

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2006****CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2006**

	As at 30-Jun-06 RM'000	As at 31-Dec-05 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	19,065	21,831
Property development projects	3,295	3,285
Investment properties	1,650	-
Prepaid lease payments	1,408	-
Investment in associates	4,674	4,424
Other investments	4,764	4,823
Intangible assets	1,455	1,287
	<u>36,311</u>	<u>35,650</u>
Current Assets		
Inventories	50,087	46,870
Trade and other receivables	46,495	42,179
Tax recoverable	989	1,000
Cash and bank balances	13,535	11,548
	<u>111,106</u>	<u>101,597</u>
TOTAL ASSETS	<u>147,417</u>	<u>137,247</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	67,200	67,200
Reserves	39,448	34,611
Total equity attributable to shareholders	<u>106,648</u>	<u>101,811</u>
Minority interests	5,942	5,113
Total equity	<u>112,590</u>	<u>106,924</u>
Non-current liabilities		
Borrowings	1,735	2,256
Deferred tax liabilities	389	389
	<u>2,124</u>	<u>2,645</u>
Current liabilities		
Trade and other payables	15,812	14,143
Short term borrowings	15,140	13,111
Provision for taxation	1,751	424
	<u>33,703</u>	<u>27,678</u>
Total liabilities	<u>34,827</u>	<u>30,323</u>
TOTAL EQUITY AND LIABILITIES	<u>147,417</u>	<u>137,247</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2006****CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2006**

	Current quarter 3 months ended 30 June		Cumulative quarter 6 months ended 30 June	
	2006 RM '000	2005 RM '000	2006 RM '000	2005 RM '000
Revenue	26,480	19,847	49,069	44,710
Operating expenses	(23,269)	(17,313)	(42,873)	(39,089)
Other operating income	43	267	503	424
Operating profit	3,254	2,801	6,699	6,045
Interest expense	(214)	(408)	(443)	(778)
Interest income	28	38	77	93
Share results of associates	89	79	59	144
Profit before tax	3,157	2,510	6,392	5,504
Tax expense	(1,036)	(829)	(1,840)	(1,548)
Profit for the period	2,121	1,681	4,552	3,956
Attributable to:				
Shareholders of the Company	1,943	1,627	4,305	3,788
Minority interests	178	54	247	168
Profit for the period	2,121	1,681	4,552	3,956
Basic earnings per share (sen)	1.45	1.21	3.20	2.82
Diluted earnings per share (sen)	1.45	1.21	3.20	2.82

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2006**

	Cumulative quarter 6 months ended 30 June	
	2006 RM'000	2005 RM'000
Net cash from operating activities	2,137	3,218
Net cash used in investing activities	(1,554)	(2,360)
Net cash used in financing activities	525	(2,324)
Net (decrease)/increase in cash and cash equivalents	1,108	(1,466)
Cash and cash equivalents at beginning of financial period	7,256	12,684
Effect of foreign exchange rates changes	(26)	74
Cash and cash equivalents at end of financial period	8,338	11,292
The cash and cash equivalents comprised the following:		
Cash and bank balances	13,535	16,581
Overdraft	(5,197)	(5,289)
	8,338	11,292

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR SIX MONTHS ENDED 30 JUNE 2006**

