Freehold land	**Buildings**	**Long term leasehold land**	**Freehold land**	**Buildings**	**Furniture, fittings and office equipment**	**Heavy moving equipment and motor vehicles**	**Plant, machinery, moulds and equipment**	**Electrical installation and renovation**	**Building under construction**	**Capital work-in progress**	**Total**
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2011												
Group												
Cost/Valuation												
At 1 January 2011	5,890,000	1,170,000	3,021,716	16,576,134	6,569,745	5,886,149	10,346,377	16,510,217	3,783,744	384,830	1,775,870	71,914,782
Additions	-	-	5,139,474	209,579	4,539,682	1,281,667	1,816,567	1,993,959	251,393	-	462,937	15,695,258
Acquisition of a subsidiary company	-	-	-	-	-	401,517	155,891	-	-	-	-	557,408
Disposals	-	-	-	-	(1,534,512)	(34,905)	(660,015)	(551,568)	(1,700)	-	-	(2,782,700)
Written off	-	-	-	-		(317,640)	(86,422)	(111,029)	(60,906)	-	-	(575,997)
Reclassification	-	-	-	384,830	563,875	353,000	-	-	677,099	(384,830)	(1,593,974)	-
Exchange differences	-	-	108,185	-	247,570	52,987	54,320	255,793	67,986	-	9,750	796,591
At 31 December 2011	5,890,000	1,170,000	8,269,375	17,170,543	10,386,360	7,622,775	11,626,718	18,097,372	4,717,616	-	654,583	85,605,342

3. **Property, Plant and Equipment (Cont'd)**

	At Valuation		At cost									
	Freehold land	Buildings	Long term leasehold land	Freehold land	Buildings	Furniture, fittings and office equipment	Heavy moving equipment and motor vehicles	Plant, machinery, moulds and equipment	Electrical installation and renovation	Building under construction	Capital work-in progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2011												
Group												
Accumulated depreciation												
At 1 January 2011	54,047	29,757	218,334	620,641	1,277,708	4,053,158	5,456,668	11,132,565	1,887,024	-	-	24,729,902
Charge for the financial year	58,042	29,757	67,523	278,993	326,685	607,523	1,402,969	1,204,637	457,957	-	-	4,434,086
Acquisition of a subsidiary company	-	-	-	-	-	384,386	128,316	-	-	-	-	512,702
Disposals	-	-	-	-	(71,577)	(22,828)	(659,656)	(550,189)	(1,176)	-	-	(1,305,426)
Written off	-	-	-	-	-	(302,704)	(81,022)	(104,677)	(38,325)	-	-	(526,728)
Reclassification	-	-	-	-	-	154	-	(154)	-	-	-	-
Exchange differences	-	-	15,455	-	74,554	32,855	31,426	114,805	50,653	-	-	319,748
At 31 December 2011	112,089	59,514	301,312	899,634	1,607,370	4,752,544	6,278,701	11,796,987	2,356,133	-	-	28,164,284
Carrying amount												
At 31 December 2011	5,777,911	1,110,486	7,968,063	16,270,909	8,778,990	2,870,231	5,348,017	6,300,385	2,361,483	-	654,583	57,441,058

3. **Property, Plant and Equipment (Cont'd)**

	At valuation		At cost									
	Freehold land	**Buildings**	**Long term leasehold land**	**Freehold land**	**Buildings**	**Furniture, fittings and office equipment**	**Heavy moving equipment and motor vehicles**	**Plant, machinery, moulds and equipment**	**Electrical installation and renovation**	**Building under construction**	**Capital work-in progress**	**Total**
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2010												
Group												
Cost/Valuation												
At 1 January 2010												
- As previously restated	5,890,000	1,170,000	-	8,697,150	6,854,638	5,124,760	8,910,871	15,078,075	3,777,037	7,160	-	55,509,691
- Effect of adopting Amendments to FRS 117	-	-	1,859,665	-	-	-	-	-	-	-	-	1,859,665
- As restated	5,890,000	1,170,000	1,859,665	8,697,150	6,854,638	5,124,760	8,910,871	15,078,075	3,777,037	7,160	-	57,369,356
Additions	-	-	1,198,105	9,308,911	-	885,778	3,076,736	1,668,041	230,129	384,830	1,775,870	18,528,400
Disposals	-	-	-	(1,381,369)	-	(2,124)	(1,576,700)	(30,156)	-	-	-	(2,990,349)
Written off	-	-	-	-	-	(32,790)	(1,800)	(1,091)	(89,114)	-	-	(124,795)
Reclassification	-	-	-	69,217	-	(30,290)	7,200	23,090	(62,057)	(7,160)	-	-
Exchange differences	-	-	(36,054)	(117,775)	(284,893)	(59,185)	(69,930)	(227,742)	(72,251)	-	-	(867,830)
At 31 December 2010	5,890,000	1,170,000	3,021,716	16,576,134	6,569,745	5,886,149	10,346,377	16,510,217	3,783,744	384,830	1,775,870	71,914,782

3. **Property, Plant and Equipment (Cont'd)**

	At valuation		At cost									
	Freehold land	**Buildings**	**Long term leasehold land**	**Freehold land**	**Buildings**	**Furniture, fittings and office equipment**	**Heavy moving equipment and motor vehicles**	**Plant, machinery, moulds and equipment**	**Electrical installation and renovation**	**Building under construction**	**Capital work-in progress**	**Total**
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2010												
Group												
Accumulated depreciation												
At 1 January 2010												
- As previously restated	-	-	-	395,249	1,046,909	3,610,601	5,755,135	10,163,580	1,570,176	-	-	2,2541,650
- Effect of adopting Amendments to FRS 117	-	-	185,559	-	-	-	-	-	-	-	-	185,559
- As restated	-	-	185,559	395,249	1,046,909	3,610,601	5,755,135	10,163,580	1,570,176	-	-	22,727,209
Charge for the financial year	54,047	29,757	38,008	220,687	286,000	520,738	1,235,679	1,067,884	407,879	-	-	3,860,679
Disposals	-	-	-	(38,710)	-	(1,812)	(1,437,284)	(29,776)	-	-	-	(1,507,582)
Written off	-	-	-	-	-	(31,040)	(62,884)	-	-	-	-	(93,924)
Reclassification	-	-	-	62,057	-	(11,900)	6,480	5,419	(62,056)	-	-	-
Exchange differences	-	-	(5,233)	(18,642)	(55,201)	(33,429)	(40,458)	(74,542)	(28,975)	-	-	(256,480)
At 31 December 2010	54,047	29,757	218,334	620,641	1,277,708	4,053,158	5,456,668	11,132,565	1,887,024	-	-	24,729,902
Carrying amount												
At 31 December 2010	5,835,953	1,140,243	2,803,382	15,955,493	5,292,037	1,832,991	4,889,709	5,377,652	1,896,720	384,830	1,775,870	47,184,880

3. **Property, Plant and Equipment (Cont'd)**

	Company 2011 RM	Company 2010 RM
Furniture, fittings and office equipments		
At cost		
At 1 January/31 December	61,220	61,220
Accumulated depreciation		
At 1 January	60,337	57,717
Charge for the financial year	631	2,620
At 31 December	60,968	60,337
Carrying amount		
At 31 December	252	883

(a) The land and the buildings of the Group were last revalued by the Directors on an open market value basis for existing use based on the valuation exercise carried out by independent professional valuers in December 2009.

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

	Group 2011 RM	Group 2010 RM
Freehold land	1,573,728	1,816,845
Buildings	2,524,036	3,642,254
	4,097,764	5,459,099

(b) Certain freehold and leasehold land and buildings of certain subsidiary companies with carrying amount of RM24,146,083 (2010: RM17,539,359) have been pledged to local and foreign banks for credit facilities granted to the respective subsidiary companies as disclosed in Note 18 to the financial statements.

(c) The carrying amount of property, plant and equipment of the Group acquired under lease and hire purchase arrangements are as follows:

	Group 2011 RM	Group 2010 RM
Furniture, fittings and office equipment	-	79,267
Plant and machinery	850,565	949,837
Heavy moving equipment and motor vehicles	1,545,059	2,114,747
	2,395,624	3,143,851

3. **Property, Plant and Equipment (Cont'd)**

(d) The aggregate additional cost of the property, plant and equipment of the Group during the financial year under lease and hire purchase financing, term loan financing and cash payments are as follows:

	Group	
	2011	2010
	RM	RM
Aggregate costs	15,695,258	18,528,400
Less: Lease and hire purchase financing	(1,979,598)	(4,699,195)
Less: Term loan financing	(4,474,000)	-
Cash payments	9,241,660	13,829,205

(e) The remaining lease terms of the leasehold land range from 79 to 85 (2010: 80 to 86) years.

4. **Investment Property**

	Group	
	2011	2010
	RM	RM
At 1 January	530,000	530,000
Disposal during the financial year	(530,000)	-
At 31 December	-	530,000
Included in above are:		
Leasehold land with unexpired lease period of more than 50 years	-	430,000
Building	-	100,000
	-	530,000

The above investment property was disposed off during the financial year.

5. **Investment in Subsidiary Companies**

(a) Investment in subsidiary companies

	Company	
	2011	2010
	RM	RM
Unquoted shares, at cost		
In Malaysia	43,135,769	43,135,769
Outside Malaysia	8,336,791	8,336,791
	51,472,560	51,472,560
Less: Accumulated impairment In Malaysia	(95,000)	(95,000)
	51,377,560	51,377,560

5. **Investment in Subsidiary Companies (Cont'd)**

(b) The subsidiary companies and shareholdings therein are as follows:

Name of company	**Place of incorporation**	**Effective interest 2011**	**2010**	**Principal activities**
		%	%	
Direct holding:				
Unimech Engineering (M) Sdn. Bhd.	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Unimech Engineering (K.L.) Sdn. Bhd.	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Unimech Engineering (J.B.) Sdn. Bhd.	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Arita Valve Mfg. (M) Sdn Bhd. *	Malaysia	100	100	Design and manufacture of valves, strainers, pipe fittings and chemical pumps for boilers
Arita Flanges Industries Sdn. Bhd. *	Malaysia	100	100	Engineering, design and manufacture of all type of steel flanges
Q-Flex Industries (M) Sdn. Bhd.	Malaysia	100	100	Manufacture of rubber flexible joint and mould products
Arita Engineering Sdn. Bhd.	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Multiplex Control & Engineering Services Pte. Ltd. *	Singapore	100	100	Fabrication and installation of automation instruments/systems and control panels, trading of level switches and gauges and related products
Unijin Instruments Industries Sdn. Bhd. *	Malaysia	51	51	Manufacture and trading of pressure gauges and thermometers
Unimech Worldwide (Shanghai) Sdn. Bhd. *	Malaysia	100	100	Investment holding

5. **Investment in Subsidiary Companies (Cont'd)**

(b) The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of company	Place of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Direct holding:				
Arita Valve (Tianjin) Co. Ltd. *	The People's Republic of China	100	100	Manufacture of all kinds of steel and cast iron industrial valves
Griferia Sanitario (M) Sdn. Bhd. *	Malaysia	100	100	Trading of sanitary and kitchen products
Suzhou Skyline Machinery Technology Corp. Ltd. #	The People's Republic of China	76	76	Designing, fabricating, assembling, installing and commissioning of production automation facilities for manufacturing of electronic and electrical components industries
Unimech R&D Centre Sdn. Bhd. *	Malaysia	100	100	Conduct research and upgrade existing products and to develop new products that will enhance productivity and improve quality
Unimech Capital Sdn. Bhd.	Malaysia	100	100	Investment holding
Icontronic Technology Sdn. Bhd. *	Malaysia	51	51	Design, fabricate and deal in industrial electronic automation control systems
M.E.T. Motion Holding Sdn. Bhd.	Malaysia	51	51	Investment holding
Unimech Venture Sdn. Bhd.	Malaysia	100	100	Investment holding

