

### 3. Property, plant and equipment

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings and renovation RM'000	Equipment, furniture and fittings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
<i>Cost</i>								
At 1 January 2006, restated	22,471	4,452	65,995	13,588	119,744	2,569	72,806	301,625
Additions	-	-	653	458	4,543	487	104,408	110,549
Disposals	-	(4,452)	(2,079)	(86)	(912)	(208)	-	(7,737)
Write off	-	-	(342)	(136)	(51)	-	-	(529)
Exchange differences	-	-	-	1	2	-	-	3
Transfer	-	-	11,934	-	32,115	-	(44,049)	-
At 31 December 2006/ 1 January 2007	22,471	-	76,161	13,825	155,441	2,848	133,165	403,911
Acquisition through business combination	-	-	448	350	1,258	85	-	2,141
Additions	995	-	560	610	10,198	470	25,215	38,048
Disposals	-	-	(48)	(107)	(3,381)	(187)	-	(3,723)
Exchange differences	-	-	-	1	11	-	-	12
Transfer	-	-	28,355	-	87,935	-	(116,290)	-
At 31 December 2007	23,466	-	105,476	14,679	251,462	3,216	42,090	440,389

### 3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Long term leasehold land RM'000	Buildings and renovation RM'000	Equipment, furniture and fittings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
<i>Accumulated depreciation</i>								
At 1 January 2006	-	446	8,214	11,021	64,810	1,793	-	86,284
Depreciation for the year	-	38	1,426	821	13,132	256	-	15,673
Disposals	-	(484)	(405)	(78)	(880)	(98)	-	(1,945)
Write off	-	-	(269)	(142)	(45)	-	-	(456)
Exchange differences	-	-	-	-	1	-	-	1
At 31 December 2006/ 1 January 2007	-	-	8,966	11,622	77,018	1,951	-	99,557
Depreciation for the year	-	-	1,789	740	16,732	290	-	19,551
Disposals	-	-	(16)	(99)	(2,341)	(100)	-	(2,556)
Exchange differences	-	-	-	2	4	1	-	7
At 31 December 2007	-	-	10,739	12,265	91,413	2,142	-	116,559
<i>Carrying amounts</i>								
At 1 January 2006, restated	22,471	4,006	57,781	2,567	54,934	776	72,806	215,341
At 31 December 2006/ 1 January 2007	22,471	-	67,195	2,203	78,423	897	133,165	304,354
At 31 December 2007	23,466	-	94,737	2,414	160,049	1,074	42,090	323,830

### 3. Property, plant and equipment (continued)

Company	Freehold land RM'000	Long term	Buildings RM'000	Office Equipment RM'000	Total RM'000
		leasehold land RM'000			
<i>Cost</i>					
At 1 January 2006	15,299	4,452	28,371	-	48,122
Disposals	-	(4,452)	(2,079)	-	(6,531)
<hr/>					
At 31 December 2006/ 1 January 2007	15,299	-	26,292	-	41,591
Additions	336	-	-	8	344
<hr/>					
At 31 December 2007	15,635	-	26,292	8	41,935
<hr/> <hr/>					
<i>Accumulated depreciation</i>					
At 1 January 2006	-	446	5,052	-	5,498
Depreciation for the year	-	38	558	-	596
Disposals	-	(484)	(405)	-	(889)
<hr/>					
At 31 December 2006/ 1 January 2007	-	-	5,205	-	5,205
Depreciation for the year	-	-	525	1	526
<hr/>					
At 31 December 2007	-	-	5,730	1	5,731
<hr/> <hr/>					
<i>Carrying amounts</i>					
At 1 January 2006	15,299	4,006	23,319	-	42,624
<hr/> <hr/>					
At 31 December 2006/ 1 January 2007	15,299	-	21,087	-	36,386
<hr/> <hr/>					
At 31 December 2007	15,635	-	20,562	7	36,204
<hr/> <hr/>					

Included in the Group's property, plant and equipment are certain assets acquired under hire purchase with net carrying amount of RM40,230,000 (2006 - RM32,400,000).

The Group's and Company's freehold land, buildings, plant and machinery with net carrying amount of RM85,423,000 (2006 - RM89,300,000) and RM36,197,000 (2006 - RM36,386,000) respectively, have been pledged for banking facilities granted to the Group (see Note 14).

Included in property, plant and equipment under capital work-in-progress of the Group is interest capitalised at a rate of 4.9% per annum (2006 - 4.8% per annum) for the year of RM2,492,843 (2006 - RM4,090,000).

#### 4. Investments in subsidiaries

	Company	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost		
- In Malaysia	224,663	185,671
- Outside Malaysia	1,791	1,791
	226,454	187,462
Less: Accumulated impairment losses	(1,789)	(1,789)
	224,665	185,673

The subsidiary companies are:

Name of subsidiary	Country of incorporation	Effective equity interest		Principal activities
		2007	2006	
EP Polymers (M) Sdn Bhd	Malaysia	100%	100%	Manufacture, fabrication, production, and sales of engineering plastic components
EP Moulds & Dies (M) Sdn Bhd	Malaysia	100%	100%	Manufacture, production and sales of moulds and dies
EP Metering Services (M) Sdn Bhd (formerly known as Wiracash Holdings Sdn Bhd)	Malaysia	100%	100%	Manufacture of automotive lamps, allied products and water meter parts
Fundwin Sdn Bhd	Malaysia	100%	100%	Manufacture, assemble and sales of automotive parts, bicycles and bicycles components
PEPS – JV (M) Sdn Bhd	Malaysia	89.5%	89.5%	Manufacture and sales of automotive modular components
Advance Product Systems Sdn Bhd	Malaysia	100%	100%	Manufacture, assemble and sales of automotive parts
EPMB (Australia) Pte Ltd <sup>(1)</sup>	Australia	100%	100%	Engineering design, development and modelling
Circle Ring Network Sdn Bhd	Malaysia	100%	-	Manufacture, assembly and distribution of water meters

<sup>(1)</sup> Subsidiary company not audited by KPMG Malaysia

#### 4. Investments in subsidiaries (continued)

During the financial year, the Company acquire 1,250,000 ordinary shares of RM1.00 each representing the entire equity interest in Circle Ring Network Sdn Bhd for a total consideration of RM38,992,000.

