

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY. If you have sold or transferred all your ordinary shares of RM0.50 each in Unimech Group Berhad (Company No.: 407580-X) ("Unimech" or the "Company"), you should at once hand this Abridged Prospectus ("AP") together with the Notice of Provisional Allotment ("NPA") and Rights Subscription Form ("RSF") to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue of ICULS with Warrants (as defined herein), which is the subject of this AP should be addressed to our Share Registrar, Plantation Agencies Sdn. Berhad (Company No.: 2603-D), 3rd Floor, Standard Chartered Bank Chambers, Lebuhr Pantai, 10300 Penang.

A copy of this AP has been registered with the Securities Commission Malaysia ("SC"). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of ICULS with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the Rights Issue of ICULS with Warrants. A copy of this AP, together with the NPA and RSF has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of these documents. Investors are advised to note that recourse for false or misleading statements or acts made in connection with this AP are directly available through Sections 248, 249 and 357 of the Capital Markets and Services Act, 2007.

Approval for the Rights Issue of ICULS with Warrants has been obtained from our shareholders at the Extraordinary General Meeting held on 20 June 2013. Approval has also been obtained from Bursa Malaysia Securities Berhad (Company No.: 635998-W) ("Bursa Securities") vide its letter dated 20 May 2013 for the admission of the ICULS and Warrants (as defined herein, respectively) to the Official List of Bursa Securities and the listing of and quotation for all the new securities arising from the Rights Issue of ICULS with Warrants on Bursa Securities. Approval has been obtained from Controller of Foreign Exchange on 22 May 2013 for the issuance of Warrants (as defined herein) to non-resident shareholders. Approval has been obtained from the SC, vide its letter dated 8 July 2013, for the issue of the ICULS together with the Warrants to the shareholders of Unimech. The official quotation for all the new securities will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd (Company No.: 165570-W) that all the Central Depository System accounts of the Entitled Shareholders (as defined herein) and/or their renounees (if applicable) have been duly credited and notices of allotment have been despatched to them.

Neither the SC nor Bursa Securities takes any responsibility for the correctness of statements made or opinions expressed herein. Admission to the Official List of Bursa Securities and the listing of and quotation for the said new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of ICULS with Warrants.

The Board of Directors of Unimech has seen and approved all the documentation relating to the Rights Issue of ICULS with Warrants including this AP, together with the NPA and RSF. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

This AP, together with the NPA and RSF are only despatched to our shareholders who have provided our Share Registrar with a registered address in Malaysia and whose names appear on our Record of Depositors not later than 5.00 p.m. on 26 August 2013. This AP together with the NPA and RSF, are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue of ICULS with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders (as defined herein) and their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue of ICULS with Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither Unimech nor RHB Investment Bank Berhad (Company No.: 19663-P) ("RHBIB") shall accept any responsibility or liability in the event that any acceptance or renunciation made by the Entitled Shareholders or their renounee(s) (if applicable) are or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

RHBIB, being the Adviser for the Rights Issue of ICULS with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of ICULS with Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.



UNIMECH GROUP BERHAD

(Company No.: 407580-X)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO RM33,390,333 NOMINAL VALUE OF 5-YEAR 5.00% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK OF 100% OF ITS NOMINAL VALUE OF RM1.00 EACH ("ICULS") ON THE BASIS OF ONE (1) RM1.00 NOMINAL VALUE OF ICULS FOR EVERY FOUR (4) ORDINARY SHARES OF RM0.50 IN UNIMECH GROUP BERHAD ("UNIMECH") HELD IN UNIMECH ("UNIMECH SHARE(S)") AT 5.00 P.M. ON 26 AUGUST 2013 TOGETHER WITH UP TO 66,780,666 FREE NEW WARRANTS ("WARRANT(S)") ON THE BASIS OF TWO (2) WARRANTS FOR EVERY ONE (1) RIGHTS ICULS SUBSCRIBED FOR PAYABLE IN FULL UPON ACCEPTANCE BASED ON A MINIMUM SUBSCRIPTION OF 12,040,625 RIGHTS ICULS ("RIGHTS ISSUE OF ICULS WITH WARRANTS")

Adviser



RHB Investment Bank Berhad

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Trustees



(Company No. 317001-A)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement date	:	Monday, 26 August 2013 at 5.00 p.m.
Commencement date and time for sale of provisional allotment of rights.....	:	Tuesday, 27 August 2013 at 9.00 a.m.
Last date and time for sale of provisional allotment of rights.....	:	Monday, 2 September 2013 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights.....	:	Thursday, 5 September 2013 at 4.00 p.m.
Last date and time for acceptance and payment.....	:	Tuesday, 10 September 2013 at 5.00 p.m.*
Last date and time for excess application and payment.....	:	Tuesday, 10 September 2013 at 5.00 p.m.*

* or such later date and time as our Board may determine and announce not less than two (2) Market Days (as defined herein) before the stipulated date and time.

This Abridged Prospectus is dated 26 August 2013

THIS ABRIDGED PROSPECTUS ("AP") HAS BEEN REGISTERED WITH THE SC. THE REGISTRATION OF THIS AP SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE RIGHTS ISSUE OF ICULS WITH WARRANTS.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE ICULS AND WARRANTS TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR THE RIGHTS ICULS, WARRANTS AND THE NEW UNIMECH SHARES TO BE ISSUED PURSUANT TO THE CONVERSION OF THE ICULS AND THE EXERCISE OF THE WARRANTS ON THE MAIN MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF ICULS WITH WARRANTS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP. YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE OF ICULS WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

DEFINITIONS

The following definitions shall apply throughout this Abridged Prospectus unless the context requires otherwise:

“Act”	: Companies Act, 1965
“Adviser” or “RHBIB”	: RHB Investment Bank Berhad (19663-P)
“Amendment”	: Amendment to the Company’s Memorandum of Association as a consequence of the Rights Issue of ICULS with Warrants and Increase in the Authorised Share Capital
“AP”	: This Abridged Prospectus dated 26 August 2013
“BNM”	: Bank Negara Malaysia
“Board”	: Board of Directors of Unimech
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“CDS”	: Central Depository System
“CDS Account”	: A securities account established by Bursa Depository for a depositor to record the deposits or withdrawals of securities or for dealings in such securities by the depositor
“Code”	: Malaysian Code on Take-Overs and Mergers 2010
“Deed Poll”	: The deed poll executed by our Company on 12 August 2013 constituting the Warrants
“EBITDA”	: Earnings before interest, taxation, depreciation and amortisation
“EGM”	: Extraordinary General Meeting
“Entitled Shareholder(s)”	: The shareholder(s) of Unimech whose names appear in the Record of Depositors of Unimech on the Entitlement Date for the Rights Issue of ICULS with Warrants
“Entitlement Date”	: 26 August 2013 at 5.00 p.m., being the date and time on which the Entitled Shareholders must appear on Unimech’s Record of Depositors with Bursa Depository in order to be entitled to participate in the Rights Issue of ICULS with Warrants
“EPS”	: Earnings per share
“Excess Rights ICULS with Warrants”	: Rights ICULS with Warrants which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounee(s) (if applicable) prior to excess application pursuant to the Rights Issue of ICULS with Warrants
“FPE”	: Financial period ended
“FYE”	: Financial year ended
“GDP”	: Gross domestic product
“ICULS”	: Irredeemable convertible unsecured loan stock at 100% of its nominal value of RM1.00 each
“IDR”	: Indonesian rupiah

DEFINITIONS (cont'd)

“Increase in the Authorised Share Capital”	: The increase in the authorised share capital of Unimech from RM100,000,000 comprising 200,000,000 Unimech Shares to RM150,000,000 comprising 300,000,000 Unimech Shares
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities
“LPD”	: 24 July 2013, being the latest practicable date prior to the issuance of this AP
“Market Days”	: Any day between Monday and Friday (inclusive) which is not a public holiday and when Bursa Securities is open for trading of securities
“Maximum Scenario”	: Assuming all treasury shares are resold at open market at the cost price and all the existing shareholders of Unimech subscribe to the Rights Issue of ICULS with Warrant
“Minimum Scenario”	: Assuming only the Undertaking Shareholders subscribe for their entitlement pursuant to the Rights Issue of ICULS with Warrants and all treasury shares are retained in the Company
“MI”	: Minority interest
“NA”	: Net assets
“NPA”	: Notice of Provisional Allotment dated 26 August 2013 issued by Unimech, notifying the Entitled Shareholders that his/her provisional allotment of Rights ICULS has been credited into his or her CDS Account
“NTA”	: Net tangible assets
“PAT”	: Profit after taxation
“PBT”	: Profit before taxation
“Provisional Allotment”	: Rights ICULS with Warrants provisionally allotted to the Entitled Shareholders and/ or their renounee(s) (if applicable) pursuant to the Rights Issue of ICULS with Warrants
“Record of Depositors”	: A record of depositors established by Bursa Depository under the Rules of Bursa Depository
“Rights Issue of ICULS with Warrants”	: Renounceable rights issue of up to RM33,390,333 nominal value of 5-year 5.00% ICULS on the basis of one (1) RM1.00 nominal value of ICULS for every four (4) Unimech Shares held on Entitlement Date together with up to 66,780,666 Warrants on the basis of two (2) Warrants for every one (1) ICULS subscribed for
“Rights ICULS”	: ICULS to be issued pursuant to the Rights Issue of ICULS with Warrants
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“RSF”	: Rights Subscription Form issued by Unimech, which is to be used by the Entitled Shareholders, renounee(s) and other permitted investors to subscribe or accept the Provisional Allotment

DEFINITIONS (cont'd)

“Rules of Bursa Depository”	:	Rules of a central depository as defined in the Securities Industry (Central Depository) Act, 1991
“SC”	:	Securities Commission Malaysia
“SGD”	:	Singapore Dollar
“Shareholders’ Undertakings”	:	Irrevocable written undertakings from the Undertaking Shareholders to fully subscribe for their respective entitlements under the Rights Issue of ICULS with Warrants
“THB”	:	Thai Bhat
“Trustee” or “PTB”	:	Pacific Trustees Berhad (317001-A)
“Trust Deed”	:	The trust deed executed between our Company and the Trustee on 12 August 2013 constituting the ICULS
“Unimech” or the “Company”	:	Unimech Group Berhad (407580-X)
“Unimech Group” or the “Group”	:	Unimech and its subsidiaries, collectively
“Unimech Share(s)” or “Share(s)”	:	Ordinary share(s) of RM0.50 each in Unimech
“Undertaking Shareholders”	:	Dato’ Lim Cheah Chooi and Lim Kim Guan, collectively
“USD”	:	United State Dollars
“WAMP”	:	Weighted average market price
“Warrant(s)”	:	Free detachable new warrant(s) to be issued pursuant to the Rights Issue of ICULS with Warrants

Any reference to “our Company” and “Unimech” in this AP are to Unimech Group Berhad, references to “our Group” is to our Company and our subsidiaries and references to “we”, “us”, “our” and “ourselves” in this AP are to our Company and, save where the context requires otherwise, our subsidiaries. All references to “you” in this AP are to our Entitled Shareholders.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any statute is a reference to that statute as for the time being amended or re-enacted.

Any reference to a time of day in this AP shall be a reference to Malaysian time, unless otherwise specified.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Nationality	Occupation
Tan Sri Dato' Seri Kamal Mohd Hashim bin Che Din <i>(Independent Non-Executive Chairman)</i>	2-A, Jalan 9 Changkat Minden 11700 Gelugor Penang	Malaysian	Company Director
Dato' Lim Cheah Chooi <i>(Chief Executive Officer)</i>	10, Lorong 10 Changkat Minden 11700 Gelugor Penang	Malaysian	Company Director
Lim Kim Guan <i>(Deputy Chief Executive Officer)</i>	1272-I, Jalan Paya Terubong 11060 Ayer Itam Pulau Pinang	Malaysian	Company Director
Sim Yee Fuan <i>(Executive Director)</i>	3, Lorong Gemilang Jaya 2 Taman Gemilang Jaya 14000 Bukit Mertajam Penang	Malaysian	Company Director
Han Mun Kuan <i>(Executive Director)</i>	19, Jalan Anggerik 49 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim	Malaysian	Company Director
Lim Jun Lin <i>(Executive Director)</i>	10, Lorong 10 Changkat Minden 11700 Gelugor Penang	Malaysian	Company Director
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai <i>(Senior Independent Non-Executive Director)</i>	No. 14N, Jalan Angsana Bandar Baru 11500 Ayer Itam Pulau Pinang	Malaysian	Company Director
Dato' Abdul Rafique bin Abdul Karim <i>(Non-Independent Non-Executive Director)</i>	37, Jalan Selangor 10400 Pulau Pinang	Malaysian	Company Director
Lee Yoke Khay <i>(Independent Non-Executive Director)</i>	6, Lorong Mahsuri Dua 11950 Bayan Baru Pulau Pinang	Malaysian	Advocate and Solicitor

AUDIT COMMITTEE

Name	Designation	Directorship
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	Chairman	Senior Independent Non-Executive Director
Lee Yoke Khay	Member	Independent Non-Executive Director
Dato' Abdul Rafique bin Abdul Karim	Member	Non-Independent Non-Executive Director

CORPORATE DIRECTORY (cont'd)

- HEAD / MANAGEMENT OFFICE** : Wisma Unimech
4934, Jalan Chain Ferry
12100 Butterworth
Penang
- Tel: 604-332 8823
Fax: 604-332 5491
www.unimechgroup.com
- REGISTERED OFFICE** : Suite S-21-H, 21st Floor, Menara Northam
55, Jalan Sultan Ahmad Shah
10050 Penang
- Tel : 604-210 7118
Fax : 604-210 7111
- COMPANY SECRETARIES** : Angelina Cheah Gaik Suan (MAICSA 7035272)
Lee Mei Mei (MAICSA 7062284)
c/o Suite S-21-H, 21st Floor,
Menara Northam
55, Jalan Sultan Ahmad Shah
10050 Penang
- Tel : 604-210 7118
Fax : 604-210 7111
- SHARE REGISTRAR AND PAYING AGENT** : Plantation Agencies Sdn. Berhad
Standard Chartered Bank Chambers
Lebuh Pantai, 10300 Penang
- Tel : 604-262 5333
Fax : 604-262 2018
- AUDITORS AND REPORTING ACCOUNTANTS** : UHY
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
- Tel : 603-2279 3088
Fax : 603-2279 3099
- DUE DILIGENCE SOLICITORS** : Wong Beh & Toh
1st Floor, Nos. 173 & 174
Jalan Kelab Cinta Sayang
Taman Ria Jaya
08000 Sungai Petani
Kedah
- Tel : 604-442 9081
Fax : 604-442 9084

CORPORATE DIRECTORY (cont'd)

- TRUSTEES** : Pacific Trustees Berhad
Unit A-9-8, 9th Floor, Megan Avenue 1
No 189, Jalan Tun Razak
Off Persiaran Hampshire
50400 Kuala Lumpur

Tel : 603-2166 8830
Fax : 603-2166 3830
- PRINCIPAL BANKERS** : Hong Leong Bank Berhad
Business Centre – Butterworth
1st Floor, No. 7 & 9, Tingkat Kikik 7
Taman Inderawasih
13600 Prai
Pulau Pinang

Tel: 604-399 6188
Fax: 604-390 6913

AmIslamic Bank Berhad
Regional Business Centre – North
Level 8, 37, Jalan Sultan Ahmad Shah
10050 Pulau Pinang

Tel: 604-226 1818
Fax: 604-229 7488

United Overseas Bank (Malaysia) Bhd
North Area Centre
1st Floor, 64E-H, Lebuhrampayan
P.O. Box 820
10200 Pulau Pinang

Tel: 604-258 8188
Fax: 604-262 9119
- ADVISER** : RHB Investment Bank Berhad
Level 10, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

Tel: 603-9287 3888
Fax: 603-9284 8725
- STOCK EXCHANGE LISTING** : Main Market of Bursa Securities



UNIMECH GROUP BERHAD

(Company No.: 407580-X)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Suite S-21-H, 21st Floor
Menara Northam
55, Jalan Sultan Ahmad Shah
10050 Penang

26 August 2013

Board of Directors:

Tan Sri Dato' Seri Kamal Mohd Hashim Bin Che Din (*Independent Non-Executive Chairman*)
Dato' Lim Cheah Chooi (*Chief Executive Officer*)
Lim Kim Guan (*Deputy Chief Executive Officer*)
Sim Yee Fuan (*Executive Director*)
Han Mun Kuan (*Executive Director*)
Lim Jun Lin (*Executive Director*)
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai (*Senior Independent Non-Executive Director*)
Dato' Abdul Rafique Bin Abdul Karim (*Non-Independent Non-Executive Director*)
Lee Yoke Khay (*Independent Non-Executive Director*)

To: The Entitled Shareholders of Unimech

Dear Sir/Madam,

RIGHTS ISSUE OF ICULS WITH WARRANTS

1. INTRODUCTION

Our Board is pleased to inform you that, at the EGM held on 20 June 2013, our shareholders had approved the following:

- (i) Rights Issue of ICULS with Warrants;
- (ii) Increase in the Authorised Share Capital; and
- (iii) Amendment.

A certified true extract of all the resolutions pertaining to the above which were passed at the said EGM, is set out in **Appendix I** of this AP.

On 21 May 2013, RHBIB on behalf of our Board, announced that Bursa Securities had vide its letter dated 20 May 2013, given its approval-in-principle for, amongst others, the following:

- (i) the admission of the ICULS and Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants on the Main Market of Bursa Securities;
- (ii) the listing of and quotation for the ICULS and Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants on the Main Market of Bursa Securities; and

- (iii) the listing of and quotation for the new Unimech Shares to be issued upon the conversion of the ICULS and the exercise of the Warrants on the Main Market of Bursa Securities.

The approval by Bursa Securities in relation to the Rights Issue of ICULS with Warrants are subject to the following conditions:

- (i) Unimech and RHBIB must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Rights Issue of ICULS with Warrants;
- (ii) Unimech and RHBIB to inform Bursa Securities upon the completion of the Rights Issue of ICULS with Warrants;
- (iii) Unimech to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of ICULS with Warrants are completed; and
- (iv) Unimech is required to furnish Bursa Securities on a quarterly basis a summary of the total number of new Unimech Shares listed (pursuant to the exercise of the Warrants and the conversion of the ICULS respectively) at the end of each quarter together with a detailed computation of listing fees payable.

On 27 May 2013, RHBIB on behalf of our Board, announced that the Controller of Foreign Exchange (via BNM) has via its letter dated 22 May 2013 approved the issuance of Warrants to the entitled non-resident shareholders of Unimech pursuant to the Rights Issue of ICULS with Warrants.

On 9 July 2013, RHBIB on behalf of our Board, announced that SC under the Guidelines on Private Debt Securities had vide its letter dated 8 July 2013, approved under subsection 214(1) of the CMSA the application which was submitted to the Private Debt Securities Department of the SC on 7 June 2013. Prior to the issuance of the ICULS, RHBIB is required to submit a checklist of compliance with the standard conditions and continuing obligations as stipulated in the Guidelines on Private Debt Securities and any other condition imposed in any other letter issued in connection with the Rights Issue of ICULS and Warrants.

In order to accommodate the issuance of the ICULS and any future issuance of new Unimech Shares arising from the conversion of the ICULS and the exercise of the Warrants, Unimech had on 20 June 2013, effected the increase in our authorised share capital from RM100,000,000 comprising 200,000,000 Shares to RM150,000,000 comprising 300,000,000 Shares by the creation of an additional 100,000,000 Shares.

Further, in order to facilitate and to reflect the consequence of the Rights Issue of ICULS with Warrants and Increase in the Authorised Share Capital, the Memorandum of Association of Unimech have been amended accordingly. The Increase in Authorised Share Capital and the Amendment were approved by our shareholders at the EGM held on 20 June 2013.

On 12 August 2013, RHBIB had on behalf of the Board announced the Entitlement Date and the important relevant dates pertaining to the Rights Issue of ICULS with Warrants.

The official listing of and quotation for the Rights ICULS and Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renounees have been duly credited and notices of allotment have been despatched to them.

While our Board invites your participation in the Rights Issue of ICULS with Warrants, you are advised to refer to the Risk Factors as disclosed in **Section 6** of this AP in making your investment decision.

No person is authorised to give any information or make any representation not contained herein in connection with the Rights Issue of ICULS with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or RHBIB.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE OF ICULS WITH WARRANTS

2.1 Particulars of the Rights Issue of ICULS with Warrants

The Rights Issue of ICULS with Warrants entails an issuance of up to RM33,390,333 nominal value of 5-year 5.00% ICULS on the basis of one (1) RM1.00 nominal value of ICULS for every four (4) Unimech Shares held on the Entitlement Date together with up to 66,780,666 Warrants on the basis of two (2) Warrants for every one (1) Rights ICULS subscribed for by the Entitled Shareholders and/or their renounee(s).

The Rights Issue of ICULS with Warrants will be implemented based on a minimum subscription basis. As such, Unimech will not procure any underwriting arrangement. The minimum subscription basis was determined based on, amongst others, the funding requirements of the Unimech Group after taking into consideration the funding requirements of the Unimech Group that will be channelled towards the proposed utilisation as set out in **Section 5** of this AP.

The Rights ICULS will be provisionally allotted to the shareholders of Unimech whose names appear in the Record of Depositors of the Company on the Entitlement Date.

The Entitled Shareholders of Unimech can either fully or partially renounce their entitlements for the Rights ICULS. The Warrants will be issued free to the Entitled Shareholders of Unimech who subscribe for their Rights ICULS entitlements on the basis of two (2) Warrants for every one (1) Rights ICULS subscribed. Should the Entitled Shareholders renounce all of the entitlements for the Rights ICULS under the Rights Issue of ICULS with Warrants, the shareholders shall not be entitled to any of the Warrants. Entitled Shareholders who are accepting only part of their entitlements for the Rights ICULS shall be entitled to the Warrants in the proportion of their acceptance of the entitlement Rights ICULS on the basis of two (2) Warrants for every one (1) Rights ICULS subscribed. Any unsubscribed Rights ICULS together with the attached Warrants shall be offered to other Entitled Shareholders and/or rights holders under the excess Rights ICULS with Warrants application.

The Warrants will be immediately detached from the Rights ICULS upon issuance and will be separately traded. The ICULS will be issued in registered form and constituted by a Trust Deed and the Warrants will be issued in registered form and constituted by a Deed Poll.

The renunciation of the Rights ICULS by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights ICULS pursuant to the Rights Issue of ICULS with Warrants. However, if the Entitled Shareholders decide to subscribe only part of their Rights ICULS entitlements, they shall be entitled to the Warrants in the proportion of their subscription of their Rights ICULS.

Any fractional entitlements of the Rights ICULS and Warrants under the Rights Issue of ICULS with Warrants will be disregarded and shall be dealt with in such manner as the Board shall in their absolute discretion deem expedient or to be in the best interests of our Company.

As you are an Entitled Shareholder and the Unimech Shares are prescribed securities, your CDS Account will be duly credited with the number of provisionally allotted Rights ICULS together with the Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of ICULS with Warrants. You will find enclosed in this AP, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Rights ICULS with Warrants provisionally allotted to you, as well as to apply for Excess Rights ICULS with Warrants if you so choose to.

Any dealing in our securities will be subject to, *inter-alia*, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998, the Rules of Bursa Depository and any other relevant legislation. Accordingly, upon subscription, the Rights ICULS with Warrants will be credited directly into the respective CDS Accounts of the successful applicants. No physical loan stock or warrant certificates will be issued but notices will be despatched to the successful applicants.

We will allot and issue Rights ICULS with Warrants, despatch notices of allotment to the allottees and make an application for the quotation of the Rights ICULS and Warrants within eight (8) Market Days from the last date for acceptance and payment for the Rights ICULS with Warrants or such period as may be prescribed by Bursa Securities. The Rights ICULS and Warrants will then be quoted on the Main Market of Bursa Securities from two (2) Market Days after the application for quotation is made to Bursa Securities.

2.2 Basis of determining and justification for the issue price of the Rights ICULS and the conversion price of the ICULS

The ICULS shall be issued at 100% of the nominal value of RM1.00 per Rights ICULS. The Board has fixed the conversion price of the ICULS at RM1.00 per new Unimech Shares. The issue price and conversion price of RM1.00 has been arrived at after taking into consideration the following:

- (i) the five (5)-day WAMP of Unimech Shares up to and including 10 April 2013, which is the latest practicable date prior to the announcement of the Proposals on 19 April 2013;
- (ii) the conversion price of the ICULS shall not be lower than RM0.50, being the par value of Unimech Shares; and
- (iii) the funding requirements of the Unimech Group as disclosed in **Section 5** of this AP.

The conversion price of RM1.00 per ICULS represents a discount of approximately RM0.2899 or 22.47% from the five (5)-day WAMP of Unimech Shares up and including 10 April 2013 of RM1.2899.

2.3 Basis of determining and justification of the exercise price of the Warrants

The Board has fixed the exercise price at RM1.50 per Warrant. The exercise price of RM1.50 has been arrived at after taking into consideration the theoretical ex-rights price based on the five (5)-day WAMP of Unimech Shares up to and including 10 April 2013, which is the latest practicable date prior to the announcement of the Proposals on 19 April 2013.

The exercise price of RM1.50 per Warrant represents a premium of approximately RM0.2681 or 21.76% from the theoretical ex-rights price of Unimech Shares of RM1.2319, after the Proposed Rights Issue of ICULS with Warrants, based on the five (5)-day WAMP of Unimech Shares up to and including 10 April 2013 of RM1.2899. The premium on the exercise price was arrived at after taking into consideration, amongst others, the past financial performance of Unimech, prospects of Unimech as well as the upward share price trend of Unimech for the past twelve (12) months.

2.4 Ranking of the new Unimech Shares arising from the conversion of the ICULS and the exercise of the Warrants

The new Unimech Shares to be issued arising from the conversion of the ICULS and the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Unimech Shares, save and except that they will not be entitled to any dividends, rights, allotment and/ or any other distributions that may be declared, made or paid prior to the relevant allotment date of the said new Unimech Shares.

2.5 Shareholders' undertaking and underwriting agreement

The Rights Issue of ICULS with Warrants will be undertaken on a minimum subscription level basis. The minimum subscription level is RM12,040,625 nominal value of ICULS ("**Minimum Subscription Level**"). The Minimum Subscription Level was determined based on the minimum expected level of funds to be raised from the Rights Issue of ICULS with Warrants for the proposed utilisation as set out in **Section 5** of this AP.

In the event that the minimum subscription basis is not achieved, Unimech will not proceed with the implementation of the Rights Issue of ICULS with Warrants. All subscription monies received will be immediately returned without interest to the shareholders of Unimech who have subscribed for the Unimech Shares. As at the LPD, Unimech does not have any other alternative plan in the event the minimum subscription basis is not achieved. Notwithstanding this, the Undertaking Shareholders have provided their respective Shareholders' Undertakings as highlighted below. As such, the minimum subscription basis will be achieved as tabulated below:

Undertaking shareholder	Shareholding as at the LPD		No. of Rights ICULS entitled/ undertaken		No. of Warrants entitled
	No. of Unimech Shares	% ⁽¹⁾	No. of Rights ICULS	%	
Dato' Lim Cheah Chooi	38,162,500	31.58	9,540,625	31.58	19,081,250
Lim Kim Guan	10,000,000	8.28	2,500,000	8.28	5,000,000
Total	48,162,500	39.86	12,040,625	39.86	24,081,250

Note:

⁽¹⁾ Excluding 12,731,366 treasury shares as at the LPD.

The Undertaking Shareholders had on 10 April 2013:

- (i) given their respective Shareholders' Undertakings as set out above. In addition, the Undertaking Shareholders had also respectively undertaken to subscribe for any additional entitlements of Rights ICULS, in the event that the Undertaking Shareholders has increased his shareholding in Unimech, based on the entitlement date to be determined later;
- (ii) provided their respective confirmations that they have sufficient financial resources to take up their respective entitlements as stated above. The said confirmations have been respectively verified by RHBIB, the Adviser for the Rights Issue of ICULS with Warrants; and
- (iii) given their confirmations respectively to observe and comply at all times with the provisions of the Code.

There will be no underwriting arrangement for the balance nominal value of ICULS where the proposed Shareholders' Undertakings have not been provided.

Upon the completion of the Rights Issue of ICULS with Warrants, assuming only the Undertaking Shareholders convert their ICULS and exercise their Warrants into new Unimech Shares, they will hold between:

Name	Minimum Scenario	Maximum Scenario
	(%)	(%)
Dato' Lim Cheah Chooi	42.55	39.36
Lim Kim Guan	11.15	10.31
Total	53.70	49.67

Based on the above, the Undertaking Shareholders would have increased their shareholdings by 2% or more in any six (6) months period and as a result, they are obliged to make a mandatory general offer for the remaining Unimech Shares not already owned by them.

2.6 Take-over implications

Pursuant to the Code, a person and/or the persons acting in concert will be obliged under Part II of the Code to make a mandatory general offer for the remaining shares of the Company not already owned by the person/them ("**Potential MGO**") if:

- (i) the person and/or the persons acting in concert hold less than 33% of the voting shares of the Company and has inadvertently increased his/their shareholdings beyond 33%; or
- (ii) the person and/or the persons acting in concert hold more than 33% but less than 50% of the voting shares of the Company and have inadvertently increased his/their shareholdings by two percent (2%) or more in any six (6) months period.

As at the LPD, Dato' Lim Cheah Chooi holds approximately 31.58% equity interest in Unimech, comprising 38,162,500 Unimech Shares and Dato' Lim Cheah Chooi and persons acting in concert with him collectively holds approximately 47.28% equity interest in Unimech, comprising 57,133,006 Unimech Shares.

In the event that Dato' Lim Cheah Chooi and/or persons acting in concert with him ("**PACs**") converts their ICULS and/or exercise their Warrants into new Unimech Shares, the effects on their equity interest in Unimech is disclosed in **Section 8.4** and **Section 4 of Appendix II** of this AP.

The PACs are as follows:

Name	Relationship	Shareholding as at the LPD	
		No. of Unimech Shares	% ⁽¹⁾
Lim Kim Guan	Brother to Dato' Lim Cheah Chooi	10,000,000	8.28
Datin Sim Kim Heoh	Spouse of Dato' Lim Cheah Chooi	2,942,534	2.44
Lim Jun Lin	Son of Dato' Lim Cheah Chooi	1,300,734	1.08
Lim Yean Shue	Daughter of Dato' Lim Cheah Chooi	1,032,600	0.85
Lim Yean Yin	Daughter of Dato' Lim Cheah Chooi	1,000,000	0.83
Lim Yean Tian	Daughter of Dato' Lim Cheah Chooi	1,060,000	0.88
Koh Boon Kheng	Spouse of Lim Kim Guan	1,634,638	1.35

Note:

⁽¹⁾ Excluding 12,731,366 treasury shares as at the LPD.

Dato' Lim Cheah Chooi and the PACs have confirmed that, to the extent applicable, they will at all times observe and ensure compliance with the Code. Save as disclosed above, there are no other parties acting in concert with Dato' Lim Cheah Chooi and the PACs in the event the Potential MGO is triggered.

2.7 Principal terms of the ICULS

The principal terms of the ICULS to be issued pursuant to the Rights Issue of ICULS with Warrants are as set out as follows:

Issuer	: Unimech
Issue size	: Up to RM33,390,333 nominal value of ICULS of RM1.00 each
Issue price	: 100% of the nominal value of the ICULS
Form and Denomination	: The ICULS will be issued in registered form in denomination of RM1.00 and multiples thereof, and constituted by the Trust Deed
Tenure	: Five (5) years from and inclusive of the date of issuance of the ICULS
Basis of Allotment	: One (1) RM1.00 nominal value of ICULS for every four (4) existing Unimech Shares held at Entitlement Date
Maturity Date	: The last day of the period of five (5) years from (and including) the date of the issuance of the ICULS but if that day is not a market day, it shall be the market day immediately preceding such last day
Coupon Rate	: Fixed rate of 5.00% per annum calculated on the nominal value of the ICULS payable semi-annually in arrears from the date of issuance of the ICULS except that the last coupon payment shall be made on the Maturity Date
Conversion Rights	: Each registered holder of the ICULS shall have the right at any time during the Conversion Period to convert such nominal value of ICULS held into fully paid new Unimech Shares at the Conversion Price Unless previously converted during the conversion period, all outstanding ICULS will be mandatorily converted by the Company into new Unimech Shares at the Conversion Price on the Maturity Date
Conversion Period	: The ICULS may be convertible into new Unimech Shares on any market day within a period from the third (3rd) anniversary of the date of issue of the ICULS up to and including the Maturity Date and where if there is any outstanding ICULS on the Maturity Date, the same shall be automatically converted into new Unimech Shares at the Conversion Price
Conversion Price	: The conversion price for the ICULS is RM1.00 for every one (1) new Unimech Share

- Conversion Mode : By surrendering for cancellation the ICULS with an aggregate nominal value equivalent to the Conversion Price. Any fractional Unimech Shares arising from the conversion of the ICULS shall be disregarded
- Status : The ICULS shall constitute direct, unsecured and unconditional obligations of Unimech ranking *pari passu* among themselves and with all other subordinated and unsecured obligations of Unimech, subject only to those preferred by mandatory provisions of law
- Redemption : There will not be any redemption of the ICULS. All ICULS remaining on the Maturity Date shall be mandatorily converted into new Unimech Shares at the Conversion Price
- Status of new Unimech Shares arising from the conversion of the ICULS : The new Unimech Shares to be issued upon conversion of the ICULS shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Unimech Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date which is prior to the allotment date of the new Unimech Shares to be issued pursuant to the conversion of the ICULS
- Adjustment in the Conversion Price and/or nominal value of ICULS in the event of alteration to the share capital : The Company shall make the necessary adjustment to the Conversion Price in the event of any alteration in the share capital of Unimech on or before the Maturity Date, whether by way of rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital howsoever being effected, in accordance with the provisions of the Trust Deed
- ICULS Holders' Rights to participate in any distribution and/or offer of further securities in the Company : The ICULS holders are not entitled to participate in any distribution and/or offer of securities in the Company until and unless such ICULS holders shall actually convert their ICULS into Unimech Shares during the Conversion Period and in accordance with their exercise of their Conversion Rights
- Amendment to the ICULS Holders Rights : Save as otherwise provided in the Trust Deed, a special resolution of the holders of the ICULS (by a majority consisting of not less than three-fourths (3/4) of the persons voting at the meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths (3/4) of the votes given on such poll) is required to sanction any modification, variation, abrogation or compromise of or arrangement in respect of the rights of the holders of the ICULS against the Company
- Rights in the event of winding up, liquidation or an event of default : In the event of a declaration of event of default by the Trustee in accordance with the Trust Deed or winding up or liquidation of the Company, the amount which is immediately due and payable by the Company to the holders of the ICULS or which the holders of the ICULS may prove for in the liquidation of the Company shall be the nominal value of the outstanding ICULS together with all accrued interest

Listing	: The ICULS will be listed on the Main Market of the Bursa Securities. Bursa Securities has, vide its letter dated 20 May 2013, provided its approval for the listing of and quotation for the ICULS and the listing of new Unimech Shares arising from the conversion of the ICULS on the Main Market of Bursa Securities
Board Lot	: The ICULS shall be tradeable upon listing in board lots of 100 units of ICULS, or such denomination as may be determined by Bursa Securities
Trust Deed	: The ICULS shall be constituted by the Trust Deed with the authorised Trustee acting for the benefit of the holders of ICULS
Rating	: The ICULS will not be rated
Governing Law	: Law and regulations of Malaysia

2.8 Principal terms of the Warrants

The principal terms of the Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants are set out as follows:

Issue size	: Up to 66,780,666 new Warrants to be issued in conjunction with the Rights Issue of ICULS with Warrants to the Entitled Shareholders on the basis of two (2) free Warrants for every one (1) ICULS successfully subscribed
Form and denomination	: The Warrants which are issued with the ICULS are immediately detached upon issuance and will be separately traded. The Warrants will be issued in registered form and constituted by the Deed Poll
Exercise Rights	: Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for one (1) new Unimech Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll
Exercise Period	: The Warrants may be exercised at any time within five (5) years commencing from and including the date of issue of the Warrants and ending at 5.00 pm on the Expiry Date
Exercise Price	: The exercise price of the Warrants has been fixed at RM1.50, subject to further adjustments (where applicable) in accordance with the provisions of the Deed Poll
Expiry Date	: The day falling immediately before the fifth (5 th) anniversary of the date of issuance of the Warrants and if such date is not a Market Day, then on the preceding Market Day. Any of the Warrants which have not been exercised and delivered to the Company's registrars will lapse and cease thereafter to be valid for any purpose

- Mode of exercise : The registered holder of a Warrant is required to lodge a subscription form, as set out in the Deed Poll, with the Company's registrar, duly completed, signed and stamped together with payment of the Exercise Price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia
- Board lot : For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new Unimech Shares at any time during the Exercise Period, or such denomination as determined by Bursa Securities
- Listing status : The Warrants will be listed on the Main Market of the Bursa Securities. Bursa Securities has, vide its letter dated 20 May 2013, provided its approval for the listing of and quotation for the Warrants and the listing of new Unimech Shares arising from the conversion of the Warrants on the Main Market of Bursa Securities
- Ranking of new Shares : The new Unimech Shares to be issued pursuant to the exercise of the Warrants, shall upon allotment and issue, rank *pari passu* in all respects with the existing Unimech Shares, save and except that they will not be entitled to any dividend, right, allotment, and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the relevant allotment and issuance date of the said new Unimech Shares
- Rights of Warrant holder(s) to participate in any distributions and/or offers of further securities : The Warrant holder is not entitled to vote in any general meeting of Company or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant holder becomes a shareholder by exercising his/her Warrants into new Unimech Shares
- Rights in the event of winding up, liquidation, compromise and/ or arrangement : If a resolution is passed for a members' voluntary winding up of the Company, or where there is a compromise or arrangement, then:
- (i) whether or not is for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies pursuant to a scheme of arrangement to which the warrant holders, or some person designated by them for such purpose by special resolution, is a party, the terms of such scheme of arrangement shall be binding on all the warrant holders; and

- (ii) in any other case every warrant holder shall be entitled (subject to provisions of the Deed Poll) at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of the Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his Warrants to the Company, by the exercise notice(s) duly completed, together with payment of the relevant exercise price, to elect to be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement exercised the exercise rights represented by his Warrants to the extent specified in the exercise notice(s) and had on such date been the holder of the Unimech Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the warrant holders in accordance with the relevant provision of the Deed Poll.

Subject to the above, if the Company is wound up, all exercise rights which have not been exercised within six (6) weeks of the passing of such resolution shall lapse and the Warrants will cease to be valid for any purpose

- Modifications to the terms of the Warrants : Any modification may be effected only by a further deed poll, executed by the Company and expressed to be supplemental to the Deed Poll and subject to the requirements in Condition 8 of Schedule 5 of the Deed Poll has been complied with. Any such modification shall however be subject to the approval of Bursa Securities and/or any other relevant authorities where required
- Adjustments in the Exercise Price and/ or number of Warrants : The Exercise Price and/ or number of unexercised Warrants may be adjusted by the Board, in consultation with its professional advisers, in the event of alteration to the share capital of the Company, capital distribution or issue of shares or any other events in accordance with the provisions of the Deed Poll
- Deed Poll : The Warrants shall be constituted by the Deed Poll
- Governing Law : Laws and regulations of Malaysia

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF ICULS WITH WARRANTS

3.1 General

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotment, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of ICULS with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Allotment into your CDS Account and the RSF to enable you to subscribe for the Rights ICULS with Warrants provisionally allotted to you, as well as to apply for Excess Rights ICULS and Warrants if you choose to do so.

3.2 NPA

The Provisional Allotment are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depository) Act, 1991 and therefore, all dealings in the Provisional Allotment will be by book entries through CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. You and/or your renounee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

3.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the Provisional Allotment is at 5.00 p.m. on 10 September 2013, or such extended date and time as our Board may decide at their absolute discretion. Where the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date.

3.4 Procedure for full acceptance and payment

Acceptance and payment for the Provisional Allotment must be made on the RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in these documents. Acceptances which do not conform to the terms of this AP, NPA or RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL ALLOTMENT, EXCESS APPLICATION FOR THE RIGHTS ICULS WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

If you or your renounee(s) (if applicable) wish to accept your entitlement, please complete Part I and III of the RSF in accordance with the notes and instructions provided therein. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST, COURIER** or **DELIVERED BY HAND** using the envelope provided (at your own risk) to our Share Registrar at the following address:

Plantation Agencies Sdn. Berhad
Standard Chartered Bank Chambers
Lebuh Pantai, 10300 Penang
Tel: (604) 262 5333
Fax: (604) 262 2018

so as to arrive not later than **5.00 p.m. on 10 September 2013**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board. A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by the Share Registrar for the Rights ICULS with Warrants, you are advised to use one (1) reply envelope for each completed RSF.

One (1) RSF can only be used for acceptance of the Provisional Allotment standing to the credit of one (1) CDS Account. Separate RSF must be used for the acceptance of the Provisional Allotment standing to the credit of more than one (1) CDS Account. If successful, Rights ICULS with Warrants subscribed by you or your renounee(s) (if applicable) will be credited into the respective CDS Accounts where the Provisional Allotment is standing to the credit.

You and/or your renounee(s) (if applicable) should take note that a trading board lot for the Rights ICULS with Warrants will comprise of 100 Rights ICULS and 100 Warrants each respectively. Successful applicants of the Rights ICULS will be given free attached Warrants on the basis of two (2) Warrants for every one (1) Rights ICULS successfully subscribed for. The minimum number of securities that can be subscribed for or accepted is one (1) Rights ICULS, which will be accompanied with two (2) Warrants. Fractions of a Rights ICULS with Warrants which may arise from the Rights Issue of ICULS with Warrants will be disregarded and shall be dealt in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance and payment for the Provisional Allotment is not received by our Share Registrar by **5.00 p.m. on 10 September 2013**, being the last date and time for acceptance and payment, or any other extended date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated date and time at their discretion, you and/or your renounee(s) (if applicable) will be deemed to have declined the provisional allotment made to you and/or your renounee(s) and it will be cancelled. In the event that the Rights ICULS with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights ICULS with Warrants to the applicants who have applied for Excess Rights ICULS with Warrants in the manner as set out in **Section 3.8** of this AP. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar. Our Board reserves the right not to accept or to accept in part only any application without providing any reasons.

If you or your renounee(s) (if applicable) who lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website (<http://www.bursamalaysia.com>), our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "UNIMECH RIGHTS ICULS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ICULS WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS ICULS WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPACHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEE(S) (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE OF ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF ICULS WITH WARRANTS.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPACHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF ICULS WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

3.5 Procedure for part acceptance by Entitled Shareholders

You are entitled to accept part of your Provisional Allotment. The minimum number of securities that can be subscribed for or accepted is one (1) Rights ICULS which will be accompanied with two (2) Warrants.

You must complete both Parts I and III of the RSF by specifying the number of Rights ICULS with Warrants which you are accepting and deliver the completed RSF together with the relevant payment to our Share Registrar in the manner set out in **Section 3.4** of this AP.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAIN THEREIN.

The portion of the Provisional Allotment that have not been accepted shall be allotted to any other persons allowed under the laws, regulations or rules to accept the transfer of the Provisional Allotment.

3.6 Procedure for sale/transfer of the Provisional Allotment

As the Provisional Allotment are prescribed securities, you may sell/transfer all or part of your entitlement to the Rights ICULS with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the Provisional Allotment standing to the credit of your CDS Account. To dispose of all or part of your entitlement to the Provisional Allotment, you may sell such entitlement on the open market or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have sold or transferred only part of the Provisional Allotment, you may still accept the balance of the Provisional Allotment by completing the RSF. Please refer to **Section 3.4** of this AP for the acceptance and payment.

In selling/transferring all or part of your Provisional Allotment, you and/or your renounee(s) (if applicable) need not deliver any document including the RSF, to any stockbroker. However you and/or your renounee(s) (if applicable) must ensure that there is sufficient Provisional Allotment standing to the credit of your CDS Account that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Allotment may obtain a copy of this AP and the RSF from their stockbrokers or from our Share Registrar as stated above. This AP and RSF are also available on Bursa Securities' website at <http://www.bursamalaysia.com>.

If you have sold or transferred only part of your entitlements to the Rights ICULS with Warrants, you may still accept the balance of your entitlements to the Rights ICULS with Warrants by completing and forwarding the RSF and the full amount payable, to our Share Registrar.

ENTITLED SHAREHOLDERS WHO SELL OR TRANSFER THEIR PROVISIONAL ALLOTMENT WILL AUTOMATICALLY BE SELLING OR TRANSFERRING THEIR ENTITLEMENTS TO THE RIGHTS ICULS AND THE ATTACHED FREE WARRANTS IN THE PROPORTION OF ONE (1) RIGHTS ICULS WITH TWO (2) ATTACHED WARRANTS. THEY CANNOT RETAIN THE PROVISIONAL ALLOTMENT WHILE SELLING OR TRANSFERRING THE RIGHTS ICULS, THE ATTACHED WARRANTS, OR VICE VERSA, NOR CAN THEY SELL OR TRANSFER THEIR ENTITLEMENTS IN ANY PROPORTION OTHER THAN THAT STATED ABOVE.

3.7 Procedure for acceptance by renounees

Renounees who wish to accept the Provisional Allotment must obtain a copy of the RSF from their stockbrokers, our Share Registrar, or at our Registered Office or from the Bursa Securities' website at <http://www.bursamalaysia.com> and complete the RSF and submit the same together with the remittance in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders are set out in **Section 3.4** of this AP also applies to renounees who wish to accept the Provisional Allotment.

RENOONEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND RSF CAREFULLY.