5. **Investment in Subsidiary Companies (Cont'd)**

(b) The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of company	Place of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Indirect holding:				
Subsidiary companies of Unimech Engineering (M) Sdn. Bhd.				
Unimech International Sdn. Bhd. *	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems, heat and steam engineering
UME Service & Trading Sdn. Bhd. *	Malaysia	85	85	Servicing and trading of burners
Unimech Valve Technology Sdn. Bhd.	Malaysia	100	100	Trading of industrial valves for petrochemical, oil and gas industries
Luxurious Construction Sdn. Bhd.	Malaysia	60	60	Construction of buildings
Unimech Instruments & Control Sdn. Bhd. *	Malaysia	90	90	Trading of instrument and control equipment for water, steam, petrochemical, oil and gas industries
Unimech Engineering (Aust) Pty. Ltd. *	Australia	61	61	Import and wholesale distribution of industrial valves
Inventive Potentials Sdn. Bhd. *	Malaysia	75	75	Manufacture of metal stamped parts and design of die casting mould
Unimech Engineering (Vietnam) Sdn. Bhd. *	Malaysia	81	81	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Unimech Flow System Sdn. Bhd.	Malaysia	100	100	Trading of valves piping systems, engineering equipment, installation and maintenance of boilers and other related products
Unimech Marine & Sanitary Equipment Sdn. Bhd. *	Malaysia	100	100	Trading, installing, testing and commissioning of marine and sanitary equipment and other engineering components

5. **Investment in Subsidiary Companies (Cont'd)**

(b) The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of company	**Place of incorporation**	**Effective interest 2011**	**Effective interest 2010**	**Principal activities**
		%	%	
Indirect holding:				
Subsidiary companies of Unimech Engineering (K.L.) Sdn. Bhd.				
TCE Casting Sdn. Bhd. *	Malaysia	51	51	Manufacture of metal stamped parts and die casting
Unimech Engineering (Korea) Ltd. ^	South Korea	51	51	Designing, fabrication, installing, testing, and commissioning of fluid and control system for the application of water, petrochemical, oil and gas industries
Subsidiary companies of Unimech Engineering (J.B.) Sdn. Bhd.				
Unimech Engineering (Kuantan) Sdn. Bhd. *	Malaysia	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Hebei Arita Valve Industrie Co. Ltd. *	The People's Republic of China	50.1	50.1	Manufacture of stainless steel valves and related products
Subsidiary company of Q-Flex Industries (M) Sdn. Bhd.				
Unimech Polymer Engineering Sdn. Bhd.	Malaysia	-	80	Trading of rubber flexible joint, mould products, plastics and engineering products
Subsidiary company of Arita Engineering Sdn. Bhd.				
P.T. Arita Prima Indonesia *	Indonesia	85	85	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems

5. **Investment in Subsidiary Companies (Cont'd)**

(b) The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of company	Place of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Indirect holding:				
Subsidiary companies of P.T. Arita Prima Indonesia				
P.T. Arita Prima Teknindo *	Indonesia	70	70	General trading
P.T. Ragam Teknik *	Indonesia	70	70	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
P.T. Arita Prima Gemilang *	Indonesia	100	70	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
P.T. Arita Prima Kalbar *	Indonesia	70	70	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Subsidiary companies of Unimech Worldwide (Shanghai) Sdn. Bhd.				
Senior Industries Resources Co. Ltd. *	The People's Republic of China	70	70	Designing, fabricating, installing, testing and commissioning of fluid and heat control system for the application of water, petrochemical, oil and gas industries
Unimech (Shanghai) Co. Ltd. *	The People's Republic of China	100	100	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
Arita Engineering (Chengdu) Pte. Ltd. *	The People's Republic of China	95	95	Trading, designing, fabricating, installation, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, steam, petrochemical, oil and gas industries

5. **Investment in Subsidiary Companies (Cont'd)**

(b) The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of company	Place of incorporation	Effective interest 2011	Effective interest 2010	Principal activities
		%	%	
Indirect holding:				
Subsidiary companies of Unimech Capital Sdn. Bhd.				
Bells Marketing Sdn. Bhd.	Malaysia	100	100	Supply and install insulation materials, valves and other engineering component
Icontronic Sdn. Bhd. *	Malaysia	51	51	Design, fabricate and deal in industrial electronic automation control systems
Bells Saga Sdn. Bhd.	Malaysia	100	100	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
Unimech FPC Sdn. Bhd. *	Malaysia	80	80	Research and development, manufacturing and marketing of flexible print circuit ("FPC") and sub-contracting work in relation to the FPC job
Unimech Polymer Engineering Sdn. Bhd.	Malaysia	80	-	Trading of rubber flexible joint, mould products, plastics and engineering products
Arita System Sdn. Bhd. *	Malaysia	60	60	System design, fabrication, installation, combustion equipment and piping systems for water, steam, petrochemical, oil and gas industries
Tri Axis Technology (M) Sdn. Bhd. *	Malaysia	60	60	Supplies of automation solution, pneumatic and industrial components

5. **Investment in Subsidiary Companies (Cont'd)**

(b) The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of company	Place of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Indirect holding:				
Subsidiary companies of M.E.T. Motion Holding Sdn. Bhd.				
M.E.T. Motion Engineering & Trading Sdn. Bhd.	Malaysia	100	100	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
M.E.T. Motion (Alor Star) Sdn. Bhd.	Malaysia	100	100	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
M.E.T Motion (Ipoh) Sdn. Bhd.	Malaysia	70	70	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
M.E.T. Resources Pte. Ltd. *	Singapore	70	70	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
Subsidiary company of Unimech Venture Sdn. Bhd.				
Unimech Holdings (Thailand) Co. Ltd. *	Thailand	97	-	Investment holding
TM Unimech Co. Ltd. *	Thailand	95.55	-	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 financial statements of these companies are not audited by UHY, Malaysia.

^ Not required by their local legislations to have their financial statements audited.

Based on management account

5. **Investments in Subsidiary Companies (Cont'd)**

(c) Acquisition of subsidiary companies

The effect of the acquisition on the financial results of the Group is as follows:

	Group	
	2011	2010
	RM	RM
Turnover	2,611,136	587,876
Cost of sales	(1,854,553)	-
Gross profit	756,583	587,876
Other operating income	954,130	-
Administrative expenses	(649,334)	(884,433)
Selling and distribution expenses	(41,965)	-
Other operating expenses	(110,331)	-
Finance costs	(3,975)	-
Profit before taxation	905,108	(296,557)
Taxation	(18,138)	-
Profit after taxation	886,970	(296,557)
Dividend paid	5,073	-
Net profit/(loss) for the financial year	892,043	(296,557)

The fair value of the assets acquired and liabilities assumed from the acquisition of subsidiary companies are as follows:

	Group	
	2011	2010
	RM	RM
Property, plant and equipment	44,706	360,806
Inventories	4,991,699	185,210
Trade and other receivables	6,815,842	1,049,624
Cash and bank balances	159,379	421,498
Trade and other payables	(8,656,066)	(1,406,533)
Bank overdraft	(43,559)	-
Hire purchase payables	(1,839,271)	(32,402)
Tax payable	(947,667)	-
Non-controlling interest	(430,084)	-
Group share of net assets	94,979	578,203

The cash outflow arising from the acquisition is as follows:

	Group	
	2011	2010
	RM	RM
Total purchase consideration	(1,125,683)	807,460
Less: Cash and cash equivalents acquired	(115,820)	(866,025)
Net cash outflow from acquisition of investment in subsidiary companies	(1,241,503)	(58,565)

6. **Investment in Associate Companies**

(a) Investment in associate companies

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Unquoted shares				
At cost	7,660,616	7,841,931	3,000,000	3,000,000
Share of post acquisition reserves	2,151,497	1,618,736	-	-
	9,812,113	9,460,667	3,000,000	3,000,000
Less: Accumulated impairment losses	(77,877)	(653,789)	-	-
	9,734,236	8,806,878	3,000,000	3,000,000

(b) Details of the associate companies are as follows:

Name of company	Place of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Direct holding:				
Premium Heights Sdn. Bhd. #	Malaysia	40	40	Property development
Indirect holding:				
Associate companies of Unimech Engineering (M) Sdn. Bhd.				
TM Unimech Co. Ltd. *	Thailand	-	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
Unimech Engineering Group (Thailand) Co. Ltd. *	Thailand	29	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

6. **Investment in Associate Companies (Cont'd)**

(b) Details of the associate companies are as follows: (Cont'd)

Name of company	Place of incorporation	Effective interest 2011 %	Effective interest 2010 %	Principal activities
Indirect holding:				
Associate company of Unimech Engineering (K.L.) Sdn. Bhd.				
Ningbo Haike Metal Products Co. Ltd. #	The People's Republic of China	-	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
Associate company of P.T. Arita Prima Indonesia				
Arita System Sdn. Bhd. *	Malaysia	40	40	System design, fabrication, installation, combustion equipment and piping systems for palm oil mill, ole-chemical, water, steam, petrochemical, oil and gas industries
Associate companies of Unimech Engineering (J.B.) Sdn. Bhd.				
TM Unimech Co. Ltd. *	Thailand	-	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
Unimech Engineering Group (Thailand) Co. Ltd. *	Thailand	20	20	Trading, designing, fabricating, installation, restoring and commissioning of industrial valves, pipelines and equipment, engineering hardware and components for water, oil and gas application and industries
Associate companies of Multiplex Control & Engineering Services Pte. Ltd.				
Multiplex Instrumentation and Control Equipment Services Phils Inc. *	The Philippines	38	38	Trading in automation instruments
M.E.T. Resources Pte. Ltd. *	Singapore	30	30	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
Arita New Valve (Huangshan) Co. Ltd. *	The People's Republic of China	35	-	Designing, engineering and manufacturing of all type of oil and gas valves

6. **Investment in Associate Companies (Cont'd)**

(b) Details of the associate companies are as follows: (Cont'd)

Name of company	**Place of incorporation**	**Effective interest 2011**	**Effective interest 2010**	**Principal activities**
		%	%	
Indirect holding:				
Associate companies of Unimech Capital Sdn. Bhd.				
TTS Valve Technologies Sdn. Bhd. #	Malaysia	40	40	Supplying of control valves accessories
Unimech Bersatu Malaysia Sdn. Bhd.	Malaysia	49	-	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
MKT Marketing Sdn. Bhd. *	Malaysia	24	24	Trading in screws, bolts, nuts, fasteners and building related products for industrial and commercial purposes

* Equity accounted for based on the financial statements of these companies not audited by UHY, Malaysia.

\# Equity accounted for based on management accounts.

(c) The summarised financial information of the associate companies are as follows:

	Group 2011 RM	Group 2010 RM
Assets and liabilities		
Non-current assets	3,938,237	3,014,736
Current assets	38,574,342	45,601,794
Total assets	42,512,579	48,616,530
Non-current liabilities	3,965,716	1,430,099
Current liabilities	21,506,656	28,152,642
Total liabilities	25,472,372	29,582,741
	17,040,207	19,033,789
Results		
Revenue	56,179,065	45,933,283
Net profit for the financial year	2,101,216	1,349,872

7. Investment Securities

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Available-for-sale financial assets				
Equity instruments				
- Quoted in Malaysia	5,025,653	5,226,699	534,715	1,004,380
- Malaysian unit trust	-	87,432	-	-
	5,025,653	5,314,131	534,715	1,004,380
- Unquoted in Malaysia	420,000	420,000	-	-
At 31 December	5,445,653	5,734,131	534,715	1,004,380
At market value				
- Quoted in Malaysia	5,025,653	5,226,699	534,715	1,004,380
- Malaysian unit trust	-	87,432	-	-
	5,025,653	5,314,131	534,715	1,004,380

8. Intangible Assets

	Goodwill RM	Trademarks and patents RM	Total RM
Group			
2011			
At cost			
At 1 January 2011/31 December 2011	8,110,697	998,141	9,108,838
Accumulated amortisation			
At 1 January 2011	-	81,700	81,700
Amortisation during the financial year	-	8,170	8,170
At 31 December 2011	-	89,870	89,870
Accumulated impairment loss			
At 1 January 2011/31 December 2011	106,541	-	106,541
Carrying Amount			
At 31 December 2011	8,004,156	908,271	8,912,427

8. **Intangible Assets (Cont'd)**

	Goodwill RM	Trademarks and patents RM	Total RM
Group			
2010			
At cost			
At 1 January 2010	8,110,697	903,065	9,013,762
Addition	-	95,076	95,076
At 31 December 2010	8,110,697	998,141	9,108,838
Accumulated amortisation			
At 1 January 2010	-	73,530	73,530
Amortisation during the financial year	-	8,170	8,170
At 31 December 2010	-	81,700	81,700
Accumulated impairment loss			
At 1 January 2010/31 December 2010	106,541	-	106,541
Carrying Amount			
At 31 December 2010	8,004,156	916,441	8,920,597

	Company 2011 RM	Company 2010 RM
Trademarks, at cost		
At 1 January/31 December	292,302	292,302

(a) Impairment test for goodwill on consolidation

Goodwill on consolidation has been allocated for impairment testing purposes to the individual entities which is also the cash-generating units ("CGUs") identified.