Included in the investment in subsidiaries of the Company is RM1,000 and RM8,490,000 (2006 - RM1,000 and RM8,490,000) representing the purchase cost of 1,000 Ordinary Shares and an Irredeemable Convertible Preference Share ("ICPS") invested in a wholly owned subsidiary, Fundwin Sdn Bhd ("Fundwin"). On 18 December 2007, the ICPS has been converted to 1 ordinary share of RM1.00 of the Company.

#### 5. Investment in an associate

	Group	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost	*	-
	<u>          </u>	<u>          </u>

\* Denotes RM1.00.

On 9 May 2007, EP Polymers (M) Sdn. Bhd., a wholly owned subsidiary of the Company entered into a shareholders agreement with Teck See Plastic Sdn. Bhd. and Elite Simfoni Sdn. Bhd. ("Elite") to form a joint venture company ("JV Co"). The JV Co has been incorporated under the name of EPTS Manufacturing Sdn. Bhd. ("EPTS") and EP Polymers (M) Sdn. Bhd. has equity interest of 33% in EPTS. As at 31 December 2007, EPTS has not commenced operations.

#### 6. Other investments

	Group	
	2007	2006
	RM'000	RM'000
Shares quoted in Malaysia, at cost	38	38
Less: Allowance for diminution in value	-	(25)
	<u>          </u>	<u>          </u>
	38	13
	<u>          </u>	<u>          </u>
Market value of quoted shares in Malaysia	90	11
	<u>          </u>	<u>          </u>

The quoted shares have been charged to secure banking facilities granted to a subsidiary (see Note 14).

## 7. Intangible assets

Group	Goodwill on	Development	Manufacturing	Total
	consolidation	costs	and distribution	
	RM'000	RM'000	rights RM'000	RM'000
<b>Cost</b>				
At 1 January 2006	87,772	12,328	-	100,100
Additions	3,388	-	-	3,388
Write off	-	(81)	-	(81)
Effect of movement in exchange rates	-	15	-	15
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006/ 1 January 2007	91,160	12,262	-	103,422
Additions	-	293	-	293
Acquisition through business Combination (Note 27)	-	608	53,147	53,755
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	91,160	13,163	53,147	157,470
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Amortisation</b>				
At 1 January 2006	-	11,876	-	11,876
Amortisation charge for the year	-	254	-	254
Effect of movement in exchange rates	-	15	-	15
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006/ 1 January 2007	-	12,145	-	12,145
Amortisation charge for the year	-	304	2,214	2,518
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	-	12,449	2,214	14,663
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Carrying amounts</b>				
At 1 January 2006	87,772	452	-	88,224
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006/ 1 January 2007	91,160	117	-	91,277
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	91,160	714	50,933	142,807
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Manufacturing and distribution rights of the Group are principally arising from recognition of an identifiable asset from the acquisition of Circle Ring Network Sdn Bhd ("Circle Ring") and are amortised over a period of 6 years which is based on the manufacturing and distribution agreement in Circle Ring.

## 7. Intangible assets (continued)

### Impairment testing for cash-generating units containing goodwill

For the purposes 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 purposes.

The aggregate carrying amounts of goodwill are allocated as follows:

	Group	
	2007 RM'000	2006 RM'000
Manufacture, assembly and sale of automotive parts	91,160	91,160

### Manufacture, assembly and sale of automotive parts

The recoverable amount of automotive unit has been determined based on business plan projections endorsed by the Board of Directors which includes new models replacements as well as project collaboration with third parties. Such business projections is based on award of contracts to manufacture several components for the new automotive models as well as letter of intent to develop and to supply certain modules to help increase the performance of the present range of Campro engines.

The recoverable amount of the investment in the subsidiary is based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and 7 years business plan.
- Revenue was projected at about RM254 million in the first year of the business plan which is at approximately 19% growth rate due to the increase in raw material prices in 2008. The anticipated annual growth rate was 5% for the years 2009 to 2014.
- Raw material and consumables were projected at about RM178 million in the first year which is at approximately 24% growth rate. The anticipated annual growth rate was 5% for the years 2009 to 2014.
- The discount rate used is based on the company's weighted cost of capital of 10%.
- The size of operation will remain with at least or not lower than the current results.

Management believes that no reasonable possible changes in any of the key assumptions above would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

## 8. Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment	(281)	-	(13,380)	(4,176)	(13,661)	(4,176)
Unutilised reinvestment allowances	3,665	3,665	-	-	3,665	3,665
Unutilised tax losses	1,468	-	9,203	-	10,671	-
Intangible assets (Fair value adjustment)	-	-	(13,242)	-	(13,242)	-
Net tax assets/ (liabilities)	4,852	3,665	(17,419)	(4,176)	(12,567)	(511)
<b>Company</b>						
Property, plant and equipment	-	-	(1,332)	(1,332)	(1,332)	(1,332)

The deferred tax assets arose mainly from the recognition of unutilised reinvestment allowance of PEPS-JV (M) Sdn Bhd ("PEPS-JV") at acquisition date.

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007 RM'000	2006 RM'000
Deductible temporary differences	767	(5,152)
Unabsorbed capital allowances	10,149	5,628
Unutilised tax losses	12,221	16,860
	23,137	17,336

The unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the companies in the Group can utilise the benefits.

## 8. Deferred tax assets and liabilities (continued)

### Unrecognised deferred tax assets (continued)

Subject to the agreement of the Inland Revenue Board, the Group also has unutilised reinvestment allowances carried forward of approximately RM29,111,000 (2006 - RM28,860,000) of which approximately RM13,089,000 (2006 - RM13,089,000) is the remaining unutilised amount of reinvestment allowance which was recognised as an identifiable asset from the acquisition of PEPS-JV.