3.8 Procedure for application of Excess Rights ICULS with Warrants

As an Entitled Shareholder, you and/or your renounee(s) (if applicable) may apply for excess Rights ICULS and Warrants in addition to the Provisional Allotment by completing Part II of the RSF (in addition to Part I and III) and forward it (together with a **separate remittance made in RM** for the full amount payable in respect of the Excess Rights ICULS with Warrants applied for) to our Share Registrar at the address set out in **Section 3.4** of this AP, so as to arrive **not later than 5.00 p.m. on 10 September 2013**, being the last time and date for acceptance and payment, or such extended time and date as may be determined by our Board.

PAYMENT FOR THE EXCESS RIGHTS ICULS WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 3.4 OF THIS AP, AND IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "UNIMECH EXCESS RIGHTS ICULS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

Our Board reserves the right to allot any Excess Rights ICULS with Warrants applied for under Part II of the RSF and on a fair and equitable basis and in such manner as it deems fit or expedient in the best interest of our Company. As such, it is the intention of our Board to allot the Excess Rights ICULS with Warrants in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Shareholders who have applied for the Excess Rights ICULS with Warrants on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;
- (iii) thirdly, for allocation to Entitled Shareholders who have applied for the Excess Rights ICULS with Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights ICULS with Warrants applied for and;
- (iv) finally, for allocation to the renounees who have applied for the Excess Rights ICULS with Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights ICULS with Warrants applied for.

Subject always to (i), (ii), (iii) and (iv) above are achieved, our Board also reserves the right not to accept or to accept any application for Excess Rights ICULS With Warrants in part only, without assigning any reason.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS ICULS WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS ICULS WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS ICULS WITH WARRANTS.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS ICULS WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS ICULS WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

3.9 Form of issuance

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights ICULS and Warrants are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights ICULS and Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected.

No physical share or warrant certificate shall be issued to you under the Rights Issue of ICULS with Warrants. Instead, the Rights ICULS and Warrants will be credited directly into your CDS Account.

The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the address shown in the Record of Depositors provided by Bursa Depository within eight (8) Market Days from the last time and date for acceptance and payment of the Rights Issue of ICULS with Warrants.

Any person who intends to subscribe for the Rights ICULS with Warrants as a renounee by purchasing the provisional allotment of Rights ICULS and Warrants from an Entitled Shareholder will have his Rights ICULS and Warrants credited directly as prescribed securities into his CDS Account.

Subscription of Rights ICULS with Warrants by Entitled Shareholders

Where the Rights ICULS with Warrants are provisionally allotted to you as an Entitled Shareholder in respect of your existing Unimech Shares standing credit to your CDS Account on the Entitlement Date, the acceptance by you of the provisional allotment of the Rights ICULS and Warrants shall mean that you consent to receive such Rights ICULS and Warrants as prescribed or deposited securities credited directly into your CDS Account. Hence, the Rights ICULS and Warrants will be credited directly into your CDS Account upon allotment and issuance.

Subscription of Rights ICULS with Warrants by a renounee

Any person who has purchased the provisional allotment of Rights ICULS with Warrants or to whom the provisional allotment of Rights ICULS with Warrants has been transferred and intends to subscribe for the Rights ICULS with Warrants must state his/ her CDS Account number in the space provided in the RSF. The Rights ICULS and Warrants will be credited directly as prescribed or deposited securities into his/ her CDS Account upon allotment and issuance.

Application for excess Rights ICULS with Warrants by an Entitled Shareholder and/or his renounee(s) (if applicable)

The Excess Rights ICULS with Warrants, if allotted to the successful applicant who applies for Excess Rights ICULS with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the Excess Rights ICULS with Warrants will be made on a fair and equitable basis.

3.10 Laws of foreign jurisdictions

This AP, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue of ICULS with Warrants will not be made or offered in any foreign jurisdiction.

Foreign Entitled Shareholders or their renounee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of ICULS with Warrants only to the extent that it would be lawful to do so.

RHBIB, other experts, our Company and our Directors and officers would not, in connection with the Rights Issue of ICULS with Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders or their renounees (if applicable) are or may be subject to. Foreign Entitled Shareholders or their renounees (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. RHBIB, other experts, our Company and our Directors and officers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders or renounees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders or their renounees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders or the renounees (if applicable) may collect the AP including the accompanying documents from our Share Registrar, in which event the Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The foreign Entitled Shareholders or their renounees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders or their renounee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against us or RHBIB in respect of their rights and entitlements under the Rights Issue of ICULS with Warrants. Such foreign Entitled Shareholders or their renounee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of ICULS with Warrants.

By signing any of the forms accompanying this AP, the NPA and the RSF, the foreign Entitled Shareholders or their renounee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) RHBIB, other experts, our Company and our Directors and officers that:

- (i) we would not, by acting on the acceptance or renunciation in connection with the Rights Issue of ICULS with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renounees (if applicable) are or may be subject to;
- (ii) they have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;
- (iii) they are not nominees or agents of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;
- (iv) they are aware that the Rights ICULS and Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) they have respectively received a copy of this AP and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights ICULS and Warrants; and
- (vi) they have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights ICULS and Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights ICULS and Warrants.

Persons receiving this AP, NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, NPA and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, NPA and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of Rights ICULS and Warrants from any such application by foreign Entitled Shareholders or their renounees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights ICULS and Warrants as invalid if we believe that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

4. RATIONALE FOR THE RIGHTS ISSUE OF ICULS WITH WARRANTS

After due consideration of the various funding options available to the Company, the Board is of the opinion that the Rights Issue of ICULS with Warrants is the most appropriate avenue of fund raising for Unimech after taking into consideration several major factors including the following:

- (i) the Rights Issue of ICULS with Warrants will enable the Company to have interest savings as the coupon rate for the ICULS of 5.00% per annum is lower than its existing average cost of borrowings of approximately 7.86% per annum. The ICULS will enable the Group to secure its cost of funds during the tenure of the ICULS thereby reducing the Group's exposure to any fluctuation in interest rates;
- (ii) the issuance of ICULS with Warrants minimises the immediate dilution effect on the earnings of Unimech Share, which would otherwise arise from a full equity issue; and
- (iii) the free Warrants to be issued pursuant to the Rights Issue of ICULS with Warrants will provide the shareholders of Unimech with an incentive to subscribe for the ICULS. The Entitled Shareholders may also benefit from the potential capital appreciation of the Warrants. The Warrants will allow the Entitled Shareholders to increase their equity participation in the Company at a predetermined price over the tenure of the Warrants. In addition, the Company would also be able to raise further proceeds as and when any of the Warrants are exercised.

5. UTILISATION OF PROCEEDS

Based on the issue price of the ICULS at 100% of the nominal value of RM1.00 per Rights ICULS, the Rights Issue of ICULS with Warrants is expected to raise gross proceeds of approximately at least RM12.04 million and up to RM33.39 million. The proceeds are expected to be utilised in the following manner:

	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected timeframe for the utilisation of proceeds
Purchase of machineries and equipment ⁽¹⁾	3,000	3,000	Within twenty four (24) months from the date of receipt of the ICULS proceeds
Working capital ⁽²⁾	3,000	14,000	Within twenty four (24) months from the date of receipt of the ICULS proceeds
Repayment of bank borrowings ⁽³⁾	5,391	15,740	Within twelve (12) months from the date of receipt of the ICULS proceeds
Estimated expenses in relation to the Rights Issue of ICULS with Warrants ⁽⁴⁾	650	650	Within one (1) month from the date of receipt of the ICULS proceeds
TOTAL	12,041	33,390	

Notes:

(1) The Group intends to penetrate the oil and gas industry by applying for the American Petroleum Institute ("API") certification and set up an assembly line with API standard in Penang to manufacture cast steel ball valves ("API Set Up"). The API Set Up will be in the Group's existing factory in Penang and the setting up process is expected to commence by 1 January 2015 and to be completed by 30 June 2015. Production is expected to commence in July 2015 and the annual production capacity of the API Set Up is approximately 10,000 units of valves and the expected output in the first (1st) year is approximately 4,000 units of valves. The estimated cost of machineries and equipment for setting up API valves assembly lines is RM2.00 million.

In addition, the Group also plans to set up a Thailand Industrial Standard ("TIS") valves assembly lines in Thailand to manufacture butterfly valves and gate valves for the purpose of securing water work and building projects in Thailand ("TIS Set Up"). The TIS Set Up will be at a land owned by Unimech Engineering Group (Thailand) Co. Ltd., an associate company of Unimech and the setting up process is expected to commence by 1 January 2014 and to be completed by 30 June 2014. Production is expected to commence July 2014 and the annual production capacity of the TIS Set Up is approximately 24,000 units of valves and the expected output in the first (1st) year is approximately 8,000 units of valves. The estimated cost for the TIS valves assembly lines is RM1.00 million.

The type of machineries and equipment for the purpose of the API Set Up and the TIS Set Up are set out below:

Machinery/Equipment	API Set Up (Units/Sets)	TIS Set Up (Units/Sets)
Computer numerical control lathe machine	1	-
Auto magazine bar feeder	3	-
Single column vertical lathe machine	1	-
Bed lathe machine	2	-
Vertical turret milling machine	1	-
Radial drilling machine	2	2
Heavy duty drilling machine	1	-
Band saw	1	-
Hydrostatic testing machine	1	-
Spray booth accompany with chimney	1	-
Hand tools	1	-
Measuring instruments	1	-
X-ray diffraction analyzer	1	-
Air compressor	1	2
Welding machine	3	-
Assembly line with tables and conveyors	1	1
Computer and softwares	4	6
Pallet truck	4	5
Racking system	1	1
Vertical drilling machine	-	4
Pneumatic marking machine	-	2
Pressure landline	-	2
Press kit	-	1
Horizontal lathe	-	1
Hydraulic valves testing machines	-	5
High pressure valve test bench blasting	-	1
Hydraulic universal testing machine	-	1
Brinell hardness	-	1
Material analyzer	-	1
Forklift	-	2
Total machinery and equipment	31	38

- (2) The proceeds for working capital will be utilised to finance the day-to-day operations of the Group and is estimated to be utilised in the following manner:

	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Purchase of valves and fittings for the oil and gas market in Malaysia.	2,000	6,000
Purchase of valves for the oil and gas market in Thailand.	1,000	2,000
Payment to the suppliers for the supply of goods which consists of valves, fitting and pipes for the projects the Group bid successfully in the Thailand market.	-	3,000
Purchase of valves and fittings for the heat, ventilation and air-condition market in Vietnam.	-	3,000
TOTAL	3,000	14,000

- (3) The proposed repayment of bank borrowings is as follows:

No.	Facility	Bank name	Amount outstanding as at the LPD (RM'000)	Minimum Scenario Proposed repayment (RM'000)	Maximum Scenario Proposed repayment (RM'000)	Interest rate (% per annum)/ Maturity date	Purpose of borrowing
1.	Overdraft	Hong Leong Bank Berhad	1,458	1,391	1,440	7.85	Working capital
2.	Overdraft	Malayan Banking Berhad	761	500	500	8.10	Working capital
3.	Overdraft	RHB Bank Berhad	760	700	700	8.10	Working capital
4.	Overdraft	United Overseas Bank (M) Berhad	687	600	600	8.10	Working capital
5.	Revolving credit	Amlslamic Bank Berhad	15,257	2,200	12,500	7.85/ 6 months	Working capital
TOTAL			18,923	5,391	15,740		

As at the LPD, the total amount of outstanding bank borrowings of the Unimech Group amounts to RM106.68 million. The repayment of bank borrowings amounting to between RM5.39 million and RM15.74 million (as the case may be) is expected to result in interest savings of approximately RM0.16 million to RM0.45 million per annum respectively (calculated based on their interest rates and facilities set out above). The interest savings is based on the assumption that the proceeds from the Rights Issue of ICULS with Warrants will be utilised to repay the abovementioned bank borrowings which are outstanding as at the LPD.

- (4) The expenses relating to the Rights Issue of ICULS with Warrants comprising professional fees, fees payable to relevant authorities and other related expenses are estimated at RM650,000. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the working capital of Unimech.

The proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants to be exercised during the tenure of the Warrants. Such proceeds will be used for the Unimech Group's working capital requirements.

6. RISK FACTORS

You and/or your renounee(s) (if applicable) should carefully consider the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue of ICULS with Warrants.

6.1 Risks relating to our Group

(i) Competition

The Group faces competition from various competitors, both domestically and abroad, which include private and public listed companies. Should the Group fail to overcome the competition, it will cause lost of market share and subsequently lost of revenue. This will affect the financial position of the Group. Nevertheless, the Group has successfully established a strong relationship with its customers and is confident that it will maintain its competitive advantage by ensuring prompt deliver, price competitiveness of its products and consistent quality. The Group is constantly looking at improving its manufacturing processes and to increase manufacturing efficiency, standards and quality of its products through research and development (“R&D”) and extend its product ranges to remain competitive. However, there can be no assurance that the Group will be able to maintain its existing market position in the future.

(ii) Business Risks

The principal business activities of the Group are in the manufacture and trading of valves, pipe fittings, instrumentation, burner, spare parts and boilers. The Group is therefore subject to certain risks inherent in the related industries. These risks include constraints in labour supply, changes in economic and business conditions, foreign exchange rate fluctuations, increase in the prices of the imported and local components, unfavourable changes in Government and international policies, the introduction of new and superior technology or products and services by competitors and entry by new players. Any of these may be a threat to the operations and/or financial performance of the Group.

Although the Group seeks to limit these risks through, *inter-alia*, increasing the efficiency of operations, diversifying the pool of suppliers, expanding the business through increasing its range of customers, products and services, for both the local and overseas markets, and improving its technological competence in R&D and advanced technologies, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group’s business.

(iii) Supply and prices of inventories and raw materials

The Group sources its inventories and raw materials from different suppliers. It is not dependent on any single supplier for sourcing its inventories and raw materials. The Group has built long-term relationships with its existing inventories and raw materials suppliers. The Group is also exposed to the risk of fluctuations in prices of inventories and raw materials. Notwithstanding this risk, the Group may still be able to maintain reasonable profits if it can pass the increase in cost to its customers. The management of the Group does not foresee any difficulties in procuring the inventories and raw materials from local and overseas suppliers and is able to identify additional suppliers should the need arise.

In addition, the management of the Group is also well versed with the market trends of the inventories and raw material prices and availability therefore limiting the Group's exposure to the risk of price fluctuation of inventories and raw material. However, there can be no assurance that any significant change to the supply and the fluctuations in inventories and raw materials prices will not affect the future profitability of the Group. For the last three (3) years up to the LPD, the Group has not encountered any significant fluctuations of supply and prices of inventories and raw materials that have resulted in any material adverse impact to the financials of the Group.

(iv) Risks arising from our overseas business ventures

The majority of our revenue was generated locally, i.e., approximately 56% for FYE 31 December 2012 with the remaining contributed by our overseas business. We are exposed to risks arising from our overseas business ventures given the different business operating conditions and regulatory environments in other countries such as Singapore, Indonesia, Thailand, China, Australia, Korea, Philippines and Vietnam, amongst others, the general economy, political stability, legal and tax legislation, credit environment and foreign exchange rules. If we fail to fully understand the local environment of our overseas ventures, it may cause us to make decisions which may lead to a negative outcome. Notwithstanding, the Group has not in the past three (3) financial years encounter any difficulties with our overseas business ventures that has resulted in any material adverse impact to the financials of the Group.

(v) Political, economic and regulatory considerations

Any adverse developments in political, economic and regulatory conditions in Malaysia and the countries such as Singapore, Indonesia, Thailand, China, Australia, Korea, Philippines, Vietnam, United States and Kuwait where the Group has business dealings may materially and adversely affect the financial prospects of the Group and the industry in which it operates. Amongst the political, economic and regulatory uncertainties are the changes in political leadership, expropriation, nationalism, renegotiation or nullification of existing sales orders and contracts, changes in interest rates and methods of taxation and currency exchange rules and contracts. Whilst the Group will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Group.

(vi) The non-existence of long term contracts with customers and suppliers

(a) Customers

The Group does not have long-term contracts with its customers and orders from its regular customers are on a day-to-day basis. Hence, there is no assurance that Unimech will not experience low sales at any point of time. It should be highlighted that it is not common practice for suppliers of valves, fittings, instruments and related products for general industries to enter into long term contracts with its customers. In order to minimise this risk, the Group provides after-sales service and is prompt in responding to any customer's complaint. These services provided by the Group are crucial aspects in retaining its customers.

(b) Suppliers

The Group enters into open-ended contracts with its suppliers, where they remain the authorised distributors for products until the contracts are terminated by either the Group or the supplier. Contracts may restrict the Group from obtaining their supplies from other suppliers should they be of better quality or lower prices.

The Group has long-term relationship with most of its suppliers, which it has built over the years, based on mutual trust and support. The relationship between the Group and its suppliers can ensure a constant and reliable supply of inventories and raw materials.

(ix) Dependence on key personnel

The Group believes that its continued success depends to a significant extent upon the abilities and continued efforts of its existing Directors and senior management. The loss of any key members of the Board and senior management may to a certain extent affect the Groups' continued ability to maintain and improve its performance. Efforts are presently being made by the Group to groom other members of the management to assume more responsibilities to ensure a smooth transition should any further changes occur. The Group is also making efforts to attract and retain key personnel.

(x) Foreign exchange risk

Unimech is subjected to foreign exchange risk as a result of sales and purchases transacted in various currencies. As such, any fluctuation in foreign exchange rates would have implication on the Group's profitability.

The risk of foreign currency exchange fluctuation is, to a certain extent, mitigated by the managed float mechanism adopted by the BNM on the RM versus the USD conversion rate since the de-pegging of the RM. This may prevent any extreme fluctuations of the RM vis-à-vis USD. Currently, the Group does not use forward contracts or other derivative instruments to mitigate its foreign exchange risk. Notwithstanding that, the Group may undertake hedging activities for future spending, if required, against foreign exchange fluctuations. For the past three (3) years up to the LPD, the Group has not encountered any significant foreign currency exchange fluctuation that has resulted in any material adverse impact to the financials of the Group.

(xi) Sensitivity to economic downturn

The Group is facing present world economic outlook which is uncertain. Any slowdown in the growth of the manufacturing and trading industry and other general world-wide economic activities could materially and adversely affect the Group's operating result and financial condition. Nevertheless, Unimech has been actively pursuing and also has successfully sought other lines of business representations and including products for oil and gas industries, waste water, water works, marines and ship building industries and boilers and burners for Indonesia markets to expand its market share in Malaysia and overseas markets that it presently operates due to Unimech's reputation and past performance in the Malaysian and overseas markets, which acts as a mitigating factor.

6.2 Risks relating to the Rights Issue of ICULS with Warrants

(i) Unsecured obligations

The ICULS bear a coupon rate of 5.00% per annum on the nominal value, payable bi-annually in arrears. The ICULS shall constitute, direct, unsecured and unconditional obligation of our Company ranking *pari passu* amongst themselves and with all other subordinated and unsecured obligations of our Company, subject only to those preferred by mandatory provisions of law. Moving forward, there is no assurance that the financial performance of our Group would be profitable to sustain the financial condition of our Group at a satisfactory level to support the value of the ICULS.

Our Company will endeavour to ensure that we will maintain prudent cash flow management and monitoring our cash flow position regularly to minimise the event of default. However, there is no assurance that our Company will generate sufficient cash flow to mitigate the credit risk of the ICULS.

(ii) Credit risk of the ICULS

The tenure of the ICULS is for a period of up to five (5) years and may be subject to higher credit risks such as risk of default as compared to investors depositing their funds in fixed deposit with a licensed financial institution.

Pursuant to the terms of the ICULS, our Company will be required to make bi-annual coupon payments to the holders of the ICULS. The ability to service the coupon payments is dependent on our Company's generation of sufficient revenue and cash flow. Our Company will endeavour to fulfil the obligation to service the coupon payments.

(iii) Market price of the Rights ICULS and Warrants

The issue price of the Rights ICULS and the exercise price of the Warrants have been determined, after taking into consideration, amongst others, the theoretical ex-all price of our Shares, the par value of Unimech Shares, the past financial performance of Unimech, prospects of Unimech, the upward share price trend of Unimech for the past twelve (12) months and the funding requirements of the Unimech Group as disclosed in **Section 5** of this AP.

The market price of our Shares is influenced by, amongst others, prevailing market sentiments, volatility of equity markets, the Company's industry outlook and our financial performance. In view of this, there can be no assurance that the Rights ICULS will trade above the Issue Price or the theoretical ex-all price of our Shares upon or subsequent to the listing of and quotation for the Rights ICULS on the Main Market of Bursa Securities.

(iv) Volatility in market prices

As announced on 19 April 2013, the Board has fixed the conversion price at RM1.00 per Rights ICULS and the exercise price at RM1.50 per Warrant. The conversion price of RM1.00 and the exercise price of RM1.50 has been arrived at after taking into consideration, amongst others, the theoretical ex-all price of our Shares, the par value of Unimech Shares, the past financial performance of Unimech, prospects of Unimech, the upward share price trend of Unimech for the past twelve (12) months and the funding requirements of the Unimech Group as disclosed in **Section 5** of this AP.

The market price of the ICULS and the Warrants will be dependent on, amongst others, the market price of Unimech Shares and the remaining conversion period of the ICULS and the exercise period of the Warrants. However, there can be no assurance that the ICULS and Warrants will be 'in-the-money' upon listing of the ICULS and Warrants on the Main Market of Bursa Securities i.e. the market price of Unimech Shares trading above the conversion price of Unimech of RM1.00 and the exercise price of the Warrants of RM1.50. The future market price of Unimech Shares may trade either above or below the conversion price of the ICULS of RM1.00 and the exercise price of the Warrants of RM1.50.

(v) No prior market for ICULS and Warrants

Prior to the Rights Issue of ICULS with Warrants, there has been no established trading market for our ICULS and Warrants, respectively. The market price of our ICULS and Warrants on Bursa Securities will depend on, amongst others, the prevailing stock market sentiments, the volatility of the stock market, interest rate movements, future profitability of our Group, as well as the future prospects of the industry in which our Group operates. No assurance can be given that an active market will develop upon listing of our ICULS and Warrants on Bursa Securities, or if developed, that such market will sustain. There can also be no assurance that the market price of our ICULS and Warrants will be maintained at any particular level subsequent to their issue.

(vi) Delay in or abortion of the Rights Issue of ICULS with Warrants

There is a risk that the Rights Issue of ICULS with Warrants may be aborted or delayed on the occurrence of any one or more of the following events:

- (i) material adverse change of events/circumstances, which are beyond the control of our Company and RHBIB, arising during the implementation of the Rights Issue of ICULS with Warrants; and
- (ii) as set out in **Section 2.5** of this AP, the Undertaking Shareholders who have provided their irrevocable undertakings to subscribe for 12,040,625 Rights ICULS under the Rights Issue of ICULS with Warrants may not fulfil, or be unable to fulfil their obligations pursuant to their irrevocable undertakings.

In this respect, our Company will exercise our best endeavours to ensure the successful implementation of the Rights Issue of ICULS with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or the abortion of the Rights Issue of ICULS with Warrants. Pursuant to Section 243 of the Capital Markets and Services Act, 2007, in the event that the Rights Issue of ICULS with Warrants is aborted, our Company will repay without interest all monies received from the applicants in pursuance to the AP, and if any such monies not repaid within fourteen (14) days after it becomes liable, our officers shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

6.3 Forward-looking statements

Certain statements in this AP are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on forecasts and assumptions made by our Group and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may affect the actual results, performance or achievements implied in such forward-looking statements. Such factors include, *inter alia*, the risk factors as set out in this section. In light of these and other uncertainties, the inclusion of forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 4.1% in the first quarter of 2013 (4Q 2012: 6.5%), supported by stronger domestic demand that expanded by 8.2% during the quarter (4Q 2012: 7.8%). Private consumption registered strong growth during the quarter, while the expansion in gross fixed capital formation continued to be firm, reflecting sustained capital spending by both the private and public sectors. Exports contracted marginally during the quarter, and with higher growth of imports, led to a larger negative contribution of net exports to growth. On the supply side, while the domestic-oriented industries continued to register sustained growth, activity in the major economic sectors was weighed down by the weak external conditions.

For the Malaysian economy, domestic demand is expected to remain as the key driver of growth, driven by sustained private sector expansion and supported by the public sector. While global developments will continue to present downside risks, intra-regional trade is expected to reinforce the growth performance.

(Source: Economic and Financial Developments in Malaysia in the First Quarter 2013, BNM)

The Malaysian economy continued to expand 4.1% driven by strong domestic economic activity albeit moderate global growth (Q4 2012: 6.5%). On the supply side, all sectors posted positive growth except mining. The services sector grew 5.9% (Q4 2012: 6.4%) supported by the wholesale and retail trade, finance and insurance, as well as communication subsectors. The construction sector registered a double-digit growth of 14.7% (Q4 2012: 17.6%) led by the civil engineering subsector. The agriculture sector grew further by 6.0% (Q4 2012: 5.6%) largely supported by the expansion in output of palm oil and fishing. Meanwhile, the manufacturing sector recorded a marginal growth of 0.3% (Q4 2012: 5.7%) following lower production of petroleum products and weaker global demand for personal computers.

On the domestic front, the Malaysian economy is expected to sustain its growth momentum into the second half of the year. This is reflected by the Leading Index, which grew 1.1% from October 2012 to March 2013. On the demand side, growth is expected to emanate from firm domestic demand and gradual improvement in external demand. Private sector activity is expected to be more upbeat due to high investment in the manufacturing and services sectors. Public investment will largely be driven by non-financial public enterprise companies, particularly in the implementation of infrastructure, oil and gas, transport and utility projects. Private consumption is expected to continue to grow due to the stable labour market and increasing household income. On the supply side, growth will be supported by continued expansion in the services and construction sectors as well as some recovery in the manufacturing sector.

(Source: Quarterly Malaysian Economy, 1st Quarter 2013, Ministry of Finance Malaysia)

The Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5% - 5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger momentum in the economies of Malaysia's major trading partners. Domestic demand is expected to maintain its strong momentum driven by robust private investment and strong private consumption. Private sector activity will be supported by an accommodative monetary policy in an environment of low inflation coupled with a robust financial sector. Recovery in the external sector, particularly increasing external demand from regional economies and major trading partners will further provide the impetus for a private-led growth.

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

7.2 Overview and outlook of the Indonesian economy

The Association of Southeast Asian Nations (ASEAN) economies continued to remain resilient during the first half of 2012 on account of strong domestic demand despite slower exports. The GDP of Indonesia expanded 6.3% (January – June 2011: 6.5%) mainly driven by robust investment and government spending. Capital investment rose 11.2% largely contributed by the expenditure on imported transport equipment, while public consumption grew 6.5%. On the supply side, growth was mainly driven by a double-digit expansion of 10.2% in the transport and communication subsector. Inflation stood at 4.6% (August 2011: 4.8%) mainly due to higher basic food prices. Bank Indonesia has maintained its policy rate at 5.75% since February 2012 to support economic growth. For 2012, the economy is expected to grow 6.5% (2011: 6.5%).

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

In Indonesia, growth was sustained (1Q 2013: 6%; 4Q 2012: 6.1%), as the improvement in net exports offset weaker investment. Resilient consumption also supported economic activity in Indonesia.

Headline inflation rose at a slightly faster pace in several Asian economies such as in Indonesia whereby food costs increased amid lower supply conditions.

(Source: Economic and Financial Developments in Malaysia in the First Quarter 2013, BNM)

7.3 Overview and outlook of the Thailand economy

The GDP of Thailand grew 2.2% (January – June 2011: 3%) mainly driven by strong domestic consumption. Private consumption increased 4.1% following post-flood recovery programmes and income support policies undertaken by the government which helped to boost consumer confidence. Private investment rose 10.5% mainly due to higher imports of machinery and equipment to repair the factories, as well as the acceleration of post-flood construction projects. Inflation eased further to 2.7% (August 2011: 4.3%), reflecting a slower increase in the prices of consumer products. The Bank of Thailand has maintained its policy rate at 3.00% since January 2012 to support a firm recovery of the economy. For 2012, GDP is expected to grow between 5.2% and 6.2% (2011: 0.1%).

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

7.4 Overview and outlook of the Vietnam economy

The GDP of Vietnam grew 4.4% (January – June 2011: 5.6%) attributed to the strong performance in the services, manufacturing and construction sectors. Inflation eased significantly from a peak of 23% in August 2011 to 5% in August 2012 on account of fiscal and monetary policy tightening measures, including a total of 600 basis points in policy rate hikes to 15.00% in 2011. In tandem with easing inflation, the State Bank of Vietnam has lowered its policy rate by a total of 500 basis points since March 2012 to 10.00% in July to stimulate economic growth. For 2012, Vietnam's economy is expected to grow 6% (2011: 5.9%).

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

As inflationary pressures generally remained moderate, most regional central banks kept their key policy rates unchanged during the quarter to provide support to economic activity. The State Bank of Vietnam reduced its discount, refinancing and overnight rates by 100 basis points to 5%, 7% and 8% respectively to increase lending to businesses and support the economy.

(Source: Economic and Financial Developments in Malaysia in the First Quarter 2013, BNM)

7.5 Overview and prospects of the trading and services sector

The services sector registered a growth of 5.9% in the first quarter (4Q 2012: 6.4%), driven mainly by sub-sectors catering to the domestic market. Growth in the wholesale and retail sub-sector improved to 5.9% (4Q 2012: 2.4%). The retail segment was supported by strong household spending, while growth in the wholesale segment was attributed to the wholesale of petroleum products for domestic consumption. In the communication subsector, growth remained robust (9%; 4Q 2012: 8.6%), driven by continued demand for data communication services. The finance and insurance sub-sector continued to expand (6.2%; 4Q 2012: 10.8%), as growth in bank lending and net interest income remained favourable. Slower capital market activity, however, affected fee income during the quarter. Meanwhile, growth in the transport and storage sub-sector was lower (3.8%; 4Q 2012: 4.4%), due to slower external trade activity.

(Source: Economic and Financial Developments in Malaysia in the First Quarter 2013, BNM)

The services sector charted a firm growth of 5.9% (Q4 2012: 6.4%) and contributed 3.2 percentage points to overall GDP growth, supported by higher consumption and investment activities. The intermediate services group grew 6.3% (Q4 2012: 8.3%) bolstered by the real estate and business services, finance and insurance as well as communication subsectors. Meanwhile, the final services group rose 5.6% (Q4 2012: 3.1%) led by the wholesale and retail trade as well as accommodation and restaurant subsectors.

(Source: Quarterly Malaysian Economy, 1st Quarter 2013, Ministry of Finance Malaysia)

Prospects for the services sector are expected to remain upbeat in 2013, with the accelerated implementation of major initiatives under the National Key Result Areas and continued investment in the seven services subsectors under the National Key Economic Areas. These initiatives are expected to drive the wholesale and retail trade, finance and insurance and communication subsectors, which are expected to grow 6.8%, 5.2% and 8.2% (2012: 5.7%; 4.2%; 9.3%), respectively. Overall, the value-added of the sector is estimated to remain strong at 5.6% (2012: 5.5%) supported by domestic consumption, investment and travel-related activities.

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

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7.6 Overview and prospects of Unimech Group

The Unimech Group is an integrated valves, fittings and instruments supplier where the Group owns manufacturing plants (which are located in Malaysia and China) to produce their own brand names products (such as "Arita", "Q-flex", "Unijin", "Bells", "Allen" and "Icontronic") which is distributed by the Group's marketing networks in various part of the world namely Malaysia, Singapore, Indonesia, Thailand, China, Australia and Vietnam. Currently, the Company's revenue is mainly derived from valves, instruments and fittings which contributes approximately 82% of the Group's revenue based on the audited financial statements for the FYE 2012.

For the FYE 2012, 56% of the Group's revenue was derived from Malaysia and 44% was contributed by overseas operation. The Malaysian operation and overseas operation imported their goods from overseas and distributed to local markets. The goods are normally imported in USD which shall be subject to the risk of USD fluctuation.

The uncertainties in the Eurozone still pose a major drag to the global economy. Although the global economic conditions are challenging, it is still expected to continue growing albeit at a moderate pace. Unimech envisage that the Group's core business is not expected to be adversely affected significantly as the Group's products are supplied to various industries such as heat, ventilation and air-conditioning application, palm oil industries, marine and ship building, water works and oil and gas industries. As such, the recession of a single industry will not adversely affect the Unimech Group.

The Group intends to implement their growth strategies by:

- (i) increasing the Group's presence in new markets and industries such as the oil and gas, marine and ship building sectors. The Group also intends to penetrate the water works and waste water markets;
- (ii) to further expand the Group's operations in Indonesia, Thailand and Australia markets. The Group also plans to set up its Vietnam operation by the second half of this year. Presently the products in Vietnam are distributed through an agent in Vietnam;
- (iii) to increase the Group's product range by offering and providing higher value added products such as control and automated valves; and
- (iv) continue to promote the Group's own brand name products especially "ARITA", "Q-flex", "Unijin", "Bells", "Allen" and "Icontronic".

In view of the above, our Board believes that the prospect of our Group is favourable after having considered all the relevant aspects including the outlook of the industry which are closely linked to our business performance.

8. EFFECTS OF THE RIGHTS ISSUE OF ICULS WITH WARRANTS

For illustration purposes, the effects of the Rights Issue of ICULS with Warrants shall be based on the following two (2) scenarios:

Minimum Scenario : Assuming only the Undertaking Shareholders subscribe for their entitlement pursuant to the Rights Issue of ICULS with Warrants and all treasury shares are retained in the Company.

Maximum Scenario : Assuming all treasury shares are resold at open market at the cost price and all the existing shareholders of Unimech subscribe to the Rights Issue of ICULS with Warrants.

8.1 Issued and paid-up share capital

The proforma effects of the Rights Issue of ICULS with Warrants on the issued and paid-up share capital of Unimech are set out below:

	<--- Minimum Scenario --->		<--- Maximum Scenario--->	
	No. of Unimech Shares	RM	No. of Unimech Shares	RM
Existing issued and paid-up capital as at the LPD	133,561,334	66,780,667	133,561,334	66,780,667
Less: Treasury shares, at par	(12,731,366)	(6,365,683)	-	-
	120,829,968	60,414,984	133,561,334	66,780,667
To be issued pursuant to the full conversion of ICULS pursuant to the Rights Issue of ICULS with Warrants	12,040,625	6,020,313	33,390,333	16,695,167
After the full conversion of the ICULS	132,870,593	66,435,297	166,951,667	83,475,834
To be issued upon full exercise of Warrants pursuant to the Rights Issue of ICULS with Warrants	24,081,250	12,040,625	66,780,666	33,390,333
Enlarged issued and paid-up capital	156,951,843	78,475,922	233,732,333	116,866,167

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8.2 NA per share and gearing

Based on the audited consolidated financial statements of Unimech for the financial year ended 31 December 2012 and on the assumption that the Rights Issue of ICULS with Warrants had been effected on that date, the proforma effects of the Rights Issue of ICULS with Warrants on the NA per Share and gearing are set out below:

Minimum Scenario

	Audited as at 31 December 2012	Adjusted consolidated statement of financial position as at 31 December 2012 ⁽¹⁾	Proforma I After the Rights Issue of ICULS with Warrants	Proforma II After Proforma I and the full conversion of the ICULS	Proforma III After Proforma II and the full exercise of the Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	66,781	66,781	66,781	72,801	84,842
Treasury shares	(8,366)	(8,972) ⁽²⁾	(8,972)	(8,972)	(8,972)
Share premium	13,459	13,459	13,459	17,559	41,640
Other reserves	(584)	(584)	(9,675) ⁽³⁾	(9,675) ⁽³⁾	(584)
ICULS-Equity Portion	-	-	10,120 ⁽⁴⁾	-	-
Warrant reserves	-	-	9,091	9,091	-
Retained profits	106,544	106,544	105,894 ⁽⁵⁾	105,254 ⁽⁵⁾⁽⁶⁾	105,254 ⁽⁵⁾⁽⁶⁾
Shareholders fund/NA	177,834	177,228	186,698	186,058	222,180
Number of shares	121,348	120,830	120,830	132,871	156,952
NA per share (RM)	1.47	1.47	1.55	1.40	1.42
Total borrowings (RM)	92,929	92,929	90,099 ⁽⁷⁾	87,538	87,538
Gearing ratio (times)	0.52	0.52	0.48	0.47	0.39

Notes:

- (1) After incorporating the 517,700 treasury shares amounting to RM606,239 on the audited consolidated statement of financial position of Unimech Group as at 31 December 2012 which was purchased from the open market subsequent to the financial year ended 31 December 2012 and up to the LPD.
- (2) Including 517,700 treasury shares amounting to RM606,239 which was purchased on the open market by the Company subsequent to the FYE 31 December 2012 and up to the LPD.
- (3) Including the corresponding debit balance of the warrant reserve amounting to RM9.09 million.
- (4) Including deferred tax assets of RM0.64 million.
- (5) After taking into consideration the estimated defrayment cost of RM650,000 pursuant to the Rights Issue of ICULS with Warrants.
- (6) Including deferred tax assets of RM0.64 million charged to retained profits.
- (7) Including the liability portion of the ICULS amounting to RM2.56 million which was arrived at by discounting the semi-annually coupon payments over the tenure of five (5) years at a discount rate of 6.40%, being the weighted average cost of capital of Unimech.

Maximum Scenario

			Proforma I	Proforma II	Proforma III	Proforma IV
	Audited as at 31 December 2012	Adjusted consolidated statement of financial position as at 31 December 2012 ⁽¹⁾	Assuming the treasury shares are resold at the open market at cost	After Proforma I and the Rights Issue of ICULS with Warrants	After Proforma II and the full conversion of the ICULS	After Proforma III and the full exercise of the Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	66,781	66,781	66,781	66,781	83,476	116,866
Treasury shares	(8,366)	(8,972) ⁽²⁾	-	-	-	-
Share premium	13,459	13,459	13,459	13,459	24,828	91,609
Other reserves	(584)	(584)	(584)	(25,794) ⁽³⁾	(25,794) ⁽³⁾	(584)
ICULS-Equity Portion	-	-	-	28,064 ⁽⁴⁾	-	-
Warrant reserves	-	-	-	25,210	25,210	-
Retained profits	106,544	106,544	106,544	105,894 ⁽⁵⁾	104,119 ⁽⁵⁾⁽⁶⁾	104,119 ⁽⁵⁾⁽⁶⁾
Shareholders fund/NA	177,834	177,228	186,200	213,614	211,839	312,010
Number of shares	121,348	120,830	133,561	133,561	166,952	233,732
NA per share (RM)	1.47	1.47	1.39	1.60	1.27	1.33
Total borrowings (RM)	92,929	92,929	92,929	84,290 ⁽⁷⁾	77,189	77,189
Gearing ratio (times)	0.52	0.52	0.50	0.39	0.36	0.25

Notes:

- ⁽¹⁾ After incorporating the 517,700 treasury shares amounting to RM606,239 on the audited consolidated statement of financial position of Unimech Group as at 31 December 2012 which was purchased from the open market subsequent to the financial year ended 31 December 2012 and up to the LPD.
- ⁽²⁾ Including 517,700 treasury shares amounting to RM606,239 which was purchased on the open market by the Company subsequent to the FYE 31 December 2012 and up to the LPD.
- ⁽³⁾ Including the corresponding debit balance of the warrant reserve amounting to RM25.21 million.
- ⁽⁴⁾ Including deferred tax assets of RM1.78 million.
- ⁽⁵⁾ After taking into consideration the estimated defrayment cost of RM650,000 pursuant to the Rights Issue of ICULS with Warrants.
- ⁽⁶⁾ Including deferred tax assets of RM1.78 million charged to retained profits.
- ⁽⁷⁾ Including the liability portion of the ICULS amounting to RM7.10 million which was arrived at by discounting the semi-annually coupon payments over the tenure of five (5) years at a discount rate of 6.40%, being the weighted average cost of capital of Unimech.

8.3 Earnings and EPS

Save for the effect of the defrayment costs incurred pursuant to the Rights Issue of ICULS with Warrants, the Rights Issue of ICULS with Warrants are not expected to have any material effect on the earnings of the Group for the financial year ending 31 December 2013.

However, the Rights Issue of ICULS with Warrants will result in a corresponding reduction in the EPS of Unimech as a result of the increase in the number of Unimech Shares in issue upon the completion of the Rights Issue of ICULS with Warrants and as and when the ICULS are converted and the Warrants are exercised into new Unimech Shares respectively.

8.4 Substantial shareholders' shareholding

The proforma effects of the Rights Issue of ICULS with Warrants on the substantial shareholders' shareholding of Unimech based on the Record of Depositors as at the LPD are set out below:

Minimum Scenario

Substantial shareholder	Shareholdings as at the LPD				Proforma I			
	Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	38,162,500	31.58	7,335,868 ⁽¹⁾	6.07	38,162,500	31.58	7,335,868 ⁽¹⁾	6.07
Lim Kim Guan	10,000,000	8.28	1,634,638 ⁽²⁾	1.35	10,000,000	8.28	1,634,638 ⁽²⁾	1.35

Substantial shareholder	After the full conversion of the ICULS				Proforma II				Proforma III			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	47,703,125	35.90	7,335,868 ⁽¹⁾	5.52	66,784,375	42.55	7,335,868 ⁽¹⁾	4.67				
Lim Kim Guan	12,500,000	9.41	1,634,638 ⁽²⁾	1.23	17,500,000	11.15	1,634,638 ⁽²⁾	1.04				

Notes:

⁽¹⁾ Deemed interested by virtue of his spouse and children's direct interest in Unimech.

⁽²⁾ Deemed interested by virtue of his spouse's direct interest in Unimech.

Maximum Scenario

Substantial shareholder	Shareholdings as at the LPD				Proforma I			
	Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	38,162,500	31.58	7,335,868 ⁽¹⁾	6.07	38,162,500	28.57	7,335,868 ⁽¹⁾	5.49
Lim Kim Guan	10,000,000	8.28	1,634,638 ⁽²⁾	1.35	10,000,000	7.49	1,634,638 ⁽²⁾	1.22

Substantial shareholder	After the Rights Issue of ICULS with Warrants				Proforma II				Proforma III			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	38,162,500	28.57	7,335,868 ⁽¹⁾	5.49	47,703,125	28.57	9,169,835 ⁽¹⁾	5.49				
Lim Kim Guan	10,000,000	7.49	1,634,638 ⁽²⁾	1.22	12,500,000	7.49	2,043,297 ⁽²⁾	1.22				

Substantial shareholder	After the full exercise of the Warrants				Proforma IV			
	Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	66,784,375	28.57	12,837,769 ⁽¹⁾	5.49	66,784,375	28.57	12,837,769 ⁽¹⁾	5.49
Lim Kim Guan	17,500,000	7.49	2,860,616 ⁽²⁾	1.22	17,500,000	7.49	2,860,616 ⁽²⁾	1.22

Notes:

⁽¹⁾ Deemed interested by virtue of his spouse and children's direct interest in Unimech.

⁽²⁾ Deemed interested by virtue of his spouse's direct interest in Unimech.

9. DETAILS OF OTHER CORPORATE EXERCISES

As at the LPD, our Board confirms that save for the following proposals, there is no other outstanding corporate exercise intended to be taken by us which has been approved by the regulatory authorities but not yet implemented:

- (a) Rights Issue of ICULS with Warrants; and
- (b) proposed listing of PT Arita Prima Indonesia, TBK, a 85.00% owned subsidiary of Unimech on the Indonesia Stock Exchange.

10. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

10.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds from the Rights Issue of ICULS with Warrants, cash in hand and banking facilities available, our Group will have adequate working capital to meet our current core business requirements due within a period of twelve (12) months from the date of this AP.

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10.2 Borrowings

As at the LPD, Unimech Group has total outstanding borrowings of approximately RM106.68 million, all of which are interest-bearing and from local and foreign financial institutions. The details of the total outstanding borrowings (which have not been audited) are as follow:

	By currencies								Total	
	RM'000	IDR'000 ⁽¹⁾	RM'000	USD'000 ⁽²⁾	RM'000	SGD'000 ⁽³⁾	RM'000	THB'000 ⁽⁴⁾	RM'000	RM'000
Short term borrowings:										
Bank overdraft	6,459	14,159,574	4,486	-	-	-	-	2,000	206	11,151
Revolving credit	25,082	10,121,597	3,207	2,839	9,056	-	-	-	-	37,345
Bankers acceptance or trust receipt	29,789	-	-	-	-	-	-	10,239	1,057	30,846
Term loan	673	999,249	317	-	-	27	68	-	-	1,058
Hire purchase payables	1,055	447,734	142	-	-	15	39	-	-	1,236
	63,058	25,728,154	8,152	2,839	9,056	42	107	12,239	1,263	81,636
Long term borrowings:										
Term loan	12,787	18,985,732	6,015	-	-	516	1,299	-	-	20,101
Hire purchase payables	4,220	1,790,941	567	-	-	61	155	-	-	4,942
	17,007	20,776,673	6,582	-	-	577	1,454	-	-	25,043
Total	80,065	46,504,827	14,734	2,839	9,056	619	1,561	12,239	1,263	106,679

Notes:

- (1) The IDR is translated to RM on the closing rate of the LPD at IDR100:RM0.03168.
- (2) The USD is translated to RM on the closing rate of the LPD at USD1:RM3.1895.
- (3) The SGD is translated to RM on the closing rate of the LPD at SGD1:RM2.5183.
- (4) The THB is translated to RM on the closing rate of the LPD at THB1:RM0.7032.

As at the LPD, we do not have any non-interest bearing borrowings.

To the best knowledge and belief of our Board, after making all reasonable enquiries, there has not been any default on payments of either interests or principal sums by our Group, in respect of any borrowings during the FYE 31 December 2012 and for the subsequent financial period up to the LPD.

10.3 Material commitments and contingent liabilities

10.3.1 Material commitments

Save as disclosed below, as at the LPD, the Board, after making all reasonable enquiries, is not aware of any material commitments incurred or known to be incurred by the Unimech Group that has not been provided for, which upon become enforceable, may have a material impact on the financial results/position of the Group:

	RM'000
Amount authorised and contracted for	4,140
Amount not contracted and not provided for	3,000
	7,140

The capital commitment authorised and contracted for is in relation to the purchase of land and building by Unimech Engineering (M) Sdn Bhd, a wholly-owned subsidiary of Unimech, which was announced on Bursa Securities on 21 December 2009. This material commitment will be financed through the Unimech Group's bank borrowings.