	Non-distributable					Distributable				
	Attributable to shareholders of the Company									
(in RM'000)	Share capital	Share premium	Revaluation reserve	Capital reserve	Exchange fluctuation reserve	Reserve on consolidation	Retained profits	Total	Minority interests	Total equity
Balance as at 1 January 2005	67,200	11,939	237	892	138	23	17,874	98,303	4,465	102,768
Translation differences	-	-	-	-	(262)	-	-	(262)	(86)	(348)
Net profit for the period	-	-	-	-	-	-	3,788	3,788	168	3,956
Balance as at 30 June 2005	67,200	11,939	237	892	(124)	23	21,662	101,829	4,547	106,376
Balance as at 1 January 2006	67,200	11,939	367	892	(346)	23	21,736	101,811	5,114	106,925
Effect of adopting FRS 3	-	-	-	-	-	(23)	23	-	-	-
Effect of adopting FRS 140	-	-	(122)	-	-	-	122	-	-	-
Restated balance as at 1 January 2006	67,200	11,939	245	892	(346)	-	21,881	101,811	5,114	106,925
Translation differences	-	-	-	-	592	-	-	592	581	1,173
Dividend	-	-	-	-	-	-	(60)	(60)	-	(60)
Net profit for the period	-	-	-	-	-	-	4,305	4,305	247	4,552
Balance as at 30 June 2006	67,200	11,939	245	892	246	-	26,126	106,648	5,942	112,590

The condensed consolidated statements of change in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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**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 Financial Reporting Standard 134, Interim Financial Reporting and Paragraph 9.22 of the 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 2005.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2005 except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Detail of these changes in accounting policies are set out in Note A2.

A2 Changes in accounting policies

The Group has adopted the following new or revised Financial Reporting Standards (“FRSs”) that are effective for the financial period beginning on or after 1 January 2006 and early adoption of FRS 117 that effective for financial period beginning on or after 1 October 2006:

FRS 2	Share-Based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 121	The Effects of Changes In Foreign Exchange Rate
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 102, 108, 110, 116, 121, 127, 128, 132 and 133 do not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

a. FRS 2 Share-Based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. Prior to the adoption of FRS 2, no compensation expense was recognised in income statement for share options granted.

All the options under the Employees’ Share Option Scheme of the Company were granted before 31 December 2004. According to the transitional provisions of FRS 2, the FRS has not been applied to the options granted to employees on or before 31 December 2004, thus, the change in accounting policy has no impact on the results for the current financial period.



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b. FRS 3 Business Combinations and FRS 136 Impairment of Assets

Goodwill

There is no change of accounting policy for goodwill in current financial period. In the financial statements for the financial year ended 31 December 2005, the Group has adopted the accounting policy that the goodwill arises on acquisition on or after 1 January 2005 be recognised as an intangible asset and disclosed separately on the consolidated balance sheet at cost less any impairment losses, if any. The goodwill is not subject to annual amortisation but is reviewed for impairment annually. Impairment will be recognised in the income statement when the results of such impairment review indicate the carrying value of goodwill is impaired.

Negative Goodwill

FRS 3 requires that, after reassessment, any excess of the Group's interest in the net fair value of acquirees' identified assets, liabilities and contingent liabilities over cost of acquisition (previously referred to as "negative goodwill") is recognised immediately in income statement. Prior to 1 January 2006, the negative goodwill is stated in the balance sheet as reserve on consolidation. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM22,870 is derecognised with a corresponding increase in retained earnings.

c. FRS 101 Presentation of Financial Statements and FRS 127 Consolidated and Separate Financial Statements – Minority Interests

The adoption of the revised FRS 101 and FRS 127 have affected the presentation of minority interests, share of net after tax result of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101 and FRS 127, with the comparatives restated to conform with the current period's presentation.

d. FRS 140 Investment Property

Investment properties, being properties held to earn rentals and/or for capital appreciation, previously included under property, plant and equipment at valuation less accumulated depreciation, are now disclosed as a separate line item and stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in income statement in the period in which they arise.

In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives as at 31 December 2005 are not restated. Instead, revaluation surplus for the investment properties amounting to RM122,179, previously included under revaluation reserve, has accordingly been reclassified to retained earnings at 1 January 2006. An amount of RM1,649,672 has also been reclassified to investment property from property, plant and equipment.

e. FRS 117 Leases

In prior years, the leasehold interest in land held for own use classified as property, plant and equipment, were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. With the adoption of FRS 117 as from 1 January 2006, the leasehold interest in the land held for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Group retained the unamortised revalued



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amount as the surrogate carrying amount of prepaid lease payments as allowed by FRS 117. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land. Accordingly, an amount of RM1,407,772 has been reclassified from property, plant and equipment to prepaid lease payment.

