

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006****CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 DECEMBER 2006**

	As at 31-Dec-06 RM'000	As at 31-Dec-05 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,259	21,831
Property development projects	2,848	3,285
Investment properties	1,650	-
Prepaid lease payments	1,408	-
Investment in associates	4,763	4,424
Other investments	3,207	4,823
Intangible assets	1,749	1,287
	<u>35,884</u>	<u>35,650</u>
Current Assets		
Inventories	52,435	46,870
Trade and other receivables	44,723	42,179
Tax recoverable	371	1,000
Cash and bank balances	12,924	11,548
	<u>110,453</u>	<u>101,597</u>
TOTAL ASSETS	<u>146,337</u>	<u>137,247</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	67,200	67,200
Reserves	42,281	34,611
Treasury shares	(4,931)	-
Total equity attributable to shareholders	<u>104,550</u>	<u>101,811</u>
Minority interests	6,118	5,113
Total equity	<u>110,667</u>	<u>106,924</u>
Non-current liabilities		
Borrowings	1,318	2,256
Deferred tax liabilities	396	389
	<u>1,714</u>	<u>2,645</u>
Current liabilities		
Trade and other payables	19,371	14,143
Short term borrowings	11,313	13,111
Provision for taxation	3,272	424
	<u>33,956</u>	<u>27,678</u>
Total liabilities	<u>35,670</u>	<u>30,323</u>
TOTAL EQUITY AND LIABILITIES	<u>146,337</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 FOURTH QUARTER ENDED 31 DECEMBER 2006

**CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
FOR NINE MONTHS ENDED 31 DECEMBER 2006**

	Current quarter 3 months ended 31 December		Cumulative quarter 12 months ended 31 December	
	2006 RM '000	2005 RM '000	2006 RM '000	2005 RM '000
Revenue	27,296	25,134	100,685	94,141
Operating expenses	(22,778)	(23,739)	(86,792)	(86,178)
Other operating income	485	353	1,177	1,673
Operating profit	5,003	1,748	15,070	9,636
Interest expense	(386)	(126)	(1,026)	(1,097)
Interest income	137	177	312	308
Share results of associates	1	(70)	177	107
Profit before tax	4,755	1,729	14,533	8,954
Tax expense	(1,079)	(723)	(4,077)	(2,982)
Profit for the period	3,676	1,006	10,456	5,972
Attributable to:				
Shareholders of the Company	3,582	457	10,024	5,797
Minority interests	94	549	432	175
Profit for the period	3,676	1,006	10,456	5,972
Basic earnings per share (sen)	2.82	0.34	7.59	4.31
Diluted earnings per share (sen)	-	-	-	-

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.

**INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006****CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR NINE MONTHS ENDED 31 DECEMBER 2006**

	Cumulative quarter 12 months ended 31 December	
	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	14,533	8,954
Adjustments	2,779	3,889
Operating profit before working capital changes	17,312	12,843
Changes in working capital	(2,881)	(4,000)
Cash generated from operations	14,431	8,843
Interests paid	(998)	(1,096)
Income tax paid	(2,441)	(3,495)
Net cash generated from operating activities	10,992	4,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and disposal of property, plant and equipment	(2,287)	(1,246)
Other investments	(2,217)	(3,397)
Net cash used in investing activities	(4,504)	(4,643)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,752)	(1,979)
Net change in borrowings	(2,442)	(2,492)
Others	-	(494)
Net cash from financing activities	(5,194)	(4,965)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	1,294	(5,357)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	7,033	12,684
Effect of foreign exchange rates changes	383	(294)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	8,710	7,033
THE CASH AND CASH EQUIVALENTS COMPRISED THE FOLLOWING:		
Cash and bank balances	12,924	11,541
Overdraft	(4,214)	(4,508)
	8,710	7,033

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.



INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR NINE MONTHS ENDED 31 DECEMBER 2006**

(in RM'000)	Non-distributable						Distributable					Total equity
	Attributable to shareholders of the Company											
	Share capital	Share premium	Treasury shares	Revaluation reserve	Capital reserve	Exchange fluctuation reserve	Reserve on consolidation	Retained profits	Total	Minority interests		
Balance as at 1 January 2005	67,200	11,939	-	237	892	138	23	17,874	98,303	4,465	102,768	
Translation differences	-	-	-	-	-	(483)	-	-	(483)	473	(10)	
Reversal of deferred tax	-	-	-	129	-	-	-	-	129	-	129	
Dividend	-	-	-	-	-	-	-	(1,935)	(1,935)	-	(1,935)	
Net profit for the period	-	-	-	-	-	-	-	5,797	5,797	175	5,972	
Balance as at 31 December 2005	67,200	11,939	-	366	892	(345)	23	21,736	101,811	5,113	106,924	
Balance as at 1 January 2006	67,200	11,939	-	366	892	(345)	23	21,736	101,811	5,113	106,924	
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	-	244	892	(345)	-	21,881	101,811	5,113	106,924	
Translation differences	-	-	-	-	-	398	-	-	398	572	970	
Purchase of treasury shares	-	-	(4,931)	-	-	-	-	-	(4,931)	-	(4,931)	
Dividend	-	-	-	-	-	-	-	(2,752)	(2,752)	-	(2,752)	
Net profit for the period	-	-	-	-	-	-	-	10,024	10,024	432	10,456	
Balance as at 31 December 2006	67,200	11,939	(4,931)	244	892	53	-	29,153	104,550	6,117	110,667	

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.



INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

**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.



INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

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 amount as the surrogate carrying amount of prepaid lease payments as allowed by FRS 117. Such prepaid



INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

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 31 December 2006 save for the share buy back of own shares. During the last and current quarter, the Company repurchased 4,781,066 and 5,283,400 shares respectively, of its own shares in the open market. The total shares repurchased as at 31 December 2006 are 10,064,466 shares representing 7.49% of the issued and paid up share capital of the Company. The shares repurchased are being held as treasury shares and carried at cost at RM4,931,300.

A8 Dividends paid

A first and final dividend of 2 sen per 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.



INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

A9 Segment information

By business segment

	Valves, instruments 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	79,875	3,678	7,671	9,461	-	100,685
Inter-segment revenue	27,852	551	316	82	(28,801)	-
Total revenue	107,727	4,229	7,987	9,543	(28,801)	100,685
Segment results	14,214	310	233	313	-	15,070
Interest expense						(1,026)
Interest income						312
Share of results of associates						177
Profit before tax						14,533
Taxation						(4,077)
Profit after tax						10,456
Minority interests						432
Net profit for financial period ended 31 December 2006						10,024

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 31 December 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 during financial year ended 31 December 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 (“UME(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, UME(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 Jujur 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. (“UR&D”), 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



INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

capital of UR&D increase to RM100,000.

- v. On 11 August 2006, UME(M) increased its equity interest in Unimech International Sdn. Bhd. (“UISB”) from 70% to 100% by acquiring the remaining 30% equity interest or 300,000 ordinary shares of RM1.00 each in UISB for cash consideration of RM3.00.
- vi. On 11 September 2006, UGB disposed of 1,000,000 ordinary shares of RM1.00 each, representing 100% equity interest in Unimech Projects Sdn. Bhd. for cash consideration of RM300,000.
- vii. On 5 February 2007, UME(M) subscribed for 53,880 ordinary shares of RM1.00 each of Polypalm Wood Products Sdn. Bhd. (“Polypalm”) for cash consideration of RM420,000. Subsequent to the subscription, Polypalm becomes a 44.9% associate company of UME(M).

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

	31-Dec-06 RM'000
Property, plant and equipment	
Approved but not contracted for	1,000

A15 Related party transactions

	12 months ended 31-Dec-06 RM'000
Purchases from a company in which certain directors of the Company have interests	96
Sales to a company in which certain directors of the Company have interests	468



INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

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 financial year ended 31 December 2006, the Group recorded revenue of RM100.685 million as compared to prior year corresponding period's revenue of RM94.141 million. The increase in revenue of RM6.544 million or 7.0% over last financial year end was due mainly to the increase in the sales in valves, instruments and fittings businesses.

The Group recorded profit before tax of RM14.533 million for financial year ended 31 December 2006, an impressive improvement of 62.3% as compared to RM8.954 million reported in last financial year end. The improvement of profit before tax was due mainly to the increase in the sales of higher value and better profit margin products. The disposal of loss making subsidiary companies in last financial year end also attributed to the increase in the profit before tax in current financial year under review.

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 31-Dec-06 RM'000	3 months ended 30-Sept-06 RM'000	Variance	
			RM'000	%
Revenue	27,296	24,320	2,976	12.2
Profit before taxation	4,755	3,386	1,369	40.4

The revenue and profit before tax for current quarter ended 31 December 2006 increased by 12.2% and 40.4% respectively as compared to preceding quarters'. The increase in revenue was due mainly to the improvement of the sales of valves, instruments and fitting products as well as the sales of development properties. The profit before tax improved significantly due mainly to the increase of the sales and contribution from better profit margin of higher value products.

B3 Current year prospects

The Group continues to explore and pursue strategies to improve its valve, instruments and fitting businesses. The Group also continued its efforts to identify promising targets for partnership, joint ventures or acquisition in order to further improve the Group's profitability. Barring any unforeseen circumstances, the Board expects the Group to report an improvement performance in financial year ending 2007.

B4 Profit forecast

Not applicable as no profit forecast was published.

B5 Income tax expense

	Current quarter 3 months ended 31-Dec-06 RM '000	Cumulative quarter 12 months ended 31-Dec-06 RM '000
Current year provision	1,072	4,070
Deferred taxation	7	7
	<u>1,079</u>	<u>4,077</u>



INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

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

B6 Sale of unquoted investments and properties

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

B7 Purchase or disposal of quoted investments

Details purchases and disposals of quoted investments are as follows:

	Current quarter 3 months ended 31-Dec-06 RM '000	Cumulative quarter 12 months ended 31-Dec-06 RM '000
Purchase of quoted investment (at cost)	300	300
Disposal of quoted investment (proceeds)	44	2,007

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 31 December 2006 are as follows:

	Borrowings RM'000
Current	
Secured borrowings	2,847
Unsecured borrowings	8,466
	<hr/>
	11,313
Non-current	
Secured borrowings	1,318
Unsecured borrowings	-
	<hr/>
	1,318
Total borrowings	<hr/>
	12,631



INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2006

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 Directors recommended a first and final dividend of 2.5 sen per share of RM0.50 each less income tax at 27% amounting to RM2.453 million in respect of the financial year ended 31 December 2006. The proposed dividend is subject to the shareholders' approval at the forthcoming Annual General Meeting.

B13 Earnings per share

	Current quarter 3 months ended 31-Dec-06	Cumulative quarter 12 months ended 31-Dec-06
Profit for the period (RM'000)	3,676	10,456
Less: Amount attributable to minority interests (RM'000)	94	432
Net profit attributable to shareholders (RM'000)	<u>3,582</u>	<u>10,024</u>
Basic earnings per share		
Weighted average number of ordinary shares in issue ('000)	127,006	132,153
Basic earnings per share (sen)	2.82	7.59

By order of the Board

Dato'Lim Cheah Chooi
Chairman

Dated this 28 February 2007