EP Manufacturing Bhd.

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

and its subsidiaries

Financial statements for the year ended 31 December 2010

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

Directors' report for the year ended 31 December 2010

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 2010.

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 for the year attributable to:		
Owners of the Company	25,686	5,682
Minority interests	420	-
	26,106	5,682

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

Since the end of the previous financial year, the Company paid:

i) a final dividend of 1.00 sen per ordinary share less tax at 25% totalling RM1,212,000 (0.75 sen net per ordinary share) in respect of the year ended 31 December 2009 on 23 August 2010; and

ii) an interim dividend of 1.00 sen per ordinary share less tax at 25% totalling RM1,212,000 (0.75 sen net per ordinary share) in respect of the year ended 31 December 2010 on 23 November 2010.

For (i) and (ii) above, the dividends paid out were based on the issued and paid up capital (excluding treasury shares) of 161,659,100 ordinary share of RM1.00 each.

Dividends (continued)

The Directors recommend a final dividend of 1.00 sen per ordinary share less tax at 25% (0.75 sen net per ordinary share) and a tax exempt dividend of 1.00 sen per ordinary share totalling RM2,828,000 for the financial year ended 31 December 2010 subject to the approval by the owners at the forth coming Annual General Meeting based on the issued and paid up capital (excluding treasury shares) of 161,579,100 ordinary shares of RM1.00 each as at 31 December 2010.

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

Directors' interests in shares

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 RM1.00 each			
	At 1.1.2010	**Bought**	**Sold**	**At 31.12.2010**
Shareholdings in which Directors have direct interests				
Interest in EP Manufacturing Bhd. ("EPMB"):				
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

Company No. 390116-T

Directors' interests in shares (continued)

	Number of ordinary shares of RM1.00 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
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

	Number of ordinary shares of USD1.00 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
Deemed interest in subsidiaries PT EP Metering & Services				
Hamidon Bin Abdullah				
- deemed interest	315,000	-	-	315,000
Dr. Linden Hamidon				
- deemed interest	315,000	-	-	315,000

	Number of ordinary shares of Rp.1,000,000 each			
	At 1.1.2010	Bought	Sold	At 31.12.2010
PT Tirta Serang Madani				
Hamidon Bin Abdullah				
- deemed interest	900	-	-	900
Dr. Linden Hamidon				
- deemed interest	900	-	-	900

* 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 2010 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 Company or of 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

There were no changes in the authorised, issued and paid-up capital of the Company 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 statements of financial position and statements of comprehensive income 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) any current assets which are unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Other statutory information (continued)

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 financial performance of the Group and of the Company for the financial year ended 31 December 2010 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: 27 April 2011

EP Manufacturing Bhd.

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

and its subsidiaries

Statements of financial position as at 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Assets					
Property, plant and equipment	3	288,960	327,392	35	5
Investment properties	4	-	-	31,543	32,069
Investments in subsidiaries	5	-	-	160,542	206,531
Investment in an associate	6	-	-	-	-
Other investments	7	-	38	-	-
Intangible assets	8	111,129	112,598	-	-
Deferred tax assets	9	5,478	5,326	-	-
Trade and other receivables	10	-	-	51,915	52,953
Total non-current assets		405,567	445,354	244,035	291,558
Inventories	11	36,689	28,535	-	-
Trade and other receivables	10	82,277	78,917	4,952	47,343
Prepayments and other assets		2,785	2,733	-	-
Current tax assets		311	335	69	61
Cash and cash equivalents	12	38,191	16,849	7,495	1,340
Total current assets		160,253	127,369	12,516	48,744
Total assets		565,820	572,723	256,551	340,302
Equity					
Share capital	13	165,960	165,960	165,960	165,960
Reserves	13	77,521	54,932	17,326	14,110
Total equity attributable to owners of the Company		243,481	220,892	183,286	180,070
Minority interests		-	6,005	-	-
Total equity		243,481	226,897	183,286	180,070

Company No. 390116-T

Statements of financial position as at 31 December 2010
(continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Liabilities					
Loans and borrowings	14	70,265	100,149	10,000	58,000
Deferred tax liabilities	9	10,234	2,572	1,332	1,332
Total non-current liabilities		80,499	102,721	11,332	59,332
Loans and borrowings	14	124,446	130,850	48,000	45,000
Current tax liabilities		136	2,851	-	-
Provision for warranties	15	4,743	2,142	-	-
Trade and other payables	16	112,515	107,262	13,933	55,900
Total current liabilities		241,840	243,105	61,933	100,900
Total liabilities		322,339	345,826	73,265	160,232
Total equity and liabilities		565,820	572,723	256,551	340,302

The notes on pages 16 to 76 are an integral part of these financial statements.

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

Statements of comprehensive income for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Revenue - sales		587,375	467,902	-	-
- dividend income		-	-	7,245	-
- rental income		144	144	1,642	1,740
- management fees		-	-	741	-
		587,519	468,046	9,628	1,740
Cost of sales		(489,351)	(391,514)	-	-
Gross profit		98,168	76,532	9,628	1,740
Other income		13,609	24,902	831	2
Distribution expenses		(12,682)	(11,244)	-	-
Administrative expenses		(44,941)	(45,339)	(4,302)	(1,288)
Other expenses		(11,128)	(30,858)	-	-
Results from operating activities		43,026	13,993	6,157	454
Finance costs	19	(10,862)	(14,146)	(507)	(750)
Interest income		305	78	32	30
Net finance costs		(10,557)	(14,068)	(475)	(720)
Profit/(Loss) before income tax	17	32,469	(75)	5,682	(266)
Income tax expense	20	(6,363)	7,946	-	-
Profit/(Loss) for the year		26,106	7,871	5,682	(266)
Other comprehensive expense, net of tax					
Foreign currency translation differences for foreign operations		(1)	(949)	-	-
Other comprehensive expense for the year, net of tax		(1)	(949)	-	-
Total comprehensive income/(expense) for the year		26,105	6,922	5,682	(266)