(b) Key assumptions used to determine recoverable amount

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the Directors covering a five-year year. Cash flows beyond five year are projected based on assumptions that the fifth year cash flow will be generated by the respective CGUs perpetually. Discount rate used in based on the pre-tax weighted average cost of capital.

The key assumptions on which the Directors have based the cash flow projections to undertake impairment testing are as follows:

(i) Gross margin - Budgeted value based on the average margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and market development.

(ii) Growth rate - Not applicable as the cash flow projections made is for a year of 5 years, in accordance with the expected lifecycle of the CGU.

(iii) Pre-tax discount rate - Rate that reflect specific risks relating to the relevant CGU.

9. **Inventories**

	Group 2011 RM	Group 2010 RM
At cost		
Raw materials	8,899,780	7,887,229
Work-in-progress	1,799,653	1,147,943
Finished goods	102,835,877	81,740,576
Accessories and parts	34,960	-
	113,570,270	90,775,748

Finished goods with carrying amount of RM428,816 (2010: RM699,512) are pledged to a foreign bank for credit facilities granted to the subsidiary company concerned as disclosed in Note 18 to the financial statements.

10. **Trade Receivables**

	Group 2011 RM	Group 2010 RM
Trade receivables		
- Third parties	53,622,968	45,397,711
- Related parties	241,229	316,047
- Amount owing by associate companies	313,628	4,551,524
	54,177,825	50,265,282
Less: Accumulated impairment		
- Third parties	(489,375)	(586,784)
	53,688,450	49,678,498

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group's normal trade credit terms range from 30 to 90 days (2010: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

Related parties are companies incorporated in Malaysia in which certain Directors have significant and controlling financial interest.

Included in the amount owing by associate companies of the Group is an amount of RM187,078 (2010: RM707,978) which interest is charged at the rate of 8% (2010: 8%) per annum.

Movements in impairment during the financial year are as follows:

	Group 2011 RM	Group 2010 RM
At beginning of the financial year	586,784	586,784
Impairment during the financial year	110,580	-
Reversal of impairment during the financial year	(207,989)	-
At end of financial year	489,375	586,784

10. **Trade Receivables (Cont'd)**

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2011	2010
	RM	RM
Neither past due nor impaired	20,509,129	24,607,939
Past due less than 30 days not impaired	10,744,027	13,651,626
Past due for more than 31 to 60 days not impaired	9,053,568	4,953,714
Past due for more than 91 days not impaired	13,381,726	6,465,219
	53,688,450	49,678,498
Impaired	489,375	586,784
	54,177,825	50,265,282

The Group has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

11. **Other Receivables**

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other receivables				
- Third parties and deposits	20,546,593	10,248,403	1,083,747	439,423
- Amount owing by subsidiary companies	-	-	32,410,115	28,951,072
- Amount owing by associate companies	1,813,240	5,058,376	914,083	653,582
	22,359,833	15,306,779	34,407,945	30,044,077
Less: Accumulated impairment				
- Third parties	(55,941)	(55,941)	-	-
	22,303,892	15,250,838	34,407,945	30,044,077

The amount owing by subsidiary companies is unsecured, non-interest bearing and is repayable on demand.

The amount owing by associate companies of the Group is an amount of RM1,151,205 (2010: RM4,445,532) which is unsecured and is repayable on demand. Interest is charged at the rate of 8.5% (2010: 8.5%) per annum.

The Group has not recognised any impairment loss on certain receivables that are past due at the end of financial year, as there has not been significant change in credit quality and these amounts are still considered receivable.

12. **Fixed Deposits with Licensed Banks**

The weighted average interest rates of deposits of the Group at the end of the reporting period are 2.50% and 3.00% (2010: 2.45% and 2.75%) per annum.

The average maturities of deposits of the Group is 30 days to 365 days (2010: 30 days and 365 days).

13. **Share Capital**

	Group/Company 2011 RM	Group/Company 2010 RM
Ordinary shares of RM0.50 each:		
Authorised	100,000,000	100,000,000
Issued and fully paid		
At 1 January	68,280,667	68,280,667
Cancelled during the financial year	(1,500,000)	-
At 31 December	66,780,667	68,280,667

On 29 September 2011, the Company had cancelled 3,000,000 treasury shares of RM0.50 each.

14. **Treasury Shares**

	Group/Company			
	2011		2010	
	Number of shares	RM	Number of shares	RM
At 1 January	13,636,566	8,525,140	13,636,566	8,525,140
Purchased during the financial year	1,719,900	1,406,310	-	-
Cancelled during the financial year	(3,000,000)	(1,875,600)	-	-
At 31 December	12,356,466	8,055,850	13,636,566	8,525,140

The shareholders of the Company renewed the authority granted to the Directors to repurchase its own shares at the Annual General Meeting held on 22 June 2011. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,719,900 ordinary shares of RM0.50 each from the open market on the Bursa Malaysia Securities Berhad for RM1,406,310. The average price paid for the shares repurchased was approximately RM0.82 per share.

The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 67A of the Companies Act 1965. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

On 29 September 2011, the Company had cancelled 3,000,000 treasury shares of RM0.50 each.

15. **Reserves**

	Revaluation Reserve	Fair Value Adjustment Reserve	Foreign Currency Translation Reserve	Capital Reserve	Total
	RM	RM	RM	RM	RM
Group					
2011					
At 1 January 2011	886,901	277,228	42,519	891,800	2,098,448
Other comprehensive income:					
Deferred tax relating to components of other comprehensive income	13,981	-	-	-	13,981
Realisation of revaluation reserve	(1,157)	-	-	-	(1,157)
Available-for-sale financial assets					
- Gain on fair value change	-	40,441	-	-	40,441
- Transfer to profit or loss upon disposal	-	(162,223)	-	-	(162,223)
	-	(121,782)	-	-	(121,782)
Foreign currency translation	-	-	1,492,862	-	1,492,862
At 31 December 2011	899,725	155,446	1,535,381	891,800	3,482,352
2010					
At 1 January 2010	875,294	-	1,469,893	891,800	3,236,987
Effects of adopting FRS 139	-	61,364	-	-	61,364
	875,294	61,364	1,469,893	891,800	3,298,351
Other comprehensive income:					
Deferred tax relating to components of other comprehensive income	11,607	-	-	-	11,607
Available-for-sale financial assets					
- Gain on fair value change	-	297,595	-	-	297,595
- Transfer to profit or loss upon disposal	-	(81,731)	-	-	(81,731)
	-	215,864	-	-	215,864
Foreign currency translation	-	-	(1,427,374)	-	(1,427,374)
At 31 December 2010	886,901	277,228	42,519	891,800	2,098,448

15. **Reserves (Cont'd)**

	Company 2011 RM	Company 2010 RM
Fair value adjustment reserve		
At 1 January	22,345	-
Effects of adopting FRS 139	-	13,447
	22,345	13,447
Available-for-sale financial assets		
- (Loss)/Gain on fair value change	(15,850)	8,898
At 31 December	6,495	22,345

(a) Foreign currency translation reserve

The foreign translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed of or impaired.

16. **Retained Profits**

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Total retained profits of the Company and its subsidiary companies				
- Realised	112,143,796	97,821,888	17,511,509	13,638,146
- Unrealised	(1,084,512)	(1,926,905)	-	-
	111,059,284	95,894,983	17,511,509	13,638,146
Total share of retained profits from associate companies				
- Realised	2,343,571	1,480,871	-	-
- Unrealised	-	(628,234)	-	-
	2,343,571	852,637	-	-
Total retained profits before consolidated adjustments	113,402,855	96,747,620	17,511,509	13,638,146
Less: Consolidated adjustments	(23,828,754)	(22,090,859)	-	-
	89,574,101	74,656,761	17,511,509	13,638,146

The disclosure of realised and unrealised profits or losses is solely compiled in accordance to the Malaysian Institute of Accountants Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements issued on 20 December 2010.

17. **Lease and Hire Purchase Payables**

	Lease payables RM	Hire purchase payables RM	Total RM
Group			
2011			
(a) **Minimum lease and hire purchase payments**			
Within one year	451,998	1,563,640	2,015,638
Between one and five years	576,802	2,504,560	3,081,362
After five years	12,966	23,889	36,855
	1,041,766	4,092,089	5,133,855
Less: Future finance charges	(116,215)	(471,158)	(587,373)
Present value of lease and hire purchase liabilities	925,551	3,620,931	4,546,482
(b) **Present value of lease and hire purchase liabilities**			
Within one year	414,965	1,175,141	1,590,106
Between one and five years	499,148	2,371,679	2,870,827
After five years	11,438	74,111	85,549
	925,551	3,620,931	4,546,482
Analysed as:			
Repayable within twelve months	414,965	1,175,141	1,590,106
Repayable after twelve months	510,586	2,445,790	2,956,376
	925,551	3,620,931	4,546,482
2010			
(a) **Minimum lease and hire purchase payments**			
Within one year	377,482	979,062	1,356,544
Between one and five years	522,585	2,136,481	2,659,066
	900,067	3,115,543	4,015,610
Less: Future finance charges	(50,947)	(176,351)	(227,298)
Present value of lease and hire purchase liabilities	849,120	2,939,192	3,788,312
(b) **Present value of lease and hire purchase liabilities**			
Within one year	356,115	923,643	1,279,758
Between one and five years	493,005	2,015,549	2,508,554
	849,120	2,939,192	3,788,312
Analysed as:			
Repayable within twelve months	356,115	923,643	1,279,758
Repayable after twelve months	493,005	2,015,549	2,508,554
	849,120	2,939,192	3,788,312

The lease and hire purchase interest is charged at rates ranging from 1.90% to 8.50% (2010: 2.62% to 9.76%) per annum.

18. **Bank Borrowings**

	Group 2011 RM	Group 2010 RM
Secured		
Bank overdrafts	6,946,207	2,467,394
Term loans	18,671,486	12,396,239
	25,617,693	14,863,633
Unsecured		
Bank overdrafts	4,317,327	5,039,694
Bankers' acceptances	17,561,245	14,730,448
Invoice financing	-	143,583
Revolving credits	17,468,984	11,200,000
Trust receipts	-	39,401
	39,347,556	31,153,126
Total bank borrowings	64,965,249	46,016,759
Analysed as:		
Repayable within twelve months		
Secured		
Bank overdrafts	6,946,207	2,467,394
Term loans	1,231,443	908,535
	8,177,650	3,375,929
Unsecured		
Bank overdrafts	4,317,327	5,039,694
Bankers' acceptances	17,561,245	14,730,448
Invoice financing	-	143,583
Revolving credits	17,468,984	11,200,000
Trust receipts	-	39,401
	39,347,556	31,153,126
	47,525,206	34,529,055
Repayable after twelve months		
Secured		
Term loans	17,440,043	11,487,704
Total bank borrowings	64,965,249	46,016,759

18. **Bank Borrowings (Cont'd)**

The above credit facilities obtained from local and foreign banks are secured by the following:

(a) Legal charge over certain freehold and leasehold land and buildings of certain subsidiary companies as disclosed in Note 3 to the financial statements;

(b) Pledged of inventories of a subsidiary company as disclosed in Note 9 to the financial statements;

(c) Corporate guarantee by the Company; and

(d) Personal guarantee by certain Director of certain subsidiary companies.

The effective interest rates per annum at the end of the reporting period for the above borrowings were as follows:

	Group	
	2011	2010
	%	%
Bank overdrafts	7.60 - 11.10	6.80 - 12.00
Term loans	4.40 - 11.10	4.40 - 12.00
Bankers' acceptances	3.00 - 5.00	3.50 - 5.00
Invoice financing	-	3.90
Revolving credits	6.60 - 7.85	4.20 - 4.50
Trust receipts	-	7.55

The maturity of bank borrowings is as follows:

	Group	
	2011	2010
	RM	RM
Within one year	47,525,206	34,529,055
Between one and two years	3,203,592	1,059,524
Between two to five years	2,970,716	2,920,549
After five years	11,265,735	7,507,631
	64,965,249	46,016,759

19. **Deferred Tax Liabilities**

	Group	
	2011	2010
	RM	RM
At 1 January	745,630	616,015
Recognised in statement of comprehensive income	352,863	141,222
Recognised in statement of other comprehensive income	(13,981)	(11,607)
At 31 December	1,084,512	745,630

19. **Deferred Tax Liabilities (Cont'd)**

The components and movements of deferred tax liabilities and assets of the Group prior to offsetting are as follows:

	Group 2011 RM	Group 2010 RM
Deferred tax liabilities	1,084,512	769,225
Deferred tax assets	-	(23,595)
	1,084,512	745,630

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Revaluation reserve RM	Total RM
At 1 January 2011	540,329	228,896	769,225
Recognised in statement of comprehensive income	329,654	(386)	329,268
Recognised in statement of other comprehensive income	-	(13,981)	(13,981)
At 31 December 2011	869,983	214,529	1,084,512
At 1 January 2010	479,582	240,503	720,085
Recognised in statement of comprehensive income	60,747	-	60,747
Recognised in statement of other comprehensive income	-	(11,607)	(11,607)
At 31 December 2010	540,329	228,896	769,225

Deferred tax asset of the Group:

	Decelerated capital allowances RM	Total RM
2011		
At 1 January 2011	23,595	23,595
Recognised in statement of comprehensive income	(23,595)	(23,595)
At 31 December 2011	-	-
2010		
At 1 January 2010	104,070	104,070
Recognised in statement of comprehensive income	(80,475)	(80,475)
At 31 December 2010	23,595	23,595

20. **Trade Payables**

	Group 2011 RM	Group 2010 RM
Trade payables		
- Third parties	20,521,951	19,969,246
- Amount owing to associate companies	10,280	23,557
- Amount owing to related parties	5,346	15,871
	20,537,577	20,008,674

The normal trade credit terms granted to the Group are 30 days to 90 days (2010: 30 days to 90 days). Other credit terms are assessed and approved on a case to case basis.