## 9. Receivables, deposits and prepayments

		Group		Company	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
<b>Non-current:</b>					
<b>Non trade</b>					
Advances to subsidiaries	a	-	-	91,825	140,215
<b>Current:</b>					
<b>Trade</b>					
Trade receivables		60,520	39,468	-	-
Less: Allowance for doubtful debts		(1,317)	(631)	-	-
	b	59,203	38,837	-	-
Affiliated companies	c	8,159	8,810	-	-
Less: Allowance for doubtful debts		(25)	-	-	-
		67,337	47,647	-	-
<b>Non-trade</b>					
Subsidiaries	c	-	-	46,523	20,979
Affiliated companies	c	3,070	3,756	675	754
Other receivables, deposits and prepayments	d	40,934	26,398	359	6,302
		44,004	30,154	47,557	28,035
		111,341	77,801	47,557	28,035

### Note a

The non-current portion of the advances to subsidiaries are unsecured, not repayable within the next twelve (12) months and bears interest between 6.3% to 6.9% (2006 - 5.5% to 7.5%). Advances to subsidiaries are principally arising from the allocation of proceeds from the drawdown of Murabahah Underwritten Notes Issuance Facility (see Note 14).

## 9. Receivables, deposits and prepayments (continued)

### Note b

Debts amounting to RM350,000 (2006 - RM950,000) were written off against the allowance for doubtful debts.

### Note c

The current portion of the amount due from subsidiaries and affiliated companies are unsecured, interest free and have no fixed terms of repayment.

### Note d

Included in other receivables, deposits and prepayments of the Group are prepayment for certain capital and development expenditure of approximately RM28,338,000 (2006 - RM8,519,000) and amount receivable for the sales of leasehold land and building in the current year of approximately Nil (2006 - RM6,100,000).

### Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currencies of the Group entities are as follows:

		Group	
		2007	2006
		RM'000	RM'000
<b>Functional currency</b>	<b>Foreign currency</b>		
RM	AUD	4,244	31
RM	BAHT	12	22
RM	GBP	3	-
RM	USD	3,453	1,047
RM	Yen	-	50
AUD	AUD	11	-
		<u>          </u>	<u>          </u>

## 10. Inventories

	Group	
	2007	2006
	RM'000	RM'000
Raw materials	23,063	20,149
Work-in-progress	4,439	3,410
Manufactured inventories	5,160	4,127
	<u>          </u>	<u>          </u>
	<u>32,662</u>	<u>27,686</u>

The inventories written off during the year amounted to RM2,337,000 (2006 - RM68,000) and are included in raw materials and consumable used.

## 11. Cash and cash equivalents

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits with licensed banks	3,258	19,870	1,201	1,167
Cash and bank balances	10,125	10,294	64	904
	<u>13,383</u>	<u>30,164</u>	<u>1,265</u>	<u>2,071</u>

Included in the Group's and Company's deposits placed with licensed banks are RM3,041,000 (2006 - RM2,903,000) and RM1,201,000 (2006 - RM1,167,000) respectively, pledged for certain banking facilities granted to the Group (see Note 14).

## 12. Capital and reserves

	Group and Company	
	2007 RM'000	2006 RM'000
<b>Share capital</b>		
Authorised		
Ordinary shares of RM1.00 each		
At 1 January / 31 December	470,000	470,000
EPMB ICUPS of RM0.10 each	20,000	20,000
EPMB RCSPS of RM0.10 each	10,000	10,000
	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
<b>Ordinary shares</b>		
At 1 January	124,337	122,569
Conversion of EPMB ICUPS to new ordinary shares of RM1.00 each during the year	63	1,566
Conversion of EPMB RCSPS to new ordinary shares of RM1.00 each during the year	22	202
	<u>124,422</u>	<u>124,337</u>
<b>EPMB ICUPS</b>		
At 1 January	6,990	7,260
Conversion of EPMB ICUPS to new ordinary shares of RM1.00 each during the year	(11)	(270)
	<u>6,979</u>	<u>6,990</u>
<b>EPMB RCSPS</b>		
At 1 January	201	236
Conversion of EPMB RCSPS to new ordinary shares of RM1.00 each during the year	(4)	(35)
	<u>197</u>	<u>201</u>
	<u>131,598</u>	<u>131,528</u>

## 12. Capital and reserves (continued)

### Share capital (continued)

The details of the EPMB ICUPS and EPMB RCSPS are as follows:

	---Equity component---			Total RM'000
	Share capital RM'000	Share premium RM'000	Liability component RM'000	
<b>EPMB ICUPS</b>				
At 1 January 2006	7,260	29,039	5,723	42,022
Conversion to ordinary shares	(270)	(1,082)	(214)	(1,566)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006/1 January 2007	6,990	27,957	5,509	40,456
Conversion to ordinary shares	(11)	(43)	(9)	(63)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	6,979	27,914	5,500	40,393
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EPMB RCSPS</b>				
At 1 January 2006	236	947	186	1,369
Conversion to ordinary shares	(35)	(140)	(27)	(202)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006/1 January 2007	201	807	159	1,167
Conversion to ordinary shares	(4)	(15)	(3)	(22)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	197	792	156	1,145
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>7,176</u>	<u>28,706</u>	<u>5,656</u>	<u>41,538</u>

The salient terms of the EPMB ICUPS are as follows:

- (i) The registered holders of the EPMB ICUPS have the option at any time from issue date on 23 June 2003 till 22 June 2008 to convert the EPMB ICUPS into new ordinary shares in the Company ("EPMB Shares") by tendering Two (2) EPMB ICUPS for One (1) EPMB Share valued at RM1.00 and the ordinary shares resulting from such conversion shall rank pari passu in all respect with the existing ordinary shares of the Company.
- (ii) Any outstanding EPMB ICUPS will be automatically converted into new EPMB Shares by the Company on 22 June 2008 at the conversion mode stated in (i).

## 12. Capital and reserves (continued)

- (iii) The registered holders of the EPMB ICUPS shall be entitled to receive notice of and attend all general meetings and be heard but have no right to vote except on resolutions for reducing capital, or winding up, or sanctioning a sales of the principal undertaking of the Company, or where the proposition to be submitted to the meeting directly affects the rights of the holders of the EPMB ICUPS.
- (iv) The registered holders of the EPMB ICUPS shall rank *pari passu* with the EPMB RCSPS but shall rank in priority to the ordinary shares of the Company in the event of the winding up/liquidation of the Company.
- (v) A cumulative dividend rate of 17.5% of the nominal value will be payable annually on the EPMB ICUPS.