Company No. 390116-T

Statements of comprehensive income for the year ended 31 December 2010 (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit/(Loss) attributable to:					
Owners of the Company		25,686	7,293	5,682	(266)
Minority interests		420	578	-	-
Profit/(Loss) for the year		26,106	7,871	5,682	(266)
Total comprehensive income/(expense) attributable to:					
Owners of the Company		25,685	6,344	5,682	(266)
Minority interests		420	578	-	-
Total comprehensive income/(expense) for the year		26,105	6,922	5,682	(266)
Basic earnings per ordinary share (sen)	21	15.9	4.5		

The notes on pages 16 to 76 are an integral part of these financial statements.

EP Manufacturing Bhd.

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

and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2010

		/ ------------Attributable to owners of the Company ------------/							
		/------------- *Non distributable* -------------/				*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Translation reserve RM'000**	**Treasury share RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2009		165,960	14,069	(32)	(2,647)	37,198	214,548	5,427	219,975
Total comprehensive income for the year		-	-	(949)	-	7,293	6,344	578	6,922
At 31 December 2009/1 January 2010		165,960	14,069	(981)	(2,647)	44,491	220,892	6,005	226,897
Total comprehensive income for the year		-	-	(1)	-	25,686	25,685	420	26,105
Dividends to owners of the Company	22	-	-	-	-	(2,424)	(2,424)	-	(2,424)
Dividend to minority shareholder		-	-	-	-	-	-	(55)	(55)
Repurchase of own shares	13	-	-	-	(42)	-	(42)	-	(42)
Acquisition of minority shareholder		-	-	-	-	(630)	(630)	(6,370)	(7,000)
At 31 December 2010		165,960	14,069	(982)	(2,689)	67,123	243,481	-	243,481
		/------------------------------Note 13-------------------------/							

The notes on pages 16 to 76 are an integral part of these financial statements.

EP Manufacturing Bhd.

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

Statement of changes in equity for the year ended 31 December 2010

		/-------Non distributable------/			*Distributable*	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2009		165,960	14,069	(2,647)	2,954	180,336
Total comprehensive expense for the year		-	-	-	(266)	(266)
At 31 December 2009/ 1 January 2010		165,960	14,069	(2,647)	2,688	180,070
Total comprehensive income for the year		-	-	-	5,682	5,682
Dividends to shareholders of the Company	22	-	-	-	(2,424)	(2,424)
Repurchase of own shares	13	-	-	(42)	-	(42)
At 31 December 2010		165,960	14,069	(2,689)	5,946	183,286
		/----------------------Note 13-------------------/				

The notes on pages 16 to 76 are an integral part of these financial statements.

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

Statements of cash flows for the year ended 31 December 2010

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit/(Loss) before taxation		32,469	(75)	5,682	(266)
Adjustments for:					
Amortisation of intangible assets		6,817	8,587	-	-
Depreciation of property, plant and equipment		74,894	50,200	8	3
Depreciation of investment properties		-	-	526	526
Dividend income		-	-	(7,245)	-
Finance costs		10,862	14,146	507	750
Gain on disposal of other investments		(52)	-	-	-
Impairment loss on intangible assets		-	25,666	-	-
Impairment loss on investment in subsidiaries		-	-	2,310	-
Impairment loss on property, plant and equipment		-	5,532	-	-
Interest income		(305)	(78)	(32)	(30)
Loss/(Gain) on disposal of property, plant and equipment		1,772	(152)	-	-
Net unrealised foreign exchange loss/(gain)		162	(69)	-	-
Property, plant and equipment written off		4,884	1,478	-	-
Reversal of impairment loss on intangible assets		(5,133)	-	-	-
Waiver of debt by a vendor		(829)	-	(829)	-
Operating profit before working capital changes		125,541	105,235	927	983
Changes in working capital:					
Inventories		(8,154)	17,073	-	-
Trade and other receivables, prepayments and other assets		(3,534)	7,966	12,958	(22,972)
Trade and other payables		6,041	(21,739)	40,012	14,792
Provision for warranties		2,601	376	-	-
Cash generated from/(used in) operations		122,495	108,911	53,897	(7,197)
Income taxes (paid)/refunded		(1,544)	731	(8)	709
Dividends received		-	-	7,245	-
Net cash generated from/(used in) operating activities		120,951	109,642	61,134	(6,488)

Company No. 390116-T

Statements of cash flows for the year ended 31 December 2010 (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash flows from investing activities					
Acquisition of minority interest		(7,000)	-	-	-
Interest received		305	78	32	30
Increase in pledge deposits with licensed banks		(7,232)	(31)	(26)	(25)
Increase in development costs		(215)	(76)	-	-
Net (increase)/decrease in investments in subsidiaries		-	-	(7,000)	18,250
Proceeds from disposal of investment properties		-	-	-	3,075
Proceeds from disposal of property, plant and equipment		5,135	268	-	-
Purchase of property, plant and equipment	(ii)	(48,072)	(50,809)	(38)	(4)
Proceeds from disposal of other investments		90	-	-	-
Net cash (used in)/generated from investing activities		(56,989)	(50,570)	(7,032)	21,326
Cash flows from financing activities					
Dividends paid to owners of the Company		(2,424)	-	(2,424)	-
Dividend paid to minority interest		(55)	-	-	-
Finance costs paid		(10,862)	(14,146)	(507)	(750)
Repayment in finance lease liabilities		(10,942)	(3,217)	-	-
Repayment of borrowings		(18,056)	(45,576)	(45,000)	(14,088)
Preference dividend paid to EPMB ICUPS and EPMB RCSPS holders		-	(315)	-	(315)
Repurchase of treasury shares		(42)	-	(42)	-
Net cash used in financing activities		(42,381)	(63,254)	(47,973)	(15,153)

