EP Manufacturing Bhd.

(Company No. 390116-T)

(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2009

EP Manufacturing Bhd.
(Company No. 390116-T)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

Principal activities

The principal activity of the Company is that of investment holding whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit /(Loss) attributable to:		
Shareholders of the Company	7,293	(266)
Minority interest	578	-
	7,871	(266)
	=====	=====

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

Dividends

No dividend was paid during the financial year.

The final dividends recommended by the Directors in respect of the year ended 31 December 2009 is 1 sen per share less tax of 25% totalling RM1,244,700. The recommendation is subject to shareholders' approval at the Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are:

Hamidon bin Abdullah
Shaari bin Haron
Dr. Linden Hamidon
Hew Voon Foo
Y.B. Dato' Seri Ismail bin Shahudin
Y.B. Dato' Ikmal Hijaz Bin Hashim (appointed on 5.5.2009)

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2009	**Bought/ Converted**	**(Sold)**	**At 31.12.2009**
Shareholdings in which Directors have direct interest				
Interest in EP Manufacturing Bhd. ("EPMB"): Ordinary shares				
Hamidon bin Abdullah	8,447,133	-	-	8,447,133
Dr. Linden Hamidon	1,329,384	-	-	1,329,384
Y.B. Dato' Seri Ismail bin Shahudin	372,000	-	-	372,000
Shaari bin Haron	20,000	-	-	20,000
Shareholdings in which Directors have deemed interest				
Hamidon bin Abdullah				
- deemed interest*	65,218,833	-	-	65,218,833
- deemed interest**	1,329,384	-	-	1,329,384
Dr. Linden Hamidon				
- deemed interest**	73,665,966	-	-	73,665,966

* Deemed interested by virtue of his substantial shareholdings in EP Properties (M) Sdn. Bhd. and Mutual Concept Sdn. Bhd., the registered owner of the shares in the Company.

** Deemed interest in each others' shareholdings by virtue of their spousal relationship.

By virtue of their interests in the shares of the Company, Hamidon bin Abdullah and Dr. Linden Hamidon are also deemed interested in the shares of the subsidiaries during the financial year to the extent that EPMB has an interest.

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the authorised, issued and paid up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

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

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………………………
Hamidon bin Abdullah

…………………………………………………………
Hew Voon Foo

Kuala Lumpur,

Date: 26 April 2010

EP Manufacturing Bhd.
(Company No. 390116-T)
(Incorporated in Malaysia)
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Balance sheets as at 31 December 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Assets					
Property, plant and equipment	3	327,392	333,909	-	-
Investment properties	4	-	-	32,074	35,674
Investments in subsidiaries	5	-	-	206,531	224,781
Other investments	7	38	38	-	-
Intangible assets	8	112,598	146,775	-	-
Deferred tax assets	9	5,326	3,043	-	-
Loans to subsidiaries	10	-	-	52,953	72,865
Total non-current assets		445,354	483,765	291,558	333,320
Receivables, deposits and prepayments	10	81,650	89,766	47,343	24,371
Inventories	11	28,535	45,608	-	-
Current tax assets		335	1,081	61	770
Cash and cash equivalents	12	16,849	13,531	1,340	1,630
Total current assets		127,369	149,986	48,744	26,771
Total assets		572,723	633,751	340,302	360,091
Equity					
Share capital	13	165,960	165,960	165,960	165,960
Reserves	13	54,932	48,588	14,110	14,376
Total equity attributable to equity holders of the Company		220,892	214,548	180,070	180,336
Minority interest	14	6,005	5,427	-	-
Total equity		226,897	219,975	180,070	180,336

Company No. 390116-T

Balance sheets as at 31 December 2009 (continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Liabilities					
Borrowings	15	100,149	149,213	58,000	103,000
Deferred tax liabilities	9	2,572	11,084	1,332	1,332
Total non-current liabilities		102,721	160,297	59,332	104,332
Payables and accruals	16	107,262	129,001	55,900	41,108
Borrowings	15	130,850	122,380	45,000	34,000
Current tax liabilities		2,851	17	-	-
Provision for warranties	17	2,142	1,766	-	-
Dividend payable		-	315	-	315
Total current liabilities		243,105	253,479	100,900	75,423
Total liabilities		345,826	413,776	160,232	179,755
Total equity and liabilities		572,723	633,751	340,302	360,091

The notes on pages 15 to 65 are an integral part of these financial statements.

EP Manufacturing Bhd.
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Income statements for the year ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue - manufacturing		467,902	483,589	-	-
- dividend income		-	-	-	3,100
- rental income		144	144	1,740	1,709
		468,046	483,733	1,740	4,809
Cost of goods sold		(391,514)	(409,484)	-	-
Gross profit		76,532	74,249	1,740	4,809
Other operating income		24,902	6,484	2	-
Distribution expenses		(11,244)	(13,535)	-	-
Administrative expenses		(45,339)	(43,313)	(1,288)	(1,785)
Other operating expenses		(30,858)	(5,512)	-	-
Operating profit	18	13,993	18,373	454	3,024
Finance costs	20	(14,146)	(14,179)	(750)	(4,173)
Interest income		78	62	30	40
(Loss)/Profit before tax		(75)	4,256	(266)	(1,109)
Tax expense	21	7,946	4,069	-	625
Profit/(Loss) for the year		7,871	8,325	(266)	(484)
		=====	======	=====	=====
Attributable to:					
Equity holders of the Company		7,293	7,559	(266)	(484)
Minority interests		578	766	-	-
Profit/(Loss) for the year		7,871	8,325	(266)	(484)
		=====	======	=====	=====
Basic earnings per ordinary share (sen)	22	4.39	4.09		
		=====	======		

The notes on pages 15 to 65 are an integral part of these financial statements.