The salient terms of the EPMB RCSPS are as follows:

- (i) The registered holders of the EPMB RCSPS have the option at any time from issue date on 23 June 2003 till 22 June 2008 to convert the EPMB RCSPS into EPMB Shares by tendering Two (2) EPMB RCSPS for One (1) EPMB Share valued at RM1.00 and the ordinary shares resulting from such conversion shall rank *pari passu* in all respect with the existing ordinary shares of the Company.
- (ii) The unconverted EPMB RCSPS is redeemable at par at the discretion of EPMB on 22 June 2008. Any EPMB RCSPS that are not converted within the five (5) year period and not redeemed on 22 June 2008, will be automatically converted into new EPMB Shares by the Company on that date at the conversion mode stated in (i).
- (iii) The registered holders of the EPMB RCSPS shall be entitled to receive notice of and attend all general meetings and be heard but have no right to vote except on resolutions for reducing capital, or winding up, or sanctioning a sales of the principal undertaking of the Company, or where the proposition to be submitted to the meeting directly affects the rights of the holders of the EPMB RCSPS.
- (iv) The registered holders of the EPMB RCSPS shall rank *pari passu* with the EPMB ICUPS but shall rank in priority to the ordinary shares of the Company in the event of the winding up/liquidation of the Company.
- (v) A cumulative dividend rate of 17.5% of the nominal value will be payable annually on the EPMB RCSPS.

## 12. Capital and reserves (continued)

In 2003, the Company issued 20,730,000 warrants to its shareholders. The warrants are in registered form and entitle the registered holders to subscribe for One (1) new ordinary share of RM1.00 in the Company at a subscription price of RM1.00 per ordinary share for every warrant held. The warrants are exercisable into ordinary shares at any time during the five (5) year subscription period expiring on 3 September 2008 and the ordinary shares resulting from such conversion shall rank pari passu in all respect with the existing ordinary shares of the Company. At the end of the financial year, 20,730,000 warrants remained unexercised.

### Reserves

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Share premium	42,775	42,833	42,775	42,833
Capital reserves	4,146	4,146	4,146	4,146
Exchange translation reserve	(1,474)	(1,161)	-	-
Treasury share	(2,647)	(1,783)	(2,647)	(1,783)
Retained profits	25,200	26,628	59	243
	<u>68,000</u>	<u>70,663</u>	<u>44,333</u>	<u>45,439</u>

### Share premium

	Group and Company	
	2007 RM'000	2006 RM'000
At 1 January	42,833	44,055
EPMB ICUPS of RM0.10 each	(43)	(1,082)
EPMB RCSPS of RM0.10 each	(15)	(140)
	<u>42,775</u>	<u>42,833</u>

### Capital reserve

Capital reserve represents proceeds received from the rights issue of 20,730,000 new warrants in the Company at RM0.20 per warrant which was issued in 2003.

### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 12. Capital and reserves (continued)

### *Treasury shares*

The shareholders of the Company, by a special resolution passed in an extraordinary general meeting held on 29 June 2005, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,463,100 (2006 - 2,837,800) of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.59 (2006 - RM0.63) per share. The repurchased transactions were financed by internally generated funds. The shares repurchased are retained as treasury shares.

At 31 December 2007, the Group held 4,300,900 (2006 - 2,837,800) of the Company's shares of RM1 each for a total consideration of RM2,646,868 (2006 - RM1,783,639).

Details of the shares buy back during the financial year were as follows:

	Average re-purchase price RM	Highest re-purchase RM	Lowest re-purchase RM	Number of treasury shares re-purchased	Total consideration RM'000
<b>2007</b>					
January	0.59	0.59	0.59	1,463,100	864
				1,463,100	864
<b>2006</b>					
February	0.68	0.68	0.67	64,100	43
September	0.65	0.66	0.65	463,000	301
November	0.62	0.65	0.62	2,196,600	1,371
December	0.60	0.61	0.57	114,100	68
				2,837,800	1,783

### *Section 108 tax credit*

Subject to the agreement of the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income under the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profits as at 31 December 2007.

## 12. Capital and reserves (continued)

### *Section 108 tax credit (continued)*

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 13. Minority shareholders' interests

This consists of the minority shareholders' proportion of share capital and reserves of subsidiary, net of their share of subsidiary's goodwill on consolidation and amortisation of goodwill charged to the minority shareholders.

## 14. Loans and borrowings

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>Current:</b>				
Hire purchase liabilities	8,191	4,882	-	-
Bankers' acceptances and trust receipts - secured	62,829	70,134	-	-
EPMB ICUPS				
- liability component (Note 12)	5,500	-	5,500	-
EPMB RCSPS				
- liability component (Note 12)	156	-	156	-
MUNIF/IMTN - secured	25,000	21,000	25,000	21,000
	<u>101,676</u>	<u>96,016</u>	<u>30,656</u>	<u>21,000</u>
<b>Non-current:</b>				
Hire purchase liabilities	23,961	27,346	-	-
EPMB ICUPS				
- liability component (Note 12)	-	5,509	-	5,509
EPMB RCSPS				
- liability component (Note 12)	-	159	-	159
MUNIF/IMTN - secured	137,000	142,000	137,000	142,000
	<u>160,961</u>	<u>175,014</u>	<u>137,000</u>	<u>147,668</u>
<b>Total</b>	<u><u>262,637</u></u>	<u><u>271,030</u></u>	<u><u>167,656</u></u>	<u><u>168,668</u></u>

## 14. Loans and borrowings (continued)

In the current financial year, the Company:

- i made a repayment of RM21 million of the previously drawdown facility of RM123 million under the old RM150 million Murabahah Underwritten Notes Issuance Facility / Islamic Medium Term Notes Facility (“MUNIF/IMTN”) at discount with a profit rate ranging between 6.3 % to 6.9% (2006 - 5.5% to 6.5%) per annum. The old MUNIF/IMTN has a seven (7) years tenor from the date of first issue; and
- ii drawdown additional RM20 million under the new RM120 million Murabahah Underwritten Notes Issuance Facility/Islamic Medium Term Notes Facility (“MUNIF/IMTN”) at discount with a profit rate ranging between 7.4% to 7.9% per annum. The total new MUNIF/IMTN drawdown as at 31 December 2007 is RM60 million. The new MUNIF/IMTN has a five (5) years tenor from the date of first issue.