Company No. 390116-T

Statements of cash flows for the year ended 31 December 2010 (continued)

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents		21,581	(4,182)	6,129	(315)
Cash and cash equivalents at 1 January	(i)	4,788	8,972	78	393
Effect of exchange rate fluctuations on cash held		-	(2)	-	-
Cash and cash equivalents at 31 December	(i)	26,369	4,788	6,207	78

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

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deposits	12,055	4,817	7,288	1,262
Cash and bank balances	26,136	12,032	207	78
Bank overdraft	-	(7,471)	-	-
	38,191	9,378	7,495	1,340
Less: Pledged deposits	(11,822)	(4,590)	(1,288)	(1,262)
	26,369	4,788	6,207	78

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

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM48,253,000 (2009: RM51,537,000), of which RM180,900 (2009: RM728,000) were acquired by means of finance lease arrangements.

EP Manufacturing Bhd.
(Company No. 390116-T)
(Incorporated in Malaysia)
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 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2010 do not include other entities.

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

The financial statements were authorised for issue by the Board of Directors on 27 April 2011.

1. Basis of preparation

(a) Statement of compliance

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

The Group and the Company have 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 the Company:

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*

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

- 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*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions 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*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

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

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company plan to adopt the abovementioned standards, amendments and interpretations, where applicable, from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning 1 March 2010, 1 July 2010 and 1 January 2011 and from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impact to the current and prior periods' financial statements upon their first adoption, other than the expected changes in accounting policies as discussed below:

FRS 3 (revised), *Business Combinations*

FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquire, on a transaction-by-transaction basis.

FRS 3 (revised), which becomes mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRS 127 (2010), *Consolidated and Separate Financial Statements*

- The amendments to FRS 127 require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders. Currently, changes in group composition are accounted for in accordance with the accounting policies as described in Note 2(a)(ii).
- The amendments to FRS 127 require all losses attributable to minority interest to be absorbed by minority interest i.e., the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest. Currently, such losses are accounted for in accordance with the accounting policies as described in Note 2(a)(iii).

The above changes in accounting policies are not expected to have material impacts to the Group.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(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 the financial statements in conformity with FRSs 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 deferred tax assets
Note 15 - provision for warranties

Company No. 390116-T

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, other than those disclosed in the following notes:

- Note 2 (d) - Financial instruments
- Note 2 (t) - Operating segments

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated 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 commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale. The cost of investment includes transactions costs.

(ii) Changes in Group composition

When the 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 changes in group composition as equity transactions between the Group and its minority interest holders. 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 end of the reporting period, 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 statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interests and the owners 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 interests 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 interests is allocated with 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 investee are eliminated against the investment to the extent of the Group's interests 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 interests or are also Directors of those companies.

(c) Foreign currency

(i) Foreign currency transactions

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

2. Significant accounting policies (continued)

(c) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value 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 profit or loss.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

2. Significant accounting policies (continued)

(d) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in Note 31.

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises trade and other receivables and cash and cash equivalents. Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see note 2(l)(i)).

Financial liabilities

All financial liabilities are measured at amortised cost.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(e) 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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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 knowledgeable willing parties 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 available and replacement cost when appropriate.

2. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

The 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 expenses” respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, 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:

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

Depreciation methods and useful lives are reviewed, and adjusted as appropriate at the end of the reporting period.

2. Significant accounting policies (continued)

(f) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On 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.

(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 are not recognised in the statement of financial position of the Group.

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(g) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investees.

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(i) Goodwill (continued)

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 profit or loss.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in the profit or loss 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, which have finite useful lives, are stated at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of manufacturing and distribution rights acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets for the period as specified in the initial manufacturing and distribution agreement.

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in profit or loss as incurred.

(v) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

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

Amortisation methods and useful lives are reviewed at the end of each reporting period and adjusted, if appropriate.

(h) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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(e).

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.

2. Significant accounting policies (continued)

(h) Investment properties (continued)

(i) Investment properties carried at cost (continued)

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost.

Following the amendment made to FRS 140, *Investment Property*, with effect from 1 January 2010, investment property under construction is classified as investment property.

(ii) Determination of fair value

The Directors estimate the fair values of the Company's investment properties without involvement of independent valuers. The fair values are based on best available market values, being 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.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in 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.

2. Significant accounting policies (continued)

(j) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2 (d).

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(d).

(l) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries and investment in an associate) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(i) Financial assets (continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what that carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated. For 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 group 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.

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, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 profit or loss. 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.

2. Significant accounting policies (continued)

(l) Impairment of assets (continued)

(ii) Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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 profit or loss in the year in which the reversals are recognised.

(m) Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) 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. Repurchased shares that are not subsequently cancelled 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.

2. Significant accounting policies (continued)

(n) 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 liability 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 contributions to statutory pension funds are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(o) 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.