21. **Other Payables**

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Other payables				
- Third parties and accruals	20,068,399	15,092,538	324,915	1,019,755
- Amount owing to Directors	381,629	605,904	-	-
- Amount owing to subsidiary companies	-	-	286,938	11,080
- Amount owing to associate companies	-	18,280	-	-
- Amount owing to related parties	-	13,395	-	-
	20,450,028	15,730,117	611,853	1,030,835

Other payables are non-interest bearing and normally settled within 30 days to 90 days (2010: 30 days to 90 days) terms.

The amount owing to Directors, amount owing to subsidiary companies, amount owing to associate companies and amount owing to related parties are unsecured, non-interest bearing and are repayable on demand.

22. **Revenue**

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Sales of goods	193,486,511	158,193,606	-	-
Management fee	11,103	48,302	844,570	793,794
Dividend income	-	-	8,697,624	11,558,440
	193,497,614	158,241,908	9,542,194	12,352,234

23. Interest Income

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Interest income from:				
- Loan and receivables	137,675	81,228	27,570	29,033
- Held-to-maturity investment	54,251	68,916	-	-
	191,926	150,144	27,570	29,033

24. Dividend Income

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Dividend income from:				
- Investment securities	175,985	277,867	32,217	65,470

25. Other Income

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Available-for-sale financial assets (transferred from equity on disposal of investment securities) (Note 15)	162,223	81,731	-	-
Bad debt recovered	115,845	21,305	-	-
Gain on disposal of investment in associate companies	714,750	-	-	-
Gain on disposal of investment property	235,000	-	-	-
Gain on disposal of investment securities	-	1,105,282	13,699	384,727
Gain on disposal of property, plant and equipment	418,706	390,905	-	-
Gain on foreign exchange				
- realised	1,084,862	1,013,648	-	6,259
- unrealised	-	50,726	-	-
Government grant income from jobs credit scheme	148,000	8,639	-	-
Insurance claim	5,205	97,275	-	-
Management fee received	20,900	48,302	-	-
Negative goodwill written off	947,667	-	-	-
Rental income	280,399	248,392	-	-
Reversal of impairment on amount owing by associate companies	-	3,121	-	-
Reversal of impairment on trade receivables	207,989	-	-	-
Sales of scrap	94,553	85,565	-	-
Sundry income	466,902	530,264	-	350
Waiver of debts from creditors	7,416	-	-	-
Write-back of impairment of inventories	4,498	-	-	-
Write-back of impairment of investment securities	4,045	-	-	-
	4,918,960	3,685,155	13,699	391,336

26. Finance Costs

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Interest expenses on:				
Bank overdrafts	1,570,128	498,140	-	-
Bankers' acceptances	735,361	477,619	-	-
Trust receipts	3,975	2,982	-	-
Revolving credits	731,497	304,616	-	-
Letter of credit	-	44,817	-	-
Invoice financing	-	28,022	-	-
Term loans	1,161,490	544,847	-	-
Finance lease	173,531	67,004	-	-
Hire purchase	236,590	139,394	-	-
Related companies	-	-	-	4,111
Others	189,537	184,256	-	34,931
	4,802,109	2,291,697	-	39,042

27. Profit Before Taxation

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Auditors' remuneration				
- current year	268,120	204,868	25,000	25,000
- prior year	4,845	(1,000)	-	-
Amortisation of patents	8,170	8,170	-	-
Bad debts written off	233,458	384,353	-	27
Directors' remuneration (Note a)	7,347,415	7,156,210	507,895	449,937
Depreciation of property, plant and equipment	4,434,086	3,860,679	631	2,620
Impairment on investment securities	561,998	410,504	127,807	112,612
Impairment on slow moving inventories	70,650	-	-	-
Impairment loss on trade receivables	110,580	-	-	-
Impairment loss on investment in subsidiary companies	-	-	-	95,000
Loss on foreign exchange		-		
- realised	376,552	194,336	-	-
- unrealised	-	7,086	-	-
Loss on disposal of investment in associate companies	-	2,261	-	-

27. **Profit before Taxation (Cont'd)**

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Loss on disposal of investment securities	193,310	-	-	-
Preliminary expenses written off	7,222	6,567	-	-
Property, plant and equipment written off	49,269	30,871	-	-
Rental of factory	449,584	41,600	-	-
Rental of forklift	15			
Rental of hostel	32,320	13,340	-	-
Rental of machinery and equipment	13,068	7,868	-	-
Rental of motor vehicles	8,010	33,650	-	-
Rental of office	308,882	46,700	-	-
Rental of premises	1,141,840	1,026,040	-	-
Rental of workshop	69,750	60,000	-	-
Research and development cost	-	5,527	-	-

(a) Director remuneration

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Salaries, bonus and allowances	4,316,726	4,583,382	223,627	219,445
Employees Provident Fund	443,227	145,776	21,024	19,872
Socso	14,620	14,620	620	620
Incentive	2,358,925	2,108,348	89,707	40,000
Fees	194,517	170,000	172,917	170,000
Estimated money value of benefit-in-kind	19,400	134,084	-	-
	7,347,415	7,156,210	507,895	449,937

28. **Taxation**

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Tax expense for the financial year:				
Current tax provision	7,950,648	5,843,984	210,530	2,682,120
(Over)/Under provision in prior years	(52,677)	50,424	(24,709)	-
	7,897,971	5,894,408	185,821	2,682,120
Deferred tax				
Relating to origination and reversal of timing differences	301,485	141,857	-	-
Under/(Over) provision in prior years	51,764	(635)	-	-
Crystallisation of revaluation reserve	(386)	-	-	-
	352,863	141,222	-	-
Real property gain tax	99,129	-	-	-
	8,349,963	6,035,630	185,821	2,682,120

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

28. **Taxation (Cont'd)**

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Profit before taxation	29,918,429	24,217,071	8,484,476	11,541,313
Taxation of statutory tax rate of 25% (2010: 25%)	7,479,608	6,054,268	2,121,119	2,885,328
Income not subject to tax	(2,922,288)	(462,141)	(1,910,589)	(203,208)
Expenses not deductible for tax purposes	3,237,636	1,150,576	-	-
Tax exempt income	(123,598)	(1,136,481)	-	-
Utilisation of previously unused tax losses	98,675	(104,720)	-	-
Utilisation of previously unutilised capital allowances	(151,214)	(101,920)	-	-
Utilisation of previously unutilised reinvestment allowances	(8,223)	(1,800)	-	-
Losses not available for set off	273,955	256,507	-	-
Deferred tax assets not recognised	295,170	317,971	-	-
Effect of different tax rates in foreign jurisdiction	72,337	22,261	-	-
Others	75	(8,680)	-	-
(Over)/Under provision of taxation in respect of prior years	(52,677)	50,424	(24,709)	-
Under/(Over) provision of deferred tax in respect of prior years	51,764	(635)	-	-
Crystallisation of revaluation reserve	(386)	-	-	-
Real property gain tax	99,129	-	-	-
Tax expense for the financial year	8,349,963	6,035,630	185,821	2,682,120

The Company has elected to single tier company income tax system on 25 July 2011.

29. **Earnings Per Share**

(a) Basis earnings per shares

The earnings per share has been calculated based on the consolidated profit after taxation for the financial year attributable to owners of the parent for the Group and the adjusted weighted average number of ordinary shares in issue during the financial year as follows:

	Group 2011 RM	Group 2010 RM
Net profit for the financial year attributable to the owners of the parent	19,341,475	16,115,813
Number of shares in issue as at 1 January (units)	122,924,768	122,924,768
Effect of treasury shares (units)	(312,756)	-
Weighted average number of ordinary shares in issue as at 31 December (units)	122,612,012	122,924,768
Basic earnings per ordinary share (sen)	15.77	13.11

29. **Earnings Per Share (Cont'd)**

(b) Fully diluted loss per share

There is no diluted loss per share as the Company does not have any dilutive potential ordinary shares. There have been no other transaction involving ordinary shares since the end of the reporting period and before the completion of these financial statements.

30. **Dividends**

	Company	
	2011	2010
	RM	RM
A first and final tax exempt dividend of 3.6 sen on 122,924,768 ordinary shares of RM0.50 each in respect of financial year ended 31 December 2010	4,425,292	-
A first and final tax exempt dividend of 3.7 sen per share less 25% income tax on 122,924,768 ordinary shares of RM0.50 each in respect of financial year ended 31 December 2009	-	3,411,162
	4,425,292	3,411,162

At the forthcoming Annual General Meeting, a first and final single tax exempt dividend of 5 sen on 121,204,868 ordinary shares of RM0.50 each, amounting to a total dividend payable of RM6,060,243 in respect of the financial year ended 31 December 2011 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2012.

31. **Staff Costs**

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Staff costs (excluding Directors)	18,304,884	14,330,878	228,241	205,047

Included in the staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and of the Company amounting to RM1,168,917 and RM19,373 (2010: RM887,038 and RM19,556) respectively.

32. **Related Party Disclosures**

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group	
	2011	2010
	RM	RM
Sales to associate companies		
- Unimech Engineering Group (Thailand) Co. Ltd.	273,000	1,562,736
- TM Unimech Co. Ltd.	1,020,907	400,858
- TTS Valve Technologies Sdn. Bhd.	144,643	99,088
	1,438,550	2,062,682
Purchases from associate company		
- TTS Valve Technologies Sdn. Bhd.	198,386	112,927
Interest income received from associate companies		
- Unimech Engineering Group (Thailand) Co. Ltd.	18,512	24,750
- TM Unimech Co. Ltd.	9,869	58,478
	28,381	83,228
Sales to a related party		
- Q-Flex Industries Sdn. Bhd.	424,732	502,898
- Unimech Polymer Engineering Sdn. Bhd.	-	150
- Unimech Engineering (K.L.) Sdn. Bhd.	133	-
	424,865	503,048
Purchases from a related party		
- Unimech Engineering (Kuantan) Sdn. Bhd.	2,378	960
- Unimech Engineering (M) Sdn. Bhd.	35,282	57,432
- Q-Flex Industries Sdn. Bhd.	43,464	48,310
- Arita Engineering Sdn. Bhd.	6,605	6,380
- Unimech Engineering (J.B.) Sdn. Bhd	190	1,053
- Unimech Engineering (K.L.) Sdn. Bhd.	4,220	3,863
	92,139	117,998
Rental paid to a Director		
- Dato' Lim Cheah Chooi	-	9,000

	Company	
	2011	2010
	RM	RM
Management fee received from subsidiary companies		
- Arita Engineering Sdn. Bhd.	39,151	35,504
- Arita Flanges Industries Sdn. Bhd.	8,022	5,275
- Arita System Sdn. Bhd.	3,779	-
- Arita Valve (Tianjin) Co. Ltd.	48,929	29,853
- Arita Valve Manufacturing (M) Sdn. Bhd.	22,323	23,458
- Suzhou Skyline Machinery Technology Corp. Ltd.	-	4,089
- Unimech Polymer Engineering Sdn. Bhd.	1,940	875
- Hebei Arita Valve Industries Co. Ltd.	-	9,253
- Icontronic Sdn. Bhd.	1,584	514
- Icontronic Technology Sdn. Bhd.	4,700	6,976
- Inventive Potentials Sdn. Bhd.	16,897	18,881
- Griferia Sanitario (M) Sdn. Bhd.	1,735	2,447
- Luxurious Construction Sdn. Bhd.	-	393
- Multiplex Control & Engineering Services Pte. Ltd.	112,440	61,405
- M.E.T Motion (Alor Setar) Sdn. Bhd.	10,291	9,874
- M.E.T Motion (Ipoh) Sdn. Bhd.	5,519	4,069
- M.E.T Motion Engineering & Trading Sdn. Bhd.	32,285	25,727
- M.E.T Resources Co. Ltd.	322	-