EP Manufacturing Bhd.
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Consolidated statement of changes in equity for the year ended 31 December 2009

		-------------------------Attributable to shareholders of the Company									
		------*Share capital*------		-------------- *Non distributable*---------------				*Distributable*			
Group	**Note**	**Ordinary shares RM'000**	**Financial instruments* RM'000**	**Share premium RM'000**	**Capital reserve RM'000**	**Exchange translation reserve RM'000**	**Treasury share RM'000**	**Retained profits RM'000**	**Total RM'000**	**Minority interest RM'000**	**Total equity RM'000**
At 1 January 2008		124,422	7,176	42,775	4,146	(1,474)	(2,647)	26,260	200,658	11,288	211,946
Conversion to ordinary shares											
- EPMB ICUPS	13	40,393	(6,979)	(27,914)	-	-	-	-	5,500	-	5,500
- EPMB RCSPS	13	1,145	(197)	(792)	-	-	-	-	156	-	156
Net gain recognised directly in equity		-	-	-	-	1,442	-	-	1,442	-	1,442
Profit for the year		-	-	-	-	-	-	7,559	7,559	766	8,325
Total recognised income and expense for the year		-	-	-	-	1,442	-	7,559	9,001	766	9,767
Warrants expired	13	-	-	-	(4,146)	-	-	4,146	-	-	-
Preference dividends											
- EPMB ICUPS		-	-	-	-	-	-	(746)	(746)	-	(746)
- EPMB RCSPS		-	-	-	-	-	-	(21)	(21)	-	(21)
Dilution following the conversion of EPMB ICUPS and RCSPS	5	-	-	-	-	-	-	-	-	(6,627)	(6,627)
At 31 December 2008		165,960	-	14,069	-	(32)	(2,647)	37,198	214,548	5,427	219,975

--Note 13--

Company No. 390116-T

Consolidated statement of changes in equity for the year ended 31 December 2009 (continued)

Group	Note	Ordinary shares RM'000	Financial instruments* RM'000	Share premium RM'000	Capital reserve RM'000	Exchange translation reserve RM'000	Treasury share RM'000	Retained profits RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
		--Attributable to shareholders of the Company--									
		Share capital		*Non distributable*				*Distributable*			
At 1 January 2009		165,960	-	14,069	-	(32)	(2,647)	37,198	214,548	5,427	219,975
Net loss recognised directly in equity		-	-	-	-	(949)	-	-	(949)	-	(949)
Profit for the year		-	-	-	-	-	-	7,293	7,293	578	7,871
Total recognised income and expense for the year		-	-	-	-	(949)	-	7,293	6,344	578	6,922
At 31 December 2009		165,960	-	14,069	-	(981)	(2,647)	44,491	220,892	6,005	226,897

--------------------Note 13--------------------

EP Manufacturing Bhd.

(Company No. 390116-T)
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Statement of changes in equity for the year ended 31 December 2009

Company	Note	*-----Share capital-----* Ordinary shares RM'000	Financial instruments* RM'000	*-----------Non distributable------------* Share premium RM'000	Capital reserve RM'000	Treasury shares RM'000	*Distributable* Retained profits RM'000	Total RM'000
At 1 January 2008		124,422	7,176	42,775	4,146	(2,647)	59	175,931
Conversion to ordinary shares								
- EPMB ICUPS	13	40,393	(6,979)	(27,914)	-	-	-	5,500
- EPMB RCSPS	13	1,145	(197)	(792)	-	-	-	156
Net loss for the year		-	-	-	-	-	(484)	(484)
Warrants expired	13	-	-	-	(4,146)	-	4,146	-
Preference dividends								
- EPMB ICUPS		-	-	-	-	-	(746)	(746)
- EPMB RCSPS		-	-	-	-	-	(21)	(21)
At 31 December 2008/1 January 2009		165,960	-	14,069	-	(2,647)	2,954	180,336
Net loss for the year		-	-	-	-	-	(266)	(266)
At 31 December 2009		165,960	-	14,069	-	(2,647)	2,688	180,070
		----------------Note 13----------------						

* Par value of the equity components of EPMB ICUPS and EPMB RCSPS.

The notes on pages 15 to 65 are an integral part of these financial statements.

EP Manufacturing Bhd.
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Cash flow statements for the year ended 31 December 2009

		Group		Company	
		2009	**2008**	**2009**	**2008**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities					
(Loss)/Profit before taxation		(75)	4,256	(266)	(1,109)
Adjustments for:					
Amortisation of intangible assets		8,587	10,296	-	-
Depreciation		50,200	33,014	529	530
Dividend income		-	(2)	-	(3,100)
Finance costs		14,146	14,179	750	4,173
Gain on disposal of property, plant and equipment		(152)	(179)	-	-
Impairment loss on intangible assets		25,666	-	-	-
Impairment loss on property, plant and equipment		5,532	-	-	-
Interest income		(78)	(62)	(30)	(40)
Net unrealised foreign exchange gain		(69)	(50)	-	-
Property, plant and equipment written off		1,478	783	-	-
Operating profit before working capital changes		105,235	62,235	983	454
Changes in working capital:					
Inventories		17,073	(12,946)	-	-
Receivables, deposits and prepayments		7,966	23,030	(22,972)	42,146
Payables and accruals		(21,739)	(8,121)	14,792	(15,026)
Provision for warranties		376	1,059	-	-
Cash generated from/(used in) operations		108,911	65,257	(7,197)	27,574
Income taxes refunded/(paid)		731	(22)	709	(27)
Net cash from/(used in) operating activities		109,642	65,235	(6,488)	27,547

Cash flow statements for the year ended 31 December 2009 (continued)

		Group		Company	
		2009	2008	2009	2008
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Dividends received		-	2	-	3,100
Net decrease /(increase) in investments in subsidiaries		-	-	18,250	(116)
Intangible cost capitalised		(76)	(20,891)	-	-
Interest received		78	62	30	40
Conversion of shares		-	-	-	5,656
Increase in pledge deposits with licensed banks		(31)	(1,518)	(25)	(36)
Proceeds from disposal of investment properties		268	367	3,075	-
Purchase of property, plant and equipment	(ii)	(50,809)	(44,015)	(4)	-
Net cash (used in)/from investing activities		(50,570)	(65,993)	21,326	8,644
Cash flows from financing activities					
Preference dividend paid to EPMB ICUPS and EPMB RCSPS holders		(315)	(1,033)	(315)	(1,033)
Finance costs paid		(14,146)	(14,179)	(750)	(4,173)
Net repayment in finance lease		(3,217)	(8,201)	-	-
Net (repayment of)/proceeds from borrowings		(45,576)	22,764	(14,088)	(30,656)
Net cash used in financing activities		(63,254)	(649)	(15,153)	(35,862)

Company No. 390116-T

Cash flow statements for the year ended 31 December 2009 (continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Net (decrease)/increase in cash and cash equivalents		(4,182)	(1,407)	(315)	329
Cash and cash equivalents at 1 January	(i)	8,972	10,342	393	64
Effect of exchange rate fluctuations on cash held		(2)	37	-	-
Cash and cash equivalents at 31 December	(i)	4,788	8,972	78	393

(i) ***Cash and cash equivalents***

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Deposits (excluding deposits pledged)	227	901	-	-
Cash and bank balances	12,032	8,071	78	393
Bank overdraft	(7,471)	-	-	-
	4,788	8,972	78	393

(ii) ***Purchase of property, plant and equipment***

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM51,537,000 (2008 - RM44,064,000), of which RM728,000 (2008 - RM49,000) were acquired by means of finance lease.