(ii) 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.

2. Significant accounting policies (continued)

(p) Revenue and other income

(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 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 involvement with the goods and the amount of revenue can be measured reliably.

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

2. Significant accounting policies (continued)

(q) Borrowing costs (continued)

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

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

(r) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the 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 or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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 period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(s) Earnings per share

The Group presents basic earnings per share data for its ordinary shares (EPS).

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.

(t) Operating segments

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

Following the adoption of FRS 8, *Operating Segments*, an operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chairman of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Company No. 390116-T

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 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	-	-	62	74,356	-	(74,418)	-
At 31 December 2009/1 January 2010	23,466	112,390	7,572	335,107	2,779	12,566	493,880
Additions	-	224	778	7,944	234	39,073	48,253
Disposals	-	(93)	(596)	(21,133)	(629)	-	(22,451)
Write off	-	(556)	(303)	(9,307)	-	(239)	(10,405)
At 31 December 2010	23,466	111,965	7,451	312,611	2,384	51,400	509,277

Company No. 390116-T

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							
Accumulated depreciation	-	13,111	12,810	119,155	2,186	-	147,262
At 1 January 2009	-	13,111	12,810	119,155	2,186	-	147,262
Charge 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)
Accumulated depreciation	-	14,641	5,331	139,349	1,635	-	160,956
Accumulated impairment loss	-	-	-	5,532	-	-	5,532
At 31 December 2009/1 January 2010	-	14,641	5,331	144,881	1,635	-	166,488
Charge for the year	-	2,469	585	71,550	290	-	74,894
Disposals	-	(47)	(2,543)	(12,415)	(539)	-	(15,544)
Write off	-	(256)	(121)	(5,144)	-	-	(5,521)
Accumulated depreciation	-	16,807	3,252	193,340	1,386	-	214,785
Accumulated impairment loss	-	-	-	5,532	-	-	5,532
At 31 December 2010	-	16,807	3,252	198,872	1,386	-	220,317
Carrying amounts							
At 1 January 2009	23,466	100,290	2,575	166,792	821	39,965	333,909
At 31 December 2009/1 January 2010	23,466	97,749	2,241	190,226	1,144	12,566	327,392
At 31 December 2010	23,466	95,158	4,199	113,739	998	51,400	288,960

3. Property, plant and equipment (continued)

Company

	Equipment, furniture and fittings RM'000
Cost	
At 1 January 2009	8
Additions	4
At 31 December 2009/1 January 2010	12
Additions	38
At 31 December 2010	50
Accumulated depreciation	
At 1 January 2009	4
Charge for the year	3
At 31 December 2009/1 January 2010	7
Charge for the year	8
At 31 December 2010	15
Carrying amounts	
At 1 January 2009	4
At 31 December 2009/1 January 2010	5
At 31 December 2010	35

3.1 Impairment loss

In the previous year, the Group assessed the recoverable amount of all the property, plant and equipment and wrote down the carrying amount with respect of its plant and machineries by RM5,532,000 based on their recoverable scrap value. The impairment loss was recognised in other expenses.

3.2 Capitalisation of borrowing costs

Include in the Group's additions of property, plant and equipment during the year is borrowing costs capitalised of RM1,316,000 (2009: RM444,000).

3. Property, plant and equipment (continued)

3.3 Security

The Group's and Company's freehold land, buildings and plant and machinery with net carrying amount of RM134,206,000 (2009: RM125,322,000) and RM31,543,000 (2009: RM32,069,000) respectively, have been pledged for banking facilities granted to the Group and the Company (see Note 14).

3.4 Assets under finance lease liabilities

Included in the Group's property, plant and equipment are certain assets acquired under finance lease arrangements with net carrying amount of RM15,834,000 (2009: RM32,611,000).

4. Investment properties

Company	**Freehold land RM'000**	**Buildings RM'000**	**Total RM'000**
Cost			
At 1 January 2009	15,635	26,292	41,927
Disposals	(3,075)	-	(3,075)
At 31 December 2009/1 January 2010/ 31 December 2010	12,560	26,292	38,852
Accumulated depreciation			
At 1 January 2009	-	6,257	6,257
Charge for the year	-	526	526
At 31 December 2009/1 January 2010	-	6,783	6,783
Charge for the year	-	526	526
At 31 December 2010	-	7,309	7,309
Carrying amounts			
At 1 January 2009	15,635	20,035	35,670
At 31 December 2009/1 January 2010	12,560	19,509	32,069
At 31 December 2010	12,560	18,983	31,543
Fair value			
At 31 December 2009			67,881
At 31 December 2010			67,423

4. Investment properties (continued)

The following are recognised in the profit or loss in respect of investment properties:

	Company 2010 RM'000	2009 RM'000
Rental income	1,642	1,740
Direct operating expenses		
- Income generating investment properties	110	101
	====	====

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 2010 RM'000	2009 RM'000
Unquoted shares, at cost		
- In Malaysia	162,850	206,529
- Outside Malaysia	2	2
Less: Impairment loss	(2,310)	-
	160,542	206,531
	======	======

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity interest 2010	2009	Principal activities
PEPS - JV (M) Sdn. Bhd.	Malaysia	100%	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

5. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Effective equity interest 2010	Effective equity interest 2009	Principal activities
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%	Dormant
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) and its subsidiary	Indonesia	90%	90%	Construction of water treatment and waste water facilities
PT Tirta Serang Madani (1)	Indonesia	81%	-	Build, develop and to manage drinking water supply system and permanent water treatment plant

(1) Not audited by member firms of KPMG International

5. Investments in subsidiaries (continued)

5.1 In the previous year, investment in Circle Ring Network Sdn. Bhd. had decreased by RM19,250,000 due to reversal of purchase consideration payable to the previous owner (vendor) following the non achievability of profit guarantee in accordance to the share sale agreement. At the Group level, the reversal of purchase consideration payable was taken to profit or loss (Note 17).