The capital commitment not contracted and not provided for is in relation to the purchase of machineries and equipment for the purpose of the Company's utilisation of proceeds. Please refer to **Section 5** of this AP for details of the purchase of machineries and equipment.

10.3.2 Contingent liabilities

As at the LPD, our Board, after making all reasonable enquiries, is not aware of any contingent liabilities incurred or known to be incurred which may, upon being enforceable, may have material impact on the financial results/ position of the Unimech Group.

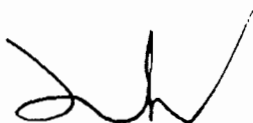
11. TERMS AND CONDITIONS

The issuance of the Rights ICULS and Warrants pursuant to the Rights Issue of ICULS with Warrants is governed by the terms and conditions as set out in this AP, the Trust Deed, the Deed Poll, the NPA and the RSF enclosed therewith.

12. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of
UNIMECH GROUP BERHAD



DATO' LIM CHEAH CHOOI
Chief Executive Officer

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS PASSED AT OUR EGM HELD ON 20 JUNE 2013

UNIMECH GROUP BERHAD

(Company No. 407580-X)

(Incorporated in Malaysia)

Extract of Minutes of the Extraordinary General Meeting of the Company held at Murai 1, Equatorial Hotel, No.1, Jalan Bukit Jambul, 11900 Penang on Thursday, June 20, 2013 at 11.30 a.m.

2. **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO RM33,390,333 NOMINAL VALUE OF 5-YEAR 5.00% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK AT 100% OF ITS NOMINAL VALUE OF RM1.00 EACH ("ICULS") ON THE BASIS OF ONE (1) RM1.00 NOMINAL VALUE OF ICULS FOR EVERY FOUR (4) ORDINARY SHARES OF RM0.50 IN UNIMECH ("UNIMECH SHARE(S)" OR "SHARE(S)") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE") TOGETHER WITH UP TO 66,780,666 FREE NEW WARRANTS ("WARRANTS") ON THE BASIS OF TWO (2) WARRANTS FOR EVERY ONE (1) ICULS SUBSCRIBED FOR ("PROPOSED RIGHTS ISSUE OF ICULS WITH WARRANTS")**

It was resolved that the following was approved as Ordinary Resolution 1:-

"THAT, subject to the passing of Ordinary Resolution 2 and Special Resolution 1, the approval of Bank Negara Malaysia, approval-in-principle granted by Securities Commission Malaysia and Bursa Malaysia Securities Berhad ("**Bursa Securities**") and all other relevant authorities/ parties (if applicable), approval be and is hereby given to the Directors of the Company for the following:

- (a) to provisionally allot and issue by way of a renounceable rights issue of up to RM33,390,333 nominal value of 5-year 5.00% ICULS on the basis of one (1) RM1.00 nominal value of ICULS for every four (4) Unimech Shares by way of provisional allotment to shareholders whose names appear in the Record of Depositors at the close of business on an entitlement date to be determined and announced later by the Board of Directors of Unimech ("**Board**") ("**Entitlement Date**") together with up to 66,780,666 Warrants on the basis of two (2) Warrants for every one (1) ICULS subscribed for;
- (b) to enter into and execute the Trust Deed constituting the ICULS and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid Trust Deed wherein the ICULS are convertible into new Unimech Shares on any market day from the third (3rd) anniversary of the date of issuance of the ICULS ("**ICULS Issue Date**") up to the date falling five (5) years from the ICULS Issue Date at the conversion price of RM1.00 for every one (1) new Unimech Share which is subject to adjustments in accordance with

CERTIFIED TRUE COPY the provisions of the Trust Deed;

- (c) to enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll wherein each of the Warrants will carry the right to subscribe, subject to any adjustment in accordance with a deed poll ("**Deed Poll**") to be executed, at any time during the "Exercise Period" as defined in the Deed Poll, for one (1) new Unimech Share at an exercise price of RM1.50;

.....
 Secretary
 Angelina Cheah Gaik Suan
 (MAICSA 7035272)

18 JUL 2013

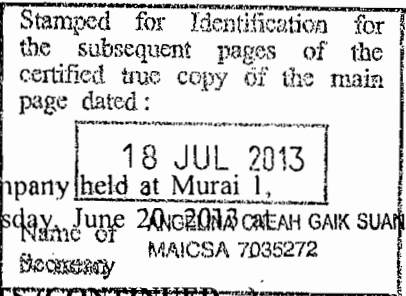
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CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS PASSED AT OUR EGM HELD ON 20 JUNE 2013 (Cont'd)

UNIMECH GROUP BERHAD
(Company No. 407580-X)
(Incorporated in Malaysia)

-2-

Extract of Minutes of the Extraordinary General Meeting of the Company held at Murai 1, Equatorial Hotel, No.1, Jalan Bukit Jambul, 11900 Penang on Thursday, June 20, 2013 at 11.30 a.m. (Continued...)



2. PROPOSED RIGHTS ISSUE OF ICULS WITH WARRANTS (CONTINUED...)

- (d) to allot and issue such number of new Unimech Shares pursuant to the conversion of the ICULS and the exercise of the Warrants, from time to time during the tenure of the ICULS and the Warrants, and such new Unimech Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Unimech Shares provided that such new Unimech Shares then issued, shall not be entitled to any dividend, right, allotment and/ or other distribution declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the said new Unimech Shares;
- (e) to allot and issue such further Warrants and new Unimech Shares arising from the subscription of further Warrants as a consequence of any adjustment in accordance with the provisions of the Deed Poll and/ or as may be required by the relevant authorities; and
- (f) to do all such acts and things including but not limited to the application to Bursa Securities for the listing of and quotation for the new Unimech Shares which may from time to time be allotted and issued upon conversion of the ICULS and exercise of the Warrants;

THAT any fractional entitlements under the Proposed Rights Issue of ICULS with Warrants will be disregarded and shall be dealt with in such manner as the Directors shall in their absolute discretion deem expedient in the best interest of the Company;

THAT the proceeds of the Proposed Rights Issue of ICULS with Warrants be utilised for the purposes as set out in the circular to shareholders of the Company dated 29 May 2013 ("**Circular**"), and the Directors be authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary and/ or expedient, subject (where required) to the approval of the relevant authorities;

THAT the new Unimech Shares arising from the conversion of the ICULS and exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the existing Unimech Shares, save and except that they will not be entitled to any dividend, right, allotment and/ or other distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the new Unimech Shares arising from conversion of the ICULS and the exercise of the Warrants;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Rights Issue of ICULS with Warrants with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue of ICULS with Warrants."

..3/

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS PASSED AT OUR EGM HELD ON 20 JUNE 2013 (Cont'd)

UNIMECH GROUP BERHAD
(Company No. 407580-X)
(Incorporated in Malaysia)

Stamped for Identification for the subsequent pages of the certified true copy of the main page dated:
18 JUL 2013
ANGELINA CHEAH GAIK SUAN
MAICSA 7035272
Secretary

-3-

Extract of Minutes of the Extraordinary General Meeting of the Company held at Murai 1, Equatorial Hotel, No.1, Jalan Bukit Jambul, 11900 Penang on Thursday, June 20, 2013 at 11.30 a.m. (Continued...)

3. PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF UNIMECH FROM RM100,000,000 COMPRISING 200,000,000 UNIMECH SHARES TO RM150,000,000 COMPRISING 300,000,000 UNIMECH SHARES ("PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL")

It was resolved that the following be approved as Ordinary Resolution 2:-

"THAT, subject to the passing of the Ordinary Resolution 1 and Special Resolution 1, the authorised share capital of the Company be increased from RM100,000,000 comprising 200,000,000 Unimech Shares to RM150,000,000 comprising 300,000,000 Unimech Shares.

AND THAT the Board be and is hereby authorised to do all such acts and things and to take such step that are necessary to give full effect to the Proposed Increase in Authorised Share Capital."

4. PROPOSED AMENDMENT TO THE COMPANY'S MEMORANDUM OF ASSOCIATION AS A CONSEQUENCE OF THE PROPOSED RIGHTS ISSUE OF ICULS WITH WARRANTS AND PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL ("PROPOSED AMENDMENT")

It was resolved that the following was approved as Special Resolution 1:-

"THAT, subject to the passing of Ordinary Resolutions 1 and 2 and all approvals being obtained from the relevant authorities, approval be and is hereby given to the Company to amend the Memorandum of Association of Unimech by deleting the first sentence of the existing Clause 6 in its entirety and replacing it with the following sentence:


Existing first sentence of Clause 6 of the Memorandum of Association	Amended first sentence of Clause 6 of the Memorandum of Association
"6. The Authorised Capital of the Company is RM100,000,000.00 (Malaysian Currency) divided into 200,000,000 ordinary shares of RM0.50 each."	"6. The Authorised Share Capital of the Company is RM150,000,000.00 (Malaysian Currency) divided into 300,000,000 ordinary shares of RM0.50 each."

THAT the Board be and is hereby authorised to give effect to the Proposed Amendment and to take all such steps and do all acts and things in any manner as they may deem necessary to complete, finalise, implement and give full effect to the Proposed Amendment."

CERTIFIED TRUE EXTRACT



Director



Director

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated under the Act as a private company limited by shares as Unimech Group Sdn Bhd on 25 October 1996. It was converted into a public company limited by shares and assumed its present name on 8 November 1996. It was listed on the Second Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 27 June 2000 and was subsequently transferred to the Main Board (now known as Main Market) of Bursa Securities on 27 June 2007.

At present, our Company is principally an investment holding company and provides management services to our subsidiaries and associates. Our subsidiaries and associates are principally involved in the following business activities:

- (i) designing, fabrication, installation, testing and commissioning of industrial equipment and plants for steam generation, heating and combustion systems, fluid conveyance piping works, as well as maintenance and overhaul of engineering equipment and equipment parts replacement services;
- (ii) consultancy on air pollution control, exhaust stack design, plant and process monitoring and recording systems; and
- (iii) designing and manufacturing various kind of industrial and residential valves, strainers, steel flanges, pipe fittings, rubber expansion bellows, vibration absorption sheets, roller, gaskets, polyurethane casting and extrusion products.

Further details on the principal activities of our subsidiaries and associate company are set out in **Section 6** of this Appendix.

2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital is as follows:

Type	No. of Shares	Par value RM	Total RM
Authorised	300,000,000	0.50	150,000,000
Issued and fully paid-up	133,561,334	0.50	66,780,667

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INFORMATION ON OUR COMPANY (Cont'd)

3. CHANGES IN SHARE CAPITAL**3.1 Authorised share capital**

Details of the changes in the authorised share capital for the past three (3) years preceding the LPD are as follows:

Date of creation	No. of Unimech Shares created	Par value RM	Description	Authorised share capital (cumulative) RM
20 June 2013	100,000,000	0.50	Increase in authorised share capital	150,000,000

3.2 Issued and paid-up share capital

As at the LPD, there has been no changes in the issued and paid up share capital for the past three (3) years.

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INFORMATION ON OUR COMPANY (Cont'd)

4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The proforma effects of the Rights Issue of ICULS with Warrants on the substantial shareholders' shareholding of Unimech based on the Register of Substantial Shareholders as at the LPD are set out below based on the following scenarios:

Minimum Scenario

Substantial shareholder	Shareholdings as at the LPD				Proforma I			
	Direct		Indirect		After the Rights Issue of ICULS with Warrants		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	38,162,500	31.58	7,335,868 ⁽¹⁾	6.07	38,162,500	31.58	7,335,868 ⁽¹⁾	6.07
Lim Kim Guan	10,000,000	8.28	1,634,638 ⁽²⁾	1.35	10,000,000	8.28	1,634,638 ⁽²⁾	1.35

Substantial shareholder	Proforma II				Proforma III			
	After the full conversion of the ICULS		After the full exercise of the Warrants		After the full conversion of the ICULS		After the full exercise of the Warrants	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	47,703,125	35.90	7,335,868 ⁽¹⁾	5.52	66,784,375	42.55	7,335,868 ⁽¹⁾	4.67
Lim Kim Guan	12,500,000	9.41	1,634,638 ⁽²⁾	1.23	17,500,000	11.15	1,634,638 ⁽²⁾	1.04

Notes:

⁽¹⁾ Deemed interested by virtue of his spouse and children's direct interest in Unimech.

⁽²⁾ Deemed interested by virtue of his spouse's direct interest in Unimech.

INFORMATION ON OUR COMPANY (Cont'd)

Maximum Scenario

Substantial shareholder	Shareholdings as at the LPD				Assuming the treasury shares are resold at open market at cost price			
	Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	38,162,500	31.58	7,335,868 ⁽¹⁾	6.07	38,162,500	28.57	7,335,868 ⁽¹⁾	5.49
Lim Kim Guan	10,000,000	8.28	1,634,638 ⁽²⁾	1.35	10,000,000	7.49	1,634,638 ⁽²⁾	1.22

Substantial shareholder	After the Rights Issue of ICULS with Warrants				After the full conversion of the ICULS			
	Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	38,162,500	28.57	7,335,868 ⁽¹⁾	5.49	47,703,125	28.57	9,169,835 ⁽¹⁾	5.49
Lim Kim Guan	10,000,000	7.49	1,634,638 ⁽²⁾	1.22	12,500,000	7.49	2,043,297 ⁽²⁾	1.22

Substantial shareholder	After the full exercise of the Warrants			
	Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	66,784,375	28.57	12,837,769 ⁽¹⁾	5.49
Lim Kim Guan	17,500,000	7.49	2,860,616 ⁽²⁾	1.22

Notes:⁽¹⁾ Deemed interested by virtue of his spouse and children's direct interest in Unimech.⁽²⁾ Deemed interested by virtue of his spouse's direct interest in Unimech.

INFORMATION ON OUR COMPANY (Cont'd)**5. BOARD OF DIRECTORS OF UNIMECH****5.1 Details of the Directors of Unimech**

Name	Age	Nationality	Profession	Designation	Address
Tan Sri Dato' Seri Kamal Mohd Hashim bin Che Din	74	Malaysian	Company Director	Independent Non-Executive Chairman	2-A, Jalan 9 Changkat Minden 11700 Gelugor Penang
Dato' Lim Cheah Chooi	64	Malaysian	Company Director	Chief Executive Officer	10, Lorong 10 Changkat Minden 11700 Gelugor Penang
Lim Kim Guan	59	Malaysian	Company Director	Deputy Chief Executive Officer	1272-I, Jalan Paya Terubong 11060 Ayer Itam Pulau Pinang
Sim Yee Fuan	47	Malaysian	Company Director	Executive Director	3, Lorong Gemilang Jaya 2 Taman Gemilang Jaya 14000 Bukit Mertajam Penang
Han Mun Kuan	60	Malaysian	Company Director	Executive Director	19, Jalan Anggerik 49 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim
Lim Jun Lin	39	Malaysian	Company Director	Executive Director	10, Lorong 10 Changkat Minden 11700 Gelugor Penang
Tan Sri Dato' Seri Tan King Tai @ Tan Khoo Hai	58	Malaysian	Company Director	Senior Independent Non-Executive Director	No. 14N, Jalan Angsana Bandar Baru 11500 Ayer Itam Pulau Pinang
Dato' Abdul Rafique bin Abdul Karim	57	Malaysian	Company Director	Non-Independent Non-Executive Director	37, Jalan Selangor 10400 Pulau Pinang
Lee Yoke Khay	62	Malaysian	Advocate and Solicitor	Independent Non-Executive Director	6, Lorong Mahsuri Dua 11950 Bayan Baru Pulau Pinang

INFORMATION ON OUR COMPANY (Cont'd)

5.2 Directors' shareholdings

The proforma effects of the Rights Issue of ICULS with Warrants on the Directors' shareholding of Unimech based on the Register of Directors' Shareholdings as at the LPD are set out below based on the following scenarios:

Minimum Scenario

Director	Shareholdings as at the LPD				Proforma I			
	Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	38,162,500	31.58	6,035,134 ⁽¹⁾	4.99	38,162,500	31.58	6,035,134 ⁽¹⁾	4.99
Tan Sri Dato' Seri Kamal Mohd Hashim bin Che Din	600,066	0.50	-	-	600,066	0.50	-	-
Lim Kim Guan	10,000,000	8.28	1,634,638 ⁽²⁾	1.35	10,000,000	8.28	1,634,638 ⁽²⁾	1.35
Sim Yee Fuan	310,000	0.26	410,000 ⁽²⁾	0.34	310,000	0.26	410,000 ⁽²⁾	0.34
Han Mun Kuan	1,326,498	1.10	313,332 ⁽¹⁾	0.26	1,326,498	1.10	313,332 ⁽¹⁾	0.26
Lim Jun Lin	1,300,734	1.08	-	-	1,300,734	1.08	-	-
Dato' Abdul Rafique bin Abdul Karim	1,348,668	1.12	-	-	1,348,668	1.12	-	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	598,984	0.50	505,200 ⁽²⁾	0.42	598,984	0.50	505,200 ⁽²⁾	0.42
Lee Yoke Khay	26,666	0.02	-	-	26,666	0.02	-	-

Notes:

(1) Deemed interested by virtue of his spouse and children's interest in Unimech pursuant to Section 134(12)(c) of the Act.

(2) Deemed interested by virtue of his spouse's interest in Unimech pursuant to Section 134(12)(c) of the Act.

INFORMATION ON OUR COMPANY (Cont'd)

Director	Proforma II After the full conversion of the ICULS				Proforma III After the full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	47,703,125	35.90	6,035,134 ⁽¹⁾	4.54	66,784,375	42.55	6,035,134 ⁽¹⁾	3.85
Tan Sri Dato' Seri Kamal Mohd Hashim bin Che Din	600,066	0.45	-	-	600,066	0.38	-	-
Lim Kim Guan	12,500,000	9.41	1,634,638 ⁽²⁾	1.23	17,500,000	11.15	1,634,638 ⁽²⁾	1.04
Sim Yee Fuan	310,000	0.23	410,000 ⁽²⁾	0.31	310,000	0.20	410,000 ⁽²⁾	0.26
Han Mun Kuan	1,326,498	1.00	313,332 ⁽¹⁾	0.24	1,326,498	0.85	313,332 ⁽¹⁾	0.20
Lim Jun Lin	1,300,734	0.98	-	-	1,300,734	0.83	-	-
Dato' Abdul Rafique bin Abdul Karim	1,348,668	1.02	-	-	1,348,668	0.86	-	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	598,984	0.45	505,200 ⁽²⁾	0.38	598,984	0.38	505,200 ⁽²⁾	0.32
Lee Yoke Khay	26,666	0.02	-	-	26,666	0.02	-	-

Notes:

- (1) Deemed interested by virtue of his spouse and children's interest in Unimech pursuant to Section 134(12)(c) of the Act.
(2) Deemed interested by virtue of his spouse's interest in Unimech pursuant to Section 134(12)(c) of the Act.

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INFORMATION ON OUR COMPANY (Cont'd)

Maximum Scenario

Director	Shareholdings as at the LPD				Proforma Assuming the treasury shares are resold at open market at cost price			
	Direct		Indirect		Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	38,162,500	31.58	6,035,134 ⁽¹⁾	4.99	38,162,500	28.57	6,035,134 ⁽¹⁾	4.52
Tan Sri Dato' Seri Kamal Mohd Hashim bin Che Din	600,066	0.50	-	-	600,066	0.45	-	-
Lim Kim Guan	10,000,000	8.28	1,634,638 ⁽²⁾	1.35	10,000,000	7.49	1,634,638 ⁽²⁾	1.22
Sim Yee Fuan	310,000	0.26	410,000 ⁽²⁾	0.34	310,000	0.23	410,000 ⁽²⁾	0.31
Han Mun Kuan	1,326,498	1.10	313,332 ⁽¹⁾	0.26	1,326,498	0.99	313,332 ⁽¹⁾	0.23
Lim Jun Lin	1,300,734	1.08	-	-	1,300,734	0.97	-	-
Dato' Abdul Raifque bin Abdul Karim	1,348,668	1.12	-	-	1,348,668	1.01	-	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	598,984	0.50	505,200 ⁽²⁾	0.42	598,984	0.45	505,200 ⁽²⁾	0.38
Lee Yoke Khay	26,666	0.02	-	-	26,666	0.02	-	-

Notes:

- (1) Deemed interested by virtue of his spouse and children's interest in Unimech pursuant to Section 134(12)(c) of the Act.
(2) Deemed interested by virtue of his spouse's interest in Unimech pursuant to Section 134(12)(c) of the Act.

INFORMATION ON OUR COMPANY (Cont'd)

Director	Proforma II After the Rights Issue of ICULS with Warrants		Proforma III After the full conversion of the ICULS			
	Direct	Indirect	Direct	Indirect		
	No. of Unimech Shares held	%	No. of Unimech Shares held	%		
Dato' Lim Cheah Chooi	38,162,500	28.57	47,703,125	28.57	7,543,917 ⁽¹⁾	4.52
Tan Sri Dato' Seri Kamal Mohd Hashim bin Che Din	600,066	0.45	750,082	0.45	-	-
Lim Kim Guan	10,000,000	7.49	12,500,000	7.49	2,043,297 ⁽²⁾	1.22
Sim Yee Fuan	310,000	0.23	387,500	0.23	512,500 ⁽²⁾	0.31
Han Mun Kuan	1,326,498	0.99	1,658,122	0.99	391,665 ⁽¹⁾	0.23
Lim Jun Lin	1,300,734	0.97	1,625,917	0.97	-	-
Dato' Abdul Rafique bin Abdul Karim	1,348,668	1.01	1,685,835	1.01	-	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	598,984	0.45	748,730	0.45	631,500 ⁽²⁾	0.38
Lee Yoke Khay	26,666	0.02	33,332	0.02	-	-

Notes:

(1) Deemed interested by virtue of his spouse and children's interest in Unimech pursuant to Section 134(12)(c) of the Act.

(2) Deemed interested by virtue of his spouse's interest in Unimech pursuant to Section 134(12)(c) of the Act.

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INFORMATION ON OUR COMPANY (Cont'd)

Director	Proforma IV			
	After the full exercise of the Warrants			
	Direct		Indirect	
	No. of Unimech Shares held	%	No. of Unimech Shares held	%
Dato' Lim Cheah Chooi	66,784,375	28.57	10,561,538 ⁽¹⁾	4.52
Tan Sri Dato' Seri Kamal Mohd Hashim bin Che Din	1,050,115	0.45	-	-
Lim Kim Guan	17,500,000	7.49	2,860,616 ⁽²⁾	1.22
Sim Yee Fuan	542,500	0.23	717,500 ⁽²⁾	0.31
Han Mun Kuan	2,321,371	0.99	548,331 ⁽¹⁾	0.23
Lim Jun Lin	2,276,284	0.97	-	-
Dato' Abdul Rafique bin Abdul Karim	2,360,169	1.01	-	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	1,048,222	0.45	884,100 ⁽²⁾	0.38
Lee Yoke Khay	46,665	0.02	-	-

Notes:

(1) Deemed interested by virtue of his spouse and children's interest in Unimech pursuant to Section 134(12)(c) of the Act.

(2) Deemed interested by virtue of his spouse's interest in Unimech pursuant to Section 134(12)(c) of the Act.

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INFORMATION ON OUR COMPANY (Cont'd)**6. SUBSIDIARY AND ASSOCIATED COMPANIES**

As at the LPD, our subsidiary companies are as set out below:

Subsidiary company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Unimech Engineering (M) Sdn Bhd	15 September 1979 Malaysia	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	RM5,000,000	100.00
Unimech Engineering (J.B.) Sdn Bhd	13 November 1980 Malaysia	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	RM100,000	100.00
Arita Engineering Sdn Bhd	17 September 1994 Malaysia	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	RM4,000,000	100.00
Unimech Engineering (K.L.) Sdn Bhd	12 November 1979 Malaysia	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	RM1,200,000	100.00
Unimech Capital Sdn Bhd	11 September 2007 Malaysia	Investment holding	RM100,000	100.00
Unimech Indonesia Holdings Sdn Bhd	10 August 2012 Malaysia	Investment holding	RM2.00	100.00
Unimech Worldwide (Shanghai) Sdn Bhd	16 October 2003 Malaysia	Investment holding	RM1,000,000	100.00
Q-Flex Industries (M) Sdn Bhd	5 November 1993 Malaysia	Manufacture of rubber flexible joint and mould products	RM500,000	100.00

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Multiplex Control & Engineering Services Pte Ltd	31 March 1993 Singapore	Fabrication and installation of automation instruments/systems and control panels, trading of level switches and gauges and related products	SGD500,000	100.00
Arita Valve Mfg. (M) Sdn Bhd	23 June 1988 Malaysia	Design and manufacture of valves, strainers, pipe fittings and chemical pumps for boilers	RM2,000,000	100.00
Arita Flanges Industries Sdn Bhd	4 April 1994 Malaysia	Engineering, design and manufacture of all type of steel flanges	RM500,000	100.00
Arita Valve (Tianjin) Co. Ltd	22 March 2002 The People's Republic of China	Manufacture of all kinds of steel and cast iron industrial valves	RMB11,000,000	100.00
Griferia Sanitario (M) Sdn Bhd	11 March 2004 Malaysia	Trading of sanitary and kitchen products	RM500,000	100.00
Unimech Management Sdn Bhd (formerly known as Unimech R&D Centre Sdn Bhd)	20 February 2003 Malaysia	Provision of management services	RM100,000	100.00
Suzhou Skyline Machinery Technology Corp. Ltd	30 March 2005 The People's Republic of China	Designing, fabricating, assembling, installing and commissioning of production automation facilities for manufacturing of electronic and electrical components industries	USD757,000	76.00
M.E.T. Motion Holding Sdn Bhd	8 June 1999 Malaysia	Investment holding	RM996,260	51.00
Unijin Instruments Industries Sdn Bhd	25 March 1997 Malaysia	Manufacture and trading of pressure gauges and thermometers	RM1,400,000	51.00
Icontronic Technology Sdn Bhd	13 July 1994 Malaysia	Design, fabricate and deal in industrial electronic automation control systems	RM500,000	51.00

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Unimech Venture Sdn Bhd	15 October 2010 Malaysia	Investment holding	RM1,000,000	100.00
<i>Subsidiary of Unimech Engineering (M) Sdn Bhd</i>				
Unimech Flow System Sdn Bhd	18 April 2006 Malaysia	Trading of valves piping systems, engineering equipment, installation and maintenance of boilers and other related products	RM200,000	100.00
Unimech Valve Technology Sdn Bhd	11 December 1995 Malaysia	Trading of industrial valves for petrochemical, oil and gas industries	RM150,000	100.00
Unimech International Sdn Bhd	5 September 1998 Malaysia	System design, fabrication, installation, maintenance of boilers, combustion equipment and piping systems, heat and steam engineering	RM1,000,000	100.00
UME Service & Trading Sdn Bhd	21 March 2003 Malaysia	Servicing and trading of burners	RM100,000	85.00
Unimech Engineering (Vietnam) Sdn Bhd	3 October 1995 Malaysia	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	RM380,002	81.00
Inventive Potentials Sdn Bhd	29 June 1994 Malaysia	Manufacture of metal stamped parts and design of die casting mould	RM500,000	75.00
Unimech Engineering (Aust) Pty Ltd	27 April 2004 Australia	Import and wholesale distribution of industrial valves	AUD403,955	61.00

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Subsidiaries of Unimech Engineering (J.B.) Sdn Bhd				
Unimech Engineering (Kuantan) Sdn Bhd	23 September 1996 Malaysia	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	RM300,000	100.00
Hebei Arita Valve Industries Co Ltd	9 October 2007 The People's Republic of China	Manufacture of stainless steel valves and related products	RMB7,600,000	50.10
Subsidiaries of Unimech Engineering (K.L.) Sdn Bhd				
TCE Casting Sdn Bhd	10 March 2001 Malaysia	Manufacture of metal stamped parts and die casting	RM2,000,000	51.00
Unimech Engineering (Korea) Ltd	23 September 2003 Korea	Designing, fabrication, installing, testing, and commissioning of fluid and control system for the application of water, petrochemical, oil and gas industries	KWN248,040	51.00
Subsidiaries of Unimech Capital Sdn Bhd				
Bells Marketing Sdn Bhd	20 December 1980 Malaysia	Supply and install insulation materials, valves and other engineering component	RM2,400,000	100.00
Bells Saga Sdn Bhd	6 July 2010 Malaysia	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services	RM50,000	100.00
Luxurious Construction Sdn Bhd	15 September 2003 Malaysia	Construction of buildings	RM30,000	100.00
Unimech Marine Equipment Sdn Bhd	16 May 1991 Malaysia	Trading, installing, testing and commissioning of marine and sanitary equipment and other engineering components	RM1,000,000 (ordinary shares) RM2,000,000 (5% convertible non-cumulative redeemable preference shares)	100.00

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Unimech FPC Sdn Bhd	17 November 2009 Malaysia	Research and development, manufacturing and marketing of flexible print circuit ("FPC") and sub-contracting work in relation to the FPC job	RM200,000	80.00
Unimech Polymer Engineering Sdn Bhd	11 December 2003 Malaysia	Trading of rubber flexible joint, mould products, plastics and engineering products	RM200,000	80.00
Unimech Instruments & Control Sdn Bhd	11 February 2004 Malaysia	Trading of instrument and control equipment for water, steam, petrochemical, oil and gas industries	RM100,000	80.00
Unimech ABS Sdn Bhd	16 November 2011 Malaysia	Servicing and trading of burners, boilers, spare parts, and related products	RM300,000	65.00
Tri Axis Technology (M) Sdn Bhd	31 December 2009 Malaysia	Supplies of automation solution, pneumatic and industrial components	RM100,000	60.00
Arita System Sdn Bhd	23 August 2007 Malaysia	System design, fabrication, installation, combustion equipment and piping systems for palm oil mill, ole-chemical, water, steam, petrochemical, oil and gas industries	RM100,000	60.00
Icontronic Sdn Bhd	31 January 2003 Malaysia	Design, fabricate and deal in industrial electronic automation control systems	RM100,000	51.00
Subsidiary of Unimech Indonesia Holdings Sdn Bhd				
PT Arita Global	11 December 2012 Indonesia	Investment holding	IDR10,000,000,000	85.00

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Subsidiaries of Unimech Worldwide (Shanghai) Sdn Bhd				
Unimech (Shanghai) Co Ltd	19 March 2008 The People's Republic of China	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	USD150,000	100.00
Arita Engineering (Chengdu) Co Ltd	29 June 2010 The People's Republic of China	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	USD450,000	95.00
Senior Industries Resources Co Ltd	24 May 2002 The People's Republic of China	Designing, fabricating, installing, testing and commissioning of fluid and heat control system for the application of water, petrochemical, oil and gas industries	USD150,000	70.00
Subsidiaries of M.E.T. Motion Holding Sdn Bhd				
M.E.T. Motion Engineering & Trading Sdn Bhd	9 May 1994 Malaysia	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services	RM300,000	100.00
M.E.T. Motion (Alor Star) Sdn Bhd	26 February 2002 Malaysia	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services	RM100,000	100.00

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
M.E.T. Motion (Ipoh) Sdn Bhd	12 June 2001 Malaysia	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services	RM100,000	70.00
M.E.T. Resources Pte Ltd	1 June 2010 Singapore	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services	SGD100,000	70.00
Subsidiaries of Unimech Venture Sdn Bhd				
Unimech Holdings (Thailand) Co Ltd	22 November 2010 Thailand	Investment holding	THB1,000,000	97.00
Subsidiary of PT Arita Global				
PT Arita Prima Indonesia	7 October 2000 Indonesia	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	IDR45,000,000,000	77.77
Subsidiary of Unimech Holdings (Thailand) Co Ltd				
TM Unimech Co Ltd	1 November 2002 Thailand	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	THB100,000,000	95.55

INFORMATION ON OUR COMPANY (Cont'd)

Subsidiary company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Subsidiary of PT Arita Prima Indonesia				
PT Arita Prima Kalbar	2 September 2009 Indonesia	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	IDR1,003,500,000	100.00

As at LPD, our associated companies are as set out below:

Associate company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Premium Heights Sdn Bhd	24 February 1997 Malaysia	Property development	RM4,993,451	40.00
Associate of Unimech Engineering (M) Sdn Bhd				
Unimech Engineering Group (Thailand) Co Ltd	30 November 2005 Thailand	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	THB19,000,000	29.00
Associate of Unimech Engineering (J.B.) Sdn Bhd				
Unimech Engineering Group (Thailand) Co Ltd	30 November 2005 Thailand	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	THB19,000,000	20.00

INFORMATION ON OUR COMPANY (Cont'd)

Associate company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Associate of Arita Engineering Sdn Bhd				
PT Arita Prima Indonesia	7 October 2000 Indonesia	System design, fabrication, installation and maintenance of boilers, combustion equipment, engineering and piping systems	IDR45,000,000,000	18.89
Associate of Unimech Capital Sdn Bhd				
Unimech Bersatu Malaysia Sdn Bhd	31 January 2011 Malaysia	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems	RM100,000	49.00
TTS Valve Technologies Sdn Bhd	22 July 1996 Malaysia	Supplying of control valves accessories	RM500,000	40.00
Puremech Coating Sdn Bhd	30 September 2012 Malaysia	Spraying, coating, powder coating, silk screening, hot stamping, general engineering in all kinds of metal, plastic, chemicals, substance and products spare parts and related products	RM200,000	35.00
MKT Marketing Sdn Bhd	24 August 2007 Malaysia	Trading in screws, bolts, nuts, fasteners and building related products for industrial and commercial purposes	RM5,625,000	24.00
Associate of Multiplex Control & Engineering Services Pte Ltd				
All Torque Control Pte Ltd	9 March 2012 Singapore	Marketing and supplying of pneumatic actuators for remote valuers.	SGD100,000	40.00
Multiplex Instrumentation & Control Equipment Services Phils, Inc	21 January 2001 Philippines	Trading in automation instruments	PESO 1,250,000	38.00

INFORMATION ON OUR COMPANY (Cont'd)

Associate company	Date and Place of incorporation	Principal activities	Issued and paid-up share capital	Effective equity interest (%)
Arita New Valve (Huangshan) Co Ltd	4 May 2011 The People's Republic of China	Designing, engineering and manufacturing of all type of oil and gas valves	RMB5,000,000	35.00
M.E.T. Resources Pte Ltd	1 June 2010 Singapore	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services	SGD100,000	30.00
<i>Associate of TCE Casting Sdn Bhd</i>				
Puremech Coating Sdn Bhd	30 September 2012 Malaysia	Spraying, coating, powder coating, silk screening, hot stamping, general engineering in all kinds of metal, plastic, chemicals, substance and products spare parts and related products	RM200,000	35.00
<i>Associate of PT Arita Prima Indonesia</i>				
Arita System Sdn Bhd	23 August 2007 Malaysia	System design, fabrication, installation, combustion equipment and piping systems for palm oil mill, ole-chemical, water, steam, petrochemical, oil and gas industries	RM100,000	40.00

INFORMATION ON OUR COMPANY (Cont'd)

7. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements from the FYE 31 December 2010 to 31 December 2012 and the unaudited consolidated financial statements for the three (3) months FPE 31 March 2013 are as follows:

	<----- Audited ----->			Unaudited three (3) months FPE 31 March 2013
	<----- FYE 31 December ----->			
	2010	2011	2012	
	RM'000	RM'000	RM'000	RM'000
Revenue	158,242	193,498	219,120	51,597
Gross profit	59,367	75,236	90,592	8,472
Other income	3,686	4,919	4,917	203
Share of profits after tax of associates	635	863	1,428	242
EBITDA	30,378	39,162	44,862	21,305
Less: Depreciation & amortisation	3,869	4,442	5,145	1,237
Finance costs	2,292	4,802	5,734	1,344
PBT	24,217	29,918	33,983	7,624
Taxation	(6,036)	(8,350)	(8,783)	(2,102)
PAT	18,181	21,568	25,200	5,522
Attributable to:				
Equity holders of the Company	16,116	19,341	21,877	4,741
Minority Interest	2,065	2,227	3,323	781
	18,181	21,568	25,200	5,522
Gross profit margin (%)	37.52	38.88	41.34	16.42
PBT margin (%)	15.30	15.46	15.51	14.78
Weighted average number of Unimech Shares	122,925	122,612	120,668	121,070
Basic EPS (sen)	13.11	15.77	18.13	3.92
Diluted EPS (sen)	-	-	-	-
Gross dividend per Unimech Share (sen)	-	-	-	-

INFORMATION ON OUR COMPANY (Cont'd)

Commentary on the financial performances**Unaudited three (3) months FPE 31 March 2013**

For the financial period under review, the Unimech Group recorded revenue of RM51.60 million, representing an increase of 4.37% as compared to RM49.44 million in the same corresponding period in 2013. The increase in revenue was mainly due to the improvement in the Group's core business of valves, instruments and fittings and pump ("VIF") business segments.

In tandem with the increase in revenue, the Unimech Group recorded a PAT of RM5.52 million, representing an increase of 2.22% as compared to the same corresponding period in 2012 PAT of RM5.40 million.

FYE 31 December 2012

For the financial year under review, the Unimech Group recorded an 13.24% increase in revenue from RM193.50 million in the FYE 31 December 2011 to RM219.12 million in the FYE 31 December 2012. The increase in revenue was mainly due to the Group's effort to expand the VIF business through geographical expansion, widen the product range, improve market penetration of new industries such as oil and gas industries, water works and marine and ship building industries.

In tandem with the increase in revenue, Unimech recorded a higher PAT of RM25.20 million for the FYE 31 December 2012, which represents an increase of 16.83% as compared to the previous FYE 31 December 2011 PAT of RM21.57 million.

FYE 31 December 2011

For the financial year under review, the Unimech Group recorded a 22.28% increase in revenue from RM158.24 million in the FYE 31 December 2010 to RM193.50 million in the FYE 31 December 2011. The increase in revenue was mainly due to the increase in demand in VIF and related products from the operation in Indonesia. The increase was driven by the increase of economic activities and steady growth in GDP in Indonesia.

In tandem with the increase in revenue, the Unimech Group registered a higher PAT of RM21.57 million for the FYE 31 December 2011, which represents an increase of 18.65% as compared to the previous FYE 31 March 2010 PAT of RM18.18 million.

FYE 31 December 2010

For the financial year under review, the Unimech Group recorded a 31.77% increase in revenue from RM120.09 million in the FYE 31 December 2009 to RM158.24 million in the FYE 31 December 2010. The increase in revenue was contributed by the extension of market networks, better acceptance of product brand name and improvement in manufacturing efficiency.

In tandem with the increase in revenue, the Unimech Group had recorded a 25.03% increase in PAT from RM14.54 million in the FYE 31 December 2009 to a PAT of RM18.18 million in the FYE 31 December 2010.

INFORMATION ON OUR COMPANY (Cont'd)**8. HISTORICAL PRICES**

The monthly highest and lowest prices of Unimech Shares as traded on Bursa Securities for the past twelve (12) months from August 2012 to July 2013 (up to the LPD) are as follows:

	Highest RM	Lowest RM
2012		
August	1.030	0.980
September	1.060	1.000
October	1.140	1.020
November	1.150	1.110
December	1.180	1.130
2013		
January	1.230	1.140
February	1.190	1.150
March	1.200	1.150
April	1.340	1.170
May	1.830	1.230
June	1.780	1.600
July (up to the LPD)	1.750	1.600
		RM
The last transacted price of Unimech Shares on 18 April 2013, being the last Market Day immediately prior to the announcement of the Rights Issue of ICULS with Warrants		1.310
The last transacted price of Unimech Shares on 24 July 2013, being the latest practicable Market Day immediately prior to the date of printing of this AP		1.620
The last transacted price of Unimech Shares on 21 August 2013, being the last Market Day prior to the ex-date of the Rights Issue of ICULS with Warrants		1.700

(Source: Bloomberg)

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PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON



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REPORTING ACCOUNTANTS' LETTER ON UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Prepared for inclusion in the abridged prospectus to shareholders of Unimech Group Berhad ("the AP"))

7 August 2013

The Board of Directors
Unimech Group Berhad
4934, Jalan Chain Ferry
12100 Butterworth
Penang

Dear Sirs,

UNIMECH GROUP BERHAD ("UNIMECH")
UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

We have reviewed the unaudited proforma consolidated statements of financial position of Unimech and its subsidiaries (collectively referred to as "Unimech Group") as at 31 December 2012 together with the accompanying notes thereto, for which the Board of Directors of Unimech ("Board") is solely responsible, as set out in the accompanying statements (which we have stamped for the purpose of identification) prepared for inclusion in the AP in relation to the renounceable rights issue of up to RM33,390,333 nominal value of 5-year 5.00% irredeemable convertible unsecured loan stock at 100% of its nominal value of RM1.00 each ("ICULS") on the basis of one (1) RM1.00 nominal value of ICULS for every four (4) ordinary shares of RM0.50 in Unimech ("Unimech Share(s)" or "Share(s)") held on an entitlement date to be determined later ("Entitlement Date") together with up to 66,780,666 free new warrants ("Warrants") on the basis of two (2) Warrants for every one (1) ICULS subscribed for ("Rights Issue of ICULS with Warrants").

Responsibilities

It is the responsibility of the Board to prepare the unaudited proforma consolidated statements of financial position as at 31 December 2012 in accordance with Prospectus Guidelines - Abridged Prospectus in respect of the Rights Issue of ICULS with Warrants.

It is our responsibility to express an opinion as required by the Prospectus Guidelines - Abridged Prospectus, as to the proper compilation of the unaudited proforma consolidated statements of financial position and to report that opinion to you.

In providing this opinion, we are not responsible in updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the unaudited proforma consolidated statements of financial position, nor do we accept responsibility for such reports or

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000: Assurance Engagement Other Than Audits or Review of Historical Financial Information. The work that we performed for the purpose of making this letter, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information to the source documents, considering the evidence supporting the adjustments and discussing the unaudited proforma consolidated statements of financial position with the Board and responsible officers of Unimech.

We planned and performed our work so as to obtain the information and explanation we considered necessary in order to provide us with reasonable assurance that the unaudited proforma consolidated statements of financial position have been properly compiled on the basis stated in the accompanying notes using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the consolidated statement of financial position and the accounting policies of Unimech. Our work also involves assessing whether the adjustments made to the information used in the preparation of the unaudited proforma consolidated statements of financial position are appropriate for the purposes of preparing the unaudited proforma consolidated statements of financial position.

Opinion

In our opinion:

- (i) the unaudited proforma consolidated statements of financial position of Unimech Group as at 31 December 2012, which have been prepared by the directors of Unimech, for illustrative purposes only, have been properly prepared on the bases set out in the accompanying notes to the unaudited proforma consolidated statements of financial position and the accounting policies adopted by Unimech Group in the preparation of its audited financial statements for the financial year ended 31 December 2012; and
- (ii) the adjustments made to the information used in the preparation of the unaudited proforma consolidated statements of financial position are appropriate for the purposes of preparing the unaudited proforma consolidated statements of financial position of Unimech Group as at 31 December 2012.

This report has been prepared for the information of the Board for purpose of inclusion in the AP in respect of the Rights Issue of ICULS with Warrants as mentioned above. As such, this report is not to be reproduced, referred to in any other document or used for any other purpose without our prior written consent.

Yours faithfully,

UHY

Firm Number: AF 1411

Chartered Accountants

Kuala Lumpur, Malaysia

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

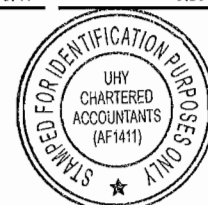
Unimech Group Berhad

Unaudited Proforma Consolidated Statement of Financial Position as at 31 December 2012

The Unaudited Proforma Consolidated Statement of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the Audited Consolidated Statement of Financial Position of Unimech Group as at 31 December 2012 and also based on the assumptions that the following events had been effected on that date.