The notes on pages 15 to 65 are an integral part of these financial statements.

EP Manufacturing Bhd.

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and its subsidiaries

Notes to the financial statements

EP Manufacturing Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Registered office/Principal place of business
No. 8 & 10 Jalan Jurutera U1/23
Seksyen U1
Kawasan Perindustrian Hicom Glenmarie
40150 Shah Alam
Selangor Darul Ehsan

The consolidated financial statements as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The principal activity of the Company is that of investment holding whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

The financial statements were approved by the Board of Directors on 26 April 2010.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and Company has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009

- FRS 8, *Operating Segments*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets*
  - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, FRS 2 – *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010 (continued)

- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The Group and the Company plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, Amendments to FRS 2, IC Interpretations 13 and 14 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for Amendments to FRS 2, Amendments to FRS 5, IC Interpretations 12, 15, 16 and 17 which are not applicable to the Group and the Company.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs. The initial application of the other applicable standards (and its consequential amendments) and interpretations is not expected to have any material financial impact on the Group and the Company's financial statements.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

As at 31 December 2009, the Group and the Company's current liabilities are in excess of its current assets by approximately RM115,736,000 and RM52,156,000 respectively. The net current liabilities position of the Group is mainly due to some of its capital expenditures and development costs being financed by short term borrowings. However, the Group has been generating positive operating activities cash flows amounting to approximately RM65,235,000 and RM109,642,000 for the financial years ended 31 December 2008 and 2009 respectively. This provides indication that the Group is able to generate sufficient operating cash flows to meet its liabilities as and when they fall due.

At the date of this report, the Directors are of the opinion that the Group will be able to continue to achieve profitable results, generate positive cash flows and obtain continuous support from the bankers and creditors. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classifications of liabilities that may be necessary if the Group and the Company was unable to continue as a going concern.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 8	-	measurement of the recoverable amounts of cash-generating units
Note 9	-	recognition of unutilised reinvestment allowances, unutilised investment allowances, capital allowances and unutilised tax losses
Note 17	-	provision for warranties

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

Where a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Minority interests

Minority interests at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(iv) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Affiliated companies

Affiliated companies are companies in which certain Directors have interest or are also directors of those companies.

2. Significant accounting policies (continued)

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at balance sheet date. The income and expenses of operations in functional currencies other than RM, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of operations, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company’s net investment in foreign operations, are recognised in the Company’s income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are released to the income statement upon disposal of the investment.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements.

(ii) Subsequent costs

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction (capital work-in-progress) are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are at principal annual rates as follows:

Building	2%
Renovation	15%
Plant and machineries	5% - 40%
Equipment, furniture and fittings	8% - 33.3%
Motor vehicles	16%

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

(e) Leased assets

(i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised on the Group's balance sheet.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Research and development cost

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any accumulated impairment losses.

(iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group are stated at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of manufacturing and distribution rights acquired in a business combination is based on the discounted cash flows projections arising during the period as specified in the initial manufacturing and distribution agreement.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(v) Amortisation

Goodwill and intangible assets with indefinite useful lives are allocated to cash-generating units and are tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

• development cost	3 - 5 years
• manufacturing and distribution rights	6 - 9 years

(g) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(d).

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

(h) Investments

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value,
- All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments.

2. Significant accounting policies (continued)

(h) Investments (continued)

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the entity, and
(b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

2. Significant accounting policies (continued)

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated usually at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2. Significant accounting policies (continued)

(m) Share capital

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

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

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(ii) Preference share capital

Financial instruments that contain both a liability and an equity element are classified according to the instrument's component parts, as a liability or as equity, in accordance with the substance of the definitions of a financial liability and an equity instrument.

Preference share capital is classified as equity if it is non-redeemable or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the income statements.

(n) Compound financial instrument

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

2. Significant accounting policies (continued)

(n) Compound financial instrument (continued)

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

Subsequent to initial recognition, the liability component of a compound financial instruments is measured at amortised cost using the effective interest method. The equity component of a compound financial instruments is not remeasured subsequent to initial recognition.

(o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any differences between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

(p) Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group’s contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (continued)

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(r) Contingent liabilities

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

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(s) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

2. Significant accounting policies (continued)

(t) Revenue recognition

(i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management within the goods.

(ii) Services

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to survey of works performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Rental income

Rental income is recognised in the income statement as it accrues.

(iv) Dividend income

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

(u) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

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

2. Significant accounting policies (continued)

(v) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

(w) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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3. Property, plant and equipment

Group	Freehold 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
Cost							
At 1 January 2008	23,466	105,229	14,926	251,462	3,216	42,090	440,389
Additions	-	496	591	21,926	55	20,996	44,064
Disposals	-	(64)	(187)	(548)	(255)	-	(1,054)
Write off	-	(53)	(163)	(1,995)	(17)	-	(2,228)
Transfer	-	7,793	218	15,102	8	(23,121)	-
At 31 December 2008/1 January 2009	23,466	113,401	15,385	285,947	3,007	39,965	481,171
Additions	-	111	645	1,850	771	47,432	50,809
Disposals	-	-	(114)	(170)	(144)	-	(428)
Write off	-	(1,122)	(8,406)	(26,876)	(855)	(413)	(37,672)
Transfer	8	-	54	74,356	-	(74,418)	-
At 31 December 2009	23,474	112,390	7,564	335,107	2,779	12,566	493,880

3. Property, plant and equipment (continued)

Group	Freehold 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
Depreciation and impairment loss							
At 1 January 2008	-	10,705	12,299	91,413	2,142	-	116,559
Depreciation for the year	-	2,447	732	29,529	306	-	33,014
Disposals	-	(16)	(102)	(493)	(255)	-	(866)
Write off	-	(25)	(119)	(1,294)	(7)	-	(1,445)
At 31 December 2008/1 January 2009	-	13,111	12,810	119,155	2,186	-	147,262
Depreciation for the year	-	2,534	659	46,678	329	-	50,200
Impairment loss	-	-	-	5,532	-	-	5,532
Disposals	-	-	(107)	(153)	(52)	-	(312)
Write off	-	(1,004)	(8,031)	(26,331)	(828)	-	(36,194)
At 31 December 2009	-	14,641	5,331	144,881	1,635	-	166,488
Carrying amounts							
At 1 January 2008	23,466	94,524	2,627	160,049	1,074	42,090	323,830
At 31 December 2008/1 January 2009	23,466	100,290	2,575	166,792	821	39,965	333,909
At 31 December 2009	23,474	97,749	2,233	190,226	1,144	12,566	327,392

Included in the Group's property, plant and equipment are certain assets acquired under finance lease with net carrying amount of RM32,492,000 (2008 - RM36,949,000).