During the year, an amount of RM3,850,000 has been restated from the reversal of purchase consideration payable to the previous owner (vendor) in prior year following the recomputation of the profit guarantee. At the Group level, the write-back of the reversal of purchase consideration payable was taken to profit or loss (Note 17).

5.2 During the year, the Company considered the advances to Circle Ring Network Sdn. Bhd. and EP Metering Services Sdn. Bhd. at RM17,385,000 and RM13,086,000 respectively as a capital contribution to subsidiaries as repayments of these amounts from subsidiaries are neither fixed nor expected in the short term.

5.3 During the year, the Company considered the advances from EP Polymers (M) Sdn. Bhd. and PEPS-JV (M) Sdn. Bhd. at RM14,000,000 and RM71,000,000 respectively as a capital distribution to the Company as repayments of these amounts to subsidiaries are neither fixed nor expected in the short term.

5.4 On 4 November 2009, the Group, via its subsidiary, PT EP Metering & Services signed a Deed of Establishment (“Deed”) for the incorporation of a 90% owned subsidiary in the Republic of Indonesia, PT Tirta Serang Madani. The approval from Department of Law and Human Rights of Indonesia for the Deed was received on 9 June 2010.

5.5 During the year, the Company acquired the remaining 4.2% of equity interest in PEPS-JV (M) Sdn. Bhd. from the minority interest for a consideration of RM7,000,000 (Note 29).

5.6 During the year, investments in Advance Product Systems Sdn. Bhd. and EP Moulds & Dies (M) Sdn. Bhd. have been impaired by RM1,607,000 and RM703,000 respectively. The impairment was made to adjust the carrying amount of the investments in these two subsidiaries to their estimated recoverable amount.

Company No. 390116-T

6. Investment in an associate

	Group 2010 RM'000	Group 2009 RM'000
At cost:		
Unquoted shares	*	*
	=====	=====

* Denotes RM1.00

The Group has a 50% (2009: 50%) effective ownership interest in an associate, EPTS Manufacturing Sdn. Bhd., a company incorporated in Malaysia. The associate is dormant since its incorporation and recorded a loss for the year of RM385 (2009: RM767). The Group has not recognised its share of the losses as the Group has no obligation in respect of these losses.

7. Other investments

	Group 2010 RM'000	Group 2009 RM'000
Shares quoted in Malaysia, at cost	-	38
	=====	=====
Market value of quoted shares in Malaysia	-	58
	=====	=====

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 2009	84,533	34,054	53,147	171,734
Additions	-	76	-	76
At 31 December 2009/ 1 January 2010	84,533	34,130	53,147	171,810
Additions	-	215	-	215
At 31 December 2010	84,533	34,345	53,147	172,025
	=====	=====	=====	======

Company No. 390116-T

8. Intangible assets (continued)

Group	Goodwill on consolidation RM'000	Development costs RM'000	Manufacturing and distribution rights RM'000	Total RM'000
Amortisation and impairment loss				
Accumulated amortisation	-	16,624	8,335	24,959
At 1 January 2009	-	16,624	8,335	24,959
Amortisation for the year	-	4,628	3,959	8,587
Impairment loss	-	-	25,666	25,666
Accumulated amortisation	-	21,252	12,294	33,546
Accumulated impairment loss	-	-	25,666	25,666
At 31 December 2009/ 1 January 2010	-	21,252	37,960	59,212
Amortisation for the year	-	4,292	2,525	6,817
Reversal of impairment loss	-	-	(5,133)	(5,133)
Accumulated amortisation	-	25,544	14,819	40,363
Accumulated impairment loss	-	-	20,533	20,533
At 31 December 2010	-	25,544	35,352	60,896
	=====	=====	=====	======
Carrying amounts				
At 1 January 2009	84,533	17,430	44,812	146,775
	=====	=====	=====	======
At 31 December 2009/ 1 January 2010	84,533	12,878	15,187	112,598
	=====	=====	=====	======
At 31 December 2010	84,533	8,801	17,795	111,129
	=====	=====	=====	======

8.1 Manufacturing and distribution rights

Manufacturing and distribution rights of the Group are principally arising from recognition of an identifiable assets from the acquisition of Circle Ring Network Sdn. Bhd. ("Circle Ring") and are amortised over a period of 9 years (2009: 9 years) which is based on the revised manufacturing and distribution agreement dated May 2008.

8. Intangible assets (continued)

8.1 Manufacturing and distribution rights (continued)

The recoverable amount was estimated based on the value in use supported by the business plan projections of Circle Ring endorsed by the Board of Directors.

In 2009, the Group recorded an impairment loss amounting to RM25,666,000 based on the review of the recoverable amount of manufacturing and distribution rights with a corresponding reversal of deferred tax liabilities amounting to RM6,416,000.

During the year, the Directors have reassessed its recoverable amount of manufacturing and distribution rights and reversed an impairment loss amounting to RM5,133,000 with a corresponding increase in deferred tax liabilities of RM1,283,000 at the Group level.

8.2 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	
	2010	**2009**
	RM'000	**RM'000**
Manufacture, assembly and sale of automotive parts	84,533	84,533
	=====	=====

The recoverable amount of automotive unit has been determined based on value in use supported by 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.