A3 Auditors' report on preceding annual financial statements

The auditors' report of the annual financial statements for the financial year ended 31 December 2005 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, except for the changes in accounting policies as disclosed in Note A2.

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, cancellations, repurchases, resale and repayments of debt and equity securities during financial period ended 30 June 2006 save for the share buy back of own shares. As at the date of this report, the Company has repurchased, in the open market, a total of 2,261,566 shares representing 1.68% of the issued and paid up share capital of the Company. The shares repurchased are being held as treasury shares and carried at cost of RM1,043,801.

A8 Dividends paid

A first and final dividend of 2 sen per RM0.50 share less income tax at 28% amounting to RM1.935 million in respect of the financial year ended 31 December 2005 was paid on 25 July 2006.



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A9 Segment information

By business segment

	Valves, instrument and fittings RM'000	Rubber products RM'000	Heat and steam engineering RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue from external customers	41,663	1,627	2,090	3,689	-	49,069
Inter-segment revenue	12,416	261	194	29	(12,900)	-
Total revenue	54,079	1,888	2,284	3,718	(12,900)	49,069
Segment results	6,716	124	(269)	128	-	6,699
Interest expense						(443)
Interest income						77
Share of results of associates						59
Profit before tax						6,392
Taxation						(1,840)
Profit after tax						4,552
Minority interests						(247)
Net profit for financial period ended 30 June 2006						4,305

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 2005.

A11 Material post balance sheet events

There were no material events subsequent to the end of the financial period ended 30 June 2006 as at the date of this report.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial period ended 30 June 2006 save for the following:

- i. On 2 March 2006, the wholly owned subsidiary companies of Unimech Group Berhad (“UGB”), namely Unimech Engineering (M) Sdn Bhd (“UE(M)”) and Unimech Engineering (JB) Sdn Bhd have subscribed 29% and 20% respectively of the share capital of a newly incorporated company known as Unimech Engineering Group (Thailand) Co. Ltd, Thailand (“UEG Thai”) for Thai Baht 1,160,000 and Thai Baht 800,000 respectively.
- ii. On 14 March 2006, the wholly owned subsidiary company of UGB, UE(M) increased its equity interest in Unimech Valve Technology Sdn Bhd (“UVT”) from 60% to 100% by acquiring the remaining 40% equity interest or 60,000 ordinary shares of RM1.00 each in UVT for RM60,000.
- iii. On 3 April 2006, UGB increased its equity interest in Jujus Bernas Sdn. Bhd. from 80% to 100% by acquiring the remaining 20% equity interest or 100,000 ordinary shares of RM1.00 each for RM63,580.
- iv. On 9 May 2006, UGB acquired 2 ordinary shares of RM1.00 each in Unimech R&D Centre Sdn. Bhd.,



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representing 100% of the total issued and paid up share capital of UR&D, for a cash consideration of RM2.00. Upon acquisition of UR&D, UGB subscribed for additional issued and paid up share capital of 99,998 ordinary shares of RM1.00 each for RM99,998 resulting the issued and paid up capital of UR&D increase to RM100,000.

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 2005.

A14 Capital commitments

	30-Jun-06 RM'000
Property, plant and equipment	
Approved but not contracted for	420

A15 Related party transactions

	6 months ended 30-Jun-06 RM'000
Purchases from a company in which certain directors of the Company have interests	10
Sales to a company in which certain directors of the Company have interests	169



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**NOTES TO THE INTERIM FINANCIAL REPORT
- ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS**

B1 Review of performance for current quarter and financial year to-date

For the 6 months ended 30 June 2006, the Group recorded a revenue of RM49.069 million, an increase of RM4.359 million or 9.7% over the prior year corresponding period's revenue of RM44.710 million. The increase of revenue was due mainly to the improvement of sales in valve, instrument and fitting business. In line with improvement in revenue, the profit before tax for financial period ended 30 June 2006 increased from RM5.504 million to RM6.392 million, representing an increase of 16.1%.