The Group's and Company's freehold land, buildings and plant and machinery with net carrying amount of RM125,318,000 (2008 - RM105,562,000) and RM32,074,000 (2008 - RM35,670,000) respectively, have been pledged for banking facilities granted to the Group (see Note 15).

4. Investment properties

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2008/31 December 2008/ 1 January 2009	15,635	26,300	41,935
Additions	-	4	4
Disposals	(3,075)	-	(3,075)
At 31 December 2009	12,560	26,304	38,864
Accumulated depreciation			
At 1 January 2008	-	5,731	5,731
Depreciation for the year	-	530	530
At 31 December 2008/ 1 January 2009	-	6,261	6,261
Depreciation for the year	-	529	529
At 31 December 2009	-	6,790	6,790
Carrying amounts			
At 1 January 2008	15,635	20,569	36,204
At 31 December 2008/ 1 January 2009	15,635	20,039	35,674
At 31 December 2009	12,560	19,514	32,074

The investment properties are occupied by the subsidiaries in the Group and have been accounted for as owner-occupied rather than investment properties at the Group level.

5. Investments in subsidiaries

	Company 2009 RM'000	Company 2008 RM'000
Unquoted shares, at cost		
- In Malaysia	206,529	224,779
- Outside Malaysia	2	2
	206,531	224,781

5. Investments in subsidiaries (continued)

The subsidiary companies are:

Name of subsidiary	Country of incorporation	Effective equity interest 2009	Effective equity interest 2008	Principal activities
PEPS - JV (M) Sdn Bhd	Malaysia	95.8%	95.8%	Manufacture and sales of automotive modular components
EP Polymers (M) Sdn Bhd	Malaysia	100%	100%	Manufacture, fabrication, production, and sales of engineering plastic components and Integrated Air Fuel Module automotive engines
Fundwin Sdn Bhd	Malaysia	100%	100%	Manufacture, assemble and sales of automotive parts
Circle Ring Network Sdn Bhd	Malaysia	100%	100%	Manufacture, assembly and distribution of water meters
EP Metering Services Sdn Bhd	Malaysia	100%	100%	Management of water treatment facilities, water meter installation and its related consultancy work
Advance Product Systems Sdn Bhd	Malaysia	100%	100%	Manufacture, assemble and sales of automotive parts
EP Moulds & Dies (M) Sdn Bhd	Malaysia	100%	100%	Dormant
EPMB (Australia) Pte Ltd (1)	Australia	100%	100%	Dormant
Held by EP Metering Services Sdn Bhd				
PT EP Metering & Services (1)	Indonesia	90%	-	Engineering, procurement and contracting for water treatment facilities and waste water facilities, management and supply of drinking water

(1) Subsidiary companies not audited by KPMG Malaysia

5. Investments in subsidiaries (continued)

During the year, investment in Circle Ring Network Sdn Bhd has decreased by RM19,250,000 due to the reversal of purchase consideration payable to the vendor following the non-achievability of profit guarantee in accordance to the share sale agreement. This has resulted in the recognition of negative goodwill of the corresponding amount in the Group as disclosed in Note 18.

On 19 October 2009, EP Metering Services Sdn Bhd, the subsidiary of the Company, acquired 90% of the shares in PT EP Metering & Services, a company incorporated in Indonesia, for RM 1,079,000 satisfied in cash. As at 31 December 2009, PT EP Metering & Services has not commenced operation.

6. Investment in an associate

	Group 2009 RM'000	Group 2008 RM'000
Unquoted shares, at cost	*	*
	=====	=====

* Denotes RM1.00.

The details of the associate company are as follows:

Name of associate	Country of incorporation	Effective equity interest 2009	Effective equity interest 2008	Principal activities
EPTS Manufacturing Sdn. Bhd. [(1)]	Malaysia	50%	50%	Dormant

[(1)] Associate company not audited by KPMG Malaysia

7. Other investments

	Group 2009 RM'000	Group 2008 RM'000
Shares quoted in Malaysia, at cost	38	38
	=====	=====
Market value of quoted shares in Malaysia	58	47
	=====	=====

The quoted shares have been charged to secure banking facilities granted to a subsidiary (see Note 15).

8. Intangible assets

Group	Goodwill on consolidation RM’000	Development costs RM’000	Manufacturing and distribution rights RM’000	Total RM’000
Cost				
At 1 January 2008	91,160	13,163	53,147	157,470
Additions	-	20,891	-	20,891
Dilution of goodwill due to conversion of PEPS RCSPS	(6,627)	-	-	(6,627)
At 31 December 2008/ 1 January 2009	84,533	34,054	53,147	171,734
Additions	-	76	-	76
Impairment loss	-	-	(25,666)	(25,666)
At 31 December 2009	84,533	34,130	27,481	146,144
Amortisation				
At 1 January 2008	-	12,449	2,214	14,663
Amortisation charge for the year	-	4,175	6,121	10,296
At 31 December 2008/ 1 January 2009	-	16,624	8,335	24,959
Amortisation charge for the year	-	4,628	3,959	8,587
At 31 December 2009	-	21,252	12,294	33,546
Carrying amounts				
At 1 January 2008	91,160	714	50,933	142,807
At 31 December 2008/ 1 January 2009	84,533	17,430	44,812	146,775
At 31 December 2009	84,533	12,878	15,187	112,598

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 9 years which is based on the revised manufacturing and distribution agreement dated May 2008 in Circle Ring.

Based on the review of recoverable amount of manufacturing and distribution rights (intangible asset) during the year, the Board has recorded an impairment loss amounting to RM25,666,000 and a reversal of corresponding deferred tax liabilities amounting to RM6,416,000 at the Group level.

8. 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	
	2009	**2008**
	RM'000	**RM'000**
Manufacture, assembly and sale of automotive parts	84,533	84,533
	=====	=====

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 are 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.