8. Intangible assets (continued)

8.2 Impairment testing for cash-generating units containing goodwill (continued)

Value in use of the intangible assets was determined by discounting the future cash flows generated from the automotive unit and was based on the following key assumptions:

- Cash flows were projected based on past experience of the actual operating results and business plan.

- Revenue for 2011, 2012 and 2013 were projected at about RM430 million, RM440 million and RM459 million respectively based on the business plan. Subsequently, the Directors project growth at around 1% to 2% in the following years up to 2015.

- Raw materials and consumables for 2011, 2012 and 2013 were projected at about RM273 million, RM279 million and RM291 million respectively. Subsequently, the Directors project increase of around 1% in the following years up to 2015.

- A pre-tax discount rate of 8.0% 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	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Property, plant and equipment	179	179	(14,371)	(25,956)	(14,192)	(25,777)
Unutilised reinvestment allowances	4,776	4,725	-	-	4,776	4,725
Unutilised investment tax allowances	2,679	10,719	-	-	2,679	10,719
Unabsorbed capital allowances	-	12,186	-	-	-	12,186
Unutilised tax losses	2,049	1,267	-	-	2,049	1,267
Others	1,639	869	(1,707)	(1,235)	(68)	(366)
Tax assets/(liabilities)	11,322	29,945	(16,078)	(27,191)	(4,756)	2,754
Set-off of tax	(5,844)	(24,619)	5,844	24,619	-	-
Net tax assets/ (liabilities)	5,478	5,326	(10,234)	(2,572)	(4,756)	2,754
Company						
Property, plant and equipment	-	-	(1,332)	(1,332)	(1,332)	(1,332)

9. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group 2010 RM'000	Group 2009 RM'000
Property, plant and equipment	(111)	(1,571)
Deductible temporary differences	2,451	194
Unabsorbed capital allowances	4,704	3,630
Unutilised investment tax allowances	11,215	11,215
Unutilised tax losses	22,405	17,360
Unutilised reinvestment allowance	1,858	1,858
	42,522	32,686

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 thereon.

10. Trade and other receivables

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Non-current:					
Non trade					
Loans to subsidiaries	10.1	-	-	51,915	52,953
Current:					
Trade					
Trade receivables	10.2	73,604	70,633	-	-
Affiliated companies	10.3	805	1,209	-	-
		74,409	71,842	-	-

10. Trade and other receivables (continued)

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Non-trade					
Amounts due from subsidiaries	10.3	-	-	4,879	46,606
Affiliated companies	10.3	950	1,478	36	717
Other receivables		6,918	5,597	37	20
		7,868	7,075	4,952	47,343
		82,277	78,917	4,952	47,343

10.1 Loans to subsidiaries

The non-current portion of the loans to subsidiaries are unsecured, not repayable within the next twelve (12) months and bear interest between 5.95% to 7.9% (2009: 5.5% to 7.9%) per annum. Loans to subsidiaries are principally arising from the allocation of proceeds from the drawdown of Murabahah Underwritten Notes Issuance Facility/Islamic Medium Term Notes Facility ("MUNIF/IMTN") (see Note 14).

10.2 Trade receivables

Included in trade receivables of the Group are retentions of RM514,000 (2009: RM514,000) relating to water metering installation project which was completed during the year.

10.3 Amounts due from subsidiaries and affiliated companies

The amounts due from subsidiaries and affiliated companies are unsecured, interest free and repayable on demand.

11. Inventories

	Group 2010 RM'000	Group 2009 RM'000
Raw materials	24,601	17,533
Work-in-progress	6,100	3,674
Manufactured inventories	5,988	7,328
	36,689	28,535
Recognised in profit or loss:		
Inventories recognised as cost of sales	486,897	391,464
Written off	735	50
Write-down to net realisable value	1,719	-

The inventories written off and write-down are included in cost of sales.

12. Cash and cash equivalents

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Deposits placed with licensed banks	12,055	4,817	7,288	1,262
Cash and bank balances	26,136	12,032	207	78
	38,191	16,849	7,495	1,340

Included in the Group's and Company's deposits placed with licensed banks are RM11,822,000 (2009: RM4,590,000) and RM1,288,000 (2009: RM1,262,000) respectively, pledged for certain banking facilities granted to the Group and the Company (see Note 14).

13. Capital and reserves

13.1 Share capital

	Group and Company			
	Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Authorised				
Ordinary shares of RM1.00 each	500,000	500,000	500,000	500,000
	======	======	======	======
Issued and fully paid				
Ordinary shares of RM1.00 each	165,960	165,960	165,960	165,960
	======	======	======	======

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

13.2 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

13.3 Treasury shares

The owners of the Company, by an ordinary resolution passed in an Annual General Meeting held on 28 June 2010, approved the Company's plan to repurchase its own shares.

During the financial year, the Company repurchased 80,000 (2009: Nil) of its issued ordinary share capital of RM1.00 each ("EP Shares") from the open market at an average buy-back price of RM0.53 (2009: Nil) per ordinary share. The total consideration paid for the share buy-back of EP Shares by the Company during the financial year was RM42,131 (2009: Nil). The repurchase transaction was financed by internally generated funds. The EP Shares repurchased were retained as treasury shares.

As at 31 December 2010, the Group held 4,380,900 (2009: 4,300,900) EP Shares as treasury shares out of its total issued and paid-up share capital. As at 31 December 2010, the number of shares in issue and paid-up, net of treasury shares is therefore 161,579,100 (2009: 161,659,100) ordinary shares of RM1.00 each.