### *Security*

Overdrafts, bankers’ acceptances and MUNIF/IMTN of the Group are secured by way of:

- a) fixed and floating charges over the subsidiary companies’ present and future assets (see Note 3);
- b) pledge of fixed deposits (see Note 11);
- c) pledge of quoted shares (see Note 6);
- d) jointly and severally guaranteed by certain Directors of the subsidiaries and holding company;
- e) corporate guarantees issued by the Company;
- f) charge on the Group’s property, plant and equipment (see Note 3);
- g) an assignment of proceeds from Proton Holdings Berhad and Perodua Manufacturing Sdn. Bhd. into the Designated Accounts; and
- h) a first rank charge over all Designated Accounts.

### *Term and debt repayment schedule*

Bankers’ acceptances and hire purchase bear interest varying between 3.0% and 8.3% (2006 - 4.9% and 5.2%) per annum and fixed interest rate varying between 2.5% to 5.1% (2006 - 2.5% to 6.2%) per annum, respectively. MUNIF/IMTN is at profit rate varying between 6.3% to 7.9% (2006 - 5.5% to 7.5%) per annum.

<i>Group</i>	<i>Year of maturity</i>	<i>Carrying amount</i>	<i>Under 1 year</i>	<i>1 - 2 years</i>	<i>2 - 5 years</i>	<i>Over 5 years</i>
2007		RM’000	RM’000	RM’000	RM’000	RM’000
Bankers acceptances and trust receipts	2008	62,829	62,829	-	-	-
Hire purchase liabilities	2011	32,152	8,191	13,739	10,200	22
EPMB ICUPS	2008	5,500	5,500	-	-	-
EPMB RCSPS	2008	156	156	-	-	-
MUNIF/IMTN	2011	162,000	25,000	34,000	103,000	-
		262,637	101,676	47,739	113,200	22

## 14. Loans and borrowings (continued)

### *Term and debt repayment schedule (continued)*

<i>Group</i>	<i>Year of maturity</i>	<i>Carrying amount</i>	<i>Under 1 year</i>	<i>1 - 2 years</i>	<i>2 - 5 years</i>	<i>Over 5 years</i>
<b>2006</b>		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Bankers acceptances and trust receipts	2007	70,134	70,134	-	-	-
Hire purchase liabilities	2011	32,228	4,882	15,852	11,494	-
EPMB ICUPS	2008	5,509	-	5,509	-	-
EPMB RCSPS	2008	159	-	159	-	-
MUNIF/IMTN	2011	163,000	21,000	25,000	117,000	-
		271,030	96,016	46,520	128,494	-
<b>Company</b>						
<b>2007</b>						
EPMB ICUPS	2008	5,500	5,500	-	-	-
EPMB RCSPS	2008	156	156	-	-	-
MUNIF/IMTN	2011	162,000	25,000	34,000	103,000	-
		167,656	30,656	34,000	103,000	-
<b>2006</b>						
EPMB ICUPS	2008	5,509	-	5,509	-	-
EPMB RCSPS	2008	159	-	159	-	-
MUNIF/IMTN	2011	163,000	21,000	25,000	117,000	-
		168,668	21,000	30,668	117,000	-

### *Hire purchase liabilities*

Hire purchase liabilities are payable as follows:

<i>Group</i>	<i>Minimum lease payments</i>			<i>Minimum lease payments</i>		
	<i>2007</i>	<i>Interest 2007</i>	<i>Principal 2007</i>	<i>2006</i>	<i>Interest 2006</i>	<i>Principal 2006</i>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Less than one year	10,040	(1,849)	8,191	7,027	(2,145)	4,882
Between one and five years	26,636	(2,675)	23,961	31,391	(4,045)	27,346
	36,676	(4,524)	32,152	38,418	(6,190)	32,228

## 15. Payables and accruals

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>Trade</b>				
Trade payables	76,725	33,433	-	-
Affiliated companies	6,324	2,140	-	-
	<u>83,049</u>	<u>35,573</u>	<u>-</u>	<u>-</u>
	-----	-----	-----	-----
<b>Non-trade</b>				
Other payables	26,339	7,153	10,182	512
Accrued expenses	10,830	3,312	195	82
Affiliated companies	565	572	-	-
Subsidiaries	-	-	30,177	44,154
Amount owing to Director	16,339	409	15,580	90
	<u>54,073</u>	<u>11,446</u>	<u>56,134</u>	<u>44,838</u>
	-----	-----	-----	-----
	<u>137,122</u>	<u>47,019</u>	<u>56,134</u>	<u>44,838</u>
	=====	=====	=====	=====

The amounts due to subsidiaries, affiliated companies and Directors are unsecured, interest free and have no fixed terms of repayment.

Included in other payables and amount owing to a Director of the Company are RM9,240,000 and RM15,490,000 respectively arising from the acquisition of Circle Ring Network Sdn Bhd.

### *Analysis of foreign currency exposure for significant payables*

Significant payables that are not in the functional currencies of the Group entities are as follows:

Functional currency	Foreign currency	Group	
		2007	2006
		RM'000	RM'000
RM	AUD	7,569	-
RM	Baht	2,043	743
RM	Euro	5,843	-
RM	GBP	4	97
RM	SGD	213	-
RM	USD	17,293	3,116
RM	Yen	17	-
AUD	AUD	84	-
		<u>      </u>	<u>      </u>
		=====	=====

## 16. Provision for warranties

	Group	
	2007 RM'000	2006 RM'000
At 1 January	319	274
Additional provision during the year	1,496	1,924
Utilisation of provision during the year	(1,108)	(1,879)
At 31 December	<u>707</u>	<u>319</u>

The Group gives warranties on certain automotive parts sold and undertakes to repair or replace items that fail to perform satisfactorily or meet the specification required. A provision for warranty is recognised for products under warranty at the balance sheet date based on past experience on the levels of repairs and returns. The Group expects to incur most of the liability over the next year.