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 business plan.
- Revenue for 2010, 2011 and 2012 were projected at about RM336 million, RM338 million and RM344 million respectively based on the business plan. Subsequently, the Directors do not project any growth in the following years up to 2019.
- Raw materials and consumables for 2010, 2011 and 2012 were projected at about RM202 million, RM216 million and RM241 million respectively. Subsequently, the Directors do not project any increase in the following years up to 2019.
- A pre-tax discount rate of 12.0% has been used. The Directors consider this to be a prudent estimate of the cost of capital of the Group, taking into account the current macro-economic situation.
- The size of operation will remain with at least or not lower than the current results.

The recoverable amount of the unit exceeds its carrying value and the carrying value of the goodwill is therefore not impaired.

9. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2009 RM'000**	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Property, plant and equipment	(24,440)	(29)	1,196	(21,570)	(23,244)	(21,599)
Unutilised reinvestment allowances	4,725	649	-	4,725	4,725	5,374
Unutilised investment tax allowances	10,719	-	-	5,253	10,719	5,253
Unabsorbed capital allowances	12,186	-	-	10,416	12,186	10,416
Unutilised tax losses	1,267	1,658	-	1,267	1,267	2,925
Intangible assets (Fair value adjustment)	-	-	(3,768)	(11,175)	(3,768)	(11,175)
Others	869	765	-	-	869	765
Net tax assets/ (liabilities)	5,326	3,043	(2,572)	(11,084)	2,754	(8,041)
Company						
Property, plant and equipment	-	-	(1,332)	(1,332)	(1,332)	(1,332)

In recognising the deferred tax assets attributable to unutilised tax loss carry-forwards, unutilised reinvestment allowances, unutilised investment tax allowances and unutilised capital allowance carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax loss carry-forwards, unutilised reinvestment allowances, unutilised investment tax allowances and unutilised capital allowances carry-forward will not be available to the Group.

9. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	Group 2009 RM'000	Group 2008 RM'000
Property, plant and equipment	(922)	(912)
Unutilised reinvestment allowances	1,858	1,858
Deductible temporary differences	2	54
Unabsorbed capital allowances	3,386	4,323
Unutilised investment tax allowances	13,428	35,292
Unutilised tax losses	12,592	13,737
Others	(443)	(385)
	29,901	53,967

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which certain companies in the Group can utilise the benefits.

10. Receivables, deposits and prepayments

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-current:					
Non trade					
Loans to subsidiaries	a	-	-	52,953	72,865
Current:					
Trade					
Trade receivables		71,017	52,327	-	-
Less: Allowance for doubtful debts	b	(384)	(1,383)	-	-
		70,663	50,944	-	-
Affiliated companies	c	1,234	2,975	-	-
Less: Allowance for doubtful debts	b	(25)	(1,766)	-	-
		71,842	52,153	-	-

10. Receivables, deposits and prepayments (continued)

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-trade					
Subsidiaries	c	-	-	46,606	22,843
Affiliated companies	c	1,536	3,106	717	818
Less: Allowance for doubtful debts	b	(58)	(370)	-	-
Other receivables, deposits and prepayments	d	8,330	34,877	20	710
		9,808	37,613	47,343	24,371
		81,650	89,766	47,343	24,371

Note a

The non-current portion of the loans to subsidiaries are unsecured, not repayable within the next twelve (12) months and bears interest between 5.5% to 7.9% (2008 - 5.5% to 7.9%). Loans to subsidiaries are principally arising from the allocation of proceeds from the drawdown of Murabahah Underwritten Notes Issuance Facility (see Note 15).

Note b

During the year, bad debts amounting to RM3,681,000 (2008 - Nil) have been written off against allowance for doubtful debts.

Note c

The current portion of the amount due from subsidiaries and affiliated companies are unsecured, interest free and repayable on demand.

Note d

Included in other receivables, deposits and prepayments of the Group are prepayment for certain capital and development expenditure of approximately RM133,000 (2008 - RM19,182,000).

Analysis of foreign currency exposure for significant receivables

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

Functional currency	Foreign currency	Group 2009 RM'000	Group 2008 RM'000
RM	BAHT	18	-
RM	USD	3,197	1,399
RM	EURO	3,095	2,849

11. Inventories

	Group	
	2009	2008
	RM'000	RM'000
Raw materials	17,533	35,098
Work-in-progress	3,674	3,818
Manufactured inventories	7,328	6,692
	28,535	45,608

The inventories written off during the year amounted to RM50,000 (2008 - RM3,399,000) and are included in cost of goods sold.

12. Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	4,817	5,460	1,262	1,237
Cash and bank balances	12,032	8,071	78	393
	16,849	13,531	1,340	1,630

Included in the Group's and Company's deposits placed with licensed banks are RM4,590,000 (2008 - RM4,559,000) and RM1,262,000 (2008 - RM1,237,000) respectively, pledged for certain banking facilities granted to the Group (see Note 15).

13. Capital and reserves

	Group and Company	
	2009	2008
	RM'000	RM'000
Share capital		
Authorised		
Ordinary shares of RM1.00 each		
At 1 January/31 December	500,000	500,000

13. Capital and reserves (continued)

	Group and Company 2009 RM'000	2008 RM'000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At 1 January	165,960	124,422
Conversion of EPMB ICUPS to new ordinary shares of RM1.00 each in prior year	-	40,393
Conversion of EPMB RCSPS to new ordinary shares of RM1.00 each in prior year	-	1,145
At 31 December	165,960	165,960
EPMB ICUPS of RM0.10 each		
At 1 January	-	6,979
Conversion of EPMB ICUPS to new ordinary shares of RM1.00 each in prior year	-	(6,979)
At 31 December	-	-
EPMB RCSPS of RM0.10 each		
At 1 January	-	197
Conversion of EPMB RCSPS to new ordinary shares of RM1.00 each in prior year	-	(197)
At 31 December	-	-
	165,960	165,960

The details of the EPMB ICUPS and EPMB RCSPS in prior year were as follows:

	---Equity component---			
	Share capital RM'000	Share premium RM'000	Liability component RM'000	Total RM'000
EPMB ICUPS				
At 1 January 2008	6,979	27,914	5,500	40,393
Conversion to ordinary shares	(6,979)	(27,914)	(5,500)	(40,393)
At 31 December 2008	-	-	-	-
EPMB RCSPS				
At 1 January 2008	197	792	156	1,145
Conversion to ordinary shares	(197)	(792)	(156)	(1,145)
At 31 December 2008	-	-	-	-

13. Capital and reserves (continued)

In prior year, all remaining unconverted EPMB ICUPS and RCSPS have been converted into new ordinary shares in the Company by tendering two (2) EPMB ICUPS/RCSPS for one (1) EPMB Share valued at RM1.00 and the ordinary shares resulting from such conversion rank pari passu in all respect with the existing ordinary shares of the Company.