32. **Related Party Disclosures (Cont'd)**

	Company 2011 RM	Company 2010 RM
Management fee received from subsidiary companies (Cont'd)		
- Bells Marketing Sdn. Bhd.	24,894	11,237
- P.T. Arita Prima Indonesia	-	79,885
- Q-Flex Industries (M) Sdn. Bhd.	25,750	18,908
- Senior Industries Resources Co. Ltd.	-	3,373
- TCE Casting Sdn. Bhd.	20,196	14,425
- Tri Axis Technology (M) Sdn. Bhd.	2,143	835
- UME Service & Trading Sdn. Bhd.	4,892	4,081
- Unijin Instruments Industries Sdn.Bhd.	6,664	5,600
- Unimech Engineering (JB) Sdn. Bhd.	61,301	54,451
- Unimech Engineering (K.L.) Sdn. Bhd.	59,443	60,833
- Unimech Engineering (Kuantan) Sdn. Bhd.	25,461	20,391
- Unimech Engineering (M) Sdn. Bhd.	236,651	205,464
- Unimech Engineering (Vietnam) Sdn. Bhd.	-	12,000
- Unimech Engineering (Aust) Pty. Ltd.	9,635	1,813
- Unimech Flow System Sdn. Bhd.	10,843	9,064
- Unimech Instrument & Control Sdn. Bhd.	7,767	8,474
- Unimech International Sdn. Bhd.	19,683	13,493
- Unimech Marine & Sanitary Equipment Sdn. Bhd.	2,894	-
- Unimech Valve Technology Sdn. Bhd.	5,333	2,986
- Unimech (Shanghai) Co. Ltd.	-	4,707
	833,467	770,613
Management fee received from associate companies		
- TM Unimech Co. Ltd.	-	3,974
- TTS Valve Technologies Sdn. Bhd.	11,103	9,308
- Unimech Engineering Group (Thailand) Co. Ltd.	-	9,899
	11,103	23,181
Dividend received from subsidiary companies		
- Unimech Engineering (KL) Sdn. Bhd.	2,100,000	5,873,333
- Unimech Engineering (JB) Sdn. Bhd.	4,500,000	4,772,002
- Multiplex Control & Engineering Services Pte. Ltd	1,700,740	433,200
- Icontronic Technology Sdn. Bhd.	153,000	331,500
- M.E.T Motion Holdings Sdn. Bhd.	243,884	148,405
	8,697,624	11,558,440

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

32. **Related Party Disclosures (Cont'd)**

(b) Information regarding outstanding balances arising from related party transactions as at 31 December 2011 is disclosed in Notes 10, 11, 20 and 21 to the financial statements.

(c) Information regarding the compensation of key management personnel is as follows:

	Group	
	2011	2010
	RM	RM
Short-term employee benefits	2,942,444	3,596,437

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Director of the Company.

33. **Segmental Information**

The Group has three major reporting segments, as described below, which are the Group's strategic business units. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. For each of the strategic business units, the Group's Executive Director reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Valves, instrumentation and fittings	System design, fabrication, manufacturing and distribution of all kinds of valves, instrumentation and fittings, maintenance of boilers, combustion
Electronic	Manufacture of electronic products and components and other related products
Pumps	System design, fabrication, assembly, distribution of all kinds of pumps and provision of related services

Other business segments include manufacture of metal stamped parts and tools, construction and trading of sanitary and kitchen products, none of which are of sufficient size to be reported separately.

Performance is measured based on segment profit before taxation, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Executive Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

Segment assets information is neither included in the internal management reports nor provided regularly to the Executive Director. Hence no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Executive Director. Hence no disclosure is made on segment liability.

33. **Segmental Information (Cont'd)**

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segments assets are based on the geographical location of assets.

	Revenue		Non-current assets	
	2011	2010	2011	2010
	RM	RM	RM	RM
Malaysia	119,393,304	108,221,326	50,623,811	42,964,063
Indonesia	39,057,731	22,884,970	5,698,322	5,109,832
Singapore	18,494,607	16,543,031	3,837,468	3,354,738
The People's Republic of China	6,278,189	3,144,478	5,914,876	5,029,843
United States of America	4,167,922	2,689,907	-	-
Other foreign countries	6,105,861	4,758,196	279,008	177,001
	193,497,614	158,241,908	66,353,485	56,635,477

Non-current assets information presented above consist of the following items:

	Non-current assets	
	2011	2010
	RM	RM
Property, plant and equipment	57,441,058	47,184,880
Investment properties	-	530,000
Intangible assets	8,912,427	8,920,597
	66,353,485	56,635,477

33. **Segmental Reporting - Group (Cont'd)**

	Note	Valves, instrumentation and fittings RM	Electronic RM	Pumps RM	Others RM	Elimination RM	Per consolidated financial statements RM
2011							
Revenue	A						
External revenue		155,955,483	5,662,260	19,720,340	12,159,531	-	193,497,614
Inter-segment revenue		53,142,092	408,687	1,919,996	9,608	(55,480,383)	-
Total revenue		209,097,575	6,070,947	21,640,336	12,169,139	(55,480,383)	193,497,614
Results							
Segment results		29,789,210	(639,666)	2,214,870	2,125,513	-	33,489,927
Dividend income		159,485	16,500	-	-	-	175,985
Interest income		181,767	3,137	-	7,022	-	191,926
Finance costs		(4,178,329)	(311,570)	(88,002)	(224,208)	-	(4,802,109)
Share of profit after taxation of associate companies		862,700	-	-	-	-	862,700
Profit before taxation		26,814,833	(931,599)	2,126,868	1,908,327	-	29,918,429
Taxation		(7,308,368)	(56,286)	(585,068)	(400,241)	-	(8,349,963)
Profit after taxation		19,506,465	(987,885)	1,541,800	1,508,086	-	21,568,466
Non-controlling interest		(2,229,225)	-	-	2,234	-	(2,226,991)
Net profit for the financial year, attributable to owners of the parent		17,277,240	(987,885)	1,541,800	1,510,320	-	19,341,475

33. **Segmental Reporting - Group (Cont'd)**

	Valves, instrumentation and fittings	Electronic	Pumps	Others	Per consolidated financial statements
	RM	RM	RM	RM	RM
2011					
Assets					
Addition to non-current assets	13,972,441	99,143	442,641	1,181,033	15,695,258
Non-cash expenses/(income)					
Bad debts written off	149,314	8,301	70,303	5,540	233,458
Depreciation and amortisation	3,601,948	383,929	152,972	303,407	4,442,256
Gain on disposal of investment in associate companies	(714,750)	-	-	-	(714,750)
(Gain)/Loss on disposal of property, plant and equipment	(414,970)	-	(4,999)	1,263	(418,706)
Loss on disposal of investment securities	204,177	(10,867)	-	-	193,310
Gain on disposal of investment property	(235,000)	-	-	-	(235,000)
Impairment on investment securities	561,998	-	-	-	561,998
Impairment on trade receivables	110,580	-	-	-	110,580
Impairment on slow moving inventories	-	-	70,650	-	70,650
Property, plant and equipment written off	6,179	-	-	43,090	49,269
Write-back of impairment on trade receivables	(207,989)	-	-	-	(207,989)
Write-back of impairment on slow moving inventories	(3,747)	(751)	-	-	(4,498)
Write-back of impairment on investment securities	(4,045)	-	-	-	(4,045)
Waiver of debts from other payables	(7,416)	-	-	-	(7,416)

33. **Segmental Reporting - Group (Cont'd)**

	Note	**Valves, instrumentation and fittings** RM	**Electronic** RM	**Pumps** RM	**Others** RM	**Elimination** RM	**Per consolidated financial statements** RM
2010							
Revenue	A						
External revenue		122,539,618	8,508,951	19,192,676	8,000,663	-	158,241,908
Inter-segment revenue		38,013,233	1,047,181	1,662,470	11,571,809	(52,294,693)	-
Total revenue		160,552,851	9,556,132	20,855,146	19,572,472	(52,294,693)	158,241,908
Results							
Segment results		23,303,467	121,327	1,999,216	22,083	-	25,446,093
Dividend income		251,908	25,959	-		-	277,867
Interest income		136,256	11,686	-	2,202	-	150,144
Finance costs		(1,866,042)	(311,480)	(28,272)	(85,903)	-	(2,291,697)
Share of profit after taxation of associate companies		530,937	-	-	103,727	-	634,664
Profit before taxation		22,356,526	(152,508)	1,970,944	42,109	-	24,217,071
Taxation		(5,099,981)	(240,713)	(525,200)	(169,736)	-	(6,035,630)
Profit after taxation		17,256,545	(393,221)	1,445,744	(127,627)	-	18,181,441
Non-controlling interest		(2,065,628)	-	-	-	-	(2,065,628)
Net profit for the financial year, attributable to owners of the parent		15,190,917	(393,221)	1,445,744	(127,627)	-	16,115,813

33. **Segmental Reporting - Group (Cont'd)**

	Valves, instrumentation and fittings	Electronic	Pumps	Others	Per consolidated financial statements
	RM	RM	RM	RM	RM
2010					
Assets					
Addition to non-current assets	15,530,847	717,782	561,947	1,717,824	18,528,400
Non-cash expenses/(income)					
Bad debts written off	148,685	-	219,086	16,582	384,353
Depreciation and amortisation	2,894,734	615,837	148,447	209,831	3,868,849
Loss on disposal of investment in associate companies	2,261	-	-	-	2,261
Gain on disposal of property, plant and equipment	(305,006)	-	(15,899)	(70,000)	(390,905)
Gain on disposal of investment securities	(1,008,286)	(96,996)	-	-	(1,105,282)
Gain on unrealised foreign exchange	(50,726)	-	-	-	(50,726)
Impairment on investment securities	410,504	-	-	-	410,504
Property, plant and equipment written off	30,871	-	-	-	30,871

Note: Nature of eliminations to arrive at amounts reported in the consolidated financial statements.
A - Inter-segment revenues are eliminated on consolidation.

34. **Significant Events**

During the financial year, the following significant events took place for the subsidiary companies:

(i) Unimech Engineering (M) Sdn. Bhd. ("UME(M)")

On 5 April 2011, UME (M) had entered into a Sale and Purchase Agreement with Ramanathan A/L Kuppusamy, Sivachandran A/L Ramanathan and Mariamani A/P Daniel for the acquisition of a leasehold land and building held under H.S.(D) 262436, PT No. 15, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor, for a total consideration of RM4,600,000.

(ii) Unimech Engineering (K.L.) Sdn. Bhd. ("UME (KL)")

(a) On 29 April 2011, UME (KL) had entered into a Sale and Purchase Agreement with Hedgeford Sdn. Bhd. for the acquisition of a leasehold land and building held under H.S.(D) 262427, PT No. 15, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor, for a total consideration of RM5,856,400.

(b) On 9 May 2011, UME (KL) had entered into a Sale and Purchase Agreement for the disposal of the investment property held under No. H.S (M) No. 7064, which bearing assessment address at No. 4, Jalan PJS 7/17, Bandar Sunway, 46150 Petaling Jaya, Selangor for a total consideration of RM765,000.

(c) On 13 September 2011, UME (KL) had disposed off 40,000 shares of USD1.00 each, representing 40% equity interest in Ningbo Haike Metal Products Co. Ltd. to Mr. Cheng Fu Hai, for a cash consideration of RMB1,500,000 (equivalent to RM714,750).

(d) On 29 September 2011, UME (KL) had entered into a Sale and Purchase Agreement for the disposal of the leasehold land and building held under No. H.S (D) No. 115948, PT 1602, which bearing assessment address at No. 11A, Jalan PJS 11/14, Bandar Sunway, 46150 Petaling Jaya, Selangor for a total consideration of RM1,450,000.

(iii) Arita Engineering Sdn. Bhd. ("AESB")

On 1 April 2011, P.T. Arita Prima Indonesia ("API"), a 85% owned subsidiary of AESB, had acquired 30% equity interest in P.T. Arita Prima Gemilang ("APG") from non-controlling interest for a cash consideration of IDR 85,700,000 (equivalent to RM30,000). In consequent thereof, APG becomes wholly owned subsidiary of API.