## 17. Operating profit

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Operating profit is arrived at after crediting:				
Dividend income from subsidiaries	-	-	4,850	4,232
Dividend income - others	2	-	-	-
Doubtful debts provision written back	-	28	-	-
Gain on foreign exchange				
- realised	64	53	-	-
- unrealised	106	111	-	17
Gain on disposal of property, plant and equipment	9	1,325	-	1,033
Rental income	580	300	1,562	1,545
Reversal of allowance for diminution in value of investment	25	-	-	-
Negative goodwill on acquisition (Note 27)	4,143	-	-	-
and after charging:				
Allowance for doubtful debts	1,061	-	-	-
Auditors' remuneration				
- holding company auditors	316	228	73	63
- other auditors	9	9	-	-
Non-audit fees				
- holding company auditors	10	50	-	50
Bad debts written off	30	507	-	-
Depreciation	19,551	15,673	526	596
Intangible assets				
- amortisation	2,518	254	-	-
- written off	-	81	-	-

## 17. Operating profit

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Inventories written off	2,337	68	-	-
Personnel expenses (including key management personnel)				
- Contribution to Employee Provident Fund	2,012	1,874	25	32
- Wages, salaries and others	22,503	20,243	408	411
Loss on foreign exchange				
- realised	382	219	-	-
- unrealised	126	242	-	-
Property, plant and equipment written off	-	73	-	-
Provision for warranties	1,496	1,924	-	-
Rental				
- premises	186	414	-	-
- machinery and equipment	472	332	-	-
Royalties	221	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 18. Key management personnel compensation

The key management personnel compensations is as follows:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Directors				
Remuneration	799	779	-	-
Fees	150	150	150	150
EPF contribution	87	90	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	1,036	1,019	150	150
Other key management personnel				
Wages, salaries and others	384	123	-	-
EPF contribution	50	15	-	-
Benefit in kind	37	42	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	1,507	1,199	150	150
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

**19. Finance costs**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Bank overdrafts	10	15	-	-
Bankers' acceptance and trust receipts	635	804	-	-
Hire purchase	1,038	41	-	-
Term loans	2,725	731	-	-
MUNIF Notes	10,292	3,655	2,871	61
Preference dividends for ICUPS and RCSPS – liability component	152	145	152	145
Others	34	80	-	-
	<u>14,886</u>	<u>5,471</u>	<u>3,023</u>	<u>206</u>

**20. Tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax expense:				
Malaysian - current	126	378	749	100
- (over)/underprovision in prior year	(395)	(178)	38	-
	<u>(269)</u>	<u>200</u>	<u>787</u>	<u>100</u>
Deferred tax expense:				
Origination and reversal of temporary differences	577	1,635	-	135
Over provision in prior years	(2,341)	-	-	-
	<u>(2,033)</u>	<u>1,835</u>	<u>787</u>	<u>235</u>

## 20. Tax expense

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>Reconciliation of effective tax expense</b>				
(Loss)/Profit before taxation	(1,271)	6,397	1,520	2,801
Income tax using Malaysian tax rate 27% (2006 - 28%)	(343)	1,791	410	784
Non-deductible expenses	2,702	3,070	1,030	636
Tax incentives	(12)	(2,913)	-	-
Tax exempt income	-	(744)	(567)	(1,185)
Tax incentives utilised during pioneer period	(3,051)	(2,657)	-	-
Effect of unrecognised deferred tax assets	2,364	3,466	(30)	-
Recognition of previously unrecognised deferred tax asset	(1,203)	-	-	-
Effect of changes in tax rates*	246	-	(94)	-
	703	2,013	749	235
(Over)/Under provision in prior years	(2,736)	(178)	38	-
Tax expense	(2,033)	1,835	787	235

\* The corporate tax rates are 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

## 21. Earnings per ordinary share - Group

### *Basic earnings per ordinary share*

The calculation of basic earnings per ordinary share is based on the net loss for the year after preference shares dividend of RM1,255,000 (2006 - RM1,955,000) and the weighted average number of ordinary shares outstanding during the year of 163,345,000 (2006 - 121,646,000).

## 21. Earnings per ordinary share – Group (continued)

### *Weighted average number of ordinary shares*

	2007	2006
Issued ordinary shares at beginning of the year	124,338	122,569
Effect of shares buy back	(1,431)	-
Effect of treasury shares held	-	(410)
Effect of shares issued during the year	43	855
Effect of EPMB ICUPS	40,395	40,456
	<u>163,345</u>	<u>163,470</u>

### *Diluted earnings per ordinary share*

The calculation of diluted earnings per ordinary share at 31 December 2007 was based on the net (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares calculated as follows:

### *Net (loss)/profit attributable to ordinary shareholders (diluted)*

	2007 RM'000	2006 RM'000
Net (loss)/profit after preference shares dividend attributable to ordinary shares	(1,255)	1,955
After tax effect of notional interest savings	5	5
	<u>(1,250)</u>	<u>1,960</u>

### *Weighted average number of ordinary shares (diluted)*

Weighted average number of ordinary shares	163,345	163,470
Effect of EPMB RCSPS	1,144	1,166
	<u>164,489</u>	<u>164,636</u>

## 22. Dividends

Dividends recognised in the prior year by the Company were:

	<b>Total amount RM'000</b>	<b>Date of payment</b>
<b>2006</b>		
Interim 2006 ordinary	1,842	19 May 2006
Final 2005 ordinary	1,863	30 August 2006

## 23. Segmental information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-earning assets and revenue, interest-bearing loans, borrowings and related expenses, corporate assets and expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Inter-segment pricing is determined based on an arm's length basis.

### *Business segments*

The Group comprises the following main business segments:

Automotive	The manufacture, assembly and sale of automotive parts
Composite	The manufacture, assembly and sale of "EP-X" carbon composite bicycles and bicycles components
Water meters	The manufacture, assembly and sale of water meters

### *Geographical segments*

The automotive and composite segments operate in Malaysia. Research and development activities for the automotive segment are currently located in Australia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

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### 23. Segmental information (continued)

	Automotive		Composite		Water meters		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Business segments</i>								
Revenue from external Customers	290,814	228,420	3,472	88	8,748	-	303,034	228,508
<b>Segment result</b>	15,320	15,015	(1,641)	(662)	1,225	-	14,904	14,353
Unallocated expenses							(1,289)	(2,485)
Results from operating activities							13,615	11,868
Finance costs							(14,886)	(5,471)
Tax expense							2,033	(1,835)
Net profit for the year							762	4,562

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### 23. Segmental information (continued)