Reserves

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Share premium	14,069	14,069	14,069	14,069
Exchange translation reserve	(981)	(32)	-	-
Treasury shares	(2,647)	(2,647)	(2,647)	(2,647)
Retained profits	44,491	37,198	2,688	2,954
	54,932	48,588	14,110	14,376

Share premium

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
At 1 January	14,069	42,775
Conversion of EPMB ICUPS to ordinary shares	-	(27,914)
Conversion of EPMB RCSPS to ordinary shares	-	(792)
At 31 December	14,069	14,069

Translation reserve

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

13. Capital and reserves (continued)

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in an extraordinary general meeting held on 29 June 2009, 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 did not purchase any of its issued share capital from the open market.

At 31 December 2009, the Group held 4,300,900 (2008 - 4,300,900) of the Company's shares of RM1 each for a total consideration of RM2,646,868 (2008 - RM2,646,868).

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 2009.

The Finance Act 2007 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.

14. 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.

15. Loans and borrowings

		Group		**Company**	
		2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Non-current:					
Finance lease liabilities	- secured	13,748	16,438	-	-
MUNIF/IMTN	- secured	58,000	103,000	58,000	103,000
Bai Bithaman Ajil facilities	- secured	7,452	10,256	-	-
Term loan	- secured	20,949	19,519	-	-
		100,149	149,213	58,000	103,000

15. Loans and borrowings (continued)

		Group		Company	
		2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
Current:					
Finance lease liabilities	- secured	7,763	7,562	-	-
Bankers' acceptances and trust receipts	- secured	61,407	75,155	-	-
MUNIF/IMTN	- secured	45,000	34,000	45,000	34,000
Term loan	- secured	6,611	3,185	-	-
Bai Bithaman Ajil facilities	- secured	2,598	2,478	-	-
Bank overdraft		7,471	-	-	-
		130,850	122,380	45,000	34,000
Total		230,999	271,593	103,000	137,000

Included in total Murabahah Underwritten Notes Issuance Facility/Islamic Medium Term Notes Facility ("MUNIF/IMTN") of the Company of RM 58,000,000 (2008: RM103,000,000) is RM52,953,000 (2008: RM72,865,000) (see Note 10) which has been on loan to the subsidiaries.

Security

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

a) fixed and floating charges over the Group's property, plant and equipment (see Note 3);
b) pledge of fixed deposits (see Note 12);
c) pledge of quoted shares (see Note 7);
d) jointly and severally guaranteed by certain Directors of the subsidiaries and holding company;
e) corporate guarantees issued by the Company;
f) an assignment of proceeds from Perusahaan Otomobil Nasional Berhad and Perodua Manufacturing Sdn. Bhd. into the Designated Accounts; and
g) a first rank charge over all Designated Accounts.

Term loans and Bai Bithaman Ajil facilities of the Group are secured by way of:

a) corporate guarantee issued by the Company for the repayment by the subsidiaries of the loan, interest thereon and all other sums payable;
b) first fixed charge over certain Group's machineries (see Note 3);
c) advances pledged by the Company amounting to RM5,868,000; and
d) pledge of fixed deposit amounting to RM1,500,000.

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15. Loans and borrowings (continued)

Term and debt repayment schedule

Group **2009**	**Year of maturity**	**Carrying amount RM'000**	**Under 1 year RM'000**	**1 - 2 years RM'000**	**2 - 5 years RM'000**	**Over 5 years RM'000**
Finance lease liabilities	2012	21,511	7,763	8,166	5,582	-
Bankers' acceptances and trust receipts	2009	61,407	61,407	-	-	-
MUNIF/IMTN	2012	103,000	45,000	58,000	-	-
Term loan	2013	27,560	6,611	7,476	13,473	-
Bai Bithaman Ajil facilities	2013	10,050	2,598	2,720	4,732	-
Bank overdraft	2010	7,471	7,471	-	-	-
		230,999	130,850	76,362	23,787	-
2008						
Finance lease liabilities	2012	24,000	7,562	6,305	10,133	-
Bankers' acceptances and trust receipts	2009	75,155	75,155	-	-	-
MUNIF/IMTN	2012	137,000	34,000	45,000	58,000	-
Term loan	2013	22,704	3,185	7,866	11,653	-
Bai Bithaman Ajil facilities	2013	12,734	2,478	2,597	7,659	-
		271,593	122,380	61,768	87,445	-
Company						
2009						
MUNIF/IMTN	2012	103,000	45,000	58,000	-	-
2008						
MUNIF/IMTN	2012	137,000	34,000	45,000	58,000	-

15. Loans and borrowings (continued)

Term and debt repayment schedule (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000	Minimum lease payments 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000
Less than one year	8,895	(1,132)	7,763	8,852	(1,290)	7,562
Between one and five years	14,586	(838)	13,748	17,828	(1,390)	16,438
	23,481	(1,980)	21,511	26,680	(2,680)	24,000

16. Payables and accruals

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade				
Trade payables	50,777	72,720	-	-
Affiliated companies	18,892	8,268	-	-
	69,669	80,988	-	-
Non-trade				
Other payables	35,044	29,389	1,882	7,488
Accrued expenses	484	1,179	181	240
Affiliated companies	336	482	-	-
Subsidiaries	-	-	52,766	17,090
Amount owing to Director	1,729	16,963	1,071	16,290
	37,593	48,013	55,900	41,108
	107,262	129,001	55,900	41,108

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

16. Payables and accruals (continued)

Analysis of foreign currency exposure for significant payables

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

Functional currency	Foreign currency	Group 2009 RM'000	Group 2008 RM'000
RM	BAHT	-	1,845
RM	EURO	2,333	-
RM	GBP	-	51
RM	SGD	148	211
RM	USD	7,776	7,464
		=====	=====

17. Provision for warranties

	Group 2009 RM'000	Group 2008 RM'000
At 1 January	1,766	707
Additional provision during the year	6,711	3,154
Utilisation of provision during the year	(6,335)	(2,095)
At 31 December	2,142	1,766
	=====	=====

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.