(iv) Q-Flex Industries Sdn. Bhd. ("Q-Flex")

On 2 November 2011, Q-Flex had disposed of 160,000 ordinary shares of RM1.00 each, representing 80% equity interest in UPESB to UCSB, a related company within Unimech Group Berhad group, for a total consideration of RM160,000.

(v) Multiplex Control & Engineering Services Pte. Ltd. ("MCES")

During the financial year, MCES had invested a total of RMB1.75 million (equivalent to SGD350,000), representing 35% of the equity interest in Arita New Valve (Huangshan) Co. Ltd. ("ANV"). The first and second tranche of the registered capital amounted to RMB700,000 (equivalent to SGD136,100) and RMB1.05 million (equivalent to SGD213,900) was subscribed by MCES on 26 May 2011 and 9 June 2011 respectively.

34. **Significant Events (Cont'd)**

(vi) Unimech Capital Sdn. Bhd. ("UCSB")

(a) On 9 March 2011, UCSB had subscribed for 4,900 ordinary shares of RM1.00 each, representing 49% equity interest in Unimech Bersatu Malaysia Sdn. Bhd. ("UBM") for a cash consideration of RM4,900.

(b) On 21 March 2011, UBM increased its issued and paid-up share capital from RM10,000 to RM100,000 by the issue of 90,000 ordinary shares of RM1.00 each at par for cash to provide additional working capital. Accordingly, UCSB has subscribed for its share of the increased in issued and paid-up share capital of UBM for a total cash consideration of RM44,100.

(c) On 2 November 2011, UCSB had acquired 160,000 ordinary shares of RM1.00 each at par, representing 80% equity interest in Unimech Polymer Engineering Sdn. Bhd. ("UPESB") for a total cash consideration of RM160,000 from Q-Flex Industries (M) Sdn. Bhd. a related company within the Unimech Group Berhad group.

(vii) Unimech Venture Sdn. Bhd. ("UVSB")

(a) On 31 January 2011, UVSB had subscribed for 9,698 ordinary shares of THB100 each, representing 97% equity interest in Unimech Holdings (Thailand) Co. Ltd. ("UH(T)"), for a total consideration of THB969,800 (equivalent to RM99,910).

(b) On 17 October 2011, UH(T) had acquired 40,600 shares and 28,000 shares in TM Unimech Co. Ltd. ("TMU") from Unimech Engineering (M) Sdn. Bhd. ("UME (M)") and Unimech Engineering (JB) Sdn. Bhd. ("UME (JB)") for cash consideration of THB4,060,000 (equivalent to RM394,818) and THB2,800,000 (equivalent to RM268,596) respectively. Both UME (M) and UME (JB) are wholly owned subsidiary companies of Unimech Group Berhad.

35. **Subsequent Event**

On 16 January 2012, UCSB had acquired 195,000 ordinary shares of RM1.00 each, representing 65% of the total issued and paid up share capital in Unimech ABS Sdn. Bhd. for a total cash consideration of RM195,000.

36. **Capital Commitment**

	Group	
	2011	2010
	RM	RM
Property, plant and equipment:		
- Contracted but not provided for	4,140,000	1,360,030

37. **Contingent Liabilities**

	Group	
	2011	2010
	RM	RM
Corporate guarantee issued to financial institutions in respect of credit facilities granted to subsidiary companies	91,304,123	70,563,346

38. **Financial Instrument**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Available -for-sale	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM	RM
Group				
2011				
Financial Assets				
Investment securities	5,445,653	-	-	5,445,653
Trade receivables	-	53,688,450	-	53,688,450
Other receivables	-	22,303,892	-	22,303,892
Fixed deposit with licensed banks	-	599,085	-	599,085
Cash and bank balances	-	20,093,902	-	20,093,902
Total financial assets	5,445,653	96,685,329	-	102,130,982
Financial Liabilities				
Trade payables	-	-	20,537,577	20,537,577
Other payables	-	-	20,450,028	20,450,028
Lease and hire purchase payables	-	-	4,546,482	4,546,482
Bank borrowings	-	-	64,965,249	64,965,249
Total financial liabilities	-	-	110,499,336	110,499,336
2010				
Financial Assets				
Investment securities	5,734,131	-	-	5,734,131
Trade receivables	-	49,678,498	-	49,678,498
Other receivables	-	15,250,838	-	15,250,838
Fixed deposit with licensed banks	-	1,365,977	-	1,365,977
Cash and bank balances	-	19,765,663	-	19,765,663
Total financial assets	5,734,131	86,060,976	-	91,795,107
Financial Liabilities				
Trade payables	-	-	20,008,674	20,008,674
Other payables	-	-	15,730,117	15,730,117
Lease and hire purchase payables	-	-	3,788,312	3,788,312
Bank borrowings	-	-	46,016,759	46,016,759
Total financial liabilities	-	-	85,543,862	85,543,862

38. **Financial Instrument (Cont'd)**

(a) Classification of financial instruments (cont'd)

	Available -for-sale	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM	RM
Company				
2011				
Financial Assets				
Investment securities	534,715	-	-	534,715
Other receivables	-	34,407,945	-	34,407,945
Cash and bank balances	-	255,280	-	255,280
Total financial assets	534,715	34,663,225	-	35,197,940
Financial Liability				
Other payables	-	-	611,853	611,853
Total financial liability	-	-	611,853	611,853
2010				
Financial Assets				
Investment securities	1,004,380	-	-	1,004,380
Other receivables	-	34,044,077	-	34,044,077
Cash and bank balances	-	1,927,170	-	1,927,170
Total financial assets	1,004,380	35,971,247	-	36,975,627
Financial Liability				
Other payables	-	-	1,030,835	1,030,835
Total financial liability	-	-	1,030,835	1,030,835

(b) Capital risk management objectives and policies

The Group and the Company's management manage its capital to ensure that the Group and the Company is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of the Group and of the Company consists of issued capital, cash and cash equivalents and bank borrowings.

(c) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its financial risks, including credit risk, liquidity risk and market risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

38. **Financial Instrument (Cont'd)**

(d) Credit risk

Cash and bank balances are placed with credit worthy financial institutions.

Credit risk arises mainly from the inability of its customers to make payments when due. The Group and the Company has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via Company's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group's and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

(e) Liquidity risk

The Group's and the Company's funding requirements and liquidity risks are managed with the objective of meeting business obligations on a timely basis. The Group and the Company monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Within 1 year or on demand	1 to 5 years	After 5 years	Total
	RM	RM	RM	RM
Group				
2011				
Financial liabilities				
Trade payables	20,537,577	-	-	20,537,577
Other payables	20,450,028	-	-	20,450,028
Lease and hire purchase payables	1,590,106	2,870,827	85,549	4,546,482
Bank borrowings	47,525,206	6,174,308	11,265,735	64,965,249
	90,102,917	9,045,135	11,351,284	110,499,336
2010				
Financial liabilities				
Trade payables	20,008,674	-	-	20,008,674
Other payables	15,730,117	-	-	15,730,117
Lease and hire purchase payables	1,279,758	2,508,554	-	3,788,312
Bank borrowings	34,529,055	3,980,073	7,507,631	46,016,759
	71,547,604	6,488,627	7,507,631	85,543,862
Company				
2011				
Financial liability				
Other payables	611,853	-	-	611,853
2010				
Financial liability				
Other payables	1,030,835	-	-	1,030,835

38. **Financial Instruments (Cont'd)**

(f) Market risks

(i) Foreign currency exchange risk

The Group incurs foreign currency risk on transactions that are denominated in foreign currencies. The currencies giving rise to this risk are primarily the United States Dollar (USD), Chinese Yuan Renminbi (CYN), Indonesia Rupiah ("IDR"), Singapore Dollar ("SGD") and Australia Dollar "(AUD"). The Group and the Company has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant.

Approximately 30.94% (2010: 31.60%) of the Group's sales are denominated in foreign currencies whilst almost 39.59% (2009: 43.40%) of costs are denominated in respective functional currencies of the Company entities. The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances amounting to RM10,802,537 (2010: RM8,118,432).

(ii) Foreign currency risk sensitivity

The following table demonstrates the sensitivity of the Group's profit net of tax to reasonable possible change in the major foreign currencies' exchange rates against the functional currency of the Group, with all other variables held constant.

		Group	
		2011	2010
		RM'000	RM'000
USD/RM	- Strengthened 3%	-136	- 172
	- Weakend 3%	136	+ 172
CNY/RM	- Strengthened 3%	-23	- 8
	- Weakend 3%	+23	+ 8
IDR/RM	- Strengthened 3%	-158	- 112
	- Weakend 3%	+158	+ 112
SGD/RM	- Strengthened 3%	-91	- 83
	- Weakend 3%	+91	+ 83
AUD/RM	- Strengthened 3%	-7	- 20
	- Weakend 3%	+7	+ 20

(iii) Interest rate risk

The Group and the Company obtains financing through other financial liabilities. The Group's and the Company's policy is to obtain the financing with the most favourable interest rates in the market.

The Group and the Company constantly monitors its interest rate risk and does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

38. **Financial Instruments (Cont'd)**

(f) Market risks (Cont'd)

(iii) Interest rate risk (Cont'd)

The carrying amounts of the Group's financial instruments that are exposed to interest rate risk are as follows:

	Group	
	2011 RM	2010 RM
Financial asset		
Fixed deposit with a licensed banks	599,085	1,365,977
Financial liability		
Bank borrowings	64,965,249	46,016,759

The Group are exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of the Group.

(iv) Interest rate risk sensitivity

An increase in market interest rates by 1% on financial assets and financial liabilities of the Group which have variable interest rates at the end of the reporting period would decrease the profit before taxation by RM643,662 (2010: RM446,508). This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and financial liabilities of the Group which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

(g) Fair values of financial assets and financial liabilities

(i) The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statement of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group and of the Company are as follows:

- Cash and cash equivalents, trade and other receivables, intercompany balances, trade and other payables and short-term borrowings

  The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.

- Other financial assets

  Marketable securities quoted in an active marker are carried at market value. Securities that are not quoted in an active market, for which there is no observable market data and fair value cannot be reliably measured, are carried at acquisition cost.

- Long-term borrowings

  Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

38. **Financial Instruments (Cont'd)**

(g) Fair values of financial assets and financial liabilities (Cont'd)

(ii) Fair value of financial instruments by categories that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Group				
Financial liability				
Lease and hire purchase payables	2,956,376	1,945,712	2,508,554	1,819,309

39. **Comparative Figures**

Certain comparative figures have been reclassified where necessary to conform with the current financial year's presentation as follows:

	As previously stated	Reclassification	As restated
	RM	RM	RM
Group			
Statements of financial position			
Current assets			
Receivables and deposits	64,963,336	(64,963,336)	-
Trade receivables	-	49,678,498	49,678,498
Other receivables	-	15,250,838	15,250,838
Tax recoverable	328,366	34,000	362,366
Cash and cash equivalents	21,131,640	(21,131,640)	-
Fixed deposits with licensed banks	-	1,365,977	1,365,977
Cash and bank balances	-	19,765,663	19,765,663
Current liabilities			
Payables	35,738,791	(35,738,791)	-
Trade payables	-	20,008,674	20,008,674
Other payables	-	15,730,117	15,730,117
Loans and borrowings - current liabilities	35,808,813	(1,279,758)	34,529,055
Lease and hire purchase payables - current liabilities	-	1,279,758	1,279,758

39. **Comparative Figures (Cont'd)**

	As previously stated RM	Reclassification RM	As restated RM
Group			
Statements of financial position			
Non-current liabilities			
Loans and borrowings - non-current liabilities	13,996,258	(2,508,554)	11,487,704
Lease and hire purchase payables - non-current liabilities	-	2,508,554	2,508,554
Statements of cash flows			
Cash flows from operating activities			
(Increase)/Decrease in working capital			
Receivables	(15,631,670)	2,782,474	(12,849,196)
Payables	14,694,822	5,198	14,700,020
Cash flows from financing activities			
Amount owing by/to associate companies	-	(2,787,672)	(2,787,672)
Company			
Statements of financial position			
Receivables and deposits	30,044,077	(30,044,077)	-
Other receivables	-	30,044,077	30,044,077
Payables	1,030,835	(1,030,835)	-
Other payables	-	1,030,835	1,030,835
Cash and cash equivalents	1,927,170	(1,927,170)	-
Cash and bank balances	-	1,927,170	1,927,170

40. **Date of Authorisation for Issue**

The financial statements of the Company for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 24 April 2012.