Scenario 1: Minimum Scenario

	Note	Audited as at 31 December 2012 RM	Adjusted Audited as at 31 December 2012 RM	Proforma I After the Proposed Rights Issue of ICULS with Warrants RM	Proforma II After Proforma I and the full conversion of the ICULS RM	Proforma III After Proforma II and the exercise of Warrants RM
NON-CURRENT ASSETS						
Property, plant and equipment	5	63,805,032	63,805,032	66,805,032	66,805,032	66,805,032
Investment in associates		11,103,254	11,103,254	11,103,254	11,103,254	11,103,254
Investment securities		4,318,022	4,318,022	4,318,022	4,318,022	4,318,022
Intangible assets		7,631,414	7,631,414	7,631,414	7,631,414	7,631,414
Deferred tax assets	6	614,696	614,696	1,254,882	614,696	614,696
		<u>87,472,418</u>	<u>87,472,418</u>	<u>91,112,604</u>	<u>90,472,418</u>	<u>90,472,418</u>
CURRENT ASSETS						
Inventories		129,651,222	129,651,222	129,651,222	129,651,222	129,651,222
Trade receivables		67,752,007	67,752,007	67,752,007	67,752,007	67,752,007
Other receivables, deposits and prepayments		20,477,040	20,477,040	20,477,040	20,477,040	20,477,040
Tax recoverable		715,957	715,957	715,957	715,957	715,957
Fixed deposits with licensed banks		911,528	911,528	911,528	911,528	911,528
Cash and bank balances	7	21,056,988	20,450,749	23,450,749	20,890,006	57,011,881
		<u>240,564,742</u>	<u>239,958,503</u>	<u>242,958,503</u>	<u>240,397,760</u>	<u>276,519,635</u>
TOTAL ASSETS		<u>328,037,160</u>	<u>327,430,921</u>	<u>334,071,107</u>	<u>330,870,178</u>	<u>366,992,053</u>
EQUITY						
Share capital	10	66,780,667	66,780,667	66,780,667	72,800,980	84,841,605
Share premium	10	13,459,187	13,459,187	13,459,187	17,558,942	41,640,192
Treasury shares		(8,365,711)	(8,971,950)	(8,971,950)	(8,971,950)	(8,971,950)
Foreign currency translation reserve		(1,740,062)	(1,740,062)	(1,740,062)	(1,740,062)	(1,740,062)
Fair value adjustment reserve		264,420	264,420	264,420	264,420	264,420
Capital reserve	10	891,800	891,800	(8,198,872)	(8,198,872)	891,800
ICULS Equity	10	-	-	10,120,068	-	-
Warrants reserve	10	-	-	9,090,672	9,090,672	-
Retained profits	10	106,544,221	106,544,221	105,894,221	105,254,035	105,254,035
<i>Equity attributable to the owners of the parent</i>		<u>177,834,522</u>	<u>177,228,283</u>	<u>186,698,351</u>	<u>186,058,165</u>	<u>222,180,040</u>
Non-controlling interests		15,212,591	15,212,591	15,212,591	15,212,591	15,212,591
Total Equity		<u>193,047,113</u>	<u>192,440,874</u>	<u>201,910,942</u>	<u>201,270,756</u>	<u>237,392,631</u>
NON-CURRENT LIABILITIES						
Lease and hire purchase payables		3,134,926	3,134,926	3,134,926	3,134,926	3,134,926
Bank borrowings		18,191,875	18,191,875	18,191,875	18,191,875	18,191,875
ICULS Liability	8	-	-	2,560,743	-	-
Deferred tax liabilities		704,424	704,424	704,424	704,424	704,424
		<u>22,031,225</u>	<u>22,031,225</u>	<u>24,591,968</u>	<u>22,031,225</u>	<u>22,031,225</u>
CURRENT LIABILITIES						
Trade payables		21,564,099	21,564,099	21,564,099	21,564,099	21,564,099
Other payables and accruals		15,212,192	15,212,192	15,212,192	15,212,192	15,212,192
Lease and hire purchase payables		1,697,750	1,697,750	1,697,750	1,697,750	1,697,750
Bank borrowings	9	69,904,439	69,904,439	64,513,814	64,513,814	64,513,814
Tax payable		4,580,342	4,580,342	4,580,342	4,580,342	4,580,342
		<u>112,958,822</u>	<u>112,958,822</u>	<u>107,568,197</u>	<u>107,568,197</u>	<u>107,568,197</u>
Total liabilities		<u>134,990,047</u>	<u>134,990,047</u>	<u>132,160,165</u>	<u>129,599,422</u>	<u>129,599,422</u>
TOTAL EQUITY AND LIABILITIES		<u>328,037,160</u>	<u>327,430,921</u>	<u>334,071,107</u>	<u>330,870,178</u>	<u>366,992,053</u>
Number of shares, excluding treasury shares		121,347,668	120,829,968	120,829,968	132,870,593	156,951,843
Par value per ordinary share (RM)		0.50	0.50	0.50	0.50	0.50
Net assets per share (RM)		1.47	1.47	1.55	1.40	1.42
Borrowings (interest-bearing) (RM)		92,928,990	92,928,990	90,099,108	87,538,365	87,538,365
Gearing (times)		0.52	0.52	0.48	0.47	0.39



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Unimech Group Berhad
Unaudited Proforma Consolidated Statement of Financial Position as at 31 December 2012

The Unaudited Proforma Consolidated Statement of Financial Position as set out below have been prepared for illustrative purposes only to show the effect on the Audited Consolidated Statement of Financial Position of Unimech Group as at 31 December 2012 and also based on the assumptions that the following events had been effected on that date.

Scenario 2: Maximum Scenario

	Note	Audited as at 31 December 2012 RM	Adjusted Audited as at 31 December 2012 RM	Proforma I Assuming the treasury shares are sold at the open market at cost RM	Proforma II After Proforma I and the Proposed Rights Issue of ICULS with Warrants RM	Proforma III After Proforma II and the full conversion of the ICULS RM	Proforma IV After Proforma III and the exercise of Warrants RM
NON-CURRENT ASSETS							
Property, plant and equipment	5	63,805,032	63,805,032	63,805,032	66,805,032	66,805,032	66,805,032
Investment in associates		11,103,254	11,103,254	11,103,254	11,103,254	11,103,254	11,103,254
Investment securities		4,318,022	4,318,022	4,318,022	4,318,022	4,318,022	4,318,022
Intangible assets		7,631,414	7,631,414	7,631,414	7,631,414	7,631,414	7,631,414
Deferred tax assets	6	614,696	614,696	614,696	2,390,020	614,696	614,696
		<u>87,472,418</u>	<u>87,472,418</u>	<u>87,472,418</u>	<u>92,247,742</u>	<u>90,472,418</u>	<u>90,472,418</u>
CURRENT ASSETS							
Inventories		129,651,222	129,651,222	129,651,222	129,651,222	129,651,222	129,651,222
Trade receivables		67,752,007	67,752,007	67,752,007	67,752,007	67,752,007	67,752,007
Other receivables, deposits and prepayments		20,477,040	20,477,040	20,477,040	20,477,040	20,477,040	20,477,040
Tax recoverable		715,957	715,957	715,957	715,957	715,957	715,957
Fixed deposits with licensed banks		911,528	911,528	911,528	911,528	911,528	911,528
Cash and bank balances	7	21,056,988	20,450,749	29,422,699	43,422,699	36,321,402	136,492,401
		<u>240,564,742</u>	<u>239,958,503</u>	<u>248,930,453</u>	<u>262,930,453</u>	<u>255,829,156</u>	<u>356,000,155</u>
TOTAL ASSETS		<u>328,037,160</u>	<u>327,430,921</u>	<u>336,402,871</u>	<u>355,178,195</u>	<u>346,301,574</u>	<u>446,472,573</u>
EQUITY							
Share capital	10	66,780,667	66,780,667	66,780,667	66,780,667	83,475,834	116,866,167
Share premium	10	13,459,187	13,459,187	13,459,187	13,459,187	24,828,380	91,609,046
Treasury shares		(8,365,711)	(8,971,950)	-	-	-	-
Foreign currency translation reserve		(1,740,062)	(1,740,062)	(1,740,062)	(1,740,062)	(1,740,062)	(1,740,062)
Fair value adjustment reserve		264,420	264,420	264,420	264,420	264,420	264,420
Capital reserve	10	891,800	891,800	891,800	(24,317,901)	(24,317,901)	891,800
ICULS Equity	10	-	-	-	28,064,360	-	-
Warrants reserve	10	-	-	-	25,209,701	25,209,701	-
Retained profits	10	106,544,221	106,544,221	106,544,221	105,894,221	104,118,897	104,118,897
<i>Equity attributable to the owners of the parent</i>		<u>177,834,522</u>	<u>177,228,283</u>	<u>186,200,233</u>	<u>213,614,593</u>	<u>211,839,269</u>	<u>312,010,268</u>
Non-controlling interests		15,212,591	15,212,591	15,212,591	15,212,591	15,212,591	15,212,591
Total Equity		<u>193,047,113</u>	<u>192,440,874</u>	<u>201,412,824</u>	<u>228,827,184</u>	<u>227,051,860</u>	<u>327,222,859</u>
NON-CURRENT LIABILITIES							
Lease and hire purchase payables		3,134,926	3,134,926	3,134,926	3,134,926	3,134,926	3,134,926
Bank borrowings		18,191,875	18,191,875	18,191,875	18,191,875	18,191,875	18,191,875
ICULS Liability	8	-	-	-	7,101,297	-	-
Deferred tax liabilities		704,424	704,424	704,424	704,424	704,424	704,424
		<u>22,031,225</u>	<u>22,031,225</u>	<u>22,031,225</u>	<u>29,132,522</u>	<u>22,031,225</u>	<u>22,031,225</u>
CURRENT LIABILITIES							
Trade payables		21,564,099	21,564,099	21,564,099	21,564,099	21,564,099	21,564,099
Other payables and accruals		15,212,192	15,212,192	15,212,192	15,212,192	15,212,192	15,212,192
Lease and hire purchase payables		1,697,750	1,697,750	1,697,750	1,697,750	1,697,750	1,697,750
Bank borrowings	9	69,904,439	69,904,439	69,904,439	54,164,106	54,164,106	54,164,106
Tax payable		4,580,342	4,580,342	4,580,342	4,580,342	4,580,342	4,580,342
		<u>112,958,822</u>	<u>112,958,822</u>	<u>112,958,822</u>	<u>97,218,489</u>	<u>97,218,489</u>	<u>97,218,489</u>
Total liabilities		<u>134,990,047</u>	<u>134,990,047</u>	<u>134,990,047</u>	<u>126,351,011</u>	<u>119,249,714</u>	<u>119,249,714</u>
TOTAL EQUITY AND LIABILITIES		<u>328,037,160</u>	<u>327,430,921</u>	<u>336,402,871</u>	<u>355,178,195</u>	<u>346,301,574</u>	<u>446,472,573</u>
Number of shares		121,347,668	120,829,968	133,561,334	133,561,334	166,951,667	233,732,333
Par value per ordinary share (RM)		0.50	0.50	0.50	0.50	0.50	0.50
Net assets per share (RM)		1.47	1.47	1.39	1.60	1.27	1.33
Borrowings (interest-bearing) (RM)		92,928,990	92,928,990	92,928,990	84,289,954	77,188,657	77,188,657
Gearing (times)		0.52	0.52	0.50	0.39	0.36	0.25



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)



NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

1. Corporate Proposals

The corporate proposal undertaken by Unimech Group Berhad (“Unimech”) is a renounceable rights issue of up to RM33,390,333 nominal value of 5-year 5.00% irredeemable convertible unsecured loan stock at 100% of its nominal value of RM1.00 each (“ICULS”) on the basis of one (1) RM1.00 nominal value of ICULS for every four (4) ordinary shares of RM0.50 in Unimech (“Unimech Share(s)” or “Share(s)”) held on an entitlement date to be determined later (“Entitlement Date”) together with up to 66,780,666 free new warrants (“Warrants”) on the basis of two (2) Warrants for every one (1) ICULS subscribed for (“Rights Issue of ICULS with Warrants”).

2. Basis of Preparation

The unaudited proforma consolidated statements of financial position of which the directors of Unimech are solely responsible have been prepared for illustrative purposes only, for the inclusion in the circular to shareholders, based on the accounting policies and basis which are consistent with those adopted in the preparation of the audited financial statements of Unimech Group as at 31 December 2012 on the assumption that the Rights Issue of ICULS with Warrants had taken place on 31 December 2012, except for the adoption of the following new accounting policy.

Warrants reserve

Amount allocated in relation to the issuance of free warrants are credited to a warrant reserve which is non-distributable. Warrants reserve is transferred to the capital reserve account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

Unimech will apply the above new accounting policy prospectively and hence there is no financial impact on the audited consolidated statement of financial position as at 31 December 2012.

For the purpose of the unaudited proforma consolidated statements of financial position, the following two (2) scenarios are illustrated:

Minimum Scenario

The minimum scenario assumes only the the major shareholders of Unimech, namely Dato Lim Cheah Chooi and Lim Kim Guan (“Undertaking Shareholders”) subscribe for their entitlement pursuant to the Rights Issue of ICULS with Warrants and all treasury shares are retained in the Company.

Maximum Scenario

The maximum scenario assumes all treasury shares are resold at open market at the cost price and all the existing shareholders of Unimech subscribe for their entitlement pursuant to the Rights Issue of ICULS with Warrants.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



2. Basis of Preparation (cont'd)

2.1 Adjusted consolidated statement of financial position as at 31 December 2012

Adjusted consolidated statement of financial position as at 31 December 2012 incorporates the 517,700 treasury shares amounting to RM606,239 on the audited consolidated statement of financial position of Unimech Group as at 31 December 2012, which was purchased from the open market subsequent to the financial year ended 31 December 2012 and up to 24 July 2013, being the latest practicable date prior to the printing of the AP to shareholders of Unimech ("LPD").

The effects of the subsequent event are as illustrated below:

The movements in the treasury shares of Unimech Group are as follows:

	Number of shares Unit	RM
At 31 December 2012 (audited)	12,213,666	8,365,711
Purchase after the financial year ended 31 December 2012 and up to LPD	<u>517,700</u>	<u>606,239</u>
As per adjusted audited consolidated statement of financial position as at 31 December 2012	<u>12,731,366</u>	<u>8,971,950</u>

The movements in the cash and bank balances of Unimech Group are as follows:

	RM
At 31 December 2012 (audited)	21,056,988
Repurchase of ordinary shares after the financial year ended 31 December 2012 and up to LPD	<u>(606,239)</u>
As per adjusted audited consolidated statement of financial position as at 31 December 2012	<u>20,450,749</u>

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



2. Basis of Preparation (cont'd)

2.2 Valuation of ICULS

ICULS is segregated into equity and liability components. The following fair value of the liability components of the ICULS is arrived at by discounting the semi-annually coupon payments over the tenure of 5 years at a discount rate of 6.40%, the weighted average cost of capital of Unimech.

	Minimum Scenario RM	Maximum Scenario RM
Liability components of the ICULS	<u>2,560,743</u>	<u>7,101,297</u>

The fair value of the ICULS equity components is determined based on the proceeds from the issuance of ICULS, net of ICULS liability components and plus the deferred tax asset arising on the liability component.

	Minimum Scenario RM	Maximum Scenario RM
Proceeds from ICULS	12,040,625	33,390,333
Deferred tax asset arising on the liability components #	<u>640,186</u>	<u>1,775,324</u>
	12,680,811	35,165,657
Less:		
ICULS- liability portion	<u>2,560,743</u>	<u>7,101,297</u>
ICULS- equity portion	<u>10,120,068</u>	<u>28,064,360</u>

the deferred tax assets are computed based in the statutory tax rate of 25% on the liability portion.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



2. Basis of Preparation (cont'd)

2.3 Fair Value of Warrants

The fair value assigned to the Warrants of RM0.3775 each is determined using the Black-Scholes option pricing model based on the following input computed as at 24 July 2013:

(a) the theoretical ex-all price	: RM1.4885
(b) Warrants exercise price	: RM1.50
(c) Tenure of Warrants	: 5 years from the date of issuance of Warrants
(d) Volatility	: Historically volatility extracted from Bloomberg of 21.03%
(e) Risk free interest rate	: 3.26% per annum

	Minimum Scenario	Maximum Scenario
No. of Warrants	24,081,250	66,780,666
Warrants reserve (RM)	9,090,672	25,209,701

3. Minimum Scenario

The minimum scenario assumes only the Undertaking Shareholders subscribe for their entitlement of 12,040,625 ICULS together with 24,081,250 Warrants, and all treasury shares are retained in the Company.

3.1 Proforma I

Proforma I incorporates the Rights Issue of ICULS with Warrants with the following utilisation of proceeds on the adjusted audited consolidated statement of financial position of Unimech Group as at 31 December 2012.

	RM
Repayment of loans and borrowings	5,390,625
Working capital	3,000,000
Purchase of machineries and equipments	3,000,000
Estimated expenses for the Rights Issue of ICULS with Warrants	650,000
	12,040,625

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



3. Minimum Scenario (Cont'd)

3.2 Proforma II

The proforma consolidated statement of financial position is stated after Proforma I and incorporating the effects of the full conversion of 12,040,625 ICULS at a conversion price of RM1.00.

Pursuant to the conversion of the 12,040,625 ICULS, 12,040,625 new Unimech Shares will be issued and this will increase the issued and paid-up capital and share premium accounts by RM6,020,313 and RM4,099,755 respectively.

3.3 Proforma III

The proforma consolidated statement of financial position is stated after Proforma II and incorporating the effects of the full exercise of 24,081,250 Warrants at an exercise price of RM1.50 per Warrant.

Upon completion of the full exercise of the Warrants, the exercise will generate a total gross cash proceeds of RM36,121,875 for working capital purpose. Pursuant to the full exercise of 24,081,250 Warrants, 24,081,250 new Unimech Shares will be issued and this will increase the issued and paid-up capital and share premium accounts by RM12,040,625 and RM24,081,250 respectively. Correspondingly, the Warrants Reserve amounting to RM9,090,672 will be reversed in full.

4. Maximum Scenario

The maximum scenario assumes all treasury shares are resold at open market at the cost price and all the existing shareholders of Unimech subscribe to the Rights Issue of ICULS with Warrants.

4.1 Proforma I

The proforma consolidated statement of financial position is stated after incorporating the effects of the treasury shares of RM8,971,950 resold at the open market at cost.

Upon completion of the disposal of the treasury shares, the disposal will generate a total cash proceeds of RM8,971,950. Pursuant to the disposal of RM8,971,950 treasury shares, this will increase the issued and paid-up capital by RM8,971,950.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



4. Maximum Scenario (Cont'd)

4.2 Proforma II

Proforma II incorporates the effects of Proforma I and the effects of Rights Issue of ICULS with Warrants with the following utilisation of proceeds on the adjusted audited consolidated statement of financial position of Unimech Group as at 31 December 2012.

	RM
Repayment of loans and borrowings	15,740,333
Working capital	14,000,000
Purchase of machineries and equipments	3,000,000
Estimated expenses for the Rights Issue of ICULS with Warrants	650,000
	<u>33,390,333</u>

4.3 Proforma III

The proforma consolidated statement of financial position is stated after Proforma II and incorporating the effects of the full conversion of 33,390,333 ICULS at a conversion price of RM1.00.

Pursuant to the conversion of the 33,390,333 ICULS, 33,390,333 new Unimech Shares will be issued and this will increase the issued and paid-up capital and share premium accounts by RM16,695,167 and RM11,369,193 respectively.

4.4 Proforma IV

The proforma consolidated statement of financial position is stated after Proforma III and incorporating the effects of the full exercise of 66,780,666 Warrants at an exercise price of RM1.50 per Warrant.

Upon completion of the full exercise of the Warrants, the exercise will generate a total gross cash proceeds of RM100,170,999 for working capital purpose. Pursuant to the full exercise of 66,780,666 Warrants, 66,780,666 new Unimech Shares will be issued and this will increase the issued and paid-up capital and share premium accounts by RM33,390,333 and RM66,780,666 respectively. Correspondingly, the Warrants Reserve amounting to RM25,209,701 will be reversed in full.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



5. Property, plant and equipment

The movements in the property, plant and equipment of Unimech Group are as follows:

	Minimum Scenario RM	Maximum Scenario RM
As per adjusted audited as at 31 December 2012	63,805,032	63,805,032
Utilisation of proceeds from issuance of ICULS for the purchase of machineries and equipments	<u>3,000,000</u>	<u>3,000,000</u>
As per Proforma I/ II	<u>66,805,032</u>	<u>66,805,032</u>

6. Deferred tax assets

The movements in the deferred tax assets of Unimech Group are as follows:

	Minimum Scenario RM	Maximum Scenario RM
As per adjusted audited as at 31 December 2012	614,696	614,696
Issuance of ICULS	<u>640,186</u>	<u>1,775,324</u>
As per Proforma I/ II	1,254,882	2,390,020
Transfer to retained profits on conversion of ICULS to ordinary shares	<u>(640,186)</u>	<u>(1,775,324)</u>
As per Proforma II/ III	<u>614,696</u>	<u>614,696</u>

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



7. Cash and bank balances

The movements in the cash and bank balances of Unimech Group are as follows:

	Minimum Scenario RM	Maximum Scenario RM
As per adjusted audited as at 31 December 2012	20,450,749	20,450,749
Treasury shares sold at the open market at cost	-	8,971,950
As per Proforma I	20,450,749	29,422,699
Issuance of ICULS	12,040,625	33,390,333
Repayment of loans and borrowings	(5,390,625)	(15,740,333)
Purchase of machineries and equipments	(3,000,000)	(3,000,000)
Estimated expenses for the Rights Issue of ICULS with Warrants	(650,000)	(650,000)
As per Proforma I/ II	23,450,749	43,422,699
Settlement of ICULS liability upon conversion of ICULS	(2,560,743)	(7,101,297)
As per Proforma II/ III	20,890,006	36,321,402
Exercise of Warrants to ordinary shares	36,121,875	100,170,999
As per Proforma III/ IV	57,011,881	136,492,401

8. ICULS- Liability

The movements in the ICULS- Liability Component of Unimech Group are as follows:

	Minimum Scenario RM	Maximum Scenario RM
As per adjusted audited as at 31 December 2012	-	-
Issuance of ICULS	2,560,743	7,101,297
As per Proforma I/ II	2,560,743	7,101,297
Settlement of liability upon conversion of ICULS to ordinary shares	(2,560,743)	(7,101,297)
As per Proforma II/ III	-	-

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



9. Bank borrowings

The movements in the bank borrowings (current portion) of Unimech Group are as follows:

	Minimum Scenario RM	Maximum Scenario RM
As per adjusted audited as at 31 December 2012	69,904,439	69,904,439
Utilisation of proceeds from issuance of ICULS for the repayment of borrowings	<u>(5,390,625)</u>	<u>(15,740,333)</u>
As per Proforma I/ II	<u>64,513,814</u>	<u>54,164,106</u>

10. Share capital, share premium, retained profits, warrants reserve and non-distributable capital reserve

The movements of the issued and paid-up share capital, share premium and reserves of Unimech are as follows:

Scenario 1: Minimum Scenario

	Share capital RM	Share Premium RM	Retained profits RM	Warrants reserve RM	ICULS- Equity RM	Non- distributable capital reserve RM'000
As per adjusted audited as at 31 December 2012	66,780,667	13,459,187	106,544,221	-	-	891,800
After the Rights Issues of ICULS with Warrants	-	-	(650,000)	9,090,672	10,120,068	(9,090,672)
Proforma I	<u>66,780,667</u>	<u>13,459,187</u>	<u>105,894,221</u>	<u>9,090,672</u>	<u>10,120,068</u>	<u>(8,198,872)</u>
After the conversion of ICULS into ordinary shares	6,020,313	4,099,755	(640,186)	-	(10,120,068)	-
Proforma II	<u>72,800,980</u>	<u>17,558,942</u>	<u>105,254,035</u>	<u>9,090,672</u>	<u>-</u>	<u>(8,198,872)</u>
After the exercise of Warrants	12,040,625	24,081,250	-	(9,090,672)	-	9,090,672
Proforma III	<u>84,841,605</u>	<u>41,640,192</u>	<u>105,254,035</u>	<u>-</u>	<u>-</u>	<u>891,800</u>

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



10. Share capital, share premium, retained profits, warrants reserve and non-distributable capital reserve (Cont'd)

The movements of the issued and paid-up share capital, share premium and reserves of Unimech are as follows:

Scenario 2: Maximum Scenario

	Share capital RM	Share premium RM	Retained profits RM	Warrants reserve RM	ICULS-Equity RM	Non-distributable capital reserve RM'000
As per adjusted audited as at 31 December 2012	66,780,667	13,459,187	106,544,221	-	-	891,800
After the Rights Issues of ICULS with Warrants	-	-	(650,000)	25,209,701	28,064,360	(25,209,701)
Proforma I & II	66,780,667	13,459,187	105,894,221	25,209,701	28,064,360	(24,317,901)
After the conversion of ICULS into ordinary shares	16,695,167	11,369,193	(1,775,324)	-	(28,064,360)	-
Proforma III	83,475,834	24,828,380	104,118,897	25,209,701	-	(24,317,901)
After the exercise of Warrants	33,390,333	66,780,666	-	(25,209,701)	-	25,209,701
Proforma IV	116,866,167	91,609,046	104,118,897	-	-	891,800

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 IN RELATION TO THE RIGHTS ISSUE OF ICULS WITH WARRANTS TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012



APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 7 August 2013

On Behalf of the Board,

A handwritten signature in black ink, appearing to be "Lim Cheah Chooi", written over a horizontal line.

Dato' Lim Cheah Chooi
Chief Executive Officer

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON**



UNIMECH GROUP BERHAD
(Company No.: 407580-X)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 December 2012

Registered office:
Suite S-21-H, 21st Floor
Menara Northam
55, Jalan Sultan Ahmad Shah
10050 Penang

Principal place of business:
Wisma Unimech
4934, Jalan Chain Ferry
12100 Butterworth
Penang

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

UNIMECH GROUP BERHAD
(Incorporated in Malaysia)**FINANCIAL STATEMENTS****31 December 2012****INDEX**

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal Activities

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries and associates. The principal activities of the subsidiaries and associates are disclosed in Notes 6 and 7 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 tax	33,982,805	4,365,640
Taxation	<u>(8,782,677)</u>	<u>155,025</u>
Net profit for the financial year	<u>25,200,128</u>	<u>4,520,665</u>
Attributable to:		
Owners of the Parent	21,877,509	4,520,665
Non-controlling interests	<u>3,322,619</u>	<u>-</u>
	<u>25,200,128</u>	<u>4,520,665</u>

Reserves and Provisions

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Dividends

During the financial year, a first and final tax exempt dividend of 5 sen on 120,435,660 ordinary shares of RM0.50 each, amounting to a total dividend of RM6,021,783 in respect of the financial year ended 31 December 2011 was paid on 26 July 2012.

At the forthcoming Annual General Meeting, a first and final single tier dividend of 6 sen on 121,347,668 ordinary shares of RM0.50 each, amounting to a total dividend payable of RM7,280,860 in respect of the financial year ended 31 December 2012 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 2013.

Issue of Shares and Debentures

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

Treasury Shares

During the financial year, the Company repurchased 1,357,200 ordinary shares of RM0.50 each from the open market at an average price of RM0.97 per share. The total consideration paid for the repurchase including transaction costs was amounting to RM1,321,361. The repurchased transactions were financed by internal generated funds. The shares repurchased were held as treasury shares and treated in accordance with the requirements of Section 67A of the Companies Act, 1965.

In prior year, the Company had cancelled 3,000,000 treasury shares of RM0.50 each.

On 22 October 2012 and 19 December 2012, the Company had disposed of 1,000,000 treasury shares of RM1.06 each and 500,000 treasury shares of RM1.10 each for a total consideration of RM1,056,302 and RM547,902 respectively.

As at 31 December 2012, the Company held 12,213,666 treasury shares out of the total 133,561,334 issued ordinary shares. Further relevant details are disclosed in Note 16 to the financial statements.

Options Granted Over Unissued Shares

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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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

Directors' Interests

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			At 31.12.2012
	At 1.1.2012	Acquired	Disposed	
Unimech Group Berhad				
Direct interest				
Dato' Lim Cheah Chooi	38,162,500	-	-	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	110,000	-	310,000
Dato' Abdul Rafique Bin Abdul Karim	1,348,668	-	-	1,348,668
Lee Yoke Khay	26,666	-	-	26,666
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	398,984	200,000	-	598,984
Indirect interest				
Dato' Lim Cheah Chooi ¹	6,035,134	-	-	6,035,134
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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Directors' Interests (Cont'd)

By virtue of his interest in the shares of the Company, Dato' Lim Cheah Chooi is also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

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 financial position and statements of comprehensive income 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 be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have 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; or
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Other Statutory Information (Cont'd)

- (b) At the date of this report, the Directors are not aware of any circumstances which would render: (Cont'd)
 - (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
 - (ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (iii) 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 in which this report is made.

Significant Events

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

Subsequent Events

The subsequent events are disclosed in Note 35 to the financial statements.

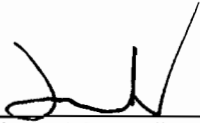
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated
25 April 2013.



DATO' LIM CHEAH CHOOI



SIM YEE FUAN

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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UNIMECH GROUP BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements of the Group and of the Company set out on pages 12 to 132 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in page 133 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 on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2013.



DATO' LIM CHEAH CHOOI



SIM YEE FUAN

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

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 to the best of my knowledge and belief, the financial statements set out on pages 12 to 133 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed SIM YEE FUAN at)
Kuala Lumpur on 25 APRIL 2013)
)



SIM YEE FUAN

Before me,



ARSHAD ABDULLAH
W 550
COMMISSIONER FOR OATHS
MALAYSIA

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNIMECH GROUP BERHAD

(Company No.: 407580-X)
(Incorporated in Malaysia)

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

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 2012 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 12 to 132.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 estimates 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNIMECH GROUP BERHAD (CONT'D)

(Company No.: 407580-X)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 subsidiaries of which we have acted 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 subsidiaries of which we have not acted as auditors, as disclosed in Note 6 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries 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 subsidiaries 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 on page 133 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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 Malaysian 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
UNIMECH GROUP BERHAD (CONT'D)**

(Company No.: 407580-X)
(Incorporated in Malaysia)

Other Matters

1. As stated in Notes 2 and 36 to the financial statements, Unimech Group Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the financial year then ended.
2. 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

STEPHEN WAN YENG LEONG
Approved Number: 2963/07/13 (J)
Chartered Accountant

KUALA LUMPUR

25 APRIL 2013

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

Note	Group			Company	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	1.1.2011 RM
Non-Current Assets					
4	63,805,032	57,441,058	47,184,880	2,478	883
5	-	-	530,000	-	-
6	-	-	-	53,835,571	51,377,560
7	11,103,254	9,734,236	8,806,878	3,000,000	3,000,000
8	4,318,022	5,445,653	5,734,131	336,064	1,004,380
9	7,631,414	8,912,427	8,920,597	292,302	292,302
10	614,696	-	-	-	-
	<u>87,472,418</u>	<u>81,533,374</u>	<u>71,176,486</u>	<u>57,466,415</u>	<u>55,675,125</u>
Current Assets					
11	129,651,222	113,570,270	90,775,748	-	-
12	67,752,007	53,688,450	49,678,498	-	-
13	20,477,040	22,303,892	15,250,838	30,901,312	30,044,077
	715,957	432,106	362,366	25,732	42,564
14	911,528	599,085	1,365,977	540,000	-
	21,056,988	20,093,902	19,765,663	893,226	255,280
	<u>240,564,742</u>	<u>210,687,705</u>	<u>177,199,090</u>	<u>32,360,270</u>	<u>32,013,811</u>
	<u>328,037,160</u>	<u>292,221,079</u>	<u>248,375,576</u>	<u>89,826,685</u>	<u>87,688,936</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 (CONT'D)**

	Note	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Equity							
Share capital	15	66,780,667	66,780,667	68,280,667	66,780,667	66,780,667	68,280,667
Share premium		13,459,187	12,866,483	13,242,083	13,459,187	12,866,483	13,242,083
Treasury shares	16	(8,365,711)	(8,055,850)	(8,525,140)	(8,365,711)	(8,055,850)	(8,525,140)
Reserves	17	(583,842)	2,582,627	1,211,547	13,310	6,495	22,345
Retained profits		106,544,221	90,688,741	75,772,558	16,010,391	17,511,509	13,638,146
Equity attributable to owners of the parent		177,834,522	164,862,668	149,981,715	87,897,844	89,109,304	86,658,101
Non-controlling interests		15,212,591	12,982,945	10,788,191	-	-	-
Total equity		193,047,113	177,845,613	160,769,906	87,897,844	89,109,304	86,658,101
Non-Current Liabilities							
Lease and hire purchase payables	18	3,134,926	2,956,376	2,508,554	-	-	-
Bank borrowings	19	18,191,875	17,440,043	11,487,704	-	-	-
Deferred tax liabilities	10	704,424	869,597	516,734	-	-	-
		22,031,225	21,266,016	14,512,992	-	-	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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UNIMECH GROUP BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Revenue	22	219,119,546	193,497,614	5,744,134	9,542,194
Cost of sales		(128,527,427)	(118,261,636)	-	-
Gross profit		90,592,119	75,235,978	5,744,134	9,542,194
Interest income		189,864	191,926	36,829	27,570
Dividend income		382,341	175,985	28,181	32,217
Other income		4,917,224	4,918,960	22,953	13,699
Administrative expenses		(36,007,888)	(27,230,584)	(1,153,166)	(910,990)
Selling and distribution expenses		(11,071,343)	(12,518,178)	(227,600)	(92,407)
Other costs		(10,713,394)	(6,916,249)	(76,365)	(127,807)
Finance costs	23	(5,733,965)	(4,802,109)	(9,326)	-
Share of profits after tax of associates		1,427,847	862,700	-	-
Profit before tax	24	33,982,805	29,918,429	4,365,640	8,484,476
Taxation	25	(8,782,677)	(8,349,963)	155,025	(185,821)
Profit for the financial year		<u>25,200,128</u>	<u>21,568,466</u>	<u>4,520,665</u>	<u>8,298,655</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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UNIMECH GROUP BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Other comprehensive income					
Available-for-sale financial assets:					
- current year gains/(losses)	17	116,236	40,441	6,815	(15,850)
- reclassification to profit or loss	17	(7,262)	(162,223)	-	-
Exchange translation differences	17	(3,275,443)	1,492,862	-	-
Total other comprehensive income for the financial year		(3,166,469)	1,371,080	6,815	(15,850)
Total comprehensive income for the financial year		22,033,659	22,939,546	4,527,480	8,282,805
Profit for the financial year attributable to:					
Owners of the parent		21,877,509	19,341,475	4,520,665	8,298,655
Non-controlling interests		3,322,619	2,226,991	-	-
		25,200,128	21,568,466	4,520,665	8,298,655
Total comprehensive income attributable to:					
Owners of the parent		18,711,040	20,712,555	4,527,480	8,282,805
Non-controlling interests		3,322,619	2,226,991	-	-
		22,033,659	22,939,546	4,527,480	8,282,805
Earnings per share attributable to owners of the parent:					
Basic	26	18.13	15.77		

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

	Note	Attributable to Owners of the Parent							Total Equity RM		
		Non-Distributable			Distributable						
		Share Capital RM	Share Premium RM	Treasury Shares RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Capital Reserve RM	Retained Profits RM	Total RM	Non- Controlling Interests RM	
2012											
At 1 January 2012		66,780,667	12,866,483	(8,055,850)	155,446	1,535,381	891,800	90,688,741	164,862,668	12,982,945	177,845,613
Profit for the financial year		-	-	-	-	-	-	21,877,509	21,877,509	3,322,619	25,200,128
Other comprehensive income for the financial year		-	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets:		-	-	-	116,236	-	-	-	116,236	-	116,236
- Current year gains/losses		-	-	-	(7,262)	-	-	-	(7,262)	-	(7,262)
- Reclassification to profit or loss		-	-	-	-	-	-	-	-	-	-
Foreign exchange translation reserve		-	-	-	-	(3,275,443)	-	-	(3,275,443)	-	(3,275,443)
Total other comprehensive income for the financial year		-	-	-	108,974	(3,275,443)	-	-	(3,166,469)	-	(3,166,469)
Total comprehensive income for the financial year		-	-	-	108,974	(3,275,443)	-	21,877,509	18,711,040	3,322,619	22,033,659

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

	Note	Attributable to Owners of the Parent									
		Non-Distributable					Distributable				
		Share Capital RM	Share Premium RM	Treasury Shares RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Capital Reserve RM	Retained Profits RM	Total RM	Non-Controlling Interests RM	Total Equity RM
- Purchase of treasury shares	16	-	-	(1,321,361)	-	-	-	-	(1,321,361)	-	(1,321,361)
- Disposal of treasury shares	16	-	592,704	1,011,500	-	-	-	-	1,604,204	-	1,604,204
- Changes in ownership interests in subsidiaries		-	-	-	-	-	(246)	(246)	(246)	(409,061)	(409,307)
- Dividend on ordinary shares	27	-	-	-	-	-	(6,021,783)	(6,021,783)	(6,021,783)	-	(6,021,783)
- Dividends from subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	(683,912)	(683,912)
Total transaction with owners		-	592,704	(309,861)	-	-	(6,022,029)	(5,739,186)	(1,092,973)	(6,832,159)	
At 31 December 2012		66,780,667	13,459,187	(8,365,711)	264,420	(1,740,062)	891,800	106,544,221	177,834,522	15,212,591	193,047,113

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

	Note	Attributable to Owners of the Parent							Total Equity RM	
		Non-Distributable			Distributable					
		Share Capital RM	Share Premium RM	Treasury Shares RM	Fair Value Adjustment Reserve RM	Currency Translation Reserve RM	Capital Reserve RM	Retained Profits RM	Non- Controlling Interests RM	
2011										
At 1 January 2011		68,280,667	13,242,083	(8,525,140)	277,228	42,519	891,800	75,772,558	10,788,191	160,769,906
Profit for the financial year		-	-	-	-	-	-	19,341,475	2,226,991	21,568,466
Other comprehensive income for the financial year		-	-	-	40,441	-	-	-	-	40,441
Available-for-sale financial assets:		-	-	-	(162,223)	-	-	-	-	(162,223)
- Current year gains/(losses)		-	-	-	-	-	-	-	-	-
- Reclassification to profit or loss		-	-	-	-	-	-	-	-	-
Foreign exchange translation reserve		-	-	-	-	1,492,862	-	-	-	1,492,862
Total other comprehensive income for the financial year		-	-	-	(121,782)	1,492,862	-	-	-	1,371,080
Total comprehensive income for the financial year		-	-	-	(121,782)	1,492,862	-	19,341,475	2,226,991	22,939,546

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Attributable to Owners of the Parent			Total RM	Non-Controlling Interests RM	Total Equity RM
				Non-Distributable Fair Value Adjustment Reserve RM	Currency Translation Reserve RM	Distributable Capital Reserve RM			
16	-	-	(1,406,310)	-	-	-	(1,406,310)	-	(1,406,310)
16	(1,500,000)	(375,600)	1,875,600	-	-	-	-	-	-
27	-	-	-	-	-	-	-	430,084	430,084
	-	-	-	-	-	(4,425,292)	(4,425,292)	-	(4,425,292)
	(1,500,000)	(375,600)	469,290	-	-	-	(5,831,602)	(32,237)	(5,863,839)
	66,780,667	12,866,483	(8,055,850)	155,446	1,535,381	891,800	164,862,668	12,982,945	177,845,613

2011 (Cont'd)

Transaction with owners:

- Purchase of treasury shares
- Cancellation of treasury shares
- Changes in ownership interests in subsidiaries
- Dividend on ordinary shares
- Dividends from subsidiaries to non-controlling interests

Total transaction with owners

At 31 December 2011

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

	Note	Non-Distributable				Distributable		Total Equity RM
		Share Capital RM	Share Premium RM	Treasury Shares RM	Fair value Adjustment Reserve RM	Retained Profits RM		
Company								
At 1 January 2012		66,780,667	12,866,483	(8,055,850)	6,495	17,511,509		89,109,304
Profit for the financial year		-	-	-	-	4,520,665		4,520,665
Other comprehensive income for the financial year								
Available-for-sale		-	-	-	6,815	-		6,815
- Current year gain		-	-	-	6,815	-		6,815
Total comprehensive income		-	-	-	6,815	4,520,665		4,527,480
Transactions with owners:								
- Purchase of treasury shares	16	-	-	(1,321,361)	-	-		(1,321,361)
- Disposal of treasury shares	16	-	592,704	1,011,500	-	-		1,604,204
- Dividend on ordinary shares	27	-	-	-	-	(6,021,783)		(6,021,783)
Total transactions with owners		-	592,704	(309,861)	-	(6,021,783)		(5,738,940)
At 31 December 2012		66,780,667	13,459,187	(8,365,711)	13,310	16,010,391		87,897,844

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

	Note	Non-Distributable			Distributable		Total Equity RM
		Share Capital RM	Share Premium RM	Treasury Shares RM	Fair value Adjustment Reserve RM	Retained Profits RM	
Company (Cont'd)							
At 1 January 2011		68,280,667	13,242,083	(8,525,140)	22,345	13,638,146	86,658,101
Profit for the financial year		-	-	-	-	8,298,655	8,298,655
Other comprehensive income							
Available-for-sale							
- Current year loss		-	-	-	(15,850)	-	(15,850)
Total comprehensive income		-	-	-	(15,850)	8,298,655	8,282,805
Transactions with owners:							
- Purchase of treasury shares	16	-	-	(1,406,310)	-	-	(1,406,310)
- Cancellation of treasury shares	16	(1,500,000)	(375,600)	1,875,600	-	-	-
- Dividend on ordinary shares	27	-	-	-	-	(4,425,292)	(4,425,292)
Total transactions with owners		(1,500,000)	(375,600)	469,290	-	(4,425,292)	(5,831,602)
At 31 December		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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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UNIMECH GROUP BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Cash flows from operating activities					
Profit before tax		33,982,805	29,918,429	4,365,640	8,484,476
Adjustments for:					
Amortisation of intangible assets		8,170	8,170	-	-
Bad debts recovered		(95,349)	(115,845)	-	-
Depreciation of property, plant and equipment		5,136,427	4,434,086	811	631
Dividend income		(382,341)	(175,985)	(28,181)	(32,217)
Fair value adjustment on investment securities		108,974	-	-	-
Loss/(Gain) on disposal of:					
- investment in associates		-	(714,750)	-	-
- investment property		-	(235,000)	-	-
- property, plant and equipment		(1,504,754)	(418,706)	-	-
- investment securities		137,616	193,310	(22,953)	(13,699)
Loss on change in equity		(246)	-	-	-
Impairment losses on:					
- goodwill		1,331,488	-	-	-
- investment securities		691,946	561,998	76,365	127,807
- trade receivables		300,218	110,580	-	-
Inventories written-down		8,224,766	70,650	-	-
Interest expense		5,733,965	4,802,109	9,326	-
Interest income		(253,379)	(191,926)	(36,829)	(27,570)
Reversal of impairment loss on trade receivables		(6,021)	(207,989)	-	-
Share of profit after tax of associates		(1,427,847)	(862,700)	-	-
Written off of:					
- bad debts		617,971	233,458	-	-
- negative goodwill		-	(947,667)	-	-
- property, plant and equipment		38,402	49,269	-	-
Waiver of debts from other payables		-	(7,416)	-	-
Reversal of inventories written-down		-	(4,498)	-	-
Write-back of impairment loss on investment securities		-	(4,045)	-	-
Operating profit before working capital changes		52,642,811	36,495,532	4,364,179	8,539,428

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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UNIMECH GROUP BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Changes in working capital:				
Inventories	(24,305,718)	(17,868,975)	-	-
Receivables	(13,053,524)	(11,750,400)	74,005	(644,324)
Payables	(4,128,254)	(1,881,660)	(191,489)	(694,840)
	<u>(41,487,496)</u>	<u>(31,501,035)</u>	<u>(117,484)</u>	<u>(1,339,164)</u>
Cash generated from operations	11,155,315	4,994,497	4,246,695	7,200,264
Tax paid	(8,272,588)	(6,491,179)	(61,928)	(22,529)
Tax refund	-	32,049	44,324	26,169
Interest paid	(5,733,965)	(4,802,109)	(9,326)	-
	<u>(14,006,553)</u>	<u>(11,261,239)</u>	<u>(26,930)</u>	<u>3,640</u>
Net cash (used in)/generated from operating activities	<u>(2,851,238)</u>	<u>(6,266,742)</u>	<u>4,219,765</u>	<u>7,203,904</u>
Cash Flows From Investing				
Activities				
Acquisition of intangible assets	(58,645)	-	-	-
Dividend received	382,341	175,985	28,181	32,217
Interest received	253,379	191,926	36,829	27,570
Investment in an associate	(100,128)	(853,055)	-	-
Net cash outflow on acquisition of subsidiaries	-	(1,241,503)	(2,458,011)	-
Placement of pledged fixed deposits	-	-	(540,000)	-
Proceeds from disposal of:				
- associates	-	1,378,164	-	-
- investment property	-	765,000	-	-
- investment securities	298,069	10,290,014	206,146	3,539,198
- property, plant and equipment	2,888,085	1,895,980	-	-
Purchase of:				
- investment securities	-	(10,874,581)	(54,092)	(3,199,491)
- non-controlling interests	(409,061)	-	-	-
- property, plant and equipment	4(b) (10,813,584)	(9,241,660)	(3,037)	-
Net cash (used in)/generated from investing activities	<u>(7,559,544)</u>	<u>(7,513,730)</u>	<u>(2,783,984)</u>	<u>399,494</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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UNIMECH GROUP BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)**

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Cash Flows From					
Financing Activities					
Amounts owing by/to associates		-	7,451,475	502,120	(260,501)
Amounts owing by/to subsidiaries		-	-	2,930,508	(3,183,185)
Amounts owing to directors		(83,060)	(224,275)	-	-
Proceeds from disposal of treasury shares		1,604,204	-	1,604,204	-
Repayment of bank borrowings		-	(3,060,699)	-	-
Repurchase of treasury shares	16	(1,321,361)	(1,406,310)	(1,321,361)	(1,406,310)
Repayment of hire purchase		(2,204,987)			
Net withdrawn of bank borrowings		21,768,678	10,718,044	1,508,477	-
Dividends paid to shareholders and non-controlling interests		(6,705,695)	(4,887,613)	(6,021,783)	(4,425,292)
Net cash generated from/(used in) financing activities		<u>13,057,779</u>	<u>8,590,622</u>	<u>(797,835)</u>	<u>(9,275,288)</u>
Net increase/(decrease) in cash and cash equivalents		<u>2,646,997</u>	<u>(5,189,850)</u>	<u>637,946</u>	<u>(1,671,890)</u>
Currency translation difference		(2,646,105)	994,751	-	-
Cash and cash equivalents at the at beginning of the financial year		<u>9,429,453</u>	<u>13,624,552</u>	<u>255,280</u>	<u>1,927,170</u>
Cash and cash equivalents at end of the financial year		<u>9,430,345</u>	<u>9,429,453</u>	<u>893,226</u>	<u>255,280</u>
Cash and cash equivalents at end of the financial year comprise:					
Fixed deposits with licensed banks		911,528	599,085	-	-
Cash and bank balances		21,056,988	20,093,902	893,226	255,280
Bank overdrafts		(12,538,171)	(11,263,534)	-	-
		<u>9,430,345</u>	<u>9,429,453</u>	<u>893,226</u>	<u>255,280</u>

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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UNIMECH GROUP BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS**1. Corporate Information**

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

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

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 activities of the Company are those of investment holding and provision of management services to its subsidiaries and associates. The principal activities of the subsidiaries and associates are disclosed in Notes 6 and 7.