18. Operating profit

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Operating profit is arrived at after charging:				
Allowance for doubtful debts	629	2,177	-	-
Amortisation of intangible assets	8,587	10,296	-	-
Auditors' remuneration				
Statutory audit				
- KPMG	278	278	55	55
- other auditors	11	9	-	-
Other services				
- KPMG	40	10	40	10

18. Operating profit (continued)

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Operating profit is arrived at after charging (continued):				
Bad debts written off	1,641	1,250	-	-
Depreciation	50,200	33,014	529	530
Impairment loss on intangible assets	25,666	-	-	-
Impairment loss on property, plant and equipment	5,532	-	-	-
Inventories written off	50	3,399	-	-
Loss on foreign exchange				
- realised	1,240	1,415	-	-
- unrealised	216	383	-	-
Personnel expenses (including key management personnel)				
- Contribution to Employees Provident Fund	1,898	2,131	34	28
- Wages, salaries and others	25,733	27,063	481	417
Property, plant and equipment written off	1,478	783	-	-
Provision for warranties	6,711	3,154	-	-
Rental				
- premises	280	373	-	-
- machinery and equipment	341	266	-	-
- equipment and vehicles	-	246	-	-
Royalties	81	130	-	-
	=====	=====	=====	=====
and after crediting:				
Dividend income from subsidiaries	-	-	-	3,100
Dividend income - others	-	2	-	-
Gain on foreign exchange				
- realised	415	1,434	-	-
- unrealised	285	433	-	-
Gain on disposal of property, plant and equipment	152	179	-	-
Negative goodwill	19,250	-	-	-
Rental income	144	365	1,740	1,709
	=====	=====	=====	=====

Included in other operating income of the Group in the current year is RM19,250,000 of negative goodwill recognised following the decrease in investment in Circle Ring due to the non-achievability of profit guarantee as disclosed in Note 5.

Included in other operating expenses of the Group in the current year is RM25,666,000 of impairment loss recognised on the manufacturing and distribution rights (intangible asset) as disclosed in Note 8. The corresponding deferred tax liabilities amounting to RM6,416,000 has been reversed in the Group tax expense as disclosed in Note 21.

19. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors				
Remuneration	1,089	856	-	-
Fees	332	182	170	155
EPF contribution	126	95	-	-
Benefit in kind	30	30	-	-
	1,577	1,163	170	155
Other key management personnel				
Wages, salaries and others	863	902	-	-
EPF contribution	63	146	-	-
	2,503	2,211	170	155
	=====	=====	=====	=====

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.

20. Finance costs

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bank overdraft	354	339	-	-
Bankers' acceptance and trust receipts	2,895	3,492	-	-
Finance lease liabilities	2,173	2,372	-	-
Term loan	1,933	1,836	-	-
MUNIF/IMTN	6,762	5,404	750	4,110
Preference dividends for ICUPS and RCSPS - liability component	-	63	-	63
Bai Bithaman Ajil facilities	-	179	-	-
Others	29	494	-	-
	14,146	14,179	750	4,173
	=====	=====	=====	=====

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21. Tax expense

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Current tax expense:					
Malaysian - current		2,852	-	-	-
- over provision in prior year		(3)	(603)	-	(625)
		2,849	(603)	-	(625)
Deferred tax expense:					
Origination and reversal of temporary differences	**a**	(10,300)	(3,820)	-	-
(Over)/Under provision in prior years		(495)	354	-	-
Total tax expense		(7,946)	(4,069)	-	(625)
		=====	=====	=====	=====

Note a

Included in origination and reversal of temporary differences of the Group is reversal of deferred tax liabilities amounting to RM6,416,000 arising from the impairment loss on intangible asset as disclosed in Note 8.

Reconciliation of effective tax expense

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
(Loss)/Profit before taxation	(75)	4,256	(266)	(1,109)
	=====	=====	=====	=====
Income tax using Malaysian tax rate 25% (2008 - 26%)	(19)	1,107	(67)	(288)
Non-deductible expenses	3,049	2,942	67	342
Tax exempt income	(4,813)	-	-	-
Effect of changes in tax rates*	-	350	-	(54)
Tax incentives utilised during pioneer period**	(1,961)	(6,667)	-	-
Effect of unrecognised deferred tax assets	1,762	-	-	-
Recognition of previously unrecognised deferred tax asset	(5,466)	(1,552)	-	-
	(7,448)	(3,820)	-	-
Over provision of current tax in prior year	(3)	(603)	-	(625)
(Over)/Under provision of deferred tax liabilities in prior year	(495)	354	-	-
Tax expense	(7,946)	(4,069)	-	(625)
	=====	=====	=====	=====

21. Tax expense (continued)

* The corporate tax rates are 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.

** One of the subsidiaries enjoys pioneer status which exempts its business profit from income tax for a period of 5 years up to 28 February 2009.

22. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per share in the current year is based on the net profit for the year attributable to equity holders of the Company of RM7,293,000 divided by the weighted average number of ordinary shares outstanding of RM165,960,000.

The calculation of basic earnings per ordinary share in the prior year was based on the net profit for the year after equity component preference shares dividend of RM6,792,000 and the weighted average number of ordinary shares outstanding of 165,960,000.

Weighted average number of ordinary shares

	2009 ('000)	2008 ('000)
Issued ordinary shares at beginning of the year	165,960	124,422
Effect of EPMB ICUPS conversion	-	41,538
Weighted average number of ordinary shares	165,960	165,960

23. Dividends

Preference dividends (both liability and equity component) recognised in the prior year by the Company were:

2008	**Total amount single tier/net of tax RM'000**
2008 preference	830

24. Segmental information

Segment information is presented in respect of the Group's business segment. There is no geographical segment reporting as the Group operated predominantly in Malaysia. 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
Water division	The manufacture, assembly and sale of water meters

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24. Segmental information (continued)

	Automotive		Water division		Consolidated	
	2009	2008	2009	2008	2009	2008
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Business segments						
Revenue from external customers	457,929	471,225	10,117	12,508	468,046	483,733
Segment result	30,862	32,120	(17,275)	(12,084)	13,587	20,036
Unallocated expenses					484	(1,601)
Results from operating activities					14,071	18,435
Finance costs					(14,146)	(14,179)
Tax expense					7,946	4,069
Profit for the year					7,871	8,325

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24. Segmental information (continued)

Business segments (continued)	Automotive 2009 RM'000	Automotive 2008 RM'000	Water division 2009 RM'000	Water division 2008 RM'000	Consolidated 2009 RM'000	Consolidated 2008 RM'000
Segment assets	534,254	565,237	33,143	65,471	567,397	630,708
Unallocated assets					5,326	3,043
Total assets					572,723	633,751
Segment liabilities	335,869	392,935	7,385	9,754	343,254	402,689
Unallocated liabilities					2,572	11,087
Total liabilities					345,826	413,776
Capital expenditure	50,137	42,340	1,400	1,724	51,537	44,064
Depreciation and amortisation	53,917	36,216	4,870	7,094	58,787	43,310
Non-cash expenses other than depreciation and amortisation	7,504	7,344	7,877	36	15,381	7,380

25. 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. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates and interest rates. 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 57% (2008 - 40%) 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.