None of the treasury shares held were resold or cancelled during the financial year. While the shares are held as treasury shares, the rights attached to them such as voting, dividends and participation in other distribution and otherwise are suspended.

13. Capital and reserves (continued)

13.4 Section 108 tax credit

Subject to the agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank and distribute all of its distributable reserves as at 31 December 2010 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the remaining 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. Loans and borrowings

		Group		Company	
		2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Non-current:					
Finance lease liabilities	- secured	3,950	13,748	-	-
MUNIF/IMTN	- secured	10,000	58,000	10,000	58,000
Bai Bithaman Ajil facilities	- secured	4,732	7,452	-	-
Term loans	- secured	51,583	20,949	-	-
		70,265	100,149	10,000	58,000
Current:					
Finance lease liabilities	- secured	6,800	7,763	-	-
Bankers' acceptances	- secured	55,631	61,407	-	-
MUNIF/IMTN	- secured	48,000	45,000	48,000	45,000
Bai Bithaman Ajil facilities	- secured	2,720	2,598	-	-
Term loans	- secured	11,295	6,611	-	-
Bank overdraft	- secured	-	7,471	-	-
		124,446	130,850	48,000	45,000
Total		194,711	230,999	58,000	103,000

An amount of RM51,915,000 (2009: RM52,953,000) arising from the proceeds from the Murabahah Underwritten Notes Issuance Facility/Islamic Medium Term Notes Facility ("MUNIF/IMTN") has been on loan to the subsidiaries (see Note 10).

14. Loans and borrowings (continued)

Security

Group and Company

MUNIF/IMTN

Secured

The MUNIF/IMTN are secured and supported 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) corporate guarantees by the Company;
d) an assignment of proceeds from Perusahaan Otomobil Nasional Berhad and Perodua Manufacturing Sdn. Bhd. into the Designated Accounts; and
e) a first rank charge over all Designated Accounts.

Group

Term loans and Bai Bithaman Ajil facilities

Secured

The term loans and Bai Bithaman Ajil facilities are secured and supported 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 (see Note 12).

Bank overdraft and bankers' acceptances

Secured

The bank overdraft and bankers' acceptances are secured and supported 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) corporate guarantees by the Company;
d) an assignment of proceeds from sales to Perusahaan Otomobil Nasional Berhad and Perodua Manufacturing Sdn. Bhd. into the Designated Accounts; and
e) a first rank charge over all Designated Accounts.

14. Loans and borrowings (continued)

Security (continued)

Group (continued)

Significant financial covenants for certain term loans granted:

a) dividend shall not exceed 50% of profit after tax in any one year without prior consent from the loan provider; and
b) finance service cover ratio shall be less than 1.75 times before dividend payment and less than 1.50 times after such payment.

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Future minimum lease payments 2010 RM'000	Interest 2010 RM'000	Present value of minimum lease payments 2010 RM'000	Future minimum lease payments 2009 RM'000	Interest 2009 RM'000	Present value of minimum lease payments 2009 RM'000
Less than one year	7,282	(482)	6,800	8,895	(1,132)	7,763
Between one and five years	4,093	(143)	3,950	14,586	(838)	13,748
	11,375	(625)	10,750	23,481	(1,970)	21,511

15. Provision for warranties

	Group 2010 RM'000	Group 2009 RM'000
At 1 January	2,142	1,766
Provision made during the year	6,428	6,711
Provision used during the year	(3,827)	(6,335)
At 31 December	4,743	2,142

The Group gives warranties on certain automotive parts sold during the year and undertakes to repair or replace items that fail to perform satisfactorily or meet the specification required. The provision for warranties is based on past experience on the levels of repairs and returns.

16. Trade and other payables

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade					
Trade payables		54,332	50,777	-	-
Affiliated companies	16.1	8,934	18,892	-	-
		63,266	69,669	-	-
Non-trade					
Amounts due to subsidiaries	16.1	-	-	8,725	52,766
Other payables		43,501	35,044	398	1,882
Accruals		5,660	484	4,810	181
Affiliated companies	16.1	88	336	-	-
Amount owing to a Director	16.2	-	1,729	-	1,071
		49,249	37,593	13,933	55,900
		112,515	107,262	13,933	55,900

16.1 Amounts due to subsidiaries and affiliated companies

The amounts due to subsidiaries and affiliated companies are unsecured, interest free and repayable on demand.

16.2 Amount owing to a Director

In the previous year, the amount due to a Director was unsecured, bore interest at 8% per annum and repayable on demand.

17. Profit/(Loss) before income tax

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit/(Loss) before income tax is arrived at after charging:					
Amortisation of intangible assets		6,817	8,587	-	-
Auditors' remuneration					
Statutory audit					
- KPMG		295	278	60	55
- other auditors		3	11	-	-
Other services					
- KPMG		13	40	13	40
Bad debts written off		69	1,641	-	-
Depreciation of property, plant and equipment	3	74,894	50,200	8	3
Depreciation of investment properties	4	-	-	526	526
Impairment loss					
- trade receivables		586	629	-	-
- intangible assets	8	-	25,666	-	-
- investment in subsidiaries		-	-	2,310	-
- property, plant and equipment		-	5,532	-	-
Inventories written off		735	50	-	-
Inventories write-down to net realisable value		1,719	-	-	-
Loss on disposal of property, plant and equipment		1,772	-	-	-
Loss on foreign exchange					
- realised		2,950	1,240	-	-
- unrealised		1,267	216	-	-
Personnel expenses (including key management personnel)					
- Contributions to Employees Provident Fund		2,610	1,898	45	34
- Wages, salaries and others		33,062	25,733	637	481
Property, plant and equipment written off		4,884	1,478	-	-
Provision for warranties		6,428	6,711	-	-
Rental expense on					
- premises		138	280	-	-
- machinery and equipment		377	341	-	-
Royalties		61	81	-	-
Write-back of amount due to vendor	5.1	3,850	-	-	-
		=====	=====	=====	=====