<i>Business segments (continued)</i>	Automotive		Composite		Water meters		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	552,142	528,253	1,936	3,767	70,439	-	624,517	532,020
Unallocated assets							4,852	3,665
Total assets							629,369	535,685
Segment liabilities	357,343	316,438	19,822	2,865	23,899	-	401,064	319,303
Unallocated liabilities							17,419	4,176
Total liabilities							418,483	323,479
Capital expenditure	37,386	78,353	-	9	662	-	38,048	78,362
Depreciation and amortisation	19,279	15,879	71	48	2,719	-	22,069	15,966
Non-cash expenses other than depreciation and amortisation	1,578	2,572	1,061	-	(3,368)	-	(729)	2,572

## 23. Segmental information (continued)

	Malaysia		Australia		Consolidated	
	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Geographical segments</i>						
Revenue from external customers	302,526	228,227	508	281	303,034	228,508
Segment assets	624,084	531,214	433	806	624,517	532,020
Unallocated assets					4,852	3,665
					629,369	535,685
Capital expenditure	37,954	78,353	94	9	38,048	78,362

## 24. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Unsecured	Company	
	2007	2006
	RM'000	RM'000
Guarantees and contingencies relating to borrowings of subsidiaries	133,365	133,365

## 24. Contingencies (continued)

### *Litigation*

#### *Group*

A claim of approximately RM490,000 was made against a subsidiary company following the termination of transport services provided by a third party. The Directors, based on legal opinion received, are of the view that there is no merit to the claim made by the claimant and is likely to be decided in the subsidiary company's favour. As such, no provision has been made in the financial statements.

## 25. Commitments

	Group	
	2007	2006
	RM'000	RM'000
<b>Capital expenditure commitments</b>		
Property, plant and equipment		
Contracted but not provided for and payable:		
Within one year	4,833	7,224
Approved but not provided for:		
Within one year	7,000	15,000
One year or later and no later than five years	30,000	15,000
	<u>          </u>	<u>          </u>

## 26. Related parties

### **Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are 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 includes all the Directors of the Group, and certain members of senior management of the Group. Key management personnel compensation are disclosed in Note 18 to the financial statements.

The Group has a related party relationship with its subsidiaries (see note 4), affiliated companies, Directors and key management personnel.

## 26. Related parties (continued)

The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	<b>2007</b>	<b>2006</b>
	<b>Transactions</b>	<b>Transactions</b>
	<b>amount for</b>	<b>amount for</b>
	<b>the year ended</b>	<b>the year ended</b>
	<b>31 December</b>	<b>31 December</b>
<b>Group</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Affiliated companies in which the controlling shareholder and directors have interest</b>		
Purchases of automotive parts	(28,889)	(19,966)
Rental payable	(479)	(389)
Rental receivable	720	237
Repair and maintenance services payable	-	(138)
Sales of automotive parts and maintenance services	242	2,407
<b>Affiliated companies in which a Director of a subsidiary has interest</b>		
Purchases of automotive parts	<u>(6,547)</u>	<u>(10,075)</u>
<b>Company</b>		
<b>Subsidiaries</b>		
Dividend income	4,850	4,232
Rental receivable	1,120	16,747
<b>Affiliated companies</b>		
Rental receivable	<u>144</u>	<u>-</u>

The net balance outstanding arising from the above transactions have been disclosed in Note 9 and Note 15 to the financial statements.

The terms and conditions for the above transactions are based on normal trade terms. All the amounts outstanding are unsecured and expected to be settled with cash.

## 27. Acquisition of subsidiary

### Business combination

On 17 April 2007, the Group acquired all the shares in Circle Ring Network Sdn Bhd ("Circle Ring") for RM38,992,000 satisfied in cash. The company is involved in the manufacture, assembly and distribution of water meters. In the 3 months to 31 December 2007 the subsidiary contributed profit of RM2,121,000. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue would have been RM317,297,000 and consolidated loss for the year would have been RM252,000.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre- acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	(2,141)	-	(2,141)
Development costs	(608)	-	(608)
Manufacturing and distribution right	-	(53,147)	(53,147)
Deferred tax liabilities	-	13,819	13,819
Inventories	(2,914)	-	(2,914)
Receivables, deposits and prepayments	(2,525)	-	(2,525)
Cash and cash equivalents	(256)	-	(256)
Loan and borrowings	126	-	126
Payables and accruals	4,511	-	4,511
Net identifiable assets and liabilities	<u>(3,807)</u>	<u>(39,328)</u>	<u>(43,135)</u>
Negative goodwill on acquisition			4,143
Consideration paid, satisfied in cash*			<u>(38,992)</u>
Cash acquired			256
Net cash outflow			<u><u>(38,736)</u></u>

\* Includes legal fees of RM76,000.

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values. In determining the fair value of the manufacturing and distribution right acquired, the Group applied the discount rate of 10% to the estimated future cash flows up to 2013 which is based on the initial period of the manufacturing and distribution agreement in Circle Ring Network Sdn Bhd.

## 28. Financial instruments

### Financial risk management objectives and policies

Exposure to credit, interest rate, foreign currency and liquidity risk arises in the normal course of the Group's business. The Board of Directors consider and evaluate risk management periodically.

### Credit risk

Management has a credit procedure in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of these financial assets.

Credit risk of the Group refers principally to the risk that customers may default on their obligations to repay the amounts owing to the Group. At balance sheet date, approximately 53% (2006 - 74%) of the trade receivables of the Group are concentrated on two customers in the automotive industry. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

### Interest rate risk

The Group's investment in fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

## 28. Financial instruments (continued)

### *Effective interest rates and repricing analysis*

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

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2	2 - 3	3 - 4	4 - 5	More than
				years RM'000	years RM'000	years RM'000	years RM'000	5 years RM'000
<b>Fixed rate instrument</b>								
EPMB ICUPS	3.5	(5,500)	(5,500)	-	-	-	-	-
EPMB RCSPS	3.5	(156)	(156)	-	-	-	-	-
		<u>(5,656)</u>	<u>(5,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Floating rate instrument</b>								
Deposits with licensed banks	3.1	3,258	3,258	-	-	-	-	-
Secured bankers' acceptances	5.3	(62,829)	(62,829)	-	-	-	-	-
MUNIF/IMTN		(162,000)	(25,000)	(34,000)	(45,000)	(48,000)	(10,000)	-
		<u>(221,571)</u>	<u>(84,571)</u>	<u>(34,000)</u>	<u>(45,000)</u>	<u>(48,000)</u>	<u>(10,000)</u>	<u>-</u>