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

2. Basis of Preparation**(a) Statement of Compliance**

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The explanation and financial impacts on transition to MFRSs are disclosed in Note 36.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Basis of Preparation**(a) Statement of Compliance (Cont'd)**

The Group and the Company have not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the Group and the Company:

		Effective dates 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 (2011)	Employee Benefits	1 January 2013
MFRS 127 (2011)	Separate Financial Statements	1 January 2013
MFRS 128 (2011)	Investments in Associates and Joint Ventures	1 January 2013
MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)	1 January 2013
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production of A Surface Mine	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRSs contained in the document entitled “Annual Improvements 2009 – 2011 Cycle”		1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to MFRS 10	Investment Entity	1 January 2014
MFRS 9 (IFRS 9 (2009))	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 (IFRS 9 (2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Basis of Preparation**(a) Statement of Compliance (Cont'd)**

The Group and the Company intend to adopt the above MFRSs when they become effective.

The initial application of the standards which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior period's financial statements upon the first adoption.

The possible financial impacts of initial application of MFRSs, which will be applied retrospectively is as follows:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 (2009)) replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial asset. MFRS 9 requires financial asset to be measured at fair value or amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

MFRS 9 (IFRS 9 (2010)) includes the requirements for the classification and measurement of financial liabilities and for derecognition. Measurement for financial liability designated as at fair value through profit or loss, requires the amount of change in the fair value of the financial liability, that is attributable to the change of credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Under MFRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Basis of Preparation**(a) Statement of Compliance (Cont'd)**MFRS 10 Consolidated Financial Statements

MFRS 10 replaces 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.

The adoption of MFRS 10 may lead to consolidation of entities that were previously not included in the Group. The Group is currently examining the financial impact of application of MFRS 10.

MFRS 13 Fair Value Measurement

MFRS 13 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.

The adoption of MFRS 13 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 13.

MFRS 119 Employee Benefits (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.

The adoption of MFRS 119 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 119 (2011).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Basis of Preparation**(a) Statement of Compliance (Cont'd)**MFRS 127 Separate Financial Statements (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 subsidiaries, associates 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.

The adoption of MFRS 127 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 127 (2011).

MFRS 128 Investments in Associates and Joint Ventures (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, i.e. 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.

The adoption of MFRS 128 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 128 (2011).

The initial applications of other MFRSs are not expected to have any material financial impacts on the financial statements of the Group and the Company.

(b) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and Company's functional currency and all values have been rounded to the nearest RM except when otherwise stated.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Basis of Preparation**(c) Significant accounting estimates and judgements (Cont'd)**

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

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) Useful lives of property, plant and equipment

Management estimates the useful lives of the property, plant and equipment to be within 3 to 99 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 December 2012, management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, which resulting the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(ii) Impairment of investment in subsidiaries

The carrying values of investment in subsidiaries 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 subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Basis of Preparation (Cont'd)**(c) Significant accounting estimates and judgements (Cont'd)****(iii) Impairment of investment in associates**

The carrying values of investment in associates are reviewed for impairment. In the determination of the value in use of the investment, the Group and the Company are required to estimate the expected cash flows to be generated by the associates and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Impairment of goodwill on consolidation

Determining whether goodwill is impaired 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.

(v) Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivables 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 of assets with similar credit risk characteristics.

(vi) 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 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 financial year in which such determination is made.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Basis of Preparation (Cont'd)**(c) Significant accounting estimates and judgements (Cont'd)****(vii) Fair value measurement of contingent consideration**

Contingent consideration, resulting from business combination, is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions taken into consideration include the probability of meeting each performance target and the discounted factor.

(viii) Contingent liabilities

Recognition and measurement for contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group, for matters in the ordinary course of business.

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements and in preparing the opening MFRS statements of financial position at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(ix) Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Basis of Preparation (Cont'd)**(c) Significant accounting estimates and judgements (Cont'd)****(x) Impairment of non-financial assets**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies**(a) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries and its associates through equity accounting, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

In the Company's separate financial statements, investments in subsidiaries and investment in associates are stated at cost less impairment losses in accordance with Note 3(i). 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) Subsidiaries

Subsidiaries 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.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(ii) Consolidation

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(a) Basis of consolidation (Cont'd)****(ii) Consolidation (Cont'd)**

The acquisition method of accounting is used to account for the purchase of subsidiaries. The consideration transferred for acquisition of a subsidiary is measured as the fair value of the assets given, equity instruments issued and 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.

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.

If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary, 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.

In year 1999, subsidiaries 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.

The Group has taken advantage of the exemption provided by MFRS 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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3. Significant Accounting Policies (Cont'd)**(a) Basis of consolidation (Cont'd)****(ii) Consolidation (Cont'd)**

Under the merger method of accounting, the results of subsidiaries 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. On consolidation, the cost of the merger is cancelled with the 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 entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

(iii) Goodwill on Consolidation

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.

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 3(i).

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.

As part of its transition to MFRS framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(a) Basis of consolidation (Cont'd)****(iv) Non-controlling Interests**

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.

(v) Associates

Associates are entities in which the Group has significant influence, but no control, over their financial and operating policies. Investments in associates are accounted for using the equity method of accounting. Investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss in accordance with Note 3(i).

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

When the Group ceases to have significant influence over associates, it is accounted for as a disposal of the entire interest in that associates, with a resulting gain or loss being recognised in profit or loss. Any retaining investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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3. Significant Accounting Policies (Cont'd)**(a) Basis of consolidation (Cont'd)****(v) Associates (Cont'd)**

When the Group's interest in associates reduces but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Foreign Currency Transactions and Balances**(i) Foreign currency transactions and balances**

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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3. Significant Accounting Policies (Cont'd)**(b) Foreign Currency Transactions and Balances (Cont'd)****(ii) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011, the date of transition to MFRS, which are treated as assets and liabilities of the Company. Income and expenses items are translated at the average rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rate at the dates of the transactions are used. Exchange differences arising on the translation are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in equity shall be reclassified to profit or loss when the gain or loss on disposal is recognised.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(c) Property, Plant and Equipment (Cont'd)****(i) Recognition and measurement (Cont'd)**

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(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 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 is recognised in the 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 of property, plant and equipment. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Lon term leasehold land	Over the remaining lease period
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%
Electrical installation and renovation	10% - 20%

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(c) Property, Plant and Equipment (Cont'd)****(iii) Depreciation (Cont'd)**

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the ships, offshore floating assets, and other property, plant and equipment.

(d) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their values over their estimated useful lives.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(e) Intangible assets****(i) Intangible assets acquired separately**

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets which have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives. The useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Patents and trademarks are amortised on a straight line method over their estimated useful lives of 20 years and 10 years respectively.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses, are not amortised but tested for impairment annually. The assessment of indefinite useful lives is reviewed annually to determine whether the indefinite useful lives continue to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(f) Financial assets**

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

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify its financial assets depends on the purpose for which it was acquired at initial recognition, into the following categories:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, including derivative or financial assets that are designated into this category upon initial recognition. 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. Assets in this category are classified as current assets.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(f) Financial assets (Cont'd)****(ii) 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.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-maturity investments

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

After initial recognition, financial assets categorised as held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when held-to-maturity investments are derecognised or impaired, and through the amortisation process.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(f) Financial assets (Cont'd)****(iv) Available-for-sale financial assets**

Available-for-sale 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.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Regular way purchase or sale of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

Financial assets are derecognised when the contractual 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 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(g) Inventories**

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damage, obsolete or slow-moving inventories.

Cost of raw material is determined on a first-in-first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost of finished goods and work-in-progress consist of direct materials, direct labour and an appropriate proportion 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 the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and 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 statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment of assets**(i) Non-financial assets**

The carrying amounts of non-financial 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. For goodwill and intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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3. Significant Accounting Policies (Cont'd)**(i) Impairment of assets (Cont'd)****(i) Non-financial assets (Cont'd)**

The recoverable amount of an asset or cash-generating units 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.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Impairment of goodwill

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised in profit or loss. Impairment loss relating to goodwill is not reversed.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(i) Impairment of assets (Cont'd)****(ii) Financial assets**

All financial assets, other than those at fair value through profit or loss, investment in subsidiary and investment on associate, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)

(i) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline of fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investment that is carried at cost are not reversed in profit or loss in the subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(j) Share capital

(i) Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividends on ordinary shares are accounted for in equity as appropriation of retained earnings and recognised as a liability in the period in which they are declared.

(ii) Treasury shares

When issued share of the Company are repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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3. Significant Accounting Policies (Cont'd)**(j) Share capital (Cont'd)****(ii) Treasury shares (Cont'd)**

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(iii) Distribution of non-cash assets to owners of the Company

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

(k) Financial liabilities

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(k) Financial liabilities (Cont'd)**

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss 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.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other liabilities measured at amortised cost

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities comprise trade and other payables and borrowings. Other 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.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially at fair value and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. Subsequently, the carrying amount is measured at the higher of the best estimate of the obligation under the contract in accordance with MFRS 137 at the reporting date and the initial amount recognised less accumulated amortisation. If the carrying amount of the financial guarantee contract is lower than the obligation, the carrying amount is adjusted to the obligation amount and accounted for as a provision.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(k) Financial liabilities (Cont'd)***Derecognition*

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting of Financial Instruments

A financial asset and financial liability are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(l) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(m) Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

For arrangements entered into prior to 1 January 2010, the date of inception is deemed to be 1 January 2010 in accordance with the MFRS 1.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(m) Lease (Cont'd)****(i) Financial lease**

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)

(n) Revenue recognition

(i) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the period.

(iii) Dividend income

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

(iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(v) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(vi) Management fees

Management fee is recognised on accrual basis when services are rendered.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(o) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(p) Income taxes (Cont'd)**

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(q) 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. Short term non-accumulating compensated absences such as sick and medical 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Significant Accounting Policies (Cont'd)**(q) Employee benefits (Cont'd)****(ii) Defined contribution plans**

As required by law, companies in Malaysia contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(r) 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.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets

(t) Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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3. Significant Accounting Policies (Cont'd)**(u) Compound Financial Instruments**

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component. Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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4. Property, Plant and Equipment

Group 2012	Long term leasehold land RM	Freehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Heavy moving equipment and motor vehicles RM	Plant, machinery, moulds and equipment RM	Electrical installation and renovation RM	Building under construction RM	Capital work-in- progress RM	Total RM
At cost										
At 1 January 2012	8,269,375	23,060,543	11,556,360	7,622,775	11,626,718	18,097,372	4,717,616	-	654,583	85,605,342
Additions	65,000	850,025	5,965,352	1,374,962	3,280,938	1,053,062	286,951	-	516,225	13,392,515
Disposals	(899,730)	-	(270,000)	(22,453)	(1,111,210)	(359,463)	(4,665)	-	-	(2,667,521)
Written off	-	-	-	(206,618)	-	(15,732)	(2,754)	-	-	(225,104)
Reclassification	-	-	837,691	160,742	458,086	(987,217)	45,823	-	(515,125)	-
Exchange difference	(12,731)	-	(308,499)	(91,817)	(204,726)	(49,095)	(9,148)	-	(49,060)	(725,076)
At 31 December 2012	7,421,914	23,910,568	17,780,904	8,837,591	14,049,806	17,738,927	5,033,823	-	606,623	95,380,156
Accumulated depreciation										
At 1 January 2012	301,312	-	2,678,607	4,752,544	6,278,701	11,796,987	2,356,133	-	-	28,164,284
Charge for the financial year	110,507	-	819,711	825,505	1,794,428	1,174,298	411,978	-	-	5,136,427
Disposals	(29,359)	-	(11,063)	(13,880)	(898,824)	(327,227)	(3,837)	-	-	(1,284,190)
Written off	-	-	-	(173,773)	-	(11,405)	(1,524)	-	-	(186,702)
Reclassification	-	-	-	376,997	61,071	(374,277)	(63,791)	-	-	-
Exchange difference	(2,267)	-	(85,127)	(54,493)	(74,976)	(27,000)	(10,832)	-	-	(254,695)
At 31 December 2012	380,193	-	3,402,128	5,712,900	7,160,400	12,231,376	2,688,127	-	-	31,575,124
Carrying amount										
At 31 December 2012	7,041,721	23,910,568	14,378,776	3,124,691	6,889,406	5,507,551	2,345,696	-	606,623	63,805,032

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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4. Property, Plant and Equipment (Cont'd)

Group 2011	Long term leasehold land RM	Freehold land RM	Buildings RM	Furniture, fittings and office equipment RM	Heavy moving equipment and motor vehicles RM	Plant, machinery, moulds and equipment RM	Electrical installation and renovation RM	Building under construction RM	Capital work-in- progress RM	Total RM
At cost										
At 1 January 2011	3,021,716	22,466,134	7,739,745	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	-	-	-	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 difference	108,185	-	247,570	52,987	54,320	255,793	67,986	-	9,750	796,591
At 31 December 2011	8,269,375	23,060,543	11,556,360	7,622,775	11,626,718	18,097,372	4,717,616	-	654,583	85,605,342
Accumulated depreciation										
At 1 January 2011	218,334	-	1,982,153	4,053,158	5,456,668	11,132,565	1,887,024	-	-	24,729,902
Charge for the financial year	67,523	-	693,477	607,523	1,402,969	1,204,637	457,957	-	-	4,434,086
Acquisition of a subsidiary	-	-	-	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 difference	15,455	-	74,554	32,855	31,426	114,805	50,653	-	-	319,748
At 31 December 2011	301,312	-	2,678,607	4,752,544	6,278,701	11,796,987	2,356,133	-	-	28,164,284
Carrying amount										
At 31 December 2011	7,968,063	23,060,543	8,877,753	2,870,231	5,348,017	6,300,385	2,361,483	-	654,583	57,441,058
At 1 January 2011	2,803,382	22,466,134	5,757,592	1,832,991	4,889,709	5,377,652	1,896,720	384,830	1,775,870	47,184,880

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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4. Property, Plant and Equipment (Cont'd)

	Furniture, fittings and office equipment RM	Total RM
Company		
31.12.2012		
At cost		
At 1 January	61,220	61,220
Additions	3,037	3,037
At 31 December	<u>64,257</u>	<u>64,257</u>
Accumulated depreciation		
At 1 January	60,968	60,968
Charge for the financial year	811	811
At 31 December	<u>61,779</u>	<u>61,779</u>
Carrying amount		
At 31 December	<u>2,478</u>	<u>2,478</u>
31.12.2011		
At cost		
At 1 January/31 December	<u>61,220</u>	<u>61,220</u>
Accumulated depreciation		
At 1 January	60,337	60,337
Charge for the financial year	631	631
At 31 December	<u>60,968</u>	<u>60,968</u>
Carrying amount		
At 31 December	<u>252</u>	<u>252</u>
At 1 January	<u>883</u>	<u>883</u>

(a) Security

Certain freehold and leasehold land and buildings of certain subsidiaries with carrying amount of RM29,405,093 (31.12.2011: RM24,146,083, 1.1.2011: RM17,539,359) have been pledged to local and foreign banks for credit facilities granted to the respective subsidiaries as disclosed in Note 19.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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4. Property, Plant and Equipment (Cont'd)

(b) Lease and hire purchase financing

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	
	31.12.2012	31.12.2011
	RM	RM
Aggregate costs	13,392,515	15,695,258
Less: Lease and hire purchase financing	(2,491,181)	(1,979,598)
Less: Term loan financing	<u>(87,750)</u>	<u>(4,474,000)</u>
Cash payments	<u>10,813,584</u>	<u>9,241,660</u>

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

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Furniture, fittings and office equipment	-	-	79,267
Plant and machinery	878,897	850,565	949,837
Heavy moving equipment and motor vehicles	<u>3,463,936</u>	<u>1,545,059</u>	<u>2,114,747</u>
	<u>4,342,833</u>	<u>2,395,624</u>	<u>3,143,851</u>

(c) Land

The remaining lease terms of the leasehold land range from 78 to 84 (31.12.2011: 79 to 85, 1.1.2011: 80 to 86) years.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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5. Investment Property

	Group	
	31.12.2012 RM	31.12.2011 RM
At Cost:		
At 1 January	-	530,000
Disposal during the financial year	-	(530,000)
At 31 December	<u>-</u>	<u>-</u>
Included in above are:		
Leasehold land with unexpired lease period of more than 50 years	-	430,000
Building	-	100,000
	<u>-</u>	<u>530,000</u>

6. Investment in Subsidiaries

(a) Investment in subsidiaries

	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
	Unquoted shares, at cost		
In Malaysia	44,135,769	43,135,769	43,135,769
Outside Malaysia	9,794,802	8,336,791	8,336,791
	<u>53,930,571</u>	<u>51,472,560</u>	<u>51,472,560</u>
Less: Accumulated impairment losses, in Malaysia	(95,000)	(95,000)	(95,000)
	<u>53,835,571</u>	<u>51,377,560</u>	<u>51,377,560</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

(b) The subsidiaries and shareholdings therein are as follows:

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Direct holding:					
Unimech Engineering (M) Sdn. Bhd.	Malaysia	100	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	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Unimech Engineering (J.B.) Sdn. Bhd.	Malaysia	100	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	100	Design and manufacture of valves, strainers, pipe fittings and chemical pumps for boilers
Arita Flanges Industries Sdn. Bhd. *	Malaysia	100	100	100	Engineering, design and manufacture of all type of steel flanges
Q-Flex Industries (M) Sdn. Bhd.	Malaysia	100	100	100	Manufacture of rubber flexible joint and mould products
Arita Engineering Sdn. Bhd.	Malaysia	100	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Direct holding:					
Multiplex Control & Engineering Services Pte. Ltd. *	Singapore	100	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	51	Manufacture and trading of pressure gauges and thermometers
Unimech Worldwide (Shanghai) Sdn. Bhd. *	Malaysia	100	100	100	Investment holding
Arita Valve (Tianjin) Co. Ltd. *	The People's Republic of China	100	100	100	Manufacture of all kinds of steel and cast iron industrial valves
Griferia Sanitario (M) Sdn. Bhd. *	Malaysia	100	100	100	Trading of sanitary and kitchen products
Suzhou Skyline Machinery Technology Corp. Ltd	The People's Republic of China	76	76	76	Designing, fabricating, assembling, installing and commissioning of production automation facilities for manufacturing of electronic and electrical components industries
Unimech Management Sdn. Bhd. (formerly known as Unimech R&D Centre Sdn. Bhd.) *	Malaysia	100	100	100	Provision of management services
Unimech Capital Sdn. Bhd.	Malaysia	100	100	100	Investment holding

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Direct holding:					
Icontronic Technology Sdn. Bhd. *	Malaysia	51	51	51	Design, fabricate and deal in industrial electronic automation control systems
M.E.T. Motion Holding Sdn. Bhd.	Malaysia	51	51	51	Investment holding
Unimech Venture Sdn. Bhd.	Malaysia	100	100	100	Investment holding
Unimech Indonesia Holdings Sdn. Bhd. ^	Malaysia	100	-	-	Investment holding
Indirect holding:					
Subsidiaries of Unimech Engineering (M) Sdn. Bhd.					
Unimech International Sdn. Bhd. *	Malaysia	100	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	85	Servicing and trading of burners
Unimech Valve Technology Sdn. Bhd.	Malaysia	100	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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Indirect holding:					
Subsidiaries of Unimech Engineering (M) Sdn. Bhd. (Cont'd)					
Unimech Engineering (Aust) Pty. Ltd. *	Australia	61	61	61	Import and wholesale distribution of industrial valves
Inventive Potentials Sdn. Bhd. *	Malaysia	75	75	75	Manufacture of metal stamped parts and design of die casting mould
Unimech Engineering (Vietnam) Sdn. Bhd. *	Malaysia	81	81	81	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Unimech Flow System Sdn. Bhd.	Malaysia	100	100	100	Trading of valves piping systems, engineering equipment, installation and maintenance of boilers and other related products
Unimech Marine Equipment Sdn. Bhd. (formerly known as Unimech Marine & Sanitary Equipment Sdn. Bhd.) *	Malaysia	100	100	100	Trading, installing, testing and commissioning of marine and sanitary equipment and other engineering components
Subsidiaries of Unimech Engineering (K.L.) Sdn. Bhd.					
TCE Casting Sdn. Bhd.*	Malaysia	51	51	51	Manufacture of metal stamped parts and die casting
Unimech Engineering (Korea) Ltd. ^	South Korea	51	51	51	Designing, fabrication, installing, testing, and commissioning of fluid and control system for the application of water, petrochemical, oil and gas industries

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Indirect holding:					
Subsidiary of					
Unimech Engineering (J.B.) Sdn.Bhd.					
Unimech Engineering (Kuantan) Sdn. Bhd. *	Malaysia	100	100	100	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Hebei Arita Valve Industries Co. Ltd. *	The People's Republic of China	50.1	50.1	50.1	Manufacture of stainless steel valves and related
Subsidiary 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 of					
Arita Engineering Sdn. Bhd.					
P.T. Arita Prima Indonesia *	Indonesia	85	85	85	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Subsidiaries of					
P.T. Arita Prima Indonesia					
P.T. Arita Prima Teknindo *	Indonesia	100	70	70	General trading
P.T. Ragam Teknik *	Indonesia	70	70	70	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Indirect holding:					
Subsidiaries of P.T. Arita Prima Indonesia (Cont'd)					
P.T. Arita Prima Gemilang *	Indonesia	100	100	70	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
P.T. Arita Prima Kalbar *	Indonesia	70	70	70	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
Subsidiaries of Unimech Worldwide (Shanghai) Sdn. Bhd.					
Senior Industries Resources Co. Ltd. *	The People's Republic of China	70	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	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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Subsidiaries of Unimech Worldwide (Shanghai) Sdn. Bhd. (Cont'd)					
Arita Engineering (Chengdu) Pte. Ltd. *	The People's Republic of China	95	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
Subsidiaries of Unimech Capital Sdn. Bhd.					
Bells Marketing Sdn. Bhd.	Malaysia	100	100	100	Supply and install insulation materials, valves and other engineering component
Icontronic Sdn. Bhd. *	Malaysia	51	51	51	Design, fabricate and deal in industrial electronic automation control systems
Bells Saga Sdn. Bhd.	Malaysia	100	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	80	Research and development, manufacturing and marketing of flexible print circuit ("FPC") and sub-contracting work in relation to the FPC job

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Indirect holding:					
Subsidiaries of Unimech Capital Sdn. Bhd. (Cont'd)					
Unimech Polymer Engineering Sdn. Bhd.	Malaysia	80	80	-	Trading of rubber flexible joint, mould products, plastics and engineering products
Arita System Sdn. Bhd. *	Malaysia	60	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	60	Supplies of automation solution, pneumatic and industrial components
Luxurious Construction Sdn. Bhd.	Malaysia	100	-	-	Construction of buildings
Unimech Instruments & Control Sdn. Bhd. *	Malaysia	80	-	-	Trading of instrument and control equipment for water, steam, petrochemical, oil and gas industries
Unimech ABS Sdn. Bhd.	Malaysia	65	-	-	Servicing and trading of burners, boilers, spare parts, and related products
Subsidiaries of M.E.T. Motion Holding Sdn. Bhd.					
M.E.T. Motion Engineering & Trading Sdn. Bhd.	Malaysia	100	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	100	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Indirect holding:					
Subsidiaries of					
M.E.T. Motion Holding Sdn. Bhd. (Cont'd)					
M.E.T Motion (Ipoh) Sdn. Bhd.	Malaysia	70	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	70	System design, fabrication, assembly and distribution of all kinds of pumps and provision of related services
Subsidiaries of					
Unimech Venture Sdn. Bhd.					
Unimech Holdings (Thailand) Co. Ltd. *	Thailand	97	97	-	Investment holding
Subsidiary of					
Unimech Holdings (Thailand) Co. Ltd.					
TM Unimech Co. Ltd. *	Thailand	95.55	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.

^ The financial statements of these subsidiaries are audited for consolidation purposes by the Company's auditors.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

(c) Acquisition of subsidiaries

Unimech Capital Sdn. Bhd. ("UCSB")

On 27 August 2012, UCSB had acquired 2 ordinary shares of RM1.00 each representing 100% of the total issued and paid-up capital of Unimech Indonesia Holdings Sdn. Bhd. ("UIH") for a cash consideration of RM2.00 only. The principal activity of UIH is engaged in investment holdings. The authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each and its current paid up capital is RM2.00.

(d) Incorporation of a new subsidiary

On 16 January 2012, UCSB subscribed for 195,000 ordinary shares of RM1.00 each representing 65% of the total issued and paid-up capital of Unimech ABS Sdn. Bhd. ("UASB") for a cash consideration of RM195,000. The principal activities of UASB are servicing and trading of burners, boilers, spare parts, and related products.

(e) Acquisition of non-controlling interests

On 2 July 2012, UCSB acquired an additional 40% equity interest in Luxurious Construction Sdn. Bhd. ("LCSB") for RM2 in cash, increased its ownership from 60% to 100%. The carrying amount of LCSB's net assets in the Group's financial statements on the date of acquisition was RM38,575. The Group recognised a decrease in non-controlling interests of RM15,430 and a decrease in retained profits of RM15,432.

The following summarises the effect of changes in the equity interest in LCSB that is attributable to owners of the Company:

	RM
Equity interest at 1 July 2012	(38,575)
Effect of increase in Company's ownership interest	24,307
Share of comprehensive income	<u>(1,162)</u>
Equity interest at 31 December 2012	<u>(15,430)</u>

Effects of changes in ownership interest without loss of control:

	RM
Carrying amount of non-controlling interest acquired	(15,430)
Less: Consideration paid to non-controlling interest, net of transaction costs	<u>(2)</u>
Difference recognised in retained profits	<u>(15,432)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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6. Investment in Subsidiaries (Cont'd)

(f) Decrease in shares of a subsidiary

On 22 December 2012, Unimech Engineering (M) Sdn. Bhd. disposed 10,000 shares of RM1.00 each representing 10% equity interest in Unimech Instruments & Control Sdn. Bhd. ("UIC") for RM160,000, decreased the ownership from 90% to 80%. The carrying amount of UIC's net assets in the Group's financial statements on the date of acquisition was RM1,643,518. The Group recognised an increase in non-controlling interests of RM15,186 and an increase in retained profits of RM15,186.

The following summarises the effect of changes in the equity interest in UIC that is attributable to owners of the Company:

	RM
Equity interest at 31 December 2012	1,576,672
Effect of decrease in Company's ownership interest	<u>(175,186)</u>
Equity interest at 31 December 2012	<u>1,401,486</u>

Effects of changes in ownership interest without loss of control:

	RM
Carrying amount of non-controlling interest disposed	175,186
Less: Consideration received from non-controlling interest, net of transaction costs	<u>(160,000)</u>
Difference recognised in retained profits	<u>15,186</u>

(g) Additional subscription of shares of existing subsidiaries

During the year,

- (i) the Company subscribed an additional RM1,458,011 issued and paid-up capital of its subsidiary, Suzhou Skyline Machinery Technology Corp. Ltd. The subscription, however, does not increased the interest in equity of the Company on the subsidiary; and
- (ii) Unimech Venture Sdn. Bhd., a wholly-owned subsidiary of the Company has increased its issued paid-up share capital from RM2 to RM1,000,000 of which was duly subscribed by the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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7. Investment in Associates
(a) Investment in associates

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Unquoted shares						
At cost	7,760,744	7,660,616	7,841,931	3,000,000	3,000,000	3,000,000
Share of post-acquisition reserves	3,579,344	2,151,497	1,618,736	-	-	-
	<u>11,340,088</u>	<u>9,812,113</u>	<u>9,460,667</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Less: Accumulated impairment losses	(77,877)	(77,877)	(653,789)	-	-	-
Less: Exchange differences	(158,957)	-	-	-	-	-
	<u>11,103,254</u>	<u>9,734,236</u>	<u>8,806,878</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>

(b) Details of the associates are as follows:

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012	31.12.2011	1.1.2011	
		%	%	%	
Direct holding:					
Premium Heights Sdn. Bhd. #	Malaysia	40	40	40	Property development
Indirect holding:					
Associates 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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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7. Investment in Associates (Cont'd)
(b) Details of the associates are as follows: (Cont'd)

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Indirect holding:					
Associates of Unimech Engineering (M) Sdn. Bhd. (Cont'd)					
Unimech Engineering Group (Thailand) 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
Associate 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 of P.T. Arita Prima Indonesia					
Arita System Sdn. Bhd. *	Malaysia	40	40	40	System design, fabrication, installation, combustion equipment and piping systems for palm oil mill, ole-chemical, water, steam, petrochemical, oil and gas industries
Associates 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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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7. Investment in Associates (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Indirect holding:					
Associates of Unimech Engineering (J.B.) Sdn. Bhd. (Cont'd)					
Unimech Engineering Group (Thailand) Co. Ltd. *	Thailand	20	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
Associates of Multiplex Control & Engineering Services Pte. Ltd.					
Multiplex	The Philippines	38	38	38	Trading in automation
M.E.T. Resources Pte. Ltd. *	Singapore	30	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	35	-	Designing, engineering and manufacturing of all type of oil and gas valves
All Torque Control Pte. Ltd.	Singapore	40	-	-	Marketing and supplying of Pneumatic actuators for remote valuers.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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7. Investment in Associates (Cont'd)

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

Name of company	Place of incorporation	Effective Interest			Principal activities
		31.12.2012 %	31.12.2011 %	1.1.2011 %	
Indirect holding:					
Associates of Unimech Capital Sdn. Bhd.					
TTS Valve Technologies Sdn. Bhd. #	Malaysia	40	40	40	Supplying of control valves accessories
Unimech Bersatu Malaysia Sdn. Bhd.	Malaysia	49	49	-	System design, fabrication, installation, maintenance of boilers, combustion equipment, engineering equipment and piping systems
MKT Marketing Sdn. Bhd. *	Malaysia	24	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.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Total assets	53,925,721	42,512,579	48,616,530
Total liabilities	35,408,487	25,472,372	29,582,741
Revenue	36,581,711	56,179,065	45,933,283
Net profit for the financial year	1,215,555	2,101,216	1,349,872

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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7. Investment in Associates (Cont'd)

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

On 15 October 2012, the Company had subscribed 40,000 ordinary shares of Singapore Dollar ("SGD") 1.00 each representing 40% of the total issue and paid-up capital of All Torque Control Pte. Ltd. ("ATC") in Singapore. The principal activity of ATC is engaged in marketing and supplying of pneumatic actuators for remote control valves for use in oil and gas, refinery, petrochemical, food industry, machine maker, power plant, water treatment plant, oil rig or platform and general trading. The authorised and paid-up share capital are SGD100,000 comprising 100,000 ordinary shares of SGD1.00 each.

8. Investment Securities

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Available-for-sale financial assets						
Equity instruments						
- Quoted in Malaysia	3,898,022	5,025,653	5,226,699	336,064	534,715	1,004,380
- Malaysian unit trust	-	-	87,432	-	-	-
	<u>3,898,022</u>	<u>5,025,653</u>	<u>5,314,131</u>	<u>336,064</u>	<u>534,715</u>	<u>1,004,380</u>
- Unquoted in Malaysia	420,000	420,000	420,000	-	-	-
At 31 December	<u>4,318,022</u>	<u>5,445,653</u>	<u>5,734,131</u>	<u>336,064</u>	<u>534,715</u>	<u>1,004,380</u>
At market value						
- Quoted in Malaysia	3,898,022	5,025,653	5,226,699	336,064	534,715	1,004,380
- Malaysian unit trust	-	-	87,432	-	-	-
	<u>3,898,022</u>	<u>5,025,653</u>	<u>5,314,131</u>	<u>336,064</u>	<u>534,715</u>	<u>1,004,380</u>

Investment in unquoted shares is carried at cost and represents other investment in company where the Group has no significant influence against the operating activities of the company.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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9. Intangible assets

	Goodwill RM	Trademarks and patents RM	Total RM
Group			
31.12.2012			
At cost			
At 1 January	8,110,697	998,141	9,108,838
Addition	-	58,645	58,645
At 31 December	8,110,697	1,056,786	9,167,483
Accumulated amortisation			
At 1 January	-	89,870	89,870
Amortisation for the financial year	-	8,170	8,170
At 31 December	-	98,040	98,040
Accumulated impairment loss			
At 1 January	106,541	-	106,541
Impairment loss for the financial year	1,331,488	-	1,331,488
At 31 December	1,438,029	-	1,438,029
Carrying Amount			
At 31 December	6,672,668	958,746	7,631,414
31.12.2011			
At cost			
At 1 January/31 December	8,110,697	998,141	9,108,838
Accumulated amortisation			
At 1 January	-	81,700	81,700
Amortisation for the financial year	-	8,170	8,170
At 31 December	-	89,870	89,870
Accumulated impairment loss			
At 1 January/31 December	106,541	-	106,541
Carrying Amount			
At 31 December	8,004,156	908,271	8,912,427
At 1 January	8,004,156	916,441	8,920,597

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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9. Intangible assets (Cont'd)

	31.12.2012 RM	Company 31.12.2011 RM	1.1.2011 RM
Trademarks, at cost			
At 1 January/31 December	<u>292,302</u>	<u>292,302</u>	<u>292,302</u>

(a) Description of trademarks and patents

Trademarks and patents relate to the Group's rights in valves, instrumentation and fittings production that were acquired in the business combinations and have an average remaining amortisation period ranging from 10 to 20 years.

(b) Amortisation expense

The amortisation of trademarks and patents are included in the administrative expenses in the statement of comprehensive income.

(c) Impairment testing for cash generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management proposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Group			
Valves, instrumentation and fittings	1,374,067	2,353,098	2,353,098
Electronic	1,633,501	2,612,532	2,612,532
Pumps	3,013,525	3,013,525	3,013,525
Others	<u>25,001</u>	<u>25,001</u>	<u>25,001</u>
	<u>6,672,668</u>	<u>8,004,156</u>	<u>8,004,156</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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9. Intangible assets (Cont'd)**(c) Impairment testing for cash generating units ("CGU") containing goodwill (Cont'd)**

The recoverable amount for the above was based on its value in use and was determined by discounting the future cash flows generated from the continuing use of those units and was based on the following key assumptions:

- (i) Cash flows were projected based on actual operating results and a five-year business plan.
- (ii) Revenue was projected at anticipated annual revenue growth of approximately 5% to 10% per annum.
- (iii) Expenses were projected at annual increase of approximately 3% to 8% per annum.
- (iv) A pre-tax discount rate of 8% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the Group plus a reasonable risk premium.

With regards to the assessments of value-in-use of these CGUs, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

10. Deferred tax (assets)/liabilities

	Group	
	2012	2011
	RM	RM
At 1 January	869,597	516,734
Recognised in profit or loss	<u>(779,869)</u>	<u>352,863</u>
At 31 December	<u>89,728</u>	<u>869,597</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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10. Deferred tax (assets)/liabilities (Cont'd)

The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are as follows:

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Deferred tax liabilities	704,424	869,597	540,329
Deferred tax assets	<u>(614,696)</u>	<u>-</u>	<u>(23,595)</u>
	<u>89,728</u>	<u>869,597</u>	<u>516,734</u>

The components and movements of deferred tax liabilities and assets are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Total RM
At 1 January 2012	869,597	869,597
Recognised in profit or loss	<u>(165,173)</u>	<u>(165,173)</u>
At 31 December 2012	<u>704,424</u>	<u>704,424</u>
At 1 January 2011	540,329	540,329
Recognised in profit or loss	<u>329,268</u>	<u>329,268</u>
At 31 December 2011	<u>869,597</u>	<u>869,597</u>

Deferred tax assets of the Group:

	Property, plant and equipment RM	Unabsorbed tax losses RM	Other timing differences RM	Total RM
Group				
At 1 January 2012	-	-	-	-
Recognised in profit or loss	<u>(7,293)</u>	<u>(605,979)</u>	<u>(1,424)</u>	<u>(614,696)</u>
At 31 December 2012	<u>(7,293)</u>	<u>(605,979)</u>	<u>(1,424)</u>	<u>(614,696)</u>
At 1 January 2011/ 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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10. Deferred tax (assets)/liabilities (Cont'd)

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Unutilised tax losses	3,268,072	2,810,259	139,059
Unabsorbed capital allowances	231,936	165,676	770,532
Unutilised reinvestment allowances	-	-	32,892
Other deductible temporary differences	31,219	40,100	40,100
	<u>3,531,227</u>	<u>3,016,035</u>	<u>982,583</u>

The unutilised tax losses and unabsorbed capital allowance are available indefinitely for offset against future taxable profits of the companies in which those items arose.

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiaries that have a recent history of losses.

11. Inventories

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
At cost			
Raw materials	6,716,539	8,899,780	7,887,229
Work-in-progress	1,552,161	1,799,653	1,147,943
Finished goods	121,354,498	102,835,877	81,740,576
Accessories and parts	28,024	34,960	-
	<u>129,651,222</u>	<u>113,570,270</u>	<u>90,775,748</u>

Finished goods with carrying amount of RM Nil (31.12.2011: RM428,816, 1.1.2011: RM699,512) are pledged to a foreign bank for credit facilities granted to a subsidiary disclosed in Note 19.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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12. Trade Receivables

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Trade receivables:			
- Third parties	67,930,280	53,622,968	45,397,711
- Related party	229,072	241,229	316,047
- Associates	376,227	313,628	4,551,524
	<u>68,535,579</u>	<u>54,177,825</u>	<u>50,265,282</u>
Less: Accumulated impairment losses			
- Third parties	(783,572)	(489,375)	(586,784)
	<u>67,752,007</u>	<u>53,688,450</u>	<u>49,678,498</u>

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

The Group's normal trade credit terms range from 30 to 90 days (31.12.2011: 30 to 90 days, 1.1.2011: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

Related party is a company incorporated in Malaysia in which certain Directors have significant and controlling financial interests.

Included in the amounts owing by associates of the Group is an amount of RM374,590 (31.12.2011: RM187,078, 1.1.2011: RM707,978) which interest is charged at the rate of 8% (31.12.2011: 8%, 1.1.2011: 8%) per annum.

Movements in impairment (individually assessed) on trade receivables is as follows:

	Group	
	2012 RM	2011 RM
At 1 January	489,375	586,784
Impairment losses recognised	300,218	110,580
Reversal of impairment losses	(6,021)	(207,989)
At 31 December	<u>783,572</u>	<u>489,375</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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12. Trade Receivables (Cont'd)

Analysis of trade receivables ageing is as follows:

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Group			
Neither past due nor impaired	55,907,710	51,527,625	43,111,328
<i>Past due not impaired:</i>			
Less than 30 days	7,698,794	1,404,537	4,268,661
31-60 days	2,961,074	540,206	1,641,792
More than 61 days	1,184,429	216,082	656,717
	<u>11,844,297</u>	<u>2,160,825</u>	<u>6,567,170</u>
	67,752,007	53,688,450	49,678,498
Impaired	<u>783,572</u>	<u>489,375</u>	<u>586,784</u>
	<u>68,535,579</u>	<u>54,177,825</u>	<u>50,265,282</u>

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.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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13. Other Receivables

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Other receivables						
- Third parties and deposits	17,392,689	20,546,593	10,248,403	1,009,742	1,083,747	439,423
- Amounts owing by subsidiaries	-	-	-	29,479,607	32,410,115	28,951,072
- Amounts owing by associates	3,140,292	1,813,240	5,058,376	411,963	914,083	653,582
	<u>20,532,981</u>	<u>22,359,833</u>	<u>15,306,779</u>	<u>30,901,312</u>	<u>34,407,945</u>	<u>30,044,077</u>
Less: Accumulated impairment losses						
- Third parties	(55,941)	(55,941)	(55,941)	-	-	-
	<u>20,477,040</u>	<u>22,303,892</u>	<u>15,250,838</u>	<u>30,901,312</u>	<u>34,407,945</u>	<u>30,044,077</u>

The amounts owing by subsidiaries are unsecured, non-interest bearing and repayable on demand.

The amounts owing by associates of the Group is an amount of RM2,510,331 (31.12.2011: RM1,151,205, 1.1.2011: RM4,445,532) which is unsecured and repayable on demand. Interest is charged at the rate of 8.5% (31.12.2011: 8.5%, 1.1.2011: 8.5%) per annum.

14. Fixed Deposits with Licensed Banks

The weighted average interest rates of deposits of the Group at the end of the reporting period are 2.80% and 3.25% (31.12.2011: 2.50% and 3.00%, 1.1.2011: 2.45% and 2.75%) per annum.

The average maturities of deposits of the Group is 30 days to 365 days (31.12.2011: 30 days and 365 days, 1.1.2011: 30 days and 365 days).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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15. Share Capital

	Group/Company			
	Number of shares		Amount	
	2012 Unit	2011 Unit	2012 RM	2011 RM
Ordinary shares of RM0.50 each				
Authorised				
At 1 January/ 31 December	200,000,000	200,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 January	133,561,334	136,561,334	66,780,667	68,280,667
Cancelled during the year	-	(3,000,000)	-	(1,500,000)
At 31 December	133,561,334	133,561,334	66,780,667	66,780,667

In prior financial year, the Company had cancelled 3,000,000 treasury shares of RM0.50 each.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

16. Treasury Shares

	Group/Company			
	Number of shares		Amount	
	2012 Unit	2011 Unit	2012 RM	2011 RM
At 1 January	12,356,466	13,636,566	8,055,850	8,525,140
Purchased during the financial year	1,357,200	1,719,900	1,321,361	1,406,310
Cancelled during the financial year	-	(3,000,000)	-	(1,875,600)
Disposal during the financial year	(1,500,000)	-	(1,011,500)	-
At 31 December	12,213,666	12,356,466	8,365,711	8,055,850

The shareholders of the Company renewed the authority granted to the Directors to repurchase its own shares at the Annual General Meeting held on 21 June 2012. 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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16. Treasury Shares (Cont'd)

During the financial year, the Company repurchased 1,357,200 (31.12.2011: 1,719,900, 1.1.2011: RMNIL) ordinary shares of RM0.50 each from the open market for RM1,321,361 (31.12.2011: RM1,406,310, 1.1.2011: RMNIL). The average price paid for the shares repurchased was approximately RM0.97 (31.12.2011: RM0.82, 1.1.2011: RMNIL) 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.

In prior year, the Company had cancelled 3,000,000 treasury shares of RM0.50 each.

On 22 October 2012 and 19 December 2012, the Company had disposed of 1,000,000 treasury shares of RM1.06 each and 500,000 treasury shares of RM1.10 each for a total consideration of RM1,056,302 and RM547,902 respectively.

The shares purchased were retained as treasury shares. The Company has the right to re-issue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

17. Reserves

	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Capital Reserve RM	Total RM
Group				
31.12.2012				
At 1 January	155,446	1,535,381	891,800	2,582,627
Other comprehensive income:				
Available-for-sale financial assets				
- Gain on fair value change	116,236	-	-	116,236
- Transfer to profit or loss upon disposal	(7,262)	-	-	(7,262)
	108,974	-	-	108,974
Foreign currency translation	-	(3,275,443)	-	(3,275,443)
At 31 December	264,420	(1,740,062)	891,800	(583,842)

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17. Reserves (Cont'd)

	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Capital Reserve RM	Total RM
Group				
31.12.2011				
At 1 January	277,228	42,519	891,800	1,211,547
Other comprehensive income:				
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	<u>155,446</u>	<u>1,535,381</u>	<u>891,800</u>	<u>2,582,627</u>

	Company	
	2012 RM	2011 RM
Fair value adjustment reserve		
At 1 January	6,495	22,345
Available-for-sale financial assets		
- Gain/(Loss) on fair value change	6,815	(15,850)
At 31 December	<u>13,310</u>	<u>6,495</u>

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

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17. Reserves (Cont'd)

(c) Capital reserve

Capital reserve arose from capitalisation of retained profits of a subsidiary in year 2001 and transfer to capital reserve for bonus issue by subsidiary in year 2002.

18. Lease and Hire Purchase Payables

	Lease payables RM	Hire purchase payables RM	Total RM
Group			
31.12.2012			
Minimum lease and hire purchase payments:			
Within one year	506,772	1,461,150	1,967,922
Between one and five years	659,686	2,636,730	3,296,416
After five years	-	109,431	109,431
	<u>1,166,458</u>	<u>4,207,311</u>	<u>5,373,769</u>
Less: Future finance charges	(95,684)	(445,409)	(541,093)
Present value of minimum lease and hire purchase liabilities	<u>1,070,774</u>	<u>3,761,902</u>	<u>4,832,676</u>
Present value of minimum lease and hire purchase payments:			
Within one year	462,367	1,235,383	1,697,750
Between one and five years	608,407	2,501,155	3,109,562
After five years	-	25,364	25,364
	<u>1,070,774</u>	<u>3,761,902</u>	<u>4,832,676</u>
Analysed as:			
Repayable within twelve months	462,367	1,235,383	1,697,750
Repayable after twelve months	608,407	2,526,519	3,134,926
	<u>1,070,774</u>	<u>3,761,902</u>	<u>4,832,676</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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18. Lease and Hire Purchase Payables (Cont'd)

	Lease payables RM	Hire purchase payables RM	Total RM
Group			
31.12.2011			
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
	<u>1,041,766</u>	<u>4,092,089</u>	<u>5,133,855</u>
Less: Future finance charges	(116,215)	(471,158)	(587,373)
Present value of minimum lease and hire purchase liabilities	<u>925,551</u>	<u>3,620,931</u>	<u>4,546,482</u>
Present value of minimum lease and hire purchase payments:			
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
	<u>925,551</u>	<u>3,620,931</u>	<u>4,546,482</u>
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
	<u>925,551</u>	<u>3,620,931</u>	<u>4,546,482</u>
1.1.2011			
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
After five years	-	-	-
	<u>900,067</u>	<u>3,115,543</u>	<u>4,015,610</u>
Less: Future finance charges	(50,947)	(176,351)	(227,298)
Present value of minimum lease and hire purchase liabilities	<u>849,120</u>	<u>2,939,192</u>	<u>3,788,312</u>
Present value of minimum lease and hire purchase payments:			
Within one year	356,115	923,643	1,279,758
Between one and five years	493,005	2,015,549	2,508,554
	<u>849,120</u>	<u>2,939,192</u>	<u>3,788,312</u>
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
	<u>849,120</u>	<u>2,939,192</u>	<u>3,788,312</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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18. Lease and Hire Purchase Payables (Cont'd)

The lease and hire purchase interest is charged at rates ranging from 4.30% to 7.60% (31.12.2011: 3.60% to 8.50%, 1.1.2011: 4.98% to 9.76%) per annum.