LIST OF MATERIAL PROPERTIES
AS AT 31 DECEMBER 2011

Registered / Benefitcial Owner	Address / Location	Description / Existing use	Tenure / (Approximate age of building) Year	Approximate land area / (built up area) sq. m.	Audited net book value as at 31.12.11 RM	Date of Acquisition / (Revaluation)
UME(M)	Wisma Arita, 1033, Jalan Chain Ferry, Taman Inderawasih, 13600 Perai, Penang.	A single and double storey warehouse cum double storey office building / Office and warehouse	Freehold / (18 years)	7,136 / (3,611)	7,498,290	21.12.09
UME(M)	Wisma Unimech, 4934, Jalan Chain Ferry, 12100 Butterworth, Penang.	Three storey office building with an attached single storey warehouse at the rear / Office and warehouse	Freehold / (16 years)	881 / (1,711)	2,242,000	(22.12.09)
UME(M)	No. 1961, Woolley Avenue, Jalan Raja Uda, 12300 Butterworth, Penang.	Three storey shophouse / Vacant	Freehold / (3½ years)	115 / (345)	660,330	16.06.08
UME(KL)	No. 12G, Jalan Tandang, Seksyen 51, 46050 Petaling Jaya, Selangor.	2 ½ storey warehouse cum office / Office and warehouse	99 years lease expiring in May 2109 (1 year)	1,410 / (13,429)	6,084,415	29.04.11
MCES	87, Second Lok Yang Road, Singapore 638163.	1 ½ storey terrace factory / Office and warehouse	60 years lease expiring in Mar 2032 / (39 years)	1,395 / (1,115)	2,783,935 (SGD1,139,696)	20.11.07
AV(Tianjin)	No. 11, Nan Caiyuan Road, Wuqing Development Area, Tianjin 301700, China.	Industrial factory / Office and factory	50 years expiring in Jan 2053 (9 years)	13,580 / (2,085)	2,295,576 (RMB4,848,102)	01.01.03
IPSB	Lot 519, Lencongan Timur, Mukim Sungai Pasir, Daerah Kuala Muda, Kawasan Perusahaan Cendana, 08000 Sg. Petani, Kedah.	1 ½ storey industrial building / Office and factory	Freehold / (4 years)	3,594 / (2,137)	2,140,464	02.12.07
TCE	Plot 10.15 & Plot 10.16, Jalan PKNK 1/2 , Kawasan Perusahaan Sungai Petani (LPK), 08000 Sg. Petani, Kedah.	2 continuous units of 1 ½ storey semi-detached factory / Office and factory	60 years lease expiring in Apr 2052 / (19 years)	4,606 / (1,990)	1,904,883	09.06.10
AVSB	Plot 414, Lorong Perindustrian 8C, Prai Industrial Estate, 13600 Perai, Penang.	Single storey factory of individual design / Office and factory	60 years lease expiring in July 2046 / (25 years)	4,047 / (1,720.5)	1,605,397	(22.12.09)
UME(SH)	3-301, Ruijing Commerce Center, No. 1, Kangshi Road, Pudong, 201315 Shanghai, China.	Commercial building / Office	33 years expiring in Jan 2044 (½ year)	(192)	1,077,167 (RMB2,274,904)	04.05.11

ANALYSIS OF SHAREHOLDINGS
AS AT 2 MAY 2012

Authorised Share Capital:	RM100,000,000 divided into 200,000,000 ordinary shares of RM0.50 each
Issued and Paid-Up Capital:	RM60,300,634 *
No. of Shareholders:	2,525
Voting Rights:	

* The issued and paid-up capital is as per Record of Depositors as at 2 May 2012 exclusive of 12,960,066 shares held as treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	232	12,376	0.01
100 - 1,000	160	105,878	0.09
1,001 - 10,000	1,624	7,568,028	6.28
10,001 - 100,000	417	12,668,500	10.50
100,001 - 6,030,063(*)	90	81,945,820	67.95
6,030,064 and above(**)	2	18,300,666	15.17
Total	2,525	120,601,268	100.00

Remark:
* less than 5% of issued shares
** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect #	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Dato' Lim Cheah Chooi	38,162,500 *	31.64	4,035,134 *	3.35
Lim Kim Guan	10,000,000 *	8.29	1,509,638	1.25

Indirect interest by virtue of shares held by spouse and children.
* Certain shares are held through nominee companies.

DIRECTORS' DIRECT AND INDIRECT INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

Shares Held in the Company

	Direct		Indirect #	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Dato' Lim Cheah Chooi	38,162,500*	31.64	4,035,134*	3.35
Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din	600,066	0.50	-	-
Lim Kim Guan	10,000,000*	8.29	1,509,638	1.25
Han Mun Kuan	1,326,498	1.10	313,332	0.26
Lim Jun Lin	1,300,734*	1.08	-	-
Sim Yee Fuan	200,000	0.17	340,000	0.28
Dato' Abdul Rafique Bin Abdul Karim	1,348,668*	1.12	-	-
Lee Yoke Khay	26,666	0.02	-	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	398,984*	0.33	-	-

Indirect interest by virtue of shares held by spouse and children.

* Certain shares are held through nominee companies.

Shares Held in Related Corporations

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 interest.

Other than as disclosed above, no other director of the Company has interest, direct or indirect in the Company and its related corporations.

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

No	Name	No. of Shares	%
1	Lim Cheah Chooi	12,100,666	10.03
2	ABB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Cheah Chooi	6,200,000	5.14
3	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Cheah Chooi (8068862)	5,861,334	4.86
4	Lim Kim Guan	5,208,750	4.32
5	Ho Kiong Chan	5,117,000	4.24
6	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Lim Cheah Chooi (PRA)	5,100,000	4.23
7	Lim Cheah Chooi	4,663,166	3.87
8	SMC Capital Sdn. Bhd.	4,317,100	3.58
9	Katye Sdn. Bhd.	3,050,000	2.53
10	Lim Eng Leng	2,521,000	2.09
11	Lim Kim Guan	2,434,582	2.02
12	Lim Ka Huat	2,400,666	1.99
13	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Cheah Chooi (472635)	2,287,334	1.90
14	Sim Kim Heoh	2,042,534	1.69
15	Sim Heng Nai	1,697,124	1.41
16	Public Invest Nominees (Asing) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	1,631,200	1.35
17	Priority Creations Sdn. Bhd.	1,392,500	1.15
18	Han Mun Kuan	1,326,498	1.10
19	Ong Too @ Ong Oh Choo	1,300,000	1.08
20	Mayban Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Kim Guan	1,290,000	1.07
21	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Kim Guan (472673)	1,066,668	0.88
22	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Cheah Chooi	1,000,000	0.83
23	Lim Yean Yin	1,000,000	0.83
24	Ooi Soo Hing	1,000,000	0.83
25	Sim Ah Chye	1,000,000	0.83
26	Tan Ah Bah @ Tan Boon Pin	1,000,000	0.83
27	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lim Cheah Chooi (E-BMM)	950,000	0.79
28	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Lim Yean Shue (PRA)	900,000	0.75
29	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Lim Jun Lin (PRA)	900,000	0.75
30	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Sim Kim Heoh (PRA)	900,000	0.75
	Total	81,658,122	67.71

Total Issued Shares As At 2 May 2012:	133,561,334
Treasury Shares As At 2 May 2012:	12,960,066
Issued Shares Excluding Treasury Shares As At 2 May 2012:	120,601,268

APPENDIX A

PROPOSED AMENDMENTS OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY

1. THAT Article 2 of the Company's Articles of Association be altered by deleting in full the undermentioned Definitions and substituted in lieu thereof with the new Definitions as set out below :-

Existing Definitions	New Definitions
"Bursa Depository" means Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W).	*"Bursa Depository" means Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W)* ***or by whatever name from time to time called.***
"Central Depositories Act" means Securities Industry (Central Depositories) Act, 1991.	*"Central Depositories Act" means Securities Industry (Central Depositories) Act, 1991* ***or any statutory modification, amendment or re-enactment thereof for the time being.***
"Deposited Security" means the meaning given in Section 2 of the Securities Industry (Central Depositories) Act 1991.	*"Deposited Security" means* ***a security standing to the credit of a securities account and includes a security in a securities account that is in suspense.***
"Depositor" means a holder of securities account, as defined in Section 2 of the Central Depositories Act.	*"Depositor" means a holder of securities account* ***established by the Bursa Depository.***
"Listing Requirements" means the Bursa Securities Listing Requirements including any amendment thereto that may be made from time to time.	*"Listing Requirements" means the Bursa Securities* ***Main Market*** *Listing Requirements including any amendment thereto that may be made from time to time.*
"Member" means a depositor who shall be treated as if he was a member pursuant to Section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Bursa Depository in its capacity as a bare trustee.	*"Member"* ***includes*** *a depositor who* ***will*** *be treated as if he* ***were*** *a member pursuant to Section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Bursa Depository in its capacity as a bare trustee.*
"Securities" means the same meaning given in Section 2 of the Securities Commission Act 1993.	*"Securities"* ***has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007.***

2. THAT the undermentioned Definitions be inserted under Article 2 of the Company's Articles of Association:-

"Auditor" means an auditor who is registered under Section 31O of the Securities Commission Act 1993.

"Convertible Securities" means securities which are convertible or exercisable, by their terms of issue, into listed shares.

"Dividend Reinvestment Scheme" means a scheme which enables shareholders to reinvest cash dividend into new shares.

"Exempt Authorised Nominee" refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.

"Registrar" means Registrar of Companies under the Act and includes any Regional Deputy or Assistant Registrar of Companies.

"Share Issuance Scheme" means a scheme involving a new issuance of shares to the employees.

"Secretary" means any person or persons appointed to perform the duties of the secretary of the Company and shall include a joint secretary, temporary assistant or deputy secretary.

"Treasury shares" has the meaning given in section 67A(3A) of Act.

PROPOSED AMENDMENTS OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (Cont'd)

3. THAT the existing Article 3 of the Articles of Association to be amended from:-

"Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the Act, the Central Depositories Act and to the conditions, restrictions and limitations expressed in these Articles and to the provisions of any resolution of the Company, the Directors may allot, grant options over or otherwise dispose of the unissued share capital of the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights as they think proper, PROVIDED ALWAYS THAT -

(a) no shares shall be issued at a discount except in compliance with the provisions of the Act;

(b) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the members in general meeting;

(c) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles;

(d) every issue of shares or options to employees and/or Directors of the Company or its subsidiaries shall be approved by the members in general meeting;

(e) in the case of shares offered to the public for subscription, the amount payable on application on each share shall not be less than five per cent (5%) of the nominal amount of the share."

to:

*"Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the Act, the Central Depositories Act and to the conditions, restrictions and limitations expressed in these Articles and to the provisions of any resolution of the Company, the Directors may allot, grant options over, **issue shares pursuant to a Dividend Reinvestment Scheme** or otherwise dispose of the unissued share capital of the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights as they think proper, PROVIDED ALWAYS THAT -*

*(a) no shares shall be issued at a discount except in compliance with the provisions of **Section 59** the Act;*

(b) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the members in general meeting;

*(c) in the case of shares **of a class** other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles **and in the resolution creating the same ;***

*(d) every issue of shares or options to employees and/or Directors of the Company or its subsidiaries shall be approved by the members in general meeting **and such approval shall specially detail the amount of shares or options to be issued to such employees;***

(e) in the case of shares offered to the public for subscription, the amount payable on application on each share shall not be less than five per cent (5%) of the nominal amount of the share."

4. THAT the following be inserted as Article 3(f) of the Articles of Association:-

"Except in the case of a rights issue to shareholders, back-to-back placement undertaken in compliance with the Listing Requirements or a Dividend Reinvestment Scheme, a Director of the Company and persons connected with the Director shall not participate, directly or indirectly, in an issue of ordinary shares or other securities with rights of conversion to ordinary shares unless the shareholders of the Company have approved the specific allotment to be made to the Director or persons connected with him and the Director and such connected persons (if applicable) have abstained from voting on the relevant resolutions."