B2 Comparison with preceding quarter's results

The revenue and profit before taxation for the current quarter and preceding quarter is summarised as follows:

	3 months ended 30-Jun-06 RM'000	3 months ended 31-Mar-06 RM'000	Variance	
			RM'000	%
Revenue	26,480	22,589	3,891	17.2
Profit before taxation	3,157	3,235	-78	-2.4

For the current quarter ended 30 June 2006, the Group recorded an improvement in revenue of RM3.891 million or 17.2% as compared to preceding quarter's revenue due mainly to the improvement of sales in valve, instrument and fitting business. Nevertheless, a lower profit before taxation was recorded in current quarter 30 June 2006 as compared to preceding quarter ended 31 March 2006 due largely to the allowance of doubtful debts in current financial quarter.

B3 Current year prospects

Barring unforeseen circumstances, the Group foresees a better performance in the financial year ending 31 December 2006.

B4 Profit forecast

Not applicable as no profit forecast was published.

B5 Income tax expense

	Current quarter 3 months ended 30-Jun-06 RM '000	Cumulative quarter 6 months ended 30-Jun-06 RM '000
Current year provision	1,036	1,840
Deferred taxation	-	-
	1,036	1,840

The disproportionate of income tax expense for current quarter is due mainly to the losses of certain subsidiaries can not be set off against the profits of profitable subsidiaries.



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B6 Sale of unquoted investments and properties

There was no disposal of investment or properties during the financial period under review.

B7 Purchase or disposal of quoted investments

There was no purchase or disposal of quoted securities for the current quarter and financial year to-date.

B8 Status of corporate proposals and status of utilisation of proceeds raised

Save as disclosed below, there was no corporate proposal being carried out during the period under review.

The Company had on 25 October 2005 proposed to undertake the purchase of its own ordinary shares on Bursa Securities of not more than 10% of the issued and paid-up capital of the Company (“the Proposed Share Buyback”). Following that, on 24 February 2006, the Securities Commission had approved the appointment of an independent adviser pursuant to the proposed exemption for the parties acting in concert from undertaking a mandatory offer under Practice Note 2.9.10 of the Malaysian Code on Take-over and Mergers, 1998 (“the Proposed 2.9.10 Exemption”).

The shareholders have approved and passed the resolution in relation to the Proposed Share Buyback and the Proposed 2.9.10 Exemption at Extraordinary General Meeting held on 19 June 2006. On 26 July 2006, the Securities Commission approved the Proposed 2.9.10 Exemption.

B9 Group borrowings and debt securities

Total Group borrowings as at 30 June 2006 are as follows:

	Borrowings RM'000
Current	
Secured borrowings	1,458
Unsecured borrowings	13,682
	<u>15,140</u>
Non-current	
Secured borrowings	1,548
Unsecured borrowings	187
	<u>1,735</u>
Total borrowings	16,875

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.



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B12 Dividend

No interim dividend has been declared for the current financial period ended 30 June 2006.

B13 Earnings per share

	Current quarter 3 months ended 30-Jun-06	Cumulative quarter 6 months ended 30-Jun-06
Profit for the period (RM'000)	2,121	4,552
Less: amount attributable to minority interests (RM'000)	(178)	(247)
Net profit attributable to shareholders (RM'000)	<u>1,943</u>	<u>4,305</u>
Basic earnings per share		
Weighted average number of ordinary shares in issue ('000)	134,400	134,400
Basic earnings per share (sen)	1.45	3.20

By order of the Board

Dato' Lim Cheah Chooi
Chairman

Dated this 30 August 2006