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 mature, or if earlier, reprice.

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25. 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
2009								
Fixed rate instrument								
Deposits with licensed banks	3.0	4,817	4,817	-	-	-	-	-
Floating rate instruments								
Secured bankers' acceptances	4.6	(61,407)	(61,407)	-	-	-	-	-
MUNIF/IMTN		(103,000)	(45,000)	(48,000)	(10,000)	-	-	-
Term loan	3.8	(27,560)	(6,611)	(7,476)	(13,473)	-	-	-
Bai Bithaman Ajil facilities		(10,050)	(2,598)	(2,720)	(4,732)	-	-	-
Finance lease liabilities	5.6	(21,511)	(7,763)	(8,166)	(5,562)	(20)	-	-
Bank overdraft	7.8	(7,471)	(7,471)	-	-	-	-	-
		(230,999)	(130,850)	(66,362)	(33,767)	(20)	-	-
2008								
Fixed rate instrument								
Deposits with licensed banks	3.0	5,460	5,460	-	-	-	-	-
Floating rate instruments								
Secured bankers' acceptances	4.6	(75,155)	(75,155)	-	-	-	-	-
MUNIF/IMTN		(137,000)	(34,000)	(45,000)	(48,000)	(10,000)	-	-
Term loan	5.8	(22,704)	(3,185)	(7,866)	(8,793)	(2,550)	(310)	-
Bai Bithaman Ajil facilities		(12,734)	(2,478)	(2,597)	(7,659)	-	-	-
Finance lease liabilities	5.6	(24,000)	(7,562)	(6,305)	(10,089)	(25)	(19)	-
		(271,593)	(122,380)	(61,768)	(74,541)	(12,575)	(329)	-

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25. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Company **2009**	**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**
Fixed rate instrument								
Deposits with licensed banks	2.0	1,262	1,262	-	-	-	-	-
Floating rate instruments								
Loans to subsidiaries	6.7	52,953	-	47,973	4,980	-	-	-
MUNIF/IMTN		(103,000)	(45,000)	(48,000)	(10,000)	-	-	-
		(50,047)	(45,000)	(27)	(5,020)	-	-	-
2008								
Fixed rate instrument								
Deposits with licensed banks	3.0	1,237	1,237	-	-	-	-	-
Floating rate instruments								
Loans to subsidiaries	6.7	72,865	-	26,327	38,045	8,493	-	-
MUNIF/IMTN		(137,000)	(34,000)	(45,000)	(48,000)	(10,000)	-	-
		(64,135)	(34,000)	(18,673)	(9,955)	(1,507)	-	-

25. 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, Bai Bithaman Ajil facilities, MUNIF/IMTN and non-current loans to subsidiaries at balance sheet date approximate their fair value as these are variable rate financial instruments.

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

Group	2009 Carrying amount RM'000	2009 Fair value RM'000	2008 Carrying amount RM'000	2008 Fair value RM'000
Financial assets				
Quoted shares – long term	38	58	38	47
	===	===	===	===

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

26. Capital commitments

	Group 2009 RM'000	Group 2008 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for and payable:		
Within one year	3,552	87
Approved but not provided for:		
Within one year	50,000	23,718
	=====	=====

27. 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 2009 RM'000	Company 2008 RM'000
Guarantees and contingencies relating to borrowings of subsidiaries	185,313	159,213
	=====	=====

28. 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 19 to the financial statements.

28. Related parties (continued)

The Group has a related party relationship with its subsidiaries (see Note 5), affiliated companies, Directors and key management personnel. The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

Group	2009 Transactions amount for the year ended 31 December RM'000	2008 Transactions amount for the year ended 31 December RM'000
Affiliated companies in which the controlling shareholder and directors have interest		
Purchases of automotive parts	(41,374)	(41,626)
Rental payable	(336)	(383)
Rental receivable	432	456
Sales of automotive parts and maintenance services	183	131
Affiliated companies in which a Director of a subsidiary has interest		
Purchases of automotive parts	(5,825)	(5,803)
	======	======
Company		
Subsidiaries		
Dividend income	-	3,100
Rental receivable	1,596	1,565
Affiliated companies		
Rental receivable	144	144
	======	======

The net balance outstanding arising from the above transactions have been disclosed in Note 10 and Note 16 to the financial statements.

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29. Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation:

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Income statement				
Cost of goods sold	(409,484)	-	-	-
Distribution expenses	(13,535)	-	-	-
Administrative expenses	(43,313)	-	(1,785)	-
Other operating expenses	(5,512)	(56,062)	-	(810)
Changes in inventories	-	(3,043)	-	-
Raw materials and consumables used	-	(338,773)	-	-
Staff costs	-	(29,194)	-	(445)
Depreciation of property, plant and equipment	-	(43,310)	-	(530)
Other operating income	6,484	5,022	-	-
	======	======	======	======
Balance sheet				
Property, plant and equipment	-	-	-	34,674
Investment properties	-	-	35,674	-
	======	======	======	======

30. Subsequent event

On 4 November 2009, PT EP Metering & Services ("PT EPMS"), the subsidiary of the Company has signed a Deed of Establishment for the incorporation of a 90%-owned subsidiary in the Republic of Indonesia namely PT Tirta Serang Madani ("PTTSM").

As at the date of this report, the approval from the Department of Law and Human Rights of Indonesia for the Deed has yet to be received.

EP Manufacturing Bhd.
(Company No. 390116-T)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 6 to 65 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Signed in accordance with a resolution of the Directors:

…………………………………………………………
Hamidon bin Abdullah

…………………………………………………………
Hew Voon Foo

Kuala Lumpur,

Date: 26 April 2010

EP Manufacturing Bhd.
(Company No. 390116-T)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Hamidon bin Abdullah**, the Director primarily responsible for the financial management of EP Manufacturing Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 6 to 65 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 26 April 2010.

………………………………..
Hamidon bin Abdullah

Before me:

Independent auditors' report to the members of EP Manufacturing Bhd.

(Company No. 390116-T)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of EP Manufacturing Bhd., which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 65.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Company No. 390116-T

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 5 to the financial statements.

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

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

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Mohamed Raslan Abdul Rahman
Approval Number: 1825/05/11(J/PH)
Chartered Accountant

Petaling Jaya, Selangor

Date: 26 April 2010