19. Bank Borrowings

	31.12.2012	Group 31.12.2011	1.1.2011
	RM	RM	RM
Secured			
Bank overdrafts	6,417,106	6,946,207	2,467,394
Bankers' acceptance	1,746,000	-	-
Term loans	19,595,234	18,671,486	12,396,239
	<u>27,758,340</u>	<u>25,617,693</u>	<u>14,863,633</u>
Unsecured			
Bank overdrafts	6,121,065	4,317,327	5,039,694
Bankers' acceptance	25,824,257	17,561,245	14,730,448
Invoice financing	-	-	143,583
Revolving credits	27,139,541	17,468,984	11,200,000
Trust receipts	1,253,111	-	39,401
	<u>60,337,974</u>	<u>39,347,556</u>	<u>31,153,126</u>
Total bank borrowings	<u>88,096,314</u>	<u>64,965,249</u>	<u>46,016,759</u>
Analysed as:			
Repayable within twelve months			
Secured			
Bank overdrafts	6,417,106	6,946,207	2,467,394
Bankers' acceptance	1,746,000	-	-
Term loans	1,403,359	1,231,443	908,535
	<u>9,566,465</u>	<u>8,177,650</u>	<u>3,375,929</u>
Unsecured			
Bank overdrafts	6,121,065	4,317,327	5,039,694
Bankers' acceptance	25,824,257	17,561,245	14,730,448
Invoice financing	-	-	143,583
Revolving credits	27,139,541	17,468,984	11,200,000
Trust receipts	1,253,111	-	39,401
	<u>60,337,974</u>	<u>39,347,556</u>	<u>31,153,126</u>
	<u>69,904,439</u>	<u>47,525,206</u>	<u>34,529,055</u>
Repayable after twelve months			
Secured			
Term loans	18,191,875	17,440,043	11,487,704
Total bank borrowings	<u>88,096,314</u>	<u>64,965,249</u>	<u>46,016,759</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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19. 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 subsidiaries as disclosed in Note 4;
- (b) Pledged of inventories of a subsidiary in prior year as disclosed in Note 11;
- (c) Corporate guarantee by the Company; and
- (d) Personal guarantee by certain Director of certain subsidiaries.

The maturity of bank borrowings is as follows:

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Within one year	69,904,439	47,525,206	34,529,055
Between one and two years	1,802,139	3,203,592	1,059,524
Between two to five years	5,347,294	2,970,716	2,920,549
After five years	11,042,442	11,265,735	7,507,631
	<u>88,096,314</u>	<u>64,965,249</u>	<u>46,016,759</u>

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

	31.12.2012 %	Group/ Company 31.12.2011 %	1.1.2011 %
Bank overdrafts	7.60 - 11.50	7.60 - 11.10	6.80 - 12.00
Term loans	4.60 - 11.10	4.40 - 11.10	4.40 - 12.00
Bankers' acceptance	4.30 - 5.20	3.00 - 5.00	3.50 - 5.00
Invoice financing	-	-	3.90
Revolving credits	6.60 - 7.85	6.60 - 7.85	4.20 - 4.50
Trust receipts	7.55	-	7.55
	<u>7.55</u>	<u>-</u>	<u>7.55</u>

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20. Trade Payables

	31.12.2012	Group 31.12.2011	1.1.2011
	RM	RM	RM
Trade payables			
- Third parties	20,615,103	20,521,951	19,969,246
- Associates	945,333	10,280	23,557
- Related party	3,663	5,346	15,871
	<u>21,564,099</u>	<u>20,537,577</u>	<u>20,008,674</u>

The normal trade credit terms granted to the Group are 30 days to 90 days (31.12.2011: 30 days to 90 days, 1.1.2011: 30 days to 90 days).

Related party is a company incorporated in Malaysia in which certain Directors have significant and controlling financial interests.

21. Other Payables

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Third parties and accruals	14,913,983	20,068,399	15,092,538	395,339	324,915	1,019,755
Amounts owing to directors	298,209	381,629	605,904	-	-	-
Amounts owing to subsidiaries	-	-	-	25,025	286,938	11,080
Amounts owing to associates	-	-	18,280	-	-	-
Amounts owing to related parties	-	-	13,395	-	-	-
	<u>15,212,192</u>	<u>20,450,028</u>	<u>15,730,117</u>	<u>420,364</u>	<u>611,853</u>	<u>1,030,835</u>

Other payables are non-interest bearing and normally settled within 30 days to 90 days (31.12.2011: 30 days to 90 days, 1.1.2011: 30 days to 90 days) terms.

The amounts owing to directors, subsidiaries, associates and related parties are unsecured, non-interest bearing and repayable on demand.

Related parties refer to companies where directors of the Company have substantial financial interests.

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22. Revenue

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Sales of goods	219,108,945	193,486,511	-	-
Management fee	10,601	11,103	817,116	844,570
Interest income	-	-	-	-
Dividend income	-	-	4,927,018	8,697,624
	<u>219,119,546</u>	<u>193,497,614</u>	<u>5,744,134</u>	<u>9,542,194</u>

23. Finance Costs

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expenses on:				
Bank overdrafts	991,849	1,570,128	849	-
Bankers' acceptance	1,903,440	735,361	-	-
Trust receipts	71,322	3,975	-	-
Revolving credits	1,014,007	731,497	-	-
Letter of credits	2,361	-	-	-
Term loans	1,226,367	1,161,490	-	-
Finance lease and hire purchase payables	139,120	173,531	-	-
Hire purchase	212,809	236,590	-	-
Others	172,690	189,537	8,477	-
	<u>5,733,965</u>	<u>4,802,109</u>	<u>9,326</u>	<u>-</u>

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24. Profit before Tax

Profit before tax is determined after charging/ (crediting) amongst others, the following items:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Auditors' remuneration				
- current year	329,136	268,120	35,000	25,000
- prior year	1,592	4,845	-	-
Amortisation of intangible assets	8,170	8,170	-	-
Directors' remuneration (Note a)	6,391,728	7,347,415	603,683	507,895
Depreciation of property, plant and equipment	5,136,427	4,434,086	811	631
Impairment losses on:				
- investment securities	691,946	561,998	76,365	127,807
- trade receivables	300,218	110,580	-	-
- goodwill	1,331,488	-	-	-
Inventories written down	8,224,766	70,650	-	-
Loss/(Gain) on foreign exchange				
- realised	148,615	(708,310)	-	-
(Gain)/Loss on disposal of:				
- investment in associates	-	(714,750)	-	-
- investment securities	137,616	193,310	(22,953)	(13,699)
- property, plant and equipment	(1,504,754)	(418,706)	-	-
- investment property	-	(235,000)	-	-
Written off of:				
- bad debts	617,971	233,458	-	-
- preliminary expenses	-	7,222	-	-
- property, plant and equipment	38,402	49,269	-	-
Rental of:				
- factory	248,434	449,584	-	-
- hostel	60,692	32,320	-	-
- machinery and equipment	14,644	13,068	-	-
- motor vehicles	30,554	8,010	-	-
- premises	1,848,236	1,520,472	-	-
Bad debts recovered	(95,349)	(115,845)	-	-
Interest income	(253,379)	(191,926)	(36,829)	(27,570)
Rental income	(431,056)	(280,399)	-	-
Dividend income	(382,341)	(175,985)	(28,281)	(32,217)
Reversal of impairment loss on trade receivables	(6,021)	(207,989)	-	-
Negative goodwill written off	-	(947,667)	-	-
Waiver of debts from other payables	-	(7,416)	-	-

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24. Profit before Tax (Cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Write back of impairment loss on investment securities	-	(4,045)	-	-
Reversal of inventories written down	-	(4,498)	-	-
Available for sale financial assets (transferred from equity on disposal of investment securities)	7,262	162,223	-	-
Government grant income from jobs credit scheme	-	148,000	-	-
	<u>-</u>	<u>148,000</u>	<u>-</u>	<u>-</u>

a) Directors' remuneration

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Salaries, bonus and allowances	4,073,604	4,316,726	232,045	223,627
EPF	285,120	443,227	22,176	21,024
SOCSO	4,960	14,620	620	620
Incentive	1,751,477	2,358,925	167,842	89,707
Fees	219,014	194,517	181,000	172,917
Estimated money value of benefit-in-kind	57,553	19,400	-	-
	<u>6,391,728</u>	<u>7,347,415</u>	<u>603,683</u>	<u>507,895</u>

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25. Taxation

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Tax expense for the financial year:				
Current tax provision	9,978,916	7,950,648	7,634	210,530
(Over)/Underprovision in prior years	(416,370)	(52,677)	(162,659)	(24,709)
	<u>9,562,546</u>	<u>7,897,971</u>	<u>(155,025)</u>	<u>185,821</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	101,929	301,099	-	-
(Over)/Underprovision in prior years	(881,798)	51,764	-	-
	<u>(779,869)</u>	<u>352,863</u>	<u>-</u>	<u>-</u>
Real property gains tax	-	99,129	-	-
	<u>8,782,677</u>	<u>8,349,963</u>	<u>(155,025)</u>	<u>185,821</u>

Malaysian income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses/(income) at the effective income tax of the Group and the Company are as follows:

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25. Taxation (Cont'd)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Profit before tax	33,982,805	29,918,429	4,365,640	8,484,476
Taxation of statutory tax rate of 25%	8,495,701	7,479,607	1,091,410	2,121,119
Income not subject to tax	(2,318,688)	(2,922,288)	(1,083,776)	(1,910,589)
Expenses not deductible for tax purposes	3,399,695	3,237,326	-	-
Tax exempt income	(108,923)	(123,598)	-	-
Utilisation of previously unrecognised:				
- unused tax losses	(152,455)	-	-	-
- unutilised capital allowances	(3,441)	(151,214)	-	-
- unutilised reinvestment allowances	-	(8,223)	-	-
- other deductible temporary differences	(2,220)	-	-	-
Deferred tax assets not recognised	286,914	667,800	-	-
Effect on different tax rates in foreign jurisdiction	151,390	72,337	-	-
Overprovision of income tax expense in prior years	(416,370)	(52,677)	(162,659)	(24,709)
(Over)/Underprovision of deferred tax in prior years	(881,798)	51,764	-	-
Real property gain tax	-	99,129	-	-
Tax expense for the financial year	8,449,805	8,349,963	(155,025)	185,821

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

The Group has estimated unutilised tax losses and unabsorbed capital allowances of RM6,257,409 (2011: RM5,464,078) and RM1,290,550 (2011: RM1,131,856) respectively carried forward available for set-off against future taxable profit.

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26. Earnings Per Share

(a) Basis earnings per share

The earnings per share has been calculated based on the consolidated profit 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	
	2012	2011
	RM	RM
Net profit for the financial year attributable to the owners of the parent	<u>21,877,509</u>	<u>19,341,475</u>
Number of shares in issue as at 1 January (units)	122,612,012	122,924,768
Effect on treasury shares (units)	<u>(1,943,535)</u>	<u>(312,756)</u>
Weighted average number of ordinary shares in issue as at 31 December (units)	<u>120,668,477</u>	<u>122,612,012</u>
Basic earnings per ordinary share (sen)	<u>18.13</u>	<u>15.77</u>

(b) Fully diluted loss per share

The diluted earnings per share is not presented as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

27. Dividends

	Company	
	2012	2011
	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 2011	-	4,425,292
A first and final single tier dividend of 5 sen on 120,435,600 ordinary shares of RM0.50 each in respect of financial year ended 31 December 2012	<u>6,021,783</u>	<u>-</u>
	<u>6,021,783</u>	<u>4,425,292</u>

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27. Dividends (Cont'd)

At the forthcoming Annual General Meeting, a first and final single tier dividend of 6 sen on 121,347,668 ordinary shares of RM0.50 each, amounting to a total dividend payable of RM7,280,860 in respect of the financial year ended 31 December 2012 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.

28. Staff Costs

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Staff costs (excluding Directors)	24,605,809	18,304,884	365,926	228,241

Included in the staff costs above are contributions made to the EPF under a defined contribution plan of the Group and of the Company amounting to RM1,168,917 and RM33,434 (2011: RM887,038 and RM19,373) respectively.

29. Related Party Disclosures**(a) Identifying related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group and certain members of senior management and chief executive officers of major subsidiaries of the Group.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

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29. Related Party Disclosures (Cont'd)

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. In addition to the related party information disclosed in Notes 12, 13, 20 and 21, the significant related party transactions of the Group and the Company are as follows:

	Group	
	2012	2011
	RM	RM
Sales to associates		
- All Torque Control Pte. Ltd.	4,306	-
- Unimech Bersatu Malaysia Sdn. Bhd.	20,851	-
- Unimech Engineering Group (Thailand) Co. Ltd.	432,818	273,000
- TM Unimech Co. Ltd.	-	1,020,907
- TTS Valve Technologies Sdn. Bhd.	526,592	144,643
	<u>984,567</u>	<u>1,438,550</u>
Purchases from associates		
- Arita New Valve (Huangshan) Co. Ltd.	399,278	-
- Unimech Engineering	49,768	-
- TTS Valve Technologies Sdn. Bhd.	143,403	198,386
	<u>592,449</u>	<u>198,386</u>
Interest income received from associates		
- Unimech Engineering Group (Thailand) Co. Ltd.	-	18,512
- TM Unimech Co. Ltd.	-	9,869
	<u>-</u>	<u>28,381</u>
Sales to a related party		
- Q-Flex Industries Sdn. Bhd.	308,451	424,732
- Unimech Engineering (K.L.) Sdn. Bhd.	80	133
	<u>308,531</u>	<u>424,865</u>
Purchases from a related party		
- Unimech Engineering (Kuantan) Sdn. Bhd.	1,920	2,378
- Unimech Engineering (M) Sdn. Bhd.	22,724	35,282
- Q-Flex Industries Sdn. Bhd.	25,159	43,464
- Arita Engineering Sdn. Bhd.	2,390	6,605
- Unimech Engineering (J.B.) Sdn. Bhd.	445	190
- Unimech Engineering (K.L.) Sdn. Bhd.	1,279	4,220
	<u>53,917</u>	<u>92,139</u>

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29. Related Party Disclosures (Cont'd)

(b) Significant related party transactions (Cont'd)

	Company	
	2012 RM	2011 RM
Management fee received from subsidiaries		
- Arita Engineering Sdn. Bhd.	36,280	39,151
- Arita Flanges Industries Sdn. Bhd.	9,501	8,022
- Arita System Sdn. Bhd.	2,767	3,779
- Arita Valve (Tianjin) Co. Ltd.	62,182	48,929
- Arita Valve Manufacturing (M) Sdn. Bhd.	24,756	22,323
- Unimech Polymer Engineering Sdn. Bhd.	1,364	1,940
- Icontronic Sdn. Bhd.	2,046	1,584
- Icontronic Technology Sdn. Bhd.	4,960	4,700
- Incentive Potentials Sdn. Bhd.	13,914	16,897
- Griferia Sanitario (M) Sdn. Bhd.	3,659	1,735
- Multiplex Control & Engineering Services Pte. Ltd.	45,741	112,440
- M.E.T. Motion (Alor Setar) Sdn. Bhd.	10,275	10,291
- M.E.T. Motion (Ipoh) Sdn. Bhd.	4,459	5,519
- M.E.T. Motion Engineering & Trading Sdn. Bhd.	30,596	32,285
- M.E.T. Resources Co. Ltd.	331	322
- Bells Marketing Sdn. Bhd.	24,702	24,894
- Q-Flex Industries (M) Sdn. Bhd.	23,871	25,750
- TCE Casting Sdn. Bhd.	19,163	20,196
- Tri Axis Technology (M) Sdn. Bhd.	3,300	2,143
- UME Service & Trading Sdn. Bhd.	5,351	4,892
- Unijin Instruments Industries Sdn. Bhd.	7,532	6,664
- Unimech Engineering (J.B.) Sdn. Bhd.	63,608	61,301
- Unimech Engineering (K.L.) Sdn. Bhd.	61,016	59,443
- Unimech Engineering (Kuantan) Sdn. Bhd.	23,768	25,461
- Unimech Engineering (M) Sdn. Bhd.	237,234	236,651
- Unimech Engineering (Aust) Pty. Ltd.	24,907	9,635
- Unimech Flow System Sdn. Bhd.	12,301	10,843
- Unimech Instrument & Control Sdn. Bhd.	9,066	7,767
- Unimech International Sdn. Bhd.	22,904	19,683
- Unimech Marine & Sanitary Equipment Sdn. Bhd.	9,261	2,894
- Unimech Valve Technology Sdn. Bhd.	4,226	5,333
- Unimech ABS Sdn. Bhd.	1,181	-
- Bells Saga Sdn. Bhd.	293	-
	<u>806,515</u>	<u>833,467</u>

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29. Related Party Disclosures (Cont'd)

(b) Significant related party transactions (Cont'd)

	Company	
	2012	2011
	RM	RM
Management fee received from associates		
- TTS Valve Technologies Sdn. Bhd.	<u>10,601</u>	<u>11,103</u>
Dividend received from subsidiaries		
- Arita Engineering Sdn. Bhd.	600,000	-
- Q-Flex Industries (M) Sdn. Bhd.	250,000	-
- Unimech Engineering (K.L.) Sdn. Bhd.	600,000	2,100,000
- Unimech Engineering (JB) Sdn. Bhd.	3,000,000	4,500,000
- Multiplex Control & Engineering Services Pte. Ltd.	-	1,700,740
- Icontronic Technology Sdn. Bhd.	255,000	153,000
- M.E.T. Motion Holdings Sdn. Bhd.	<u>222,018</u>	<u>243,884</u>
	<u>4,927,018</u>	<u>8,697,624</u>

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.

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

	Group	
	2012	2011
	RM	RM
Short-term employee benefits	<u>4,607,167</u>	<u>2,942,444</u>

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

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30. 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, supplies of automation components 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 and liabilities

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

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30. 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Australia	9,705,692	3,299,751	335,742	240,524
Malaysia	122,746,365	119,393,294	49,754,608	50,623,811
Indonesia	50,815,041	39,057,731	12,393,755	5,698,322
Singapore	7,613,984	18,494,607	3,522,698	3,837,468
The People's Republic of China	5,882,555	6,278,189	5,399,594	5,914,876
United States of America	4,268,136	4,167,922	-	-
Thailand	17,586,480	2,443,443	30,049	38,484
Other foreign countries	501,293	362,677	-	-
	<u>219,119,546</u>	<u>193,497,614</u>	<u>71,436,446</u>	<u>66,353,485</u>

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

	Non-current assets	
	2012 RM	2011 RM
Property, plant and equipment	63,805,032	57,441,058
Intangible assets	7,631,414	8,912,427
	<u>71,436,446</u>	<u>66,353,485</u>

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30. Segmental Reporting (Cont'd)	Note	Valves, instrumentation and fittings RM	Electronic RM	Pumps RM	Others RM	Elimination RM	Consolidated financial statements RM
2012							
Revenue							
External revenue	A	179,870,436	6,831,526	20,730,202	11,687,382	-	219,119,546
Inter-segment revenue		63,586,657	376,092	2,125,576	1,194	(66,089,519)	-
Total revenue		243,457,093	7,207,618	22,855,778	11,688,576	(66,089,519)	219,119,546
Results							
Segment results		33,349,991	(752,438)	4,425,178	693,987	-	37,716,718
Dividend income		382,339	2	-	-	-	382,341
Interest income		178,638	10,093	-	1,133	-	189,864
Finance costs		(5,185,394)	(256,705)	(82,846)	(209,020)	-	(5,733,965)
Share of profits after taxation of associates		1,427,847	-	-	-	-	1,427,847
Profit before tax		30,153,421	(999,048)	4,342,332	486,100	-	33,982,805
Taxation		(8,023,153)	(162,583)	(596,941)	-	-	(8,782,677)
Profit after tax		22,130,268	(1,161,631)	3,745,391	486,100	-	25,200,128
Non-controlling interests		(3,322,619)	-	-	-	-	(3,322,619)
Net profit for the financial year, attributable to owners of the parent		18,807,649	(1,161,631)	3,745,391	486,100	-	21,877,509

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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30. Segmental Reporting (Cont'd)	Valves, instrumentation and fittings RM	Electronic RM	Pumps RM	Others RM	Consolidated financial statements RM
2012					
Assets					
Addition to non-current assets	11,641,169	641,217	873,966	294,808	13,451,160
Non-cash expenses/(income)					
Bad debts recovered	(66,449)	-	(28,900)	-	(95,349)
Depreciation and amortisation	4,039,164	564,092	182,985	358,356	5,144,597
Loss/(Gain) on disposal of:					
- Property, plant and equipment	(1,452,956)	-	(51,798)	-	(1,504,754)
- Investment securities	137,616	-	-	-	137,616
Impairment losses on:-					
- investment securities	691,946	-	-	-	691,946
- trade receivables	300,218	-	-	-	300,218
- goodwill	352,457	979,031	-	-	1,331,488
Inventories written-down	8,140,337	-	-	84,429	8,224,766
Reversal of impairment loss on trade receivables	(6,021)	-	-	-	(6,021)
Written off of:-					
- bad debts	617,311	-	-	660	617,971
- property, plant and equipment	24,800	186	-	13,416	38,402

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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30. Segmental Reporting (Cont'd)	Note	Valves, instrumentation and fittings				Electronic RM	Pumps RM	Others RM	Elimination RM	Consolidated financial statements RM
		RM	RM	RM	RM					
2011										
Revenue										
External revenue	A	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 profits after taxation of associates		862,700	-	-	-	-	862,700			
Profit before tax		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 tax		19,506,465	(987,885)	1,541,800	1,508,086	-	21,568,466			
Non-controlling interests		(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			

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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30. Segmental Reporting (Cont'd)	2011					Consolidated financial statements RM
	Assets	Valves, instrumentation and fittings RM	Electronic RM	Pumps RM	Others RM	
Addition to non-current assets	13,792,441	99,143	442,641	1,181,033	15,515,258	
Non-cash expenses/(income)						
Depreciation and amortisation	3,601,948	383,929	152,972	303,407	4,442,256	
Gain on disposal of investment in associates	(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	
- trade receivables	110,580	-	-	-	110,580	
- slow moving inventories	-	-	70,650	-	70,650	
Written off of:-						
- bad debts	149,314	8,301	70,303	5,540	233,458	
- property, plant and equipment	6,179	-	-	43,090	49,269	
Write-back of:						
- impairment on trade receivables	(207,989)	-	-	-	(207,989)	
- impairment on investment securities	(4,045)	-	-	-	(4,045)	
Reversal of inventories written-back	(3,747)	(751)	-	-	(4,498)	
Waiver of debts from other payables	(7,416)	-	-	-	(7,416)	

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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30. Segmental Reporting (Cont'd)

Note: Nature of eliminations to arrive at amounts reported in the consolidated financial statements.

A - Inter-segment revenues are eliminated on consolidation.

31. Capital Commitment

	Group	
	2012 RM	2011 RM
Property, plant and equipment:		
- Contracted but not provided for	4,140,000	4,140,000

32. Financial Instruments

(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 3 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 RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group				
31.12.2012				
Financial Assets				
Investment securities	4,318,022	-	-	4,318,022
Trade receivables	-	67,752,007	-	67,752,007
Other receivables	-	20,477,040	-	20,477,040
Fixed deposit with licensed banks	-	911,528	-	911,528
Cash and bank balances	-	21,056,988	-	21,056,988
Total financial assets	4,318,022	110,197,563	-	114,515,585

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

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

	Available- for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group				
31.12.2012 (Cont'd)				
Financial Liabilities				
Trade payables	-	-	21,564,099	21,564,099
Other payables	-	-	15,212,192	15,212,192
Lease and hire purchase payables	-	-	4,832,676	4,832,676
Bank borrowings	-	-	88,096,314	88,096,314
Total financial liabilities	-	-	129,705,281	129,705,281
31.12.2011				
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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

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

	Available- for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Group (Cont'd)				
1.1.2011				
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
Company				
31.12.2012				
Financial Assets				
Investment securities	336,064	-	-	336,064
Other receivables	-	30,901,312	-	30,901,312
Fixed deposit with licensed banks	-	540,000	-	540,000
Cash and bank balances	-	893,226	-	893,226
Total financial assets	336,064	32,334,538	-	32,670,602
Financial Liabilities				
Other payables	-	-	420,364	420,364
Bank borrowings	-	-	1,508,477	1,508,477
Total financial liabilities	-	-	1,928,841	1,928,841

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

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

	Available- for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company (Cont'd)				
31.12.2011				
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
1.1.2011				
Financial Assets				
Investment securities	1,004,380	-	-	1,004,380
Other receivables	-	30,044,077	-	30,044,077
Cash and bank balances	-	1,927,170	-	1,927,170
Total financial assets	1,004,380	31,971,247	-	32,975,627
Financial Liability				
Other payables	-	-	1,030,835	1,030,835
Total financial liability	-	-	1,030,835	1,030,835

(b) 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)**(b) Financial risk management objectives and policies****(i) 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 has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via the Group'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.

Financial Guarantees

The Company provides financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and to suppliers for granting of credit term to the subsidiaries. As at reporting date, the fair value of the financial guarantees is negligible as the probability of the financial guarantees being called upon is remote at the initial recognition to the outstanding loans in the subsidiaries are adequately secured by assets as disclosed in Note 4(a) and 11. Should the subsidiaries default any loan repayments, the proceeds from the realisation of assets will be able to satisfy the outstanding debts.

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32. Financial Instruments (Cont'd)**(b) Financial risk management objectives and policies (Cont'd)****(ii) Liquidity risk**

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

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 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instrument (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risks (Cont'd)

Group	Carrying amount RM	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM
31.12.2012						
Financial liabilities						
Trade payables	21,564,099	21,564,099	-	-	-	21,564,099
Other payables	15,212,192	15,212,192	-	-	-	15,212,192
Lease and hire purchase payables	4,832,676	1,967,922	1,967,922	1,328,494	109,431	5,373,769
Bank borrowings	88,096,314	70,016,708	1,946,310	6,630,645	15,459,420	94,053,083
Total undiscounted financial liabilities	129,705,281	108,760,921	3,914,232	7,959,139	15,568,851	136,203,143
31.12.2011						
Financial liabilities						
Trade payables	20,537,577	20,537,577	-	-	-	20,537,577
Other payables	20,450,028	20,450,028	-	-	-	20,450,028
Lease and hire purchase payables	7,027,153	2,015,638	2,015,638	1,065,724	36,855	5,133,855
Bank borrowings	64,965,249	47,623,721	3,716,167	3,683,688	15,772,029	70,795,605
Total undiscounted financial liabilities	112,980,007	90,626,964	5,731,805	4,749,412	15,808,884	116,917,065

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	Carrying amount RM	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM
Group (Cont'd)						
1.1.2011						
Financial liabilities						
Trade payables	20,008,674	20,008,674	-	-	-	20,008,674
Other payables	15,730,117	15,730,117	-	-	-	15,730,117
Lease and hire purchase payables	3,788,312	1,356,544	1,356,544	1,302,522	-	4,015,610
Bank borrowings	46,016,759	34,601,738	1,204,890	3,138,597	7,871,045	46,816,270
Total undiscounted financial liabilities	85,543,862	71,697,073	2,561,434	4,441,119	7,871,045	86,570,671

The Company's liabilities at the reporting date mature within a year or repayable on demand.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) 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"), Singapore Dollar ("SGD"), and Thailand Baht ("THB"). The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant.

The carrying amount and the exposure profiles of the Group's are foreign currency denominated financial assets and financial liabilities at the end of reporting period are as follows:

The Group's functional currency	The Group's currency exposure profiles				
	RM	SGD	THB	USD	Total
Financial Assets					
2012					
Trade receivables					
RMB	-	-	-	1,531,993	1,531,993
Deposits, bank and cash balances					
RM	-	3,972	6,280	156,717	166,969
RMB	-	-	-	653,133	653,133
IDR	-	65,491	-	1,085,208	1,150,699
SGD	1,337	-	-	1,301,898	1,303,235
	1,337	69,463	6,280	3,196,956	3,274,036
Total	1,337	69,463	6,280	4,728,949	4,806,029
Financial Liabilities					
Trade payables					
RM	-	-	-	707,059	707,059
IDR	-	-	-	1,989,553	1,989,553
SGD	-	-	-	247,130	247,130
AUD	-	-	-	794,896	794,896
THB	-	-	-	2,275,021	2,275,021
Total	-	-	-	6,013,659	6,013,659

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Foreign currency exchange risk (Cont'd)

The Group's functional currency	The Group's currency exposure profiles				
	RM	SGD	THB	USD	Total
Financial Assets					
2011					
Trade receivables					
RMB	-	-	-	3,440,456	3,440,456
Deposits, bank and cash balances					
RM	-	3,972	6,280	106,692	116,944
RMB	-	-	-	1,090,009	1,090,009
IDR	-	84,245	-	1,394,652	1,478,897
SGD	1,337	-	-	1,719,722	1,721,059
	1,337	88,217	6,280	4,311,075	4,406,909
Total	1,337	88,217	6,280	7,751,531	7,847,365
Financial Liabilities					
Trade payables					
RM	-	-	-	707,059	707,059
IDR	-	-	-	1,989,553	1,989,553
SGD	-	-	-	247,130	247,130
AUD	-	-	-	794,896	794,896
THB	-	-	-	2,275,021	2,275,021
Total	-	-	-	6,013,659	6,013,659

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iv) 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	
	2012	2011
	RM'000	RM'000
USD/RM	-64	+86
	+64	-86
SGD/RM	+3	+4
	<u>-3</u>	<u>-4</u>

(v) Interest rate risk

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

The Group and the Company constantly monitor 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(v) Interest rate risk (Cont'd)

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

	31.12.2012 RM	Group 31.12.2011 RM	1.1.2011 RM
Financial asset			
Fixed deposit with a licensed banks	911,528	599,085	1,365,977
Financial liability			
Bank borrowings	92,928,990	69,511,731	49,805,071

The Group is 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.

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 tax by RM920,175 (31.12.2011: RM689,126, 1.1.2011: RM484,391). 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE
31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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32. Financial Instruments (Cont'd)

(c) Fair values of financial instruments

(i) *Financial instruments at fair value*

The fair value measurement hierarchies used to measure financial instruments at fair value in the statements of financial position are as follows:

- *Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.*
- *Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).*
- *Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).*

Group	Level 1	Level 2	Total
	RM	RM	RM
31.12.2012			
Financial assets			
Available-for-sale			
- Investment in quoted shares	3,898,022	-	3,898,022
- Investment in unquoted share	-	420,000	420,000
	<u>3,898,022</u>	<u>420,000</u>	<u>4,318,022</u>
31.12.2011			
Financial assets			
Available-for-sale			
- Investment in quoted shares	5,025,653	-	5,025,653
- Investment in unquoted share	-	420,000	420,000
	<u>5,025,653</u>	<u>420,000</u>	<u>5,445,653</u>
1.1.2011			
Financial assets			
Available-for-sale			
- Investment in quoted shares	5,314,131	-	5,314,131
- Investment in unquoted share	-	420,000	420,000
	<u>5,314,131</u>	<u>420,000</u>	<u>5,734,131</u>

There were no transfers between Level 1 and Level 2 during the current and previous financial years.

The fair value information has not been disclosed for the unquoted equity instrument as its fair value cannot be measured reliably. The unquoted equity instrument is in respect of shares of which no active market is available.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

(c) Fair values of financial instruments

- (ii) *Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

- (iii) *Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as follows:

	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Group			
Financial Assets			
Investment in associates			
- Carrying amount	11,103,254	9,734,236	8,806,878
- Fair value	#	#	#
Investment securities			
- Carrying amount	3,898,022	5,025,653	5,314,131
- Fair value	3,898,022	5,025,653	5,314,131
Financial Liabilities			
Lease and hire purchase payables (non-current)			
- Carrying amount	3,134,926	2,956,376	2,508,554
- Fair value	2,159,337	1,945,712	1,819,309

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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32. Financial Instruments (Cont'd)

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

(ii) *Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (Cont'd)*

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Company			
Financial Assets			
Investment in subsidiaries			
- Carrying amount	53,835,571	51,377,560	51,377,560
- Fair value	#	#	#
Investment in associates			
- Carrying amount	3,000,000	3,000,000	3,000,000
- Fair value	#	#	#
Investment securities			
- Carrying amount	336,064	534,715	1,004,380
- Fair value	336,064	534,715	1,004,380

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table:

Investments in subsidiaries and associates

It was not practicable to estimate the fair value of investment in subsidiaries due to the lack of comparable market prices and the inability to estimate fair value without incurring excessive costs.

Loans and borrowings

The 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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33. Capital management

The Group's management manage its capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital managed at Group level, which comprises shareholders' funds, cash and cash equivalents, bank borrowings.

	31.12.2012	Group 31.12.2011	1.1.2011
Total loans and borrowings (RM)	92,928,990	69,511,731	49,805,071
Less: Cash and cash equivalents (RM)	<u>(21,968,516)</u>	<u>(20,692,987)</u>	<u>(19,705,663)</u>
Total net debts (RM)	<u>70,960,474</u>	<u>48,818,744</u>	<u>30,099,408</u>
Total equity attributable to owners of the parent (RM)	<u>177,834,522</u>	<u>164,862,668</u>	<u>149,981,715</u>
Debt-to-equity ratio (%)	<u>40%</u>	<u>30%</u>	<u>20%</u>

34. Significant Events

During the financial year, the following significant events took place:

- (a) Unimech Group Berhad ("UGB")
- (i) On 27 August 2012, UGB had acquired 2 ordinary shares of RM1.00 each representing 100% of the total issued and paid-up capital of Unimech Indonesia Holdings Sdn. Bhd. ("UIH") for a cash consideration of RM2.00.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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34. Significant Events (Cont'd)

- (b) Unimech Capital Sdn. Bhd. ("UCSB")
- (i) On 16 January 2012, UCSB had subscribed for 195,000 ordinary shares of RM1.00 each representing 65% of the total issued and paid-up capital of UASB for a cash consideration of RM195,000.
- (ii) On 2 July 2012, UCSB had acquired 18,000 shares representing 60% equity interest in LCSB from Unimech Engineering (M) Sdn. Bhd. ("UME(M)") for a total cash consideration of RM1.00.
- (iii) On 2 July 2012, UCSB had also acquired 6,000 shares each from Mr. Loh Swee Aik and Ms. Beh Liew Phang respectively, representing 40% equity interest in LCSB for a total cash consideration of RM2.00.
- (iv) On 20 December 2012, UCSB had acquired 80% equity interest in Unimech Instruments & Control Sdn. Bhd. ("UIC") from UME (M) for a cash consideration of RM1,200,000.
- (c) Unimech Engineering (M) Sdn. Bhd. ("UME(M)")
- (i) On 2 July 2012, UME(M) had disposed 18,000 shares representing 60% equity interest in Luxurious Construction Sdn Bhd. ("LCSB") to UCSB for a consideration of RM 1.
- (ii) On 20 December 2012, UME(M) had disposed 10,000 shares of RM 1 each representing 10% equity interest in UIC to Mr Tang Kok Chian. for a consideration of RM160,000.
- UME(M) had on the same day transferred its 80% equity interest in UIC to UCSB for a cash consideration of RM1,200,000.
- (d) PT. Arita Prima Indonesia ("API")
- (i) On 3 July 2012, API had acquired 30% of the remaining equity interest in PT. Arita Prima Teknindo ("APT") from Mr. Eko Setyadi Hutomo ("ESH") for a cash consideration of Rupiah 2,100,000,000 (equivalent to RM705,600).
- (e) Multiplex Control & Engineering Services Pte. Ltd. ("MCES")
- (i) On 15 October 2012, MCES had subscribed for 40,000 ordinary shares of SGD1.00 each representing 40% of the total issued and paid-up capital of a newly incorporated company known as All Torque Control Pte. Ltd. ("ATC") for a total consideration of SGD40,000 only (equivalent to RM100,104).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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35. Subsequent Events**(a) API**

- (i) On 3 Jan 2013, API had acquired 30% of the remaining equity interest in PT. Arita Prima Kalbar ("APK") from Mr. Harianto Sarjana Tehnik ("HST") for a cash consideration of IDR1,140,000,000 (equivalent to RM400,000).
- (ii) On 6 February 2013, API had disposed off 7,000 shares and 3,000 shares of IDR100,000 each representing 70% and 30% equity interest in PT. Arita Prima Teknindo ("APT") to Kaya Selalu Holdings Sdn. Bhd. ("KSH") and Yibaifern Holdings Sdn. Bhd. ("YH") for a cash consideration of IDR2,170,000,000 (equivalent to RM761,404) and IDR930,000,000 (equivalent to RM326,316) respectively.
- (iii) On 6 February 2013, API had disposed off 7,000 shares and 3,000 shares of IDR100,000 each representing 70% and 30% equity interest in PT. Arita Prima Gemilang ("APG") to Kaya Selalu Holdings Sdn. Bhd. ("KSH") and Yibaifern Holdings Sdn. Bhd. ("YH") for a cash consideration of IDR822,500,000 (equivalent to RM288,596) and IDR352,500,000 (equivalent to RM123,684) respectively.
- (iv) On 6 February 2013, API had disposed off 7,000 shares of IDR100,000 each representing 70% equity interest in PT. Ragam Teknik ("RT") to Kaya Selalu Holdings Sdn. Bhd. ("KSH") for a cash consideration of IDR868,000,000 (equivalent to RM304,561).

(b) UCSB

On 29 January 2013, UCSB had subscribed 70,000 ordinary shares of RM1.00 each, representing 35% of the total issued and paid-up capital of Puremech Coating Sdn. Bhd. ("PCSB"), at par for a cash consideration of RM70,000.

(c) TCE Casting Sdn. Bhd. ("TCE")

On 29 January 2013, TCE had also subscribed 70,000 ordinary shares of RM1.00 each, representing 35% of the total issued and paid-up capital of PCSB, at par for a cash consideration of RM70,000.

(d) UIH

On 28 February 2013 subscribed 1,530 ordinary shares of IDR1,000,000 each representing 85% of the total issued and paid-up capital of PT Arita Global ("AG") for a cash consideration of IDR1,530,000,000 (equivalent to RM493,548).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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35. Subsequent Events (Cont'd)

(e) UGB

- (i) On 4th April 2013, UGB together with remaining shareholders of Premium Heights Sdn. Bhd. ("PHSB") namely Peak Hua Housing Sdn Bhd, Gee Tiu Fong, Ong Mee Lee and Wan Leong Sin had entered into a Share Sale Agreement ("SSA") with Mr. David Chew Keat Soon to dispose off a total of 4,993,451 ordinary shares of RM1.00 each in the capital of PHSB representing 100% of the issued and paid up capital of PHSB for a total cash consideration RM16,000,000.
- (ii) On 19th April 2013, UGB is proposing to undertake the following proposals:
- (a) a proposed renounceable rights issue of up to RM33,390,333 nominal value of 5-year 5.00% irredeemable convertible unsecured loan stock at 100% of its nominal value of RM1.00 each ("ICULS") on the basis of one (1) RM1.00 nominal value of ICULS for every four (4) ordinary shares of RM0.50 in Unimech ("Unimech Share(s)" or "Share(s)") held on an entitlement date to be determined later together with up to 66,780,666 free new warrants ("Warrants") on the basis of two (2) Warrants for every one (1) ICULS subscribed for ("Proposed Rights Issue of ICULS with Warrants");
- (b) a proposed increase in the authorised share capital of Unimech from RM100,000,000 comprising 200,000,000 Unimech Shares to RM150,000,000 comprising 300,000,000 Unimech Shares ("Proposed Increase in Authorised Share Capital"); and
- (c) a proposed amendment to the Company's Memorandum of Association as a consequence of the Proposed Rights Issue of ICULS with Warrants and Proposed Increase in Authorised Share Capital ("Proposed Amendment").

(f) AG

On 9 April 2013, AG had subscribed for 349,995,800 ordinary shares of IDR100 each representing 77.8% of the total issued and paid-up capital of API for an amount of IDR34,999,580,000 (equivalent to RM11,666,527) only by way of capitalising the full amount owing by API to AG as at 31 March 2013.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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36. Transition to MFRS**Material adjustments to the Statements of Financial Position for the financial year ended 2011**

	FRSs RM	Effect of transition to MFRSs RM	MFRSs RM
Consolidated statement of financial position			
As at 1 January 2011			
Deferred tax liabilities	745,630	(228,896)	516,734
Assets revaluation reserve	886,901	(886,901)	-
Retained profits	74,656,761	1,115,797	75,772,558
	<hr/>		<hr/>
As at 31 December 2011			
Deferred tax liabilities	1,084,512	(214,915)	869,597
Assets revaluation reserve	899,725	(899,725)	-
Retained profits	89,574,101	1,114,640	90,688,741
	<hr/>		<hr/>

There are no material differences between the Statement of Cash flows presented under MFRSs and the Statement of Cash Flows presented under FRSs.

37. Date of Authorisation for Issue

The financial statements of the Company for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 25 April 2013.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2012 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised retained profits/ (accumulated losses) of the Group and of the Company at 31 December 2012 is presented in accordance with the directive issued by Bursa Securities dated 25 March 2010 and prepared 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 Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

The retained profits/ (accumulated losses) of the Group and of the Company as at 31 December 2012 is analysed as follows:

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Total retained profits of the Company and its subsidiary companies						
- Realised	140,230,913	112,143,796	97,821,888	16,010,391	17,511,509	1,368,146
- Unrealised	(10,741,682)	(1,084,512)	(1,926,905)	-	-	-
	<u>129,489,231</u>	<u>111,059,284</u>	<u>95,894,983</u>	<u>16,010,391</u>	<u>17,511,509</u>	<u>1,368,146</u>
Total share of retained profits from associates						
- Realised	3,771,418	2,343,571	1,480,871	-	-	-
- Unrealised	-	-	(628,234)	-	-	-
	<u>3,771,418</u>	<u>2,343,571</u>	<u>852,637</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total retained profits before consolidated adjustments	133,260,649	113,402,855	96,747,620	16,010,391	17,511,509	1,368,146
Less: Consolidated adjustments	(26,716,428)	(23,828,754)	(22,090,859)	-	-	-
	<u>106,544,221</u>	<u>89,574,101</u>	<u>74,656,761</u>	<u>16,010,391</u>	<u>17,511,509</u>	<u>1,368,146</u>

The disclosure of realised and unrealised profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013

UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013**

	As at 31-Mar-13 (Unaudited) RM'000	As at 31-Dec-12 (Audited) RM'000	As at 1-Jan-12 (Audited) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	65,304	63,805	57,441
Investment in associates	10,478	11,103	9,734
Investment securities	3,963	4,318	5,446
Intangible assets	7,690	7,631	8,912
Deferred tax assets	615	615	-
	<u>88,050</u>	<u>87,472</u>	<u>81,533</u>
Current assets			
Inventories	129,321	129,651	113,570
Trade and other receivables	93,753	88,229	75,993
Tax recoverable	1,041	716	432
Cash and bank balance	18,092	21,969	20,693
	<u>242,207</u>	<u>240,565</u>	<u>210,688</u>
TOTAL ASSETS	<u>330,257</u>	<u>328,037</u>	<u>292,221</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	66,781	66,781	66,781
Treasury shares	(8,972)	(8,366)	(8,056)
Share premium	13,459	13,459	12,866
Reserves	726	(584)	2,583
Retained profits	110,268	106,544	90,689
Total equity attributable to owners of the parent	<u>182,262</u>	<u>177,834</u>	<u>164,863</u>
Non-controlling interests	<u>14,839</u>	<u>15,213</u>	<u>12,983</u>
Total equity	<u>197,101</u>	<u>193,047</u>	<u>177,846</u>
Non-current liabilities			
Bank borrowings	19,906	21,327	20,396
Deferred tax liabilities	666	704	870
	<u>20,572</u>	<u>22,031</u>	<u>21,266</u>
Current liabilities			
Trade and other payables	36,462	36,776	40,988
Bank borrowings	72,522	71,602	49,115
Tax payable	3,600	4,581	3,006
	<u>112,584</u>	<u>112,959</u>	<u>93,109</u>
Total liabilities	<u>133,156</u>	<u>134,990</u>	<u>114,375</u>
TOTAL EQUITY AND LIABILITIES	<u>330,257</u>	<u>328,037</u>	<u>292,221</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)

UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013
**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)**

	Current quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2013 RM '000	2012 RM '000	2013 RM '000	2012 RM '000
Revenue	51,597	49,442	51,597	49,442
Operating expenses	(43,125)	(42,218)	(43,125)	(42,218)
Other income	203	485	203	485
Operating profit	8,675	7,709	8,675	7,709
Interest expense	(1,344)	(899)	(1,344)	(899)
Interest income	51	56	51	56
Share of results of associates	(242)	584	242	584
Profit before tax	7,624	7,450	7,624	7,450
Tax expense	(2,102)	(2,046)	(2,102)	(2,046)
Profit for the period	5,522	5,404	5,522	5,404
Profit attributable to:				
Owners of the parent	4,741	4,627	4,741	4,627
Non-controlling interests	781	777	781	777
Profit for the period	5,522	5,404	5,522	5,404
Earnings per share (EPS) attributable to owners of the parent (sen):				
Basic EPS	3.92	3.83	3.92	3.83
Diluted EPS	-	-	-	-

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)



UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)**

	Current quarter 3 months ended 31 March		Cumulative quarter 3 months ended 31 March	
	2013 RM '000	2012 RM '000	2013 RM '000	2012 RM '000
Profit for the period	5,522	5,404	5,522	5,404
Other comprehensive income / (expenses), net of tax:				
Currency translation differences arising from consolidation	1,326	(1,303)	1,326	(1,303)
Fair value movements on available for sale investments	(16)	201	(16)	201
Total comprehensive income for the period	6,832	4,302	6,832	4,302
Total comprehensive income attributable to:				
Owners of the parent	6,009	3,570	6,009	3,570
Non-controlling interests	823	732	823	732
	6,832	4,302	6,832	4,302

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)



UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)**

	Cumulative quarter 3 months ended 31 March	
	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	7,624	7,452
Adjustments for:		
Non-cash items and non-operating items	3,271	(1,963)
Operating profit before working capital changes	10,895	5,489
Inventories	330	1,341
Receivables and deposits	(5,524)	(5,186)
Payables	(314)	757
Cash generated from operating activities	5,387	2,401
Interest paid	(1,344)	(899)
Tax paid	(2,208)	(1,346)
Net cash from operating activities	1,835	156
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	231	25
Interest received	51	56
Net of purchase and disposal of investment securities	27	333
Net of purchase and disposal of property, plant and equipment	(1,996)	(2,692)
Additional of intangible assets	-	(55)
Purchase of treasury shares	(606)	(477)
Net cash used in investing activities	(2,293)	(2,810)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to non-controlling interests	(147)	(313)
Proceeds from shares issued to non-controlling interests	60	105
Net changes in bank borrowings	(2,054)	1,021
Net cash (used in)/generated from financing activities	(2,141)	813
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,599)	(1,841)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	9,430	9,429
Effect of foreign exchange rates changes	617	2,360
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	7,448	9,948
CASH AND CASH EQUIVALENTS COMPRISED THE FOLLOWING:		
Cash and bank balances	18,092	17,586
Overdrafts	(10,644)	(7,638)
	7,448	9,948

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)



INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

	Non-distributable		Distributable		Total equity					
	Share capital	Treasury shares	Capital reserve	Exchange fluctuation reserve		Fair value adjustment reserve	Retained earnings	Non-controlling interests		
(RM'000)										
Balance as at 1 January 2012	68,781	12,866	(8,056)	892	1,535	156	90,689	164,863	12,983	177,846
Purchase of treasury shares	-	-	(477)	-	-	-	-	(477)	-	(477)
Changes in equity interest	-	-	-	-	-	-	-	-	19	19
Dividends paid	-	-	-	-	-	-	-	-	(313)	(313)
Total comprehensive income for the period	-	-	-	(1,303)	201	4,672	3,570	732	13,421	181,377
Balance as at 31 March 2012	66,781	12,866	(8,533)	892	232	357	95,361	167,956	13,421	181,377
Balance as at 1 January 2013	66,781	13,459	(8,366)	892	(1,740)	264	106,544	177,834	15,213	193,047
Disposal of subsidiaries	-	-	-	-	-	-	(975)	(975)	(838)	(1,813)
Purchase of treasury shares	-	-	(606)	-	-	-	-	(606)	-	(606)
Changes in equity interest	-	-	-	-	-	-	-	-	(212)	(212)
Dividends paid	-	-	-	-	-	-	-	-	(147)	(147)
Total comprehensive income for the period	-	-	-	1,326	(16)	4,699	6,009	823	14,839	197,101
Balance as at 31 March 2013	66,781	13,459	(8,972)	892	(414)	248	110,268	182,262	14,839	197,101

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013
**NOTES TO THE INTERIM FINANCIAL REPORT
- SELECTED EXPLANATORY NOTES UNDER FRS 134 – INTERIM FINANCIAL REPORTING**
A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard 134, Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

A2 Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2012 save for the following Malaysian Financial Reporting Standards (“MFRS”) which take effect from period on 1 July 2012 and 1 January 2013.