## 28. Financial instruments (continued)

Group	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
<b>2006</b>								
<b>Fixed rate instrument</b>								
EPMB ICUPS	3.5	(5,509)	-	(5,509)	-	-	-	-
EPMB RCSPS	3.5	(159)	-	(159)	-	-	-	-
		<u>(5,668)</u>	<u>-</u>	<u>(5,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Floating rate instrument</b>								
Deposits with licensed banks	3.1	19,870	19,870	-	-	-	-	-
Secured bankers' acceptances	5.0	(70,134)	(70,134)	-	-	-	-	-
MUNIF/IMTN		(163,000)	(21,000)	(25,000)	(34,000)	(35,000)	(48,000)	-
		<u>(213,264)</u>	<u>(71,264)</u>	<u>(25,000)</u>	<u>(34,000)</u>	<u>(35,000)</u>	<u>(48,000)</u>	<u>-</u>

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## 28. Financial instruments (continued)

Company	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
<b>2007</b>								
<b>Fixed rate instrument</b>								
EPMB ICUPS	3.5	(5,500)	(5,500)	-	-	-	-	-
EPMB RCSPS	3.5	(156)	(156)	-	-	-	-	-
		<u>(5,656)</u>	<u>(5,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Floating rate instrument</b>								
Deposits with licensed banks	3.1	1,201	1,201	-	-	-	-	-
Advances to subsidiaries	7.2	91,825	-	18,047	27,071	38,215	8,492	-
MUNIF/IMTN		(162,000)	(25,000)	(34,000)	(45,000)	(48,000)	(10,000)	-
		<u>(68,974)</u>	<u>(23,799)</u>	<u>(15,953)</u>	<u>(17,929)</u>	<u>(9,785)</u>	<u>(1,508)</u>	<u>-</u>

Company No. 390116-T

## 28. Financial instruments (continued)

Company	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
<b>Fixed rate instrument</b>								
EPMB ICUPS	3.5	(5,509)	-	(5,509)	-	-	-	-
EPMB RCSPS	3.5	(159)	-	(159)	-	-	-	-
		<u>(5,668)</u>	<u>-</u>	<u>(5,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Floating rate instrument</b>								
Deposits with licensed banks	3.0	1,167	1,167	-	-	-	-	-
Advances to subsidiaries	6.0	140,215	17,110	20,369	102,736	-	-	-
MUNIF/IMTN		<u>(163,000)</u>	<u>(21,000)</u>	<u>(25,000)</u>	<u>(34,000)</u>	<u>(35,000)</u>	<u>(48,000)</u>	<u>-</u>
		<u>(21,618)</u>	<u>(2,723)</u>	<u>(4,631)</u>	<u>68,736</u>	<u>(35,000)</u>	<u>(48,000)</u>	<u>-</u>

## 28. Financial instruments (continued)

### Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the group entities. The currencies giving rise to this risk are primarily Australian Dollars, U.S. Dollars, Pound Sterling, Japanese Yen, EURO and Thai Baht. The Group and the Company do not transact in any derivative instruments or hedge their currency exposure. However, the Board of Directors keeps this policy under review and ongoing monitoring.

### Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents and facilities deemed adequate by management to finance the Group's operation and to mitigate the effects of fluctuations in cash flows.

### Fair values

#### *Recognised financial instruments*

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

The carrying amount of the term loans, MUNIF/IMTN and amounts due from subsidiary companies at balance sheet date approximate their fair value as these are variable rate financial instruments.

The fair values of other financial assets together with the carrying amounts shown in the balance sheets are as follows:

<b>Group</b>	<b>2007 Carrying amount RM'000</b>	<b>2007 Fair value RM'000</b>	<b>2006 Carrying amount RM'000</b>	<b>2006 Fair value RM'000</b>
<b>Financial assets</b>				
Quoted shares – long term	38	90	13	11
<b>Group and Company</b>				
<b>Financial liabilities</b>				
EPMB ICUPS				
- liability component	5,500	#	5,509	#
EPMB RCSPS				
- liability component	156	#	159	#
	<u>5,656</u>		<u>5,668</u>	

## 28. Financial instruments (continued)

The fair value of quoted shares is based on quoted market prices at the balance sheet date without any deduction for transactions costs.

- # It is not practicable to estimate the fair value of these financial liabilities. These financial liabilities are carried at its original cost as stated above in the balance sheet. The principal terms of the EPMB ICUPS and RCSPS are disclosed in Note 12 to the financial statements.

## 29. Significant events during the year

On 27 April 2007, the Company entered into a sale and purchase agreement (“SPA”) with Hamidon bin Abdullah (being a related party), Ahmad Kamaruzaman bin Mohamed Baria and Anthony Buxton Dix for the acquisition of the entire issued and paid up share capital of Circle Ring Network Sdn. Bhd. representing 1,250,000 ordinary shares of RM1.00 each for a total cash consideration of RM38,992,000.

## 30. Events subsequent to the balance sheet date

On 14 January 2008, 25,000 EPMB ICUPS of RM0.10 each at an issue price RM0.50 per EPMB ICUPS and 19,000 EPMB RCSPS of RM0.10 each at an issue price of RM0.50 per EPMB RCSPS were converted into 12,500 and 9,500 ordinary shares of RM1.00 each respectively.

On 27 March 2008, 8,000 EPMB ICUPS of RM0.10 each at an issue price RM0.50 per EPMB ICUPS and 5,000 EPMB RCSPS of RM0.10 each at an issue price of RM0.50 per EPMB RCSPS were converted into 4,000 and 2,500 ordinary shares of RM1.00 each respectively.

On 17 April 2008, 8,000 EPMB ICUPS of RM0.10 each at an issue price RM0.50 per EPMB ICUPS and 1,000 EPMB RCSPS of RM0.10 each at an issue price of RM0.50 per EPMB RCSPS were converted into 4,000 and 500 ordinary shares of RM1.00 each respectively.