PROPOSED AMENDMENTS OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (Cont'd)

5. THAT the existing Article 4(a) of the Articles of Association to be amended from:-

   "*Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company. PROVIDED always that preference shareholders shall not have the right to vote at any general meeting of the Company except on each of the following circumstances: -"*

   to:-

   "*Preference shareholders **must be entitled to** the same rights as ordinary shareholders as regards receiving notices, reports and audited **financial statements** and attending general meetings of the Company. PROVIDED always that preference shareholders shall not have the right to vote at any general meeting of the Company except on each of the following circumstances: -"*

6. THAT the existing Article 5 of the Articles of Association to be amended from:-

   "Subject to the approval of the shareholders of the Company, these Articles, the provisions of the Act, the requirements of the Bursa Securities, the Central Depositories Act and or any other relevant authority, the Company may upon the recommendation of the Directors remunerate any employees and/or Directors of the Company or its subsidiaries by establishing an employees' share option scheme to be referred to as ESOS. The terms and conditions of the ESOS shall be determined by the Board of Directors."

   to:

   *"Subject to the approval of the shareholders of the Company, these Articles, the provisions of the Act, the requirements of the Bursa Securities, the Central Depositories Act and or any other relevant authority, the Company may upon the recommendation of the Directors remunerate any employees and/or Directors of the Company or its subsidiaries by establishing **a Share Issuance Scheme**. The terms and conditions of the **Share Issuance Scheme** shall be determined by the Board of Directors. **No director shall participate in a Share Issuance Scheme unless shareholders in general meeting have approved the specific allotment to be made to such director."***

7. THAT the existing Article 17 of the Articles of Association to be amended from:-

   "The Company shall allot securities and despatch notices of allotment to the allottees, within fifteen (15) Market Days of the final applications date for an issue of securities or such other period as may be prescribed by the Bursa Securities."

   to:

   *"The Company shall allot securities, despatch notices of allotment to the allottees **and apply for the quotation of such securities (where applicable),** within **eight (8)** Market Days of the final applications date for an issue of securities or such other period as may be prescribed by the Bursa Securities."*

PROPOSED AMENDMENTS OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (Cont'd)

8. THAT the existing Article 20 of the Articles of Association to be amended from:-

"If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-tenth (1/10) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply."

to:

"If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy ***one-third (1/3)*** *of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply."*

9. THAT the existing Article 22 of the Articles of Association to be amended from:-

"Where the amount unpaid on any shares (whether on account of the nominal amount of the shares or by way of premium) have not been made payable at fixed times by the conditions of allotment, the Directors may from time to time make such calls upon the members as the Directors may think fit in respect of the amounts unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium), provided that no call shall be payable at less than one (1) month from the date fixed for the payment of the last preceding call. Except in the case of calls payable at fixed times pursuant to the conditions of allotment, each member shall be entitled to receive at least seven (7) days notice specifying the time or times and place of payment."

to:

"Where the amount unpaid on any shares (whether on account of the nominal amount of the shares or by way of premium) have not been made payable at fixed times ***not*** *by the conditions of allotment, the Directors may from time to time make such calls upon the members as the Directors may think fit in respect of the amounts unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium), provided that no call shall be payable at less than one (1) month from the date fixed for the payment of the last preceding call. Except in the case of calls payable at fixed times pursuant to the conditions of allotment, each member shall be entitled to receive at least* ***fourteen (14)*** *days notice specifying the time or times and place of payment."*

PROPOSED AMENDMENTS OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (Cont'd)

10. THAT the existing Article 41 of the Articles of Association to be amended from:-

"Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security) shares in the Company which have been deposited with the Bursa Depository shall be transferable but every transfer be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Section 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from the compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities."

to:

*"Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security) shares in the Company which have been deposited with the Bursa Depository shall be transferable but every transfer be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Section**s** 103 and 104 of the Act, but subject to section 107C(2) of the Act and any exemption that may be made from the compliance with section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities."*

11. THAT the existing Article 64(1) of the Articles of Association to be amended from:-

"A meeting of the Company called for the passing of a special resolution and an annual general meeting shall be called by twenty-one (21) days' notice in writing at the least. Any other meetings of the Company shall be called by fourteen (14) days' notice in writing at the least specifying the place, day and hour of the meeting and, in the case of special business shall also specify the general nature of that business and shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. Notice of every such meeting shall be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to the Bursa Securities on which the Company is listed."

to:

*"**The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting must be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to the Bursa Securities upon which the company is listed.**"*

12. THAT the existing Article 66 of the Articles of Association to be amended from:-

"In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint up to two proxies to attend and vote instead of him, and that a proxy need not also be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company, and that where a member appoints up to two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy."

to:

*"In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a member entitled to attend and vote **at a meeting of a company, or at a meeting of any class of members of the company shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting and** is entitled to appoint up to two proxies to attend and vote instead of him, **and there is no restriction as to the qualification of the proxy** and the provisions of **Section 149(1)(a)** and (b) of the Act shall not apply to the Company and that where a member appoints up to two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. **A proxy appointed to attend and vote instead of a member shall also have the same right as the member to speak at the meeting."***

PROPOSED AMENDMENTS OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (Cont'd)

13. THAT the following be inserted as Article 67A of the Articles of Association:-

    "Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds."

14. THAT the existing Article 69(b) of the Articles of Association as follows:-

    "A meeting shall, notwithstanding that it is called by notice shorter"

    be deleted in its entirety.

15. THAT the existing Article 69(c) of the Articles of Association be renumbered Article 69(b).

16. THAT the existing Article 85(1) of the Articles of Association to be amended from:-

    "Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, each member shall be entitled to be present and to vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. A proxy shall be entitled to vote on a show of hands on any question at any general meeting."

    to:

    "Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, each member shall be entitled to be present and to vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum ***in respect of any share or shares upon which all calls due to the company have been paid.*** *A proxy shall be entitled to vote on a show of hands on any question at any general meeting."*

17. THAT the existing Article 96(2) of the Articles of Association to be amended from:-

    "Until otherwise determined by the Company in general meeting the number of Directors shall not be less than three (3) nor more than eleven (11) but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum the continuing Directors or Director may act for the purpose of filling up such vacancy or vacancies or of summoning a general meeting of the Company."

    to:

    "Until otherwise determined by the Company in general meeting the number of Directors shall not be less than three (3) nor more than eleven (11) but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum the ***remaining*** *Directors or Director may act for the purpose of filling up such vacancy or vacancies or of summoning a general meeting of the Company."*

18. THAT the existing Article 98 of the Articles of Association to be amended from:-

    "A retiring Director shall be eligible for re-election but save as aforesaid no person shall be eligible for election as a Director at a general meeting unless a notice of intention to propose his election signed by a member and a notice of his consent signed by himself have been left at the Office not more than thirty (30) days nor less than eleven (11) clear days before the date appointed for the meeting provided that in the case of a person recommended by the Directors for election nine (9) clear days' notice only shall be necessary and notice of every candidate for election shall be served on all members at least seven (7) days prior to the meeting at which the election is to take place."

    to:

    " ***No person, not being a retiring director, shall be eligible for election to the office of Director at any general meeting unless a member intending to propose him for election has, at least 11 clear days before the meeting, left at the registered office of the company a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such member to propose him for election****, provided that in the case of a person recommended by the Directors for election nine (9) clear days' notice only shall be necessary and notice of every candidate for election shall be served on all members at least seven (7) days prior to the meeting at which the election is to take place."*

PROPOSED AMENDMENTS OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (Cont'd)

19. THAT the existing Article 109(c) of the Articles of Association to be amended from:-

    "enter into any arrangement or transaction with a Director or a director of the holding company of the Company, or with a person connected with such a Director to acquire from or dispose to such a Director or person any non-cash assets of a requisite value as defined in the Act."

    to:

    "carry into effect any arrangement or transaction where the Director or the substantial shareholder of the Company or its holding company or the person connected with such a Director or substantial shareholder acquires or is to acquire from or disposes or is to dispose to the Company, any shares or non-cash assets of the requisite value as defined in the Act."

20. THAT the existing Article 110(1) of the Articles of Association to be amended from:-

    "The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in these Articles shall authorize the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party."

    to:

    "The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company ***or subsidiary company or associate company*** *or of any related third party* ***subject to the Act and Listing Requirements*** *provided always that nothing contained in these Articles shall authorize the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party."*

21. THAT the existing Article 126 of the Articles of Association to be amended from:-

    "The continuing Directors or sole continuing Director may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Director or Directors except in an emergency may act for the purpose of increasing the number of Directors to that number or of summoning a general meeting of the Company, but for no other purposes."

    to:

    "The ***remaining*** *Directors or sole* ***remaining*** *Director may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the* ***minimum*** *number fixed by or pursuant to these Articles as the necessary quorum of Directors, the* ***remaining*** *Director or Directors* ***may*** *except in an emergency, act* ***only*** *for the purpose of increasing the number of Directors to that* ***minimum*** *number or of summoning a general meeting of the Company, but for no other purposes."*

22. THAT the existing Article 130 of the Articles of Association to be amended from:-

    "No Director shall vote in respect of any contract or arrangement in which he has directly or indirectly a personal interest, and if he should do so his vote shall not be counted."

    to:

    "No Director shall vote in respect of any contract ***or proposed contract*** *or arrangement in which he has directly or indirectly a personal interest, and if he should do so his vote shall not be counted."*

PROPOSED AMENDMENTS OF THE RELEVANT ARTICLES OF ASSOCIATION OF THE COMPANY (Cont'd)

23. THAT the existing Article 131 of the Articles of Association to be amended from:-

"A Director, notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement in which he is in any way interested provided always that he has complied with Section 131 and all other relevant provisions of the Act and of these Articles."

to:

"A Director, notwithstanding his interest may, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement in which he is in any way interested provided always that he has complied with Section 131 and all other relevant provisions of the Act and of these Articles."

24. THAT the existing Article 161 of the Articles of Association to be amended from:-

"The Directors shall from time to time in accordance with Section 169 of the Act, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' report shall not exceed four (4) months. A copy of each such documents shall not less than twenty-one (21) days (or such other shorter period as may be agreed by all members entitled to attend and vote at the meeting) before the date of the meeting, be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Bursa Securities shall at the same time be likewise sent to the Bursa Securities provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office."

to:

"The Directors shall from time to time in accordance with Section 169 of the Act, cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited ***financial statements****, the directors' and auditors' report shall not exceed four (4) months. A copy of each such documents shall not less than twenty-one (21) days (or such other shorter period as may be agreed by all members entitled to attend and vote at the meeting) before the date of the meeting, be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Bursa Securities shall at the same time be likewise sent to the Bursa Securities provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office."*

PROXY FORM

NO. OF SHARES HELD

I/We .... (*NRIC No./Company No. ....)
of ....
being a member/members of **UNIMECH GROUP BERHAD** hereby appoint *the Chairman of the meeting or ....
.... (*NRIC No./ Passport No. ....)
of ....
or failing him, ... (*NRIC No./ Passport No. ....)
of ....
as my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at Bayan I & II, Equatorial Hotel, No. 1, Jalan Bukit Jambul, 11900 Penang on Thursday, 21 June 2012 at 11.00 a.m. and at any adjournment thereof.

* My/Our proxy/proxies is/are to vote on either on a show of hands or on a poll as indicated below with an "X".

RESOLUTIONS		***FOR**	***AGAINST**
1.	To declare a First and Final tax exempt dividend of 5 sen per share for the year ended 31 December 2011.		
2.	To approve an increase of Directors' Fees from RM170,000.00 to RM172,917.00 for the financial year ended 31 December 2011 and payment of such Fees to the Directors of the Company.		
3.	To re-appoint Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din, a Director retiring under Section 129(2) of the Companies Act, 1965.		
4.	To re-elect the following Directors retiring under the provision of Article 97(1) of the Articles of Association of the Company, and who, being eligible offer themselves for re-election:- Mr. Lim Kim Guan		
5.	Dato' Abdul Rafique Bin Abdul Karim		
6.	Mr. Lim Jun Lin		
7.	To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration		
	To pass the following resolutions as Special Business :- **Ordinary Resolutions**		
8.	Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965.		
9.	Approval of the Proposed Renewal of Shareholders Authorisation to Purchase the Company's own shares.		
	Special Resolution		
10.	Proposed Alteration of the Articles of Association		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

The Proportions of *my/our holdings to be represented by *my/our proxy/proxies *is/are as follows:-

First Proxy : ____________ %
Second Proxy : ____________ %
100 %

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

* Strike out whichever is not desired.

As witness my hand this .... day of ...., 2012.

....
Signature of Member(s)

Notes:

(i) A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
(ii) To be valid, the proxy form duly completed must be deposited at the registered office of the Company at Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time fixed for holding the meeting.
(iii) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting.
(iv) Where a member appoints up to two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
(v) If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

Please fold across the line and close

Please fold across the line and close

Stamp

The Company Secretaries

UNIMECH GROUP BERHAD (407580-X)
Suite S-21-H, 21st Floor, Menara Northam,
55, Jalan Sultan Ahmad Shah,
10050 Penang.

Please fold across the line and close

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