MFRS	Description	Effective dates 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 (2011)	Employee Benefits	1 January 2013
MFRS 127 (2011)	Separate Financial Statements	1 January 2013
MFRS 128 (2011)	Investments in Associates and Joint Ventures	1 January 2013
MFRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)	1 January 2013
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production of A Surface Mine	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 7	Disclosure - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRSs contained in the document entitled “Annual Improvements 2009 – 2011 Cycle”		1 January 2013

The adoption of the above standards and interpretations do not have material impact to the financial statements of the Group upon their initial application.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)**UNIMECH GROUP BERHAD** (407580-X)**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013****A3 Auditors' report on preceding annual financial statements**

The auditors' report of the annual financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

A4 Seasonal or cyclical factors

The Group performance is not materially affected by seasonal or cyclical factors.

A5 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial period-to-date.

A6 Changes in estimates

There were no changes in estimates that have material effect in the current quarter and financial period-to-date results.

A7 Debt and equity securities

There were no issuances, resale and repayments of debt and equity securities during financial period ended 31 March 2013 save for shares buy back.

At the Annual General Meeting held on 21 June 2012, the Company's shareholders approved the renewal of authority to repurchase its own shares. During the period ended 31 March 2013, the Company repurchased 517,700 own shares.

As at 31 March 2013, a total of 12,731,366 treasury shares, representing 9.53% of the issued and paid up share capital of the Company are being held as treasury shares and carried at cost at RM8.972 million.

A8 Dividend paid

No dividend had been paid for the financial period under review.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)

UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013
A9 Segment information
By business segment

	Valves, instruments and fittings RM'000	Electronic RM'000	Pumps RM'000	All others RM'000	Elimination RM'000	Total RM'000
Revenue from external customers	42,379	1,570	5,414	2,234	-	51,597
Inter-segment revenue	11,452	43	683	-	(12,178)	-
Total revenue	53,831	1,613	6,097	2,234	(12,178)	51,597
Segment results	8,086	(20)	899	47	-	9,012
Unallocated expenses						(337)
Interest expense						(1,344)
Interest income						51
Share of results of associates						242
Profit before tax						7,624
Tax expense						(2,102)
Profit after tax						5,522
Non-controlling interests						(781)
Profit attributable to owners of the parent for financial period ended 31 March 2013						4,741

A10 Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward, without amendment from the annual financial statements for financial year ended 31 December 2012.

A11 Material post balance sheet events

There was no material events subsequent to the end of the financial period ended 31 March 2013 as at the date of this report save for the followings:-

- i. On 4 April 2013, the Company together with remaining shareholders of Premium Heights Sdn. Bhd. ("PHSB") namely Peak Hua Housing Sdn Bhd, Gee Tiu Fong, Ong Mee Lee and Wan Leong Sin had entered into a Share Sale Agreement with David Chew Keat Soon to dispose off a total of 4,993,451 ordinary shares of RM1.00 each in the capital of PHSB representing 100% of the issued and paid up capital of PHSB for a total cash consideration RM16,000,000.
- ii. On 9 April 2013, PT Arita Global ("AG"), a 85% owned subsidiary of Unimech Indonesia Holdings Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company had subscribed for 349,995,800 ordinary shares of IDR100 each representing 77.8% of the total issued and paid-up capital of PT Arita Prima Indonesia ("API") for an amount of IDR34,999,580,000 (equivalent to RM11,666,527) only by way of capitalising the full amount owing by API to AG as at 31 March 2013.
- iii. On 19 April 2013, the Company is proposing to undertake the following:-
 - a. a proposed renounceable rights issue of up to RM33,390,333 nominal value of 5-year 5.00% irredeemable convertible unsecured loan stock at 100% of its nominal value of RM1.00 each ("ICULS") on the basis of one (1) RM1.00 nominal value of ICULS for every four (4) ordinary shares of RM0.50 in Unimech ("Unimech Share(s)" or "Share(s)") held on an entitlement date to be determined later ("Entitlement Date") together with up to 66,780,666 free new warrants ("Warrants") on the basis of two (2) Warrants for every one (1) ICULS subscribed for;
 - b. a proposed increase in the authorised share capital of Unimech from RM100,000,000 comprising 200,000,000 Unimech Shares to RM150,000,000 comprising 300,000,000 Unimech Shares; and

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)

UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013

- c. a proposed amendment to the Company's Memorandum of Association as a consequence of the Proposed Rights Issue of ICULS with Warrants and Proposed Increase in Authorised Share Capital.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 March 2013 save for the followings:-

- i. On 3 January 2013, PT. Arita Prima Indonesia ("API"), a 85% owned subsidiary of Arita Engineering Sdn. Bhd. which in turn is a wholly owned subsidiary of the Company had acquired 30% of the remaining equity interest in PT. Arita Prima Kalbar ("APK") from Mr. Harianto Sarjana Teknik for a cash consideration of IDR1,140,000,000 (equivalent to RM400,000). In consequent thereof, APK becomes a wholly owned subsidiary of API.
- ii. On 29 January 2013, Unimech Capital Sdn. Bhd., a wholly owned subsidiary of the Company had subscribed 70,000 ordinary shares of RM1.00 each, representing 35% of the total issued and paid-up capital of Puremech Coating Sdn. Bhd. ("PCSB"), at par for a cash consideration of RM70,000 only.

On the same day, TCE Casting Sdn. Bhd., a 51% owned subsidiary of Unimech Engineering (K.L.) Sdn. Bhd. which in turn is a wholly owned subsidiary of the Company had also subscribed 70,000 ordinary shares of RM1.00 each, representing 35% of the total issued and paid-up capital of PCSB, at par for a cash consideration of RM70,000 only.

In consequent thereof, PCBS is effectively 52.85% indirectly owned by the Company.

- iii. On 6 February 2013, PT. Arita Prima Indonesia ("API"), a 85% owned subsidiary of Arita Engineering Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company had disposed off 7,000 shares and 3,000 shares of IDR100,000 each representing 70% and 30% equity interest in PT. Arita Prima Teknindo ("APT") to Kaya Selalu Holdings Sdn. Bhd. and Yibaifern Holdings Sdn. Bhd. for a cash consideration of IDR2,170,000,000 (equivalent to RM761,404) and IDR930,000,000 (equivalent to RM326,316) respectively ("the Disposal").

Upon the Disposal, APT has ceased to be a subsidiary company of API.

- iv. On 6 February 2013, PT. Arita Prima Indonesia ("API"), a 85% owned subsidiary of Arita Engineering Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company had disposed off 7,000 shares and 3,000 shares of IDR100,000 each representing 70% and 30% equity interest in PT. Arita Prima Gemilang ("APG") to Kaya Selalu Holdings Sdn. Bhd. and Yibaifern Holdings Sdn. Bhd. for a cash consideration of IDR822,500,000 (equivalent to RM288,596) and IDR352,500,000 (equivalent to RM123,684) respectively ("the Disposal").

Upon the Disposal, APG has ceased to be a subsidiary company of API.

- v. On 6 February 2013, PT. Arita Prima Indonesia ("API"), a 85% owned subsidiary of Arita Engineering Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company had disposed off 7,000 shares of IDR100,000 each representing 70% equity interest in PT. Ragam Teknik ("RT") to Kaya Selalu Holdings Sdn. Bhd. ("KSH") for a cash consideration of IDR868,000,000 (equivalent to RM304,561) ("the Disposal").

Upon the Disposal, RT has ceased to be a subsidiary company of API.

- vi. On 28 February 2013, Unimech Indonesia Holdings Sdn. Bhd. ("UIH"), a wholly owned subsidiary of the Company had subscribed 1,530 ordinary shares of IDR1,000,000 each representing 85% of the total issued and paid-up capital of PT Arita Global ("AG") for a cash consideration of IDR1,530,000,000 only (equivalent to RM493,548) ("the Subscription"). In consequent thereof, AG becomes an 85% owned subsidiary of UIH.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)

UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013
A13 Changes in contingent liabilities or contingent assets

There were no material changes in the contingent liabilities for the Group since the last financial year ended 31 December 2012.

A14 Capital commitments

	31-Mar-13 RM'000
Property, plant and equipment	
Amount not contracted and not provided for	3,000
Contracted but not provided for	4,140
	<u>7,140</u>

A15 Related party transactions

	3 months ended 31-Mar-13 RM'000
Purchase of goods from a company in which the director of the Company has interests	10
Sale of goods to a company in which the director of the Company has interests	70

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)

UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013
NOTES TO THE INTERIM FINANCIAL REPORT
- ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS
B1 Review of performance for current quarter and financial period-to-date
Current quarter and financial period-to-date

The Group reported revenue of RM51.597 million for the current quarter ended 31 March 2013 which was RM2.155 million or 4.4% higher as compared to the preceding year corresponding quarter ended 31 March 2012 of RM49.442 million. A higher revenue was reported in current quarter as compared to preceding year corresponding quarter was due mainly to the improvement in the Group's core business of valves, instruments and fittings and pump business segments.

The Group recorded a profit before tax of RM7.624 million for the current quarter which was RM0.174 million or 2.3% higher as compared to the preceding year corresponding quarter of RM7.450 million. A lower profit reported in current quarter even though increase in revenue was due mainly to higher expenses incurred during the current quarter under review.

B2 Comparison with preceding quarter's results

The revenue and profit before tax for the current quarter and preceding quarter are summarised as follows:

	3 months ended 31-Mar-12	3 months ended 31-Dec-12	Variance	
	RM'000	RM'000	RM'000	%
Revenue	51,597	55,908	(4,311)	(7.7)
Profit before tax	7,624	8,299	(675)	(8.1)

The revenue for the current quarter ended 31 March 2013 decreased by 7.7% as compared to preceding quarter's. A lower revenue was reported in current quarter as compared to preceding quarter's was due mainly to lower demand of valves, fittings and related products. Profit before tax for current quarter decreased by 8.1%. The decrease in profit before tax was in line with the decrease in revenue.

B3 Commentary on prospects for 2013

The global economy remains challenging as there is remain uncertainty in Eurozone which is the greatest threat to the world economy at the present. Although the global economic conditions are challenging, it is still expected to continue growing, albeit at a moderate pace. Barring a drastic change in the global economic conditions, the Group's core business is not expected to be significantly affected. The Group will continue with its competitive strategies of further developing its own brands to enhance its market positioning and concentrate on improving its operations efficiency to further enhance its competitiveness.

Taking into consideration the abovementioned factors and subject to the global economic conditions, the Board of Directors is cautiously optimistic that the Group will report a better financial performance and growth for the financial year ending 31 December 2013.

B4 Profit forecast

Not applicable as no profit forecast was published.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)


UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013
B5 Income tax expense

	Current quarter 3 months ended 31-Mar-13 RM'000	Cumulative quarter 3 months ended 31-Mar-13 RM'000
Current period provision	2,140	2,140
Deferred tax	(38)	(38)
	2,102	2,102

The effective tax rate for current quarter is marginally higher than the statutory tax rate was due principally to losses of certain subsidiary companies can not be used to offset against profit of other companies in the Group.

B6 Sale of unquoted investments and properties

There was no disposal of unquoted investments or properties during the financial period under review.

B7 Quoted investments

The total investments in quoted investments as at 31 March 2013 are as follows:-

	Investment Securities RM'000
At cost	5,558
At carrying amount	3,963
At fair value	3,963

B8 Status of corporate proposals and status of utilisation of proceeds raised

There was no corporate proposal being carried out during the period under review.

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)

UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013
B9 Group borrowings and debt securities

Total Group borrowings as at 31 March 2013 are as follows:

	Ringgit Malaysia RM'000	Singapore Dollar RM'000	Indonesia Rupiah RM'000	Thai Bath RM'000	Total RM'000
Current					
Secured borrowings	3,682	237	4,131	1,903	9,953
Unsecured borrowings	54,171	-	8,398	-	62,569
	<u>57,853</u>	<u>237</u>	<u>12,529</u>	<u>1,903</u>	<u>72,522</u>
Non-current					
Secured borrowings	14,894	1,369	3,643	-	19,906
Unsecured borrowings	-	-	-	-	-
	<u>14,894</u>	<u>1,369</u>	<u>3,643</u>	<u>-</u>	<u>19,906</u>
Total borrowings	<u>72,747</u>	<u>1,606</u>	<u>16,172</u>	<u>1,903</u>	<u>92,428</u>

B10 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at the date of this report.

B11 Changes in material litigation

The Group is not engaged in any material litigation as at the date of this report.

B12 Dividend

The Board of Directors had proposed a first and final single tier dividend of 6 sen per share in respect of the financial year ended 31 December 2012. The proposed dividend payment is amounting to RM7.281 million based on the issued and paid-up capital as at 31 December 2012 of 121,347,668 ordinary shares of RM0.50 each (excluding treasury shares held by the Company). The proposed dividend is subject to the shareholders' approval at the forthcoming Annual General Meeting.

B13 Earnings per share ("EPS")

	Current quarter 3 months ended 31-Mar-13	Cumulative quarter 3 months ended 31-Mar-13
Profit for the period (RM'000)	5,522	5,522
Profit attributable to non-controlling interests (RM'000)	(781)	(781)
Profit attributable to owners of the parent (RM'000)	<u>4,741</u>	<u>4,741</u>
Basic EPS		
Weighted average number of ordinary shares in issue ('000)	121,070	121,070
Basic EPS (sen)	3.92	3.92

UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF OUR GROUP FOR THE THREE (3) MONTHS FPE 31 MARCH 2013 (Cont'd)

UNIMECH GROUP BERHAD (407580-X)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2013
B14 Breakdown of Realised and Unrealised Profits/Losses

	As at 31-Mar-13 (Unaudited) RM'000	As at 31-Dec-12 (Audited) RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	135,376	140,231
- Unrealised	(5,072)	(10,742)
Total retained profits from associate companies:		
- Realised	4,013	3,771
- Unrealised	-	-
	<u>134,317</u>	<u>133,260</u>
Less: Consolidation Adjustments	(24,049)	(26,716)
Total group retained profits as per consolidated accounts	<u>110,268</u>	<u>106,544</u>

B15 Notes to Condensed Consolidated Income Statements

	Current quarter 3 months ended 31-Mar-13 RM'000	Cumulative quarter 3 months ended 31-Mar-13 RM'000
Profit before tax is arrived at after charging/(crediting):-		
Depreciation & amortisation	1,237	1,237
Dividend income	(231)	(231)
Loss on foreign exchange	102	102
Interest expense	1,344	1,344
Interest income	(51)	(51)
Rental income	(46)	(46)

By order of the Board

 Dato' Lim Cheah Chooi
 Chief Executive Officer

 Dated this 29th May 2013

DIRECTORS' REPORT*(Prepared for inclusion in this Abridged Prospectus)*

聯合機械集團有限公司

Unimech Group Berhad (407580-x)

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Web ▪ www.unimechgroup.com

Registered Office:
Suite S-21-H, 21st Floor
Menara Northam
55 Jalan Sultan Ahmad
Shah
10050 Penang

To: The Shareholders of Unimech Group Berhad

On behalf of the Board of Directors of Unimech Group Berhad ("**Unimech**" or the "**Company**") ("**Board**"), I wish to report that, after making due enquiries in relation to the Company and its subsidiary companies ("**Group**") during the period between 31 December 2012, being the date on which the latest audited consolidated financial statement have been made up, and **21 AUG 2013**, being a date not earlier than fourteen (14) days before the issuance of this Abridged Prospectus:

- (i) the business of our Group has, in the opinion of our Board, been satisfactorily maintained;
- (ii) in the opinion of our Board, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no material contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (v) there have not been any default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings in our Group; and
- (vi) there has been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited consolidated financial statements of our Group.

Yours faithfully,
For and on behalf of the Board of Directors of
UNIMECH GROUP BERHAD

DATO' LIM CHEAH CHOOI
Chief Executive Officer

Engineering Specialist in heat and steam plants, machinery, equipment, components and pipeline
Manufacturer of valves and pipe fittings, strainer, flanges, air-vent, pressure gauges, rubber bellow and related products.

SALIENT TERMS AND CONDITIONS OF THE ICULS

An extract of the Trust Deed (prepared for the inclusion in this AP), which sets forth the salient terms and conditions of the ICULS is set below. You are advised to read the entire Trust Deed, a copy of which is available for inspection and reference at our Registered Office at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 Penang. You should note that some of the definitions and terms contained in this extract of the Trust Deed below might differ from the meaning and context in which they are used in this AP. The terms and numbering extracted below reflect the terms and numbering of the Trust Deed.

- 12. Events of Default** : The Bond Trustee may, and if so directed by a Special Resolution, shall (subject to its rights to be indemnified to its satisfaction under this Trust Deed) declare (by giving a written notice to the Company) that the outstanding Loan Stock is immediately due and repayable, and the Loan Stock then outstanding shall become immediately due and repayable at their nominal amounts of RM1.00 each together with accrued interest up to and including the date of repayment, if any of the following events occur:
- 12.1 if the Company fails to pay any interest owing on the Loan Stock;
 - 12.2 if the Company fails to issue and allot new Ordinary Shares following the exercise of the Conversion Rights by a Loan Stockholder;
 - 12.3 if the Company fails to perform or observe any of its obligations under this Trust Deed and/or the terms and conditions of the Loan Stock Certificate (other than the Company's obligation to pay the Coupon Rate in which event clause 12.1 above shall apply) and such default is not capable of remedy within thirty (30) days from the written notice issued by the Bond Trustee to the Company and is certified by the Bond Trustee to be in its reasonable opinion materially prejudicial to the interests of the Loan Stockholders;
 - 12.4 if a distress, execution or seizure before a judgment is levied or enforced on or against a substantial part of the assets of the Company and is not paid out, withdrawn or discharged within 30 days (or such longer period as the Bond Trustee may consider appropriate in relation to the jurisdiction concerned), except if such distress, execution or seizure is disputed in good faith under or pursuant to proceedings duly instituted by the Company;
 - 12.5 if a petition to wind up the Company is presented against the Company, except if such petition is disputed in good faith under or pursuant to proceedings duly instituted by the Company;
 - 12.6 if an incumbrancer takes possession or a trustee, administrator or receiver is appointed in respect of all or any substantial part of the assets of the Company or any form of execution of legal process has been enforced against the Company and such possession or appointment is certified by the Bond Trustee to be in its reasonable opinion materially prejudicial to the interests of the Loan Stockholders;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

- 12.7 if an effective resolution is passed by the Company or an order of a court of competent jurisdiction is made for the winding-up of the Company, except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction the terms of which are agreed to in writing by the Bond Trustee;
- 12.8 if the Company is the subject of a scheme of compromise or arrangement under Section 176 of CA and for purposes of this clause 12.8 (Events of Default) the Company shall be deemed the subject of such a scheme of compromise or arrangement if:
- 12.8.1 an application is made under Section 176(1) of CA to convene a meeting of creditors or class of creditors or of members or class of members;
- 12.8.2 an application is made for a restraining order under Section 176(10) of CA; or
- 12.8.3 an application is made under Section 176(3) of CA for approval by the court of a compromise or arrangement, whether or not the court or meeting (as the case may be) approves such application or matter but the Company shall not be deemed to be the subject of a scheme of compromise or arrangement if it is a scheme for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction the terms of which are agreed to in writing by the Bond Trustee;
- 12.9 if a Special Administrator of the Company is appointed under Section 23 or 24 of PDNBA or if the board of directors or the majority of the members of the Company apply to PDNB under Section 23 of PDNBA;
- 12.10 if it is or will become unlawful for the Company to perform or comply with all or any of its obligations under this Trust Deed;
- 12.11 if the Company ceases or threatens to cease to carry on all or any substantial part of its business which it carries on as at the Trust Deed Date;
- 12.12 if the Company is for the purposes of section 218 of the CA deemed to be unable to pay its debts;
- 12.13 if all or any Loan Stock is de-listed or ceases to be listed on Bursa Securities by reason of the Company's default of Bursa Securities Listing Requirements (and, for this purpose, a suspension of trading at the request of the Company or Bursa Securities shall not be deemed a de-listing or cessation of listing);

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

- 12.14 any borrowed money of the Company is not paid when due or becomes due and payable or any guarantee or indemnity given by the Company in respect of such borrowed money is not honoured when due and called upon, or if any other indebtedness of the Company becomes due and payable prior to its stated maturity or where the security created for any other indebtedness becomes enforceable, but only if the aggregate amount of such borrowed money which is not paid, such indebtedness and the amount under such guarantee or indemnity which is not honoured (both of which have occurred and is continuing) equals or exceeds RM20,000,000 or its equivalent in other currency;
- 12.15 any consent, authorisation, licence or approval of, registration with or declaration to governmental or public bodies or authorities or courts in Malaysia (if any) required by the Company to authorise or required by the Company in connection with the execution, issue, sale, delivery, validity, enforceability or admissibility in evidence of this Trust Deed or the Loan Stock or the performance by the Company of its obligations under this Trust Deed or the Loan Stock (as the case may be) is revoked, withheld or modified to such degree as would be materially prejudicial to the interests of the Loan Stockholders or is not granted or is revoked or terminated or expired and is not renewed or otherwise ceases to be in full force and effect;
- 12.16 all or any material part of the undertaking or assets of the Company is seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body in Malaysia, but only if the relevant governmental body does not make or does not propose to make an offer of compensation which would be sufficient to repay amounts due on all outstanding Loan Stock. For the purpose of this clause, the word 'material' means a value exceeding 25% of the value of the net tangible assets of the Group as disclosed in the latest audited accounts of the Group; or
- 12.17 the Company disposes of a whole or a substantial part of its principal assets, or threatens to cease or ceases to carry on the whole or a substantial part of its business otherwise than for purposes of a consolidation, amalgamation, merger or reconstruction under which the rights of the Loan Stockholders are not impaired and the continuing entity effectively assumes the entire obligations of the Company and for the purpose of this clause 12.17 (Events of Default), the word 'substantial' means a value exceeding 25% of the value of the net tangible assets of the Group as disclosed in the latest audited accounts of the Group;

but the Loan Stock shall not become immediately due and repayable if any of the events referred to in clauses 12.2 to 12.17 (Events of Default) occur unless and until the Bond Trustee has served a written notice on the Company requiring the Company to remedy such event of default (if capable of being remedied) and the Company fails to comply with such notice within thirty (30) days from the date of such notice.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

- 13. Remedy for : 13.1 Power to institute proceedings**
Default
- If the outstanding Loan Stock becomes immediately due and repayable under the provisions of clause 12 (Events of Default), the Bond Trustee (subject to the provisions of clause 13.3 (Enforcement)), may at any time institute such proceedings as it may think fit against the Company to enforce repayment together with accrued interest.
- 13.2 Proof in proceedings**
- If the Bond Trustee takes any legal proceedings against the Company to enforce any of the provisions of this Trust Deed, proof in the proceedings that the Company has defaulted in paying any principal or interest (as the case may be) payable in respect of the Loan Stock held by a specific Loan Stockholder on the relevant due date shall (unless the contrary is shown) be sufficient evidence that the Company has made a like default as regards all other Loan Stockholders in respect of whose Loan Stock principal or interest (as the case may be) is payable.
- 13.3 Enforcement**
- The Bond Trustee is not bound to take any steps to enforce the performance of any of the provisions of this Trust Deed unless directed to do so by a Special Resolution and then only if it is indemnified by the Loan Stockholders to its satisfaction against all actions, proceedings and claims to which it may render itself liable and all costs, charges, damages and expenses which it may incur by doing so.
- 13.4 Right of Bond Trustee only**
- Only the Bond Trustee may pursue the rights and remedies available under the general law or under this Trust Deed to enforce the rights and remedies of the Loan Stockholders against the Company. No Loan Stockholder shall be entitled to pursue such rights and remedies against the Company unless the Bond Trustee, having become bound to do so in accordance with this Trust Deed, fails to do so within thirty (30) days and such failure continues.
- 22. Covenants by : The Company agrees with the Bond Trustee that, so long as any of the**
the Company Loan Stock remains outstanding, it will:
- 22.1 Conduct of business**
- at all times use its best endeavours to carry on and conduct its business, and will procure that each of its Subsidiaries (so long as it carries on business) carries on and conducts its business, in a proper and efficient manner;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

22.2 Inspection of records

keep proper books and accounts at all times and to the same extent as if the Bond Trustee, an officer or employee of the Bond Trustee authorized by the Bond Trustee or any auditor appointed by the Bond Trustee were a director of the Company:

22.2.1 make available for their inspection all the financial and other records of the Company; and

22.2.2 give to them such information, explanation or other assistance as they require with respect to all matters relating to the financial and other records of the Company;

22.3 Meeting to consider accounts

from time to time, on application made to the Company by the Bond Trustee or by or on behalf of Loan Stockholders holding not less than 1/10th in nominal value of the Loan Stock for the time being outstanding, and delivered to the Company at its registered office, by giving notice:

22.3.1 to the Bond Trustee (if application is made by the Loan Stockholders), the Auditors and each of the Loan Stockholders at his registered address (in the case of joint holder, such notice must be given to the joint holders named first in the Loan Stock Register or Record of Depositors); and

22.3.2 by an advertisement in a daily newspaper circulating generally throughout Malaysia addressed to all Loan Stockholders;

summon a meeting of the Loan Stockholders to consider the accounts and balance sheet which were last lodged with the Bond Trustee by the Company and to give to the Bond Trustee directions in relation to the exercise of the Bond Trustee's powers, such meeting to be held at a time and place specified in the notice and advertisement and in accordance with the provisions of Schedule 4 (Meetings of Loan Stockholders);

22.4 Information to Bond Trustee

give to the Bond Trustee any information which the Bond Trustee may require relating to its affairs and the affairs of its Subsidiaries to the extent permitted by law, and at the time of its issue furnish to the Bond Trustee three (3) copies and to any stock exchange on which the Loan Stock is quoted or listed for the time being such number of copies as each such stock exchange may reasonably require, of every balance sheet, income statement, report, notice, circular or other document issued by the Company to its members (in their capacity as such) or to the Loan Stockholders as well as any offer in writing received by the Company of a take-over scheme relating to Ordinary Shares;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

22.5 Accounts

22.5.1 in respect of each of the Company's financial years and within four (4) months of the expiry of each such financial year cause to be compiled and audited consolidated financial statements of the Company and any Guarantor Company and deliver a copy of the same to Bursa Securities and within two (2) weeks from the date of the Company's annual general meeting, lodge a copy with CCM and deliver a copy of the same to the Bond Trustee and SC; and

22.5.2 in respect of each quarterly period of the Company's financial years and within two (2) months of the expiry of each such period of the Company's financial years cause to be compiled consolidated financial statements (which need not be audited) of the Company and any Guarantor Company and supply a copy of the same to the Bond Trustee and Bursa Securities;

22.6 Information to discharge duties

give to the Bond Trustee to the extent permitted by law such information as it shall require for the proper discharge of the duties and discretions vested in the Bond Trustee under this Trust Deed or by operation of law;

22.7 Copy of Trust Deed

provide to every Loan Stockholder, the SC, the Bond Trustee or any other person as may be allowed by the SC, upon request by him and subject to payment of a reasonable sum specified by the Company, a copy of this Trust Deed;

22.8 Compliance

so far as required by law, at all times execute all such further documents and do all such further acts and things as may be necessary at any time or times to give effect to the provisions of this Trust Deed and the terms and conditions of the Loan Stock as set out in the Schedule 3 of this Trust Deed and to comply with any direction issued by the SC under Section 280 of CMSA;

22.9 Reports

cause to be prepared in accordance with Section 266 of CMSA a report signed by not less than 2 Directors on behalf of all the Directors relating to each quarter of a year as required under such provision which report shall state the matters required to be stated under Section 266 of CMSA and within 1 month from the end of such quarterly period, lodge a copy of such report with CCM and deliver such copy to the Bond Trustee and SC;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

22.10 Notification

ensure that the Directors immediately notify the Bond Trustee in writing if the Directors become aware that the Company is unable to fulfil or comply with any of the provisions of this Trust Deed, the happening of an Event of Default or of circumstances that has occurred that would materially prejudice the Company, its Subsidiaries or any Guarantor Company;

22.11 Maintenance of listing

use all reasonable endeavours to obtain and maintain the listing of and quotation for the Loan Stock on Bursa Securities or, if it is unable to do so having used such reasonable endeavours or if in the opinion of the Bond Trustee the maintenance of such listing is onerous to the Company, use all reasonable endeavours to obtain and maintain the listing of and quotation for the Loan Stock on such other stock exchange or exchanges as it may (with the approval of the Bond Trustee) decide and also use all reasonable endeavours to procure that there will at all times be furnished to any stock exchange on which the Loan Stock are for the time being listed or quoted such information as such stock exchange may require to be furnished in accordance with any arrangement for the time being made with any such stock exchange;

22.12 No payment of dividend

not pay any dividend while any principal or interest on any of the Loan Stock is overdue and unpaid;

22.13 Preparation of financial statements

for the purpose of its audited financial statements, prepare such financial statements on a basis consistently applied in accordance with generally accepted accounting principles in Malaysia and ensure that these financial accounts give a true and fair view of the results of the operations of the Company for the period in question and the state of its affairs for the period to which the financial statements are made up and shall disclose or reserve against all liabilities (actual or contingent) of the Company;

22.14 Licences etc.

obtain and comply with each of the terms and conditions of, renew and do all that is necessary to maintain in full force and effect, all necessary authorisations, approvals, licences, consents, exemptions, registrations, recordings, filings or notarisations required under the laws of Malaysia to enable it to lawfully enter into, exercise its rights and perform its obligations under this Trust Deed;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

22.15 Compliance with laws

comply in all respects with all laws, regulations and directives relating or regulating the ownership of its assets, the carrying on of the business it engages in or proposes to engage in and the entry into and performance of its obligations under agreements or arrangements to which it is a party;

22.16 Insurance

maintain insurances on and in relation to its business and assets (if insurable) with reputable underwriters or insurance companies against such risks and to such extent as is usual for companies carrying on such a business as that carried on by the Company;

22.17 Debt ranking

ensure that at all times its indebtedness under agreements or arrangements to which it is a party (including, without limitation, any additional charges created) ranks at least paripassu with its other unsecured and unsubordinated indebtedness (except those preferred by law);

22.18 Maintenance of system

maintain a system of books and records and a system of accounting established and administered in accordance with accounting principles generally accepted in Malaysia applied on a consistent basis, and set aside in its books all proper reserves as shall be required by such accounting principles;

22.19 Properties

cause all of its properties used in the conduct of its business to be maintained and kept in good condition, repair and working order (except normal wear and tear), all as necessary to carry on the Company's business;

22.20 Corporate structure

subject to clause 28 (Reorganisation of the Company), not change its corporate structure by way of merger or amalgamation with another company;

22.21 Unissued share capital

at all times maintain sufficient unissued share capital to satisfy the rights of conversion for the time being attaching to outstanding Loan Stocks;

22.22 Permission to deal

use its best endeavours to obtain the permission of Bursa Securities for dealing and quotation of the Loan Stocks and new Ordinary Shares issued pursuant to their conversion;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

22.23 Charge

(where it creates any mortgage, charge, debenture or debenture stock), without prejudice to clause 22.17 (Debt ranking), give the Bond Trustee written details of the charge within 21 days after it is created and if the total amount advanced on the security of the charge is indeterminate and the advances are not merged in a current account with bankers, trade creditors or any other person, give the Bond Trustee written details of the amount of each advance within 7 days after it is made;

22.24 Undertakings

not, except with the consent of the Loan Stockholders, sell, transfer or otherwise dispose of the whole or substantial part of the undertakings or assets of the Company under one transaction or a series of transactions (except in the ordinary course of business), and for the purposes of this clause 22.24 (Undertakings), the word 'substantial' means a value exceeding 25% of the value of the net tangible assets of the Group as disclosed in the latest audited accounts of the Group, and each of the following is deemed not to be a sale, transfer or disposal:

22.24.1 the exchange of assets for other assets of a similar nature and approximately equal value;

22.24.2 the sale of freehold or leasehold or other property for cash consideration and the application of the proceeds of the sale in the acquisition of property whether freehold or leasehold;

22.24.3 a sale, transfer or disposal, the proceeds of which are used to reduce the borrowings and/or enhance the working capital requirements of the Company or any of its Subsidiaries (whether before or after the date of this Trust Deed); or

22.24.4 the sale, transfer, exchange or disposal of any shares or assets in the course of or in connection with a flotation exercise or initial public offering of a member of the Group;

22.25 Transactions with Interested Persons

not enter into a transaction (whether directly or indirectly) with Interested Persons unless:

22.25.1 such transaction is on terms that are no less favourable to the Company than that which could have been obtained in a comparable transaction from persons who are not Interested Persons; and

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

22.25.2 with respect to transactions involving an aggregate percentage ratio as provided in the Bursa Securities Listing Requirements, the Company obtains a certification from an independent adviser that the transaction has been carried out on fair and reasonable terms,

but subject to the Company certifying to the Bond Trustee that the transaction complies with the provisions of clause 22.25.1, that the Company has received the certification referred to in clause 22.25.2 (where applicable) and that the transaction has been approved by majority of the Directors and/or shareholders in a general meeting of the Company (depending on whether a general meeting is required in the circumstances);

22.5.3 with respect to transactions constituting a recurrent related-party transaction of a revenue or trading nature (RRPT) which are provided for and permitted under the Bursa Securities Listing Requirements,

but subject to the Company certifying to the Bond Trustee that the transaction complies with the provisions of clause 22.25.1, that the Company has obtained or renewed, where applicable, the shareholders' mandate in accordance with the Bursa Securities Listing Requirements and that the Company furnishes at least one certificate to the Bond Trustee in respect of the RRPT contemplated under one shareholders' mandate;

22.26 Reporting covenants

immediately notify the Bond Trustee if the Company becomes aware of:

22.26.1 any Event of Default or any event that has caused or could cause the Loan Stock to become immediately enforceable or that any right or remedy under the terms, provisions or covenants of Loan Stock or this Trust Deed to become immediately enforceable;

22.26.2 any circumstances that have occurred that would materially prejudice the Company or any Guarantor Company (where applicable);

22.26.3 of any substantial change in the nature of the business of the Company or any Guarantor Company (where applicable);

22.26.4 of any change in the name of any Guarantor Company (where applicable);

22.26.5 of any cessation of liability of any Guarantor Company (where applicable) for the payment of all or any of the moneys for which they are liable under the relevant guarantee (if any);

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

22.26.6 of any change in the withholding tax position or tax residence of the Company;

22.26.7 of any change in the application of the proceeds of the Loan Stock by the Company from that specified in the Abridged Prospectus, any information memorandum or agreement entered into in connection with the issue, offer or invitation relating to the Loan Stock; and

22.26.8 of any other matter that may materially prejudice the interests of Loan Stockholders;

22.27 Certificate

provide to the Bond Trustee at least annually, a certificate that the Company has complied with its obligations under this Trust Deed and under the provisions of the Loan Stock and that there does not exist and has not existed from the date Loan Stock was last issued or the date of the previous certificate (whichever was last), any Event of Default or if there was any such non-compliance or Event of Default, details of the non-compliance or Event of Default.

22.28 Paying Agent

maintain the Paying Agent or its equivalent, who is based in Malaysia for purpose of this Trust Deed and shall procure that the paying agent shall notify the Bond Trustee if the payment agent does not receive payment from the Company on the due dates as required under this Bond Trustee Deed and the terms and conditions of this Trust Deed.

22.29 Inconsistency with information memorandum

ensure the terms in this Trust Deed do not contain any matter which is inconsistent with the provisions of an information memorandum relating to the Loan Stock;

unless it has obtained the approval of the Loan Stockholders by way of a special resolution or the written consent of the Bond Trustee (which approval may be given, where in its opinion, it is not materially prejudicial to the interests of Loan Stockholders to give such approval) for the covenants under clause 22.30 and 22.31 below,

22.30 Amendment to Memorandum and Articles of Association

not permit any amendment, supplement or variation to the Memorandum and Articles of Association of the Company in a manner which may be materially prejudicial to the interests of the Loan Stockholders;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)**22.31 Change Utilisation of Proceeds**

not change the utilization of proceeds from the Loan Stock where the prospectus, information memorandum or any agreement entered into in connection with the issue, offer or invitation sets out a specific purpose for which proceeds are to be utilized.

**Schedule 3
Conditions
of
Loan Stock**

: 1. Interest

1. Interest

Interest shall be paid to the Loan Stockholders as at the relevant Interest Payment Date. The Company shall announce to Bursa Securities of the Interest Payment Date not less than 10 Market Days prior to the book closure date.

2. Conversion**2.1 Conversion Rights**

Each Loan Stockholder shall be entitled to convert all or any part of his Loan Stock into fully paid Ordinary Shares at the Conversion Price (any fraction of a new Ordinary Share resulting from such conversion to be disregarded and the Company shall not be required to pay the value of such fraction to the Loan Stockholder nor issue any Loan Stock certificate for such fraction) on a Market Day during the Conversion Period in accordance with the provisions of this condition 2 (Conversion).

2.2 Conversion Notice

2.2.1 The Company shall procure that forms of Conversion Notice are obtainable from the Company's registered office or from the Registrar during their business hours while any Loan Stock have not been converted or are still capable of being converted under the provisions of this Trust Deed. The forms must be obtained by collecting them at such offices unless the Company at its discretion allows otherwise.

2.2.2 A Loan Stockholder may exercise the Conversion Rights to which he is entitled to by giving a Conversion Notice which shall be effective on the Conversion Date subject to the following being satisfied:

2.2.2.1 the Conversion Notice is in such form as the provisions of the Trust Deed require;

2.2.2.2 the Conversion Notice is duly completed, signed and (if required) stamped;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

- 2.2.2.3 the Loan Stockholder has complied with the requirements set out in the Conversion Notice;
- 2.2.2.4 the Conversion Notice is given to the Registrar on a Market Day during the Conversion Period together with such evidence (if any) as the Directors may require to show that the Conversion Notice has been duly signed;
- 2.2.2.5 the Loan Stockholder has paid all stamp and documentary taxes (if any) and all registration and other fees (if any) arising from or in connection with the exercise of the Conversion Rights; and
- 2.2.2.6 the Loan Stock in respect of which Conversion Rights are exercised are not in suspense under the provisions of Section 41(1) of SI(CD)A.

2.3 Non-compliance

A Conversion Notice once given cannot be withdrawn without the consent of the Company. If all or any of the requirements under this condition 2 (Conversion Rights) in connection with the exercise of the Conversion Rights is not complied with, the Company shall be entitled to return to the Loan Stockholder at his registered address all documents submitted by registered post at the risk of the Loan Stockholder, and to recover any applicable handling charges and out-of-pocket expenses from the Loan Stockholder. Any Loan Stockholder exercising the Conversion Right shall (if and when so required by the Company) at the expense of the Company sign such agreement or other document (if any) as the Company may reasonably require for filing with CCM in connection with the allotment of the new Ordinary Shares and the Directors shall be entitled to authorise a person to sign any such agreement or other document on behalf of the Loan Stockholder.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

2.4 Allotment

- 2.4.1 If Conversion Rights are duly exercised in accordance with this condition 2 (Conversion Rights), the Company will on conversion (which for the purpose of this condition 4 (Allotment) shall be a day selected by the Directors which is within ten (10) Market Days after receipt of the relevant Conversion Notice by the Company) allot and issue to the relevant Loan Stockholder such number of new Ordinary Shares credited as fully paid to which such Loan Stockholder would be entitled on exercise of such Conversion Rights and such allotment and issue will be in full satisfaction of the principal moneys in respect of the Loan Stock so converted.
- 2.4.2 The new Ordinary Shares to be allotted and issued on conversion of Loan Stock are prescribed securities within the meaning of SI(CD)A and accordingly the provisions of SI(CD)A and the Bursa Depository Rules will apply where appropriate. The Company will as soon as practicable after the relevant allotment of new Ordinary Shares on conversion of Loan Stock (but in any event within ten (10) Market Days of the relevant Conversion Date), issue such new Ordinary Shares in accordance with the Bursa Depository Rules for the credit of the Securities Account of the Loan Stockholder entitled to such new Ordinary Shares and despatch notice of allotment to the Loan Stockholder. No share certificates will be issued to the allottees of such new Ordinary Shares and the Loan Stockholder shall not be entitled to nominate any other person to receive new Ordinary Shares to be allotted and issued on conversion of Loan Stock held by such Loan Stockholder. Share certificates will be deposited and issued in the name of the relevant Bursa Depository under the provisions of SI(CD)A and the relevant Bursa Depository Rules.
- 2.4.3 The Company will notify the Bursa Depository of the names of allottees of new Ordinary Shares and such particulars as may be required by the Bursa Depository for the purpose of making appropriate entries in the Securities Accounts of the respective allottees.
- 2.4.4 The Company shall use all reasonable endeavours to obtain the approval of Bursa Securities for the listing of and quotation for all new Ordinary Shares issued as a result of the conversion of Loan Stock.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

2.5 Loan Stock in suspense

The rights, benefits, powers and privileges attached to Loan Stock deposited with the Bursa Depository under SI(CD)A which is specified by the Bursa Depository as being in suspense under the provisions of Section 41(1) of SI(CD)A shall not be exercisable so long as such Loan Stock remains in suspense except to the extent where a mandatory rule of law provides otherwise. The rights, benefits, powers, privileges, liabilities, duties and obligation of a Loan Stockholder in respect of any Loan Stock held by it which is in suspense shall also be subject to the provisions of Section 41(2) of SI(CD)A.

2.6 Compulsory conversion

The Company will compulsorily convert on the last day of the Conversion Period any Loan Stock which is still outstanding (and has not been converted in accordance with this Trust Deed by the end of the Conversion Period into new Ordinary Shares) at the Conversion Price (any fraction of a new Ordinary Share resulting from such conversion to be disregarded and the Company shall not be required to pay the value of such fraction to the Loan Stockholder nor issue any Loan Stock certificate for such fraction). In such event, the other provisions of this condition 2 (Conversion of Rights) shall (with the necessary changes) apply to such conversion and the Company will in accordance with such provisions allot and issue such new Ordinary Shares to the relevant Loan Stockholder which allotment and issue will be in full satisfaction of the principal moneys in respect of the Loan Stock so converted only.

2.7 No interest payable

All Loan Stock converted under this Trust Deed shall cease to carry interest from and including the Interest Payment Date immediately preceding the Conversion Date.

2.8 Ranking

The new Ordinary Shares issued and allotted pursuant to the conversion of Loan Stock shall, upon issue and allotment, rank pari passu in all respects with the existing Ordinary Shares in issue at the relevant Conversion Date, except that they shall not be entitled to any dividend, right, allotment and/or distribution unless the new Ordinary Shares to be allotted have been credited into the Securities Accounts of the respective allottees before the entitlement date for such dividend, right, allotment and/or distribution.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

2.9 Satisfaction of Conversion Price

The Conversion Price for each New Ordinary Share shall be satisfied by tendering the Loan Stock at nominal amount for the whole of the Conversion Price.

2.10 Right to convert on threshold

Without prejudice to the other provisions of this Trust Deed, if at any time the aggregate principal amount of all outstanding Loan Stock is not more than 10% of the total Loan Stock, the Company may on any day before the last day of the Conversion Period compulsorily convert all (but not some) of the outstanding Loan Stock at the Conversion Price by giving thirty (30) days' notice to the relevant Loan Stockholders, and the provisions of condition 11.6 (Compulsory conversion) shall apply (with the necessary changes to such compulsory conversion by the Company. For the avoidance of doubt, the Conversion Price can only be, and shall be deemed to have been, satisfied by way of utilising the nominal amount of the Loan Stock only.

2.11 Loan Stock not valid after conversion

Loan Stock once converted (whether compulsory or otherwise) shall cease to be valid for all purposes after the relevant Conversion Date, and the Company shall have no further obligations in respect of them.

2.12 Authorised Nominee

If Loan Stock is compulsorily converted under the provisions of conditions 2.6 (Compulsory conversion) or 2.9 (Right to convert on threshold), new Ordinary Shares to be allotted and issued on conversion of Loan Stock held by Loan Stockholders who have not notified the Company of their current Securities Account details will be credited to the Securities Account of an Authorised Nominee nominated (by the Company) who will hold such new Ordinary Shares for such Loan Stockholders. The Company shall deal with such new Ordinary Shares in accordance with the provisions of Section 353 of CA. The Authorised Nominee shall be entitled to assume that directions given by the Company in relation to dealings of any such new Ordinary Shares are in accordance with the provision of Section 353 of CA and will not be obliged to inquire as to whether any such directions are proper.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

2.13 Cancellation of certificates

The Company shall on conversion (whether compulsory or otherwise) of Loan Stock arrange with the Bursa Depository for a Loan Stock Certificate or Loan Stock Certificates to be returned by the Bursa Depository to the Company for cancellation. The Company shall issue a new Loan Stock Certificate or Loan Stock Certificates as the Bursa Depository Rules, SI(CD)A or the Bursa Depository may require in respect of any balance Loan Stock still not converted represented by the Loan Stock Certificate or Loan Stock Certificates surrendered for cancellation.

3. Taxation

All payments (if any) by the Company will be made subject to deduction or withholding for or on account of any present or future taxes or duties of whatever nature as may be imposed or levied by or on behalf of Malaysia or any authority having power to tax. In the event any Loan Stockholder is not a resident in Malaysia, the Company shall be entitled to deduct and withhold income tax on all payments of interest in accordance with the provisions of Section 109 of the Income Tax Act, 1967. The Company shall not be required to pay any additional amount in respect of any such deduction or withholding.

4. Enforcement of Rights

Except as otherwise stated in the Trust Deed, only the Bond Trustee may pursue the rights and remedies available under the general law or under the Trust Deed to enforce the rights of the Loan Stockholders against the Company, and no Loan Stockholder shall be entitled to pursue such rights and remedies against the Company unless the Bond Trustee, having become bound to do so in accordance with the terms of the Trust Deed, fails to do so within a reasonable period and such failure is continuing.

5. Purchase and Cancellation of ICULS

- (a) Subject to all relevant approvals being obtained, the Company, may at any time purchase the ICULS:-
- (i) on the stock exchange of Bursa Securities at any price;
 - (ii) by tender available to all Loan Stockholders alike at any price; or
 - (iii) by private treaty at any price.
- (b) Any ICULS purchased by the Company shall be cancelled by the Company and cannot be resold or reissued.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

6. Miscellaneous**6.1 Notice of meetings**

Each Loan Stockholder shall be entitled to receive notice of all meetings of Loan Stockholders.

6.2 Corporate Information

The Company will on written request send to each Loan Stockholder a copy of the Company's annual report, audited financial statements together with all other documents required by law to be annexed within 21 days after the date of receipt of the request by the Company.

6.3 Notices

6.3.1 All notices and other documents to be sent to the Loan Stockholders will be sent by ordinary post at the risk of the Loan Stockholders to their respective registered addresses in Malaysia or, in the case of notice, may be given by publishing the notice in at least two (2) national newspapers in the main languages (which must include English and Bahasa Malaysia), published daily and circulated generally throughout Malaysia, or in such manner as the Company and the Bond Trustee may agree at any time and from time to time.

6.3.2 Any notice or document sent by post to the Loan Stockholders shall be deemed to have been sent twenty four (24) hours after despatch and, in proving the giving of any notice or document by post, it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, stamped and posted. Any notice given by publishing the same in a newspaper circulated in Malaysia shall be deemed to have been given on the first date of such publication. Notwithstanding any other provisions of the Trust Deed, a Loan Stockholder who has not supplied a registered address in Malaysia to the Company for inclusion in the Loan Stock Register shall not be entitled to receive any notices and documents to be given pursuant to the Trust Deed.

6.4 Malaysian address

Each Loan Stockholder must provide an address in Malaysia to the Bursa Depository for purposes of the address appearing in the Record of Depositors and that address shall be the only address appearing in the Record of Depositors.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)**6.5 Currency**

The Ringgit shall be the currency of payment for purposes of the Trust Deed unless required by Malaysian exchange control laws to be paid in a foreign currency in which event, payment shall be made in Dollars. If a payment is to be made in Dollars, the rate of exchange to be used shall be the middle spot rate for Dollars against the Ringgit quoted by a commercial bank in Kuala Lumpur selected by the Company on the second Market Day immediately preceding the date of payment.

6.6 Law and jurisdiction

The Loan Stock and their respective certificates shall be governed by and construed in accordance with the laws of Malaysia. The Loan Stockholders shall be deemed to have irrevocably submitted to the non-exclusive jurisdiction of the courts of Malaysia in respect of any matter arising out of or in connection with the Trust Deed of the Loan Stock.

**Schedule 4
Meetings****: 1. Convening of meeting**

The Bond Trustee or the Company may respectively, and the Bond Trustee shall at the request in writing of registered holders of not less than one-tenth (1/10) of the nominal amount of the Loan Stocks for the time being outstanding and on receiving such indemnity to its satisfaction as the Bond Trustee may require against the cost (including legal cost on a solicitor-client basis) of convening and holding the meeting, convene a meeting of the Loan Stockholders. Such meeting shall be held at such place as the Bond Trustee reasonably determines or approves.

2. Notice of meeting

At least fourteen (14) days' notice or, when the meeting is being convened for the purpose of passing a Special Resolution, at least twenty one (21) days' notice (exclusive in each case of the day on which the notice is served or deemed to be served but inclusive of the day for which the notice is given) of every meeting shall be given to the Loan Stockholders. The notice shall be given in the manner provided in Schedule 3 (Conditions of Loan Stock) and shall specify the place, day and hour of meeting and the general nature of the business to be transacted but it will not be necessary (except in the case of a Special Resolution) to specify in the notice the terms of any resolution to be proposed. A copy of the notice shall be sent by post to the Bond Trustee unless the meeting is convened by the Bond Trustee and to the Company unless the meeting is convened by the Company. The accidental omission to give notice to, or the non-receipt of notice by, any of the Loan Stockholders shall not invalidate the proceedings at any meeting.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

3. Quorum

At any meeting at least two (2) persons present being Loan Stockholders or being proxies for such Loan Stockholders holding in aggregate not less than twenty five per centum (25%) of the Loan Stock for the time being outstanding shall form a quorum for the transaction of business except for the purposes of passing a Special Resolution. The quorum for a meeting at which a Special Resolution is proposed to be passed shall be at least two (2) persons present being the Loan Stockholders or being proxies for such Loan Stockholders holding in aggregate not less than fifty one per centum (51%) of the Loan Stock for the time being outstanding. No business (other than the appointment of a chairman for such meeting) shall be transacted at any meeting unless the necessary quorum is present at the commencement of business.

4. Adjournment

If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Loan Stockholders, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day be a public holiday, then to the next Market Day following that public holiday) at the same time and place, or to such other day, time and place as the Directors may determine, but if a quorum is not present at an adjourned meeting, the meeting shall be dissolved. At such adjourned meeting, two persons present being Loan Stockholders or being proxies for Loan Stockholders shall be a quorum for the transaction of business including the passing of a Special Resolution.

5. Chairman

A person (who may but need not be a Loan Stockholder) nominated in writing by the Bond Trustee shall preside as chairman at every meeting and, if no such person is nominated or if at any meeting no person nominated is present within fifteen minutes after the time appointed for holding the meeting, the Loan Stockholders present shall choose one of them to be chairman. The chairman of an adjourned meeting shall be appointed in accordance with this paragraph 5 and need not be the same person as was the chairman of the original meeting. The Bond Trustee and the Company and their respective legal and financial advisors and any other person so authorised by the Bond Trustee or the Company may attend and speak at any meeting. No one else may attend or speak at a meeting of the Loan Stockholders unless he is a holder of a Loan Stock or is a proxy.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

6. Adjournment by chairman

The chairman may with the consent of the majority of the Loan Stockholders present at any meeting at which a quorum is present, and shall if so directed by the majority of the Loan Stockholders present at the meeting, adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall otherwise not be necessary to give any notice of adjournment or of the business to be transacted at an adjourned meeting.

7. Votes

At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded by the chairman or by one or more Loan Stockholders present in person or by proxy and holding or representing at least one twentieth (1/20) of the nominal amount of the Loan Stocks for the time being outstanding. Unless a poll is so demanded, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. However, the Loan Stocks held by the Company or any Related Companies of the Company shall not be counted for purposes of voting.

8. Poll

If a poll is duly demanded, it shall be taken in such manner as the chairman may direct and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

9. Casting of vote

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Loan Stockholder or as a proxy.

10. Poll on election of chairman

A poll demanded on the election of a chairman for any meeting of Loan Stockholders or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place as the chairman directs.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

11. Effect of poll demand

The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

12. Show of hands

On a show of hands, every Loan Stockholder who (being an individual) is present in person or by his proxy or (being a corporation) is present by its duly authorised representative or by its proxy shall have one vote. On a poll every Loan Stockholder who is present in person or by proxy shall have one vote for every RM1.00 nominal amount of Loan Stocks of which he is the holder.

13. Votes on poll

On a poll, votes may be given either personally or by proxy and a Loan Stockholder entitled to more than one vote need not (if he votes) use all his votes or cast all the votes he uses in the same way.

14. Proxy instrument

The instrument appointing a proxy shall be in the usual common form or such other form as the Bond Trustee may approve and shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised and such instrument shall be deemed to confer authority to demand or join in demanding a poll.

15. Who may be proxy

A person appointed to act as a proxy need not be a Loan Stockholder.

16. Deposit of proxy

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the office of the Bond Trustee or such other place (if any) specified in the notice of the meeting or in the instrument of proxy during normal business hours and not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

17. Validity of vote

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed provided that no notification in writing of such death, insanity or revocation was received at the office of the Bond Trustee or such other place (if any) specified in the notice of the meeting before the commencement of the meeting or adjourned meeting at which the proxy is used.

18. Special Resolution powers

A meeting of the Loan Stockholders shall, subject to the provisions of this Trust Deed and in addition to all other powers, have the following powers exercisable by Special Resolution only:

18.1 Sanction scheme

power to sanction any scheme for the reconstruction or reorganisation of the Company or for the amalgamation, merger or consolidation of the Company with any company;

18.2 Sanction exchange

power to sanction the exchange or substitution of the Loan Stocks for shares, stocks, bonds, debentures, debenture stocks or other obligations or securities of the Company or any company, corporation, trust or other body formed or to be formed or the Company's Successor or any subsidiary of the Company's Successor, or the exchange of the Loan Stocks for cash;

18.3 Sanction release

power to sanction the release of the Company and/or any guarantor company from the payment of all or any part of the interest owing upon the Loan Stocks and other moneys payable pursuant to this Trust Deed;

18.4 Sanction modification

power to sanction any modification, variation, abrogation or compromise of or arrangement in respect of the rights of the Loan Stockholders against the Company and/or any guarantor company whether such rights shall arise under this Trust Deed or otherwise;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

18.5 Assent

power to assent to any modification, variation or abrogation of the provisions contained in this Trust Deed proposed or agreed to by the Company and to authorise the Bond Trustee to concur in and execute all such further documents or supplemental trust deeds embodying any such modification, variation or abrogation and do all such acts and things as may be necessary to carry out and give effect to any Special Resolution;

18.6 Release from liability

power to agree to the release of any Bond Trustee from any liability in respect of anything done or omitted to be done by such Bond Trustee before the giving of such release; and

18.7 New Bond Trustee

power to approve the appointment of a new bond trustee or to remove any bond trustee, provided the power is exercised in accordance with CMSA.

19. Binding effect

A resolution passed at a meeting of the Loan Stockholders duly convened and held in accordance with this Trust Deed shall be binding upon all the Loan Stockholders and the Bond Trustee (subject to the provisions for its indemnity contained in the Trust Deed) shall be bound to give effect to the resolution accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of any such resolution justify the passing of it.

20. Special resolution

The expression 'Special Resolution' means a resolution passed at a meeting of the Loan Stockholders duly convened and held in accordance with the provisions of this Trust Deed and carried by a majority consisting of not less than three-fourths (3/4) of the persons voting at the meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths (3/4) of the votes given on such poll.

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

21. Minutes

Without prejudice to the relevant provisions of the CMSA, the Bond Trustee shall cause the minutes of all resolutions and proceedings at every meeting to be made and duly entered in the books to be from time to time provided for that purpose by the Company and shall cause a list of the names of the Loan Stockholders or their proxies present at the meeting to be made and kept, and any such minutes, if purporting to be signed by the chairman of the meeting or failing which, of the next succeeding meeting of the Loan Stockholders, shall be conclusive evidence of the matters stated in the minutes and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made and signed shall be deemed to have been duly convened and held and all resolutions passed at the meeting to have been duly passed.

22. Resolution in writing

A resolution in writing signed by or on behalf of all the Loan Stockholders shall for all purposes of this Trust Deed be valid and effective as a Special Resolution passed at a meeting of the Loan Stockholders duly convened and held in accordance with the provisions of this Trust Deed. Such resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Loan Stockholders.

23. Deemed separate series

If the Company has outstanding any part of the Loan Stock which is not for the time being identical to another part of the Loan Stock, then each part of the Loan Stock which is identical shall be deemed to constitute a separate series of the Loan Stock and the other provisions of this Schedule 4 (Meetings) shall have effect subject to the following modifications:

23.1 One series only

a resolution which in the opinion of the Bond Trustee affects one series only of the Loan Stocks shall be deemed to have been duly passed if passed at a separate meeting of the Loan Stockholders of that series;

23.2 Two or more series

a resolution which in the opinion of the Bond Trustee affects all or any two or more series of the Loan Stock but does not give rise to conflict of interests between the Loan Stockholders of any of the series so affected shall be deemed to have been duly passed if passed at a single meeting of the Loan Stockholders of the series so affected;

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

23.3 Conflict of interests

a resolution which in the opinion of the Bond Trustee affects more than one series of the Loan Stock and gives or may give rise to a conflict of interests between the Loan Stockholders or any of the series so affected shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the Loan Stockholders, it shall be duly passed at separate meetings of the Loan Stockholders of each series so affected; and

23.4 General

to all such meetings as referred to the above, all the preceding provisions of this Schedule 4 (Meetings) shall (with the necessary change) apply as though references in this Schedule 4 (Meetings) to the Loan Stock and the Loan Stockholders were references to the Loan Stock of the series in question and to the Loan Stockholders of that series respectively.

24. Further regulation

Subject to all other provisions of this Trust Deed, the Bond Trustee may without the consent of the Loan Stockholders prescribe such further regulations regarding the requisitioning and holding of the meetings of the Loan Stockholders and attendance and voting at such meetings which the Bond Trustee and the Company may agree at any time and from time to time.

25. Not counted for voting

The Loan Stock held by the Company or any Interested Party of the Company shall not be counted for purposes of voting at meetings of the Loan Stockholders. For the purpose of this clause, Interested Party will not include the following Major Shareholders of the Company who hold the Shares whether directly or indirectly for the benefit of the public:

- (i) A statutory institution who is managing funds belonging to the general public;
- (ii) A closed end fund, unit trust or investment fund (but excluding an investment holding company);
- (iii) A licensed institution as defined under the Banking and Financial Institutions Act 1989; and a development financial institution as defined under the Development Financial Institutions Act 2002; and

SALIENT TERMS AND CONDITIONS OF THE ICULS (Cont'd)

an insurance corporation whose activities are regulated by any written law relating to insurance and are subject to supervision by Bank Negara Malaysia and the said insurance corporation is managing its insurance funds (together with its own shareholders' funds or otherwise). For the purposes of this paragraph, 'insurance funds' has the meaning given in section 2 of the Insurance Act 1996.

- 6. Further series of unsecured loan stock** The Company may create and issue further series of unsecured loan stock subject to the then applicable laws and regulations and approvals of all relevant authorities and parties.

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SALIENT TERMS AND CONDITIONS OF THE WARRANTS

An extract of the Deed Poll (prepared for the inclusion in this AP), which sets forth the salient conditions of the ICULS under Schedule 5 of the Deed Poll is set below. You are advised to read the entire Deed Poll, a copy of which is available for inspection and reference at our Registered Office at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 Penang. You should note that some of the definitions and terms contained in this extract of the Deed Poll below might differ from the meaning and context in which they are used in this AP. The terms and numbering extracted below reflect the terms and numbering of the Deed Poll.

- 3. Exercise of Exercise Rights**
- 3.1 Subject to the Conditions, the Warrant Holders will have the right to exercise the Exercise Rights at any time during the Exercise Period in order to subscribe for the whole or part of the Shares to which they are entitled to in respect of which the Exercise Rights are being exercised at the Exercise Price. At the close of business on the last day of the Exercise Period at 5.00 p.m., any Exercise Rights which have not then been exercised and delivered to the Registrar will lapse and every Warrant not exercised by then will cease to be valid for any purpose.
- 3.2 In order for a Warrant Holder to exercise the Exercise Rights to which the Warrant Holder is entitled to:
- 3.2:1 a Warrant Holder must complete and sign the Exercise Notice (which shall be irrevocable) and deliver the duly completed and executed Exercise Notice to the Registrar together with a remittance by way of banker's draft or cashier's order drawn on a bank in Malaysia or a money order of postal order issued by a post office in Malaysia for the credit of the account maintained by the Company ("Unimech Warrant Proceeds Account") for the amount equal to the Subscription Amount for the Shares in respect of which the Exercise Rights are being exercised.
- 3.2:2 all payments of the Subscription Amount shall be in full, in RM.
- 3.2:3 without prejudice to the Company's rights to consider the exercise of Exercise Rights to be invalid on any other grounds, the Company shall be entitled to consider the exercise of an Exercise Right invalid if any of the notes to the Exercise Notice are not complied with. A Warrant Holder giving an Exercise Notice shall also not specify that Shares to be issued on exercise of its Exercise Rights are to be credited into a Securities Account other than a Securities Account in the name of such Warrant Holder.

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

3.2:4 all exchange control laws and/or other statutory requirements for the time being applicable, including (without limitation) the provisions of SI(CD)A and the Depository Rules are to be complied with by the Warrant Holder exercising the Exercise Rights. The Warrant Holder exercising the Exercise Rights shall also pay any stamp and documentary taxes and all registration and other fees arising from or in connection with the exercise of the Exercise Rights.

provided that the duly completed and executed Exercise Notice is delivered to the Registrar at least three (3) clear Market Days from any closure of the Register of Members (including the Record of Depositors) and/or Warrant Register as may be notified from time to time.

If any Conditions relating to the exercise of any Warrants have not been complied with, then all moneys paid and all documents delivered to the Company shall be despatched to the exercising Warrant Holder by registered post at the risk of the Warrant Holder immediately after seven (7) Market Days following the date of notice for rectification given under paragraph 3.1:2 of Schedule 1 of the Deed Poll.

3.3 The Company will issue and allot new Shares and despatch notices of allotment to the Warrant Holders as appearing in the Record of Depositors on the exercise of the Exercise Rights represented by the relevant Warrants by the Warrant Holders not later than eight (8) Market Days or such other period as may be prescribed or allowed by Bursa Securities from the date of receipt of the Exercise Notice together with the requisite payment or such number of days as permitted by Bursa Securities. The Shares will upon allotment and issue rank *pari passu* in all respects with the existing Shares and will not be entitled to any dividends, rights, allotment or other distributions declared after the Record Date. Any exercise of the Exercise Rights after 5.00 p.m. on the last day of the Exercise Period shall be null and void. For avoidance of doubt, the Warrant Holders are not entitled to vote in any general meeting of Company or to participate in any distribution and/or offer of further securities in the Company unless and until the Warrant Holder becomes a shareholder by exercising his/her Warrants into new Shares.

3.4 The Shares to be issued on exercise of the Exercise Rights represented by any Warrant are prescribed securities within the meaning of SI(CD)A and accordingly the provisions of the SI(CD)A and the Depository Rules will apply where appropriate. As soon as practicable after the relevant issue and allotment of Shares under these Conditions (and within the eight (8) Market Days or such other period as may be prescribed or allowed by Bursa Securities from the date of receipt of the Exercise Notice together with the requisite payment) the new Shares will in

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

accordance with the Depository Rules be issued to Bursa Depository for the credit of the security account of each Warrant Holder who has exercised the Exercise Rights represented by his Warrant (each an "Allottee") and no share certificates shall be issued to the Allottees. The Company shall notify the Bursa Depository of the names of the Allottees and such particulars as may be required by the Bursa Depository for the purpose of making appropriate entries in the Securities Accounts of the respective Allottees.

3.5 The Company shall apply for the quotation of the Shares issued as a result of the exercise of the Exercise Rights represented by any Warrant not later than eight (8) Market Days or such other period as may be prescribed or allowed by Bursa Securities from the date of receipt of the Exercise Notice together with the requisite payment.

3.6 The rights, benefits, powers and privileges attached to a Warrant deposited with Bursa Depository under SI(CD)A which is specified by Bursa Depository as being in suspense under the provisions of Section 41(1) of SI(CD)A shall not be exercisable so long as such Warrant remains in suspense except to the extent where a mandatory rule of law provides otherwise. The rights, benefits, powers, privileges, liabilities, duties and obligations of a Warrant Holder in respect of such a Warrant held by it shall also be subject to the provisions of Section 41(2) of SI(CD)A.

3.7 The provisions of the Deed Poll relating to the exercise of Warrants shall also constitute part of Condition 3. The above provisions of this Condition 3.7 shall not however be construed as limiting the applicability (if applicable) of provisions of the Deed Poll to the Conditions or vice versa.

3.8 Upon the fulfilment of all the matters referred to in Condition 3.2, the relevant Warrant Certificate (if applicable), the Exercise Form and any moneys tendered in or towards payment of the exercise moneys in accordance with Condition 3.2 may not be withdrawn or refunded without the consent in writing of the Company.

4. Adjustments of Exercise Price and Exercise Rights

4.1 The Exercise Price of the Shares to which a Warrant Holder is entitled to subscribe and the number of Warrants in issue shall from time to time be adjusted by the Directors in consultation with the Adviser and certified by the Auditors in accordance with the provisions of Schedule 6 of the Deed Poll. Accordingly, subject to the Conditions, the Exercise Price of the Shares to which a Warrant Holder is entitled to subscribe and the number of Warrants in issue will be adjusted in all or any of the following cases:

4.1:1 an alteration of the par value of the Shares by reason of any consolidation of shares, subdivision of shares or conversion; or

4.1:2 an issue by the Company of Shares to Members credited as fully paid-up by way of capitalisation of

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

- profits or reserves (whether of a capital or income nature including any share premium account and capital redemption reserve fund); or
- 4.1:3 a Capital Distribution (as defined in Schedule 6 of the Deed Poll) to Members made by the Company whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
- 4.1:4 an offer or invitation to Members made by the Company to acquire or subscribe for Shares by way of rights; or
- 4.1:5 an offer or invitation to Members made by the Company by way of rights to acquire or subscribe for securities convertible into, or rights to acquire or subscribe for Shares.
- 4.2 If any offer or invitation for the acquisition of all the Shares then in issue is made otherwise than by the Company to the Members then the Company shall, to the extent that it is able, procure that at the same time an offer or invitation is made to the Warrant Holders as if their rights to subscribe for Shares had been exercised the day immediately preceding the Record Date of such offer or invitation on the basis then applicable.
- 4.3 No adjustment to the Exercise Price and Exercise Rights (save for the exceptions stated in Condition 4.1 above) will be allowed in any event including the following cases:
- 4.3:1 an issue by the Company of Shares on exercise of the Exercise Rights of Warrant Holders; or
- 4.3:2 an issue by the Company of Shares or other securities of the Company or rights to acquire or subscribe for Shares to officers, including Directors, or employees of the Company or any of its Subsidiaries pursuant to a purchase or option scheme approved by the Members in general meeting including (without limitation), an issue pursuant to an ESOS; or
- 4.3:3 an issue by the Company of Shares or of securities convertible into, or rights to acquire or subscribe for Shares in any such case in consideration or part consideration for any other securities, assets or business; or
- 4.3:4 the issue by the Company of Shares or securities convertible into or with rights to acquire or subscribe for Shares to Bumiputera investors pursuant to a special issue approved by the relevant authorities and the members of the Company at a general meeting; or

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

- 4.3:5 any issue of Shares by the Company (other than bonus or rights issues) where the aggregate issued of which in any one (1) financial year do not exceed 10% of the outstanding issued share capital; or
 - 4.3:6 a purchase by the Company of its own Shares in accordance with the Act and all other applicable laws and regulations or guidelines (whether having the force of law or not); or
 - 4.3:7 an issue by the Company of the ICULS and Warrants; or
 - 4.3:8 an issue by the Company of Shares pursuant to a conversion of the ICULS.
- 4.4 Any adjustment to the Exercise Price will be rounded up to the nearest one (1) Sen and in no event shall any adjustment (otherwise than upon the consolidation of Shares into shares of a larger par value) involve an increase in the Exercise Price or result in the Exercise Price falling below the par value of the Shares for the time being or result in a reduction in the number of Warrants which a Warrant Holder is entitled to prior to any such adjustment to the Exercise Price. No adjustment to the Exercise Price in any case in which the amount by which the Exercise Price would be reduced would be less than one (1) Sen and any adjustment which would otherwise then be required will not be carried forward. Notice of any adjustment will be given to Warrant Holders in accordance with Condition 12.
- 4.5 Notwithstanding the provisions of Conditions 4.1 and 4.3 above, in any circumstances where the Directors consider that the adjustments provided under those provisions should not be made or should be calculated on a different basis under those provisions, the Company may appoint an Adviser to consider whether for any reason whatsoever the adjustment should be modified or nullified in such manner as may be considered by such Adviser to be appropriate in its opinion and the opinion of the Adviser shall be certified by the Auditors. Whenever there is an adjustment as provided, the Company shall give notice to Warrant Holders within twenty one (21) days of such adjustment, calculation or determination in accordance with Condition 12:
- 4.5:1 notifying them that the Exercise Price and/or the number of additional Warrants to be issued have been adjusted or determined as the case may be;
 - 4.5:2 the event giving rise to the adjustment or determination;
 - 4.5:3 the Exercise Price and/or the number of Warrants in effect prior to such adjustment or determination;

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

4.5:4 the adjusted Exercise Price and/or the adjusted number of Warrants, as the case may be; and

4.5:5 the effective date of such adjustment or determination.

At all times so long as any of the Warrants remain exercisable, the Company shall make available for inspection at its registered office a signed copy of the certificate of the Auditors certifying the adjustment to the Exercise Price and/or the number of Warrants issued and a certificate signed by a director of the Company setting out brief particulars of the event giving rise to the adjustment, the Exercise Price and/or the number of Warrants in effect prior to such adjustment, the adjusted Exercise Price and/or the adjusted number of Warrants in issue and the effective date of such adjustment. A copy of such certificate shall be sent by the Company to any Warrant Holder on request. In the event of any adjustment to the number of Warrants issued, the Company shall as soon as practicable arrange with Bursa Depository for the issue of additional and/or cancellation of existing Warrant Certificates to reflect the adjustment in the number of Warrants (as the case may be). Bursa Depository shall in the event of such adjustment be irrevocably authorised to alter the number of Warrants in credit in the Warrant Holders' respective Securities Accounts to reflect the adjustment. The Company shall also make such entries in the Warrant Register to reflect the changes in the number of Warrants represented by the Warrant Certificates in issue after adjustment.

4.6 In any circumstances where the Directors, the Adviser referred to in Condition 4.1 above and the Auditors are unable to agree on any adjustment required by Condition 4.1, the Directors shall refer the adjustment to the decision of another adviser acting as expert and not as arbitrator and whose decision as to such adjustment as shall be appropriate in terms of the conditions shall be final and conclusive and no certification by the Auditors shall be necessary.

4.7 Any additional Warrants which may be issued by the Company under this Condition 4 shall be part of the series of Warrants constituted by this Deed Poll, and shall be issued subject to and with the benefit of this Deed Poll and on such terms and condition as set out in this Deed Poll for the Warrants.

4.8 In giving any certificate or making any adjustment, the Auditors and any adviser shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error their decision shall be conclusive and binding on all persons having an interest in the Warrants.

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

- 4.9 Notwithstanding anything stated otherwise in the Deed Poll, any adjustment to the Exercise Price and/or any determination or adjustment of the number of additional Warrants to be issued otherwise than in accordance with the provisions of this schedule, shall be agreed to by the Directors, the Auditors and the Adviser.
- 5. Restrictions to Protect Exercise Rights**
- 5.1 As from the date of issue of the Warrants and, as long as any of the Exercise Rights remain exercisable:
- 5.1:1 the Company shall not make any distribution out of capital profits or capital reserves, unless it gives rise to an adjustment as provided in Condition 4 or would give rise to such adjustment but for the requirement of Conditions 4.4 or 4.5;
- 5.1:2 the Company shall keep available free from pre-emptive or other rights part of its authorised but unissued share capital to satisfy in full all Exercise Rights for the time being outstanding;
- 5.1:3 the Company shall not, if and so long as the share capital of the Company is divided into Shares of more than one class, in any way modify the rights attached to the Shares as a class or to attach any special restrictions except as provided in the Conditions; and
- 5.1:4 the Company shall not create or permit to be in issue any Equity Capital which, as regards dividends, voting or capital, has rights more favourable to the holders than those attached to the Shares but nothing in this Condition 5.1:4 shall prevent the issue of Equity Capital to officers, including Directors, if applicable, or employees of the Company or of any of its Subsidiaries pursuant to purchase or option schemes approved by the Members in general meeting.

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

- 6. Winding-up of the Company**
- 6.1** If a resolution is passed for a members' voluntary winding up of the Company, or where there is a compromise or arrangement, then:
- 6.1:1** whether or not is for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies pursuant to a scheme of arrangement to which the Warrant Holders, or some person designated by them for such purpose by Special Resolution, is a party, the terms of such scheme of arrangement shall be binding on all the Warrant Holders; and
- 6.1:2** in any other case every Warrant Holder shall be entitled (subject to the Conditions) at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of the Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his Warrants to the Company, by the Exercise Notice(s) duly completed, together with payment of the relevant Exercise Price, to elect to be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement exercised the Exercise Rights represented by his Warrants to the extent specified in the Exercise Notice(s) and had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the Warrant Holders in accordance with Condition 12 of the passing of any such resolution within seven (7) Market Days after the passing of such resolution.
- Subject to the above, if the Company is wound up, all Exercise Rights which have not been exercised within six (6) weeks of the passing of such resolution shall lapse and the Warrants will cease to be valid for any purpose.
- 6.2** reconstruction, amalgamation or merger
- In the event of any reconstruction, amalgamation or merger of the Company with any other corporation (other than a reconstruction, amalgamation or the merger to which Condition 6.1 is applicable) involving:
- (i) the transfer of the Company's undertaking to another corporation; or
 - (ii) the surrender by the Shareholders of their Shares in exchange for shares in another corporation, (the other corporation referred to in paragraphs 6.2(i) and 6.2(ii) above shall hereafter be called the

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

Successor Corporation) the Company shall immediately notify the Warrant Holders of such event and shall, unless otherwise directed by a Special Resolution of the Warrant Holders, use its best endeavours (so far as is legally possible) to cause the Successor Corporation to execute such instruments as may be necessary to ensure that the Warrant Holders shall have the right (during the period such Warrants shall remain unexercised) by exercising the Exercise Rights in relation to such Warrants to receive the class and amount of shares, securities or other assets which would have been issued or delivered to such Warrant Holders had such Warrant Holders exercised such Exercise Rights in relation to such Warrants immediately prior to such reconstruction, amalgamation or merger and exchanged the Shares arising from such exercise for shares or securities in the Successor Corporation or for other assets to be delivered by the Successor Corporation in exchange for the Shares. The provisions of this clause shall apply *mutatis mutandis* to any subsequent reconstructions, amalgamations or mergers.

- 7. Further Issue/General Offer etc.** 7.1 Subject to the Conditions, the Company shall be entitled to offer, allot or issue (whether or not on a renounceable basis) shares and securities giving rights to subscribe for shares in the Company to Members, holders of any securities of the Company or any other person or persons (whether by way of bonus, rights, special, public offer or otherwise and for whatever consideration (if applicable) on such terms and conditions as the Company considers appropriate and the Warrant Holders shall not have any participating rights in such offer, allotment or issue unless otherwise resolved by the Company in general meeting.
- 7.2 If any general offer for Shares of the Company is made to the Members of the Company before the expiry of the Exercise Period, the Company shall be at liberty (but shall not be obliged) to procure to be made a like offer to the Warrant Holders as if the Warrants registered in their names had been surrendered for conversion into new Shares at the Exercise Price immediately prior to the Record Date of offer on the basis then applicable.
- 7.3 Notwithstanding any other provisions of the Deed Poll including, the Conditions, except as expressly provided otherwise in the Deed Poll including, the Conditions, the Warrant Holders shall have no participating rights whatsoever in any shares or other securities issued or offered from time to time by the Company.
- 8. Modification of Rights** 8.1 Warrant Holders holding not less than ten percent (10%) of the Exercise Rights for the time being outstanding may request in writing for a meeting of Warrant Holders to be held to consider any matter affecting their interests.

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

- 8.2 All or any of the rights for the time being attached to the Warrants (other than the Exercise Price or the formulae for the adjustment of the Exercise Price or other than as specifically provided in the Conditions) may be altered or abrogated by the Company from time to time (whether or not the Company is being wound up) and the sanction of a Special Resolution passed at a meeting of the Warrant Holders shall be sufficient to effect such alteration or abrogation. A Special Resolution may also sanction the compulsory exchange, surrender or cancellation of unexercised Warrants in return for shares, other warrants, debentures or other securities or for any other consideration (whether in the Company or in any other company or corporation (wherever incorporated) on any terms and/or conditions. Any such modification shall however be subject to the approval of any relevant authorities, where required.
- 8.3 To any such meeting all the provisions of the Articles of Association for the time being of the Company as to general meetings of the Company and for notice of such meeting shall, *mutatis mutandis*, apply as if the Warrants were a class of shares forming part of the capital of the Company except that:
- 8.3:1 not less than twenty one (21) days' notice of such meeting shall be given;
- 8.3:2 a quorum for any such meeting shall be at least two (2) Warrant Holders present in person or by proxy and holding Warrants representing Exercise Rights entitling them on exercise to the issue of 1/2 in nominal value of all the Shares which would be issued at the Exercise Price on the exercise of all the Exercise Rights represented by such holder's Warrants;
- 8.3:3 every Warrant Holder present in person or by proxy at any such meeting or adjourned meeting shall be entitled on a show of hands to one (1) vote and every Warrant Holder present in person or by proxy at any meeting shall be entitled on a poll to one (1) vote for each Share to which such holder would be entitled at the Exercise Price on the exercise in full of the Exercise Rights represented by such holder's Warrants;
- 8.3:4 any Warrant Holder present in person or by proxy may demand a poll; and
- 8.3:5 if such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than ten (10) or more than twenty eight (28) days and to such place as may be appointed by the Chairman of the meeting. At any

SALIENT TERMS AND CONDITIONS OF THE WARRANTS (Cont'd)

adjourned meeting those Warrant Holders who are then present in person or by proxy shall form a quorum and at least seven (7) days notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those Warrant Holders who are then present at the adjourned meeting in person or by proxy shall form a quorum.

8.4 Notwithstanding Condition 8.2, the Company may without the consent of the Warrant Holders but in accordance with the terms of the Deed Poll, effect:

8.4:1 any modification to the Warrants or the Deed Poll which, in the opinion of the Company, is not materially prejudicial to the interest of the Warrant Holders provided always that the Company may appoint an adviser to advise them whether the proposed modification to the Warrants or the Deed Poll is materially prejudicial to the interest of the Warrant Holders and the Company may rely on such advise of the adviser; or

8.4:2 any modification of the Warrants or the Deed Poll which in its opinion, is to correct a manifest error or to comply with mandatory provisions of Malaysian law; or

8.4:3 any modification of the Warrants or the Deed Poll which in its opinion is necessary or expedient to take into account changes to SI(CD)A, the Depository Rules or any other changes in the law or any change in central depository (as defined by SI(CD)A) from Bursa Depository or in the nominee company of the central depository (as so defined) for the time being or the Listing Requirements in force from time to time.

Any such modifications shall be binding on Warrant Holders and shall be notified to them in accordance with Condition 12 as soon as practicable.

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (i) Save for the Rights ICULS, Warrants and the new Unimech Shares to be issued pursuant to the conversion of the ICULS and the exercise of the Warrants respectively, no securities will be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.
- (ii) As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.50 each.
- (iii) All the Rights ICULS and new Unimech Shares to be issued pursuant to the conversion of the ICULS and the exercise of the Warrants respectively shall, upon allotment and issuance, rank *pari passu* in all respects with the existing issued and paid-up ordinary share capital, save and except that such Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date precedes the date of the allotment of the new Shares.
- (iv) Save as disclosed below, no person has been, is or would be entitled to be given an option to subscribe for any share, stocks and debentures of our Company or our subsidiary as at the date of this AP:
 - (a) the ICULS are exercisable into up to 33,390,333 Unimech Shares at the exercise price of RM1.00 per Unimech Share which will expire on the last day of the period of five (5) years from (and including) the date on which the ICULS is issued but if that day is not a Market Day, it shall be the Market Day immediately preceding such last day.
 - (b) the Warrants are exercisable into up to 66,780,666 Unimech Shares at the exercise price of RM1.50 per unimech Share which will expire on the day falling immediately before the fifth (5th) anniversary of the date of issuance of the Warrants and if such date is not a Market Day, then on the preceding Market Day.
- (v) Save as for the Rights ICULS, Warrants and the new Unimech Shares to be issued pursuant to the conversion of the ICULS and the exercise of the Warrants respectively, no securities in our Company have been issued or are proposed or intended to be issued either as fully or partly paid-up in cash or otherwise than in cash within the two (2) years immediately preceding the date of this AP.

2. DIRECTORS' REMUNERATION

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:

Article 105

The fees of the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provided) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office Provided Always that –

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

ADDITIONAL INFORMATION (Cont'd)

- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 106

- (1) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.
- (2) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

Article 139

The remuneration of the Managing Director and the Deputy Managing Director may subject to the terms of any agreement entered into in any particular case, be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.

3. DECLARATIONS OF CONFLICT OF INTEREST**3.1 Adviser**

Save as disclosed below, RHBIB confirms that as at 12 August 2013, there is no equity, financial or any other relationship or circumstances with Unimech and/ or its directors and/ or substantial shareholders, that has resulted in or may result in a situation of conflict of interest in its role as the Adviser to the Company for the Rights Issue of ICULS with Warrants:

- (i) On 16 July 2013, RHBIB had extended loan facility to Dato' Lim Cheah Chooi, being the substantial shareholder of Unimech.

RHBIB is of the opinion that the relationship disclosed above will not give rise to a situation of conflict of interest in its advisory capacity to our Company on the Rights Issue of ICULS with Warrants based on the following reasons:

ADDITIONAL INFORMATION (Cont'd)

- (a) The Rights Issue of ICULS with Warrants is a capital raising transaction involving all shareholders of Unimech, who will be given equal opportunity to subscribe for new securities in our Company on equal terms;
- (b) Although Dato' Lim Cheah Chooi is a substantial shareholder of Unimech, he is not a substantial shareholder of RHBIB;
- (c) The granting of loan facilities is in the ordinary course of business of RHBIB;
- (d) The conduct of RHBIB's business is regulated strictly by the Banking and Financial Institution Act, 1989 and RHBIB's own internal control and checks; and
- (e) Save for the advisory fees in relation to the Rights Issue of ICULS with Warrants, RHBIB will not be receiving any other benefits from the Rights Issue of ICULS with Warrants.

3.2 Due Diligence Solicitors

Messrs Wong Beh & Toh, the due diligence solicitors for the Rights Issue of ICULS with Warrants, confirm that as at 12 August 2013, they have no equity, financial or any other relationship or circumstances with Unimech that has resulted in or may result in a situation of conflict of interest in their role as the due diligence solicitors to our Company for the Rights Issue of ICULS with Warrants.

3.3 Reporting Accountants

Messrs UHY, the reporting accountants for the Rights Issue of ICULS with Warrants, confirm that as at 12 August 2013, there is no equity, financial or any other relationship or circumstances with Unimech that has resulted in or may result in a situation of conflict of interest in their role as the reporting accountants to our Company for the Rights Issue of ICULS with Warrants.

3.4 Trustees

PTB, the trustees for the Rights Issue of ICULS with Warrants, confirm that as at 12 August 2013, there is no equity, financial or any other relationship or circumstances with Unimech that has resulted in or may result in a situation of conflict of interest in their role as the trustees to our Company for the Rights Issue of ICULS with Warrants.

4. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within two (2) years immediately preceding the date of this AP:

- (i) Unimech together with the remaining shareholders of Premium Heights Sdn Bhd ("**PHSB**") namely Peak Hua Housing Sdn Bhd, Gee Tiu Fong, Ong Mee Lee and Wan Leong Sin (collectively called "**the Vendors**") had on 23 March 2013 entered into a share sale agreement with David Chew Keat Soon ("**the Purchaser**") to dispose a total of 4,993,451 ordinary shares of RM1.00 each in PHSB representing 100% of the issued and paid-up share capital of PHSB for a total cash consideration of RM16,000,000 ("**Sale of Shares**"). For the avoidance of doubt, Unimech disposed all its 1,997,381 ordinary shares of RM1.00 each in PHSB representing 40.00% of the

ADDITIONAL INFORMATION (Cont'd)

issued and paid-up share capital of PHSB to the Purchaser for a total cash consideration of RM6,400,000. As the Sale of Shares shall be implemented in three (3) tranches, the Vendors and the Purchaser had on 23 March 2013 entered into a shareholders agreement to govern the material aspects of the control of PHSB pending the completion of the Sale of Shares and conduct of the business by PHSB for the purpose of engaging in the business for commercial gain in the event the remaining two (2) tranches of the Sale of Shares do not proceed to completion.

Subsequent to the LPD, our Company has entered into the following agreements:

- (i) Trust Deed dated 12 August 2013 made between Unimech as issuer and PTB as bond trustee wherein PTB agreed to act as the bond trustee under the Trust Deed for the benefit of the ICULS holders on the terms and conditions of the Trust Deed; and
- (ii) Deed Poll dated 12 August 2013 executed by Unimech constituting the Warrants.

5. MATERIAL LITIGATION

As at the LPD, neither Unimech nor its subsidiaries are engaged in any material litigation, claims or arbitrations, either as plaintiff or defendant, and the Board does not have any knowledge of any proceedings pending or threatened against Unimech and/or its subsidiaries or of any fact likely to give rise to any proceeding, which may materially or adversely affect the business or financial position of Unimech or any of its subsidiaries.

6. GENERAL

- (i) There is no existing or proposed service contract entered or to be entered into by Unimech with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.
- (ii) The estimated expenses of the Rights Issue of ICULS with Warrants is approximately RM650,000, all of which will be borne by our Company.
- (iii) Save as disclosed in this AP, our Directors, after making all reasonable enquiries, are not aware of any material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
- (iv) Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by any of the following:
 - (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;
 - (d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on our Group's revenue or operating income; and
 - (e) substantial increase in revenue.

ADDITIONAL INFORMATION (Cont'd)

7. WRITTEN CONSENTS

The written consents of our Adviser, company secretaries, principal bankers, Bloomberg, share registrar, due diligence solicitors and Trustee for the Rights Issue of ICULS with Warrants to the inclusion in this AP of their names in the form and context in which they appear have been given before issuance of this AP and have not subsequently been withdrawn.

The written consents of the auditors and reporting accountants to the inclusion in this AP of their names, the Auditors' Report relating to the audited consolidated financial statements of our Group for the FYE 31 December 2012 and the review letter on the proforma consolidated statement of financial position of our Group as at 31 December 2012 respectively, in the form and context in which they appear have been given before the issuance of this AP and have not subsequently been withdrawn.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at the Registered Office of our Company at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 Penang during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this AP:

- (i) our Memorandum and Articles of Association;
- (ii) the Trust Deed of the ICULS;
- (iii) the Deed Poll of the Warrants;
- (iv) our audited consolidated financial statements for the past two (2) FYE 31 December 2011 and 31 December 2012;
- (v) our unaudited consolidated results for the three (3) months FPE 31 March 2013;
- (vi) the Proforma Consolidated Statement of Financial Position of our Group as at 31 December 2012 together with the notes and reporting accountants' letter thereon as set out in **Appendix III** of this AP;
- (vii) the Directors' Report as set out in **Appendix VI** of this AP;
- (viii) the consent letters as referred to in **Section 7** of Appendix IX;
- (ix) the material contracts as referred to in **Section 4** of Appendix IX; and
- (x) the letters of undertaking by the Undertaking Shareholders as referred to in **Section 2.5** of this AP.

ADDITIONAL INFORMATION (Cont'd)

9. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

RHBIB, being the Adviser for the Rights Issue of ICULS with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of ICULS with Warrants.

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