17. Profit/(Loss) before tax (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
and after crediting:					
Dividend income from subsidiaries (unquoted)		-	-	7,245	-
Gain on foreign exchange					
- realised		832	415	-	-
- unrealised		1,105	285	-	-
Gain on disposal of property, plant and equipment		-	152	-	-
Gain on disposal of other investments		52	-	-	-
Reversal of amount due to vendor	5.1	-	19,250	-	-
Rental income		144	144	1,642	1,740
Reversal of impairment loss on intangible assets	8	5,133	-	-	-
Waiver of debts by a vendor		829	-	829	-

18. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Directors:				
- Fees	342	332	180	170
- Remuneration	1,045	1,089	-	-
- EPF contribution	121	126	-	-
Total short term employee benefits	1,508	1,547	180	170
Other key management personnel:				
- Wages, salaries and others	944	863	-	-
- EPF contribution	92	63	-	-
	2,544	2,473	180	170

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

The estimated monetary value of Directors' benefit-in-kind is RM30,000 (2009: RM30,000).

19. Finance costs

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Interest expense of loans and borrowings:				
- Loans	2,964	2,377	-	-
- Overdraft	182	354	-	-
- Bankers' acceptances	2,696	2,924	-	-
- Finance lease liabilities	2,360	2,173	-	-
- MUNIF/IMTN	3,976	6,762	507	750
	12,178	14,590	507	750
Recognised in profit or loss	10,862	14,146	507	750
Capitalised on qualifying assets:				
- property, plant and equipment (Note 3)	1,316	444	-	-
	12,178	14,590	507	750

20. Income tax expense

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current tax expense:				
Malaysian - current	999	2,852	-	-
- prior year	(2,146)	(3)	-	-
Total current tax recognised in the profit or loss	(1,147)	2,849	-	-
Deferred tax expense:				
Origination and reversal of temporary differences	7,510	(10,795)	-	-
Total deferred tax recognised in the profit or loss	7,510	(10,795)	-	-
Total income tax expense	6,363	(7,946)	-	-

20. Income tax expense (continued)

Reconciliation of effective tax expense

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Profit/(Loss) for the year	26,106	7,871	5,682	(266)
Total income tax expense	6,363	(7,946)	-	-
Profit/(Loss) excluding tax	32,469	(75)	5,682	(266)
Income tax calculated using Malaysian tax rate of 25% (2009: 25%)	8,117	(19)	1,421	(67)
Non-deductible expenses	4,919	3,049	390	67
Tax exempt income	(6,986)	(6,774)	(1,811)	-
Effect of unrecognised deferred tax assets	2,459	(4,199)	-	-
	8,509	(7,943)	-	-
Over provision of current tax in prior year	(2,146)	(3)	-	-
	6,363	(7,946)	-	-

21. Earnings per ordinary share - Group

The calculation of basic earnings per share for the year ended 31 December 2010 was based on the profit attributable to ordinary shareholders of RM25,686,000 (2009: RM7,293,000) and a weighted average number of ordinary shares outstanding, calculated as follows:

Weighted average number of ordinary shares

	Group	
	2010 '000	**2009 '000**
Issued ordinary shares at 1 January	165,960	165,960
Effect of treasury shares held	(4,306)	(4,301)
Weighted average number of ordinary shares at 31 December	161,654	161,659
Basic earnings per ordinary share (sen)	15.9	4.5

22. Dividends

Dividends recognised in the current year (2009: Nil) by the Company are:

2010	Sen per share (net of tax)	Total amount RM'000	Date of payment
Final 2009 ordinary	0.75	1,212	23 August 2010
Interim 2010 ordinary	0.75	1,212	23 November 2010
		2,424	

After the reporting period, the Directors recommend a final dividend of 1.00 sen per ordinary share less 25% tax (0.75 net per ordinary share) and a tax exempt dividend of 1.00 sen per ordinary share totalling RM2,828,000 in respect of the year ended 31 December 2010 subject to the approval by the owners at the forth coming Annual General Meeting based on the issued and paid-up capital (excluding treasury shares) of 161,579,100 ordinary share RM1.00 each as at 31 December 2010.

23. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chairman reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Automotive - Manufacture, assembly and sale of automotive parts
- Water division - Manufacture, assembly and sale of water meters

Other non-reportable segments comprise operations related to the rental of properties within the Group and affiliated companies. The accounting policies of the reportable segments are the same as described in Note 2 (t).

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's Chairman, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets and segment liabilities

Segment assets and segment liabilities information is neither included in the internal management reports nor provided regularly to the Chairman. Hence no disclosure is made on segment assets and liabilities.

23. Operating segments (continued)

	Automotive		Water division		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Segment profit/(loss)	37,697	18,758	(2,787)	(14,973)	34,910	3,785
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	564,479	457,751	22,872	10,117	587,351	467,868
Inter-segment revenue	(3,690)	(34)	-	-	(3,690)	(34)
Depreciation and amortisation	(77,659)	(53,309)	(3,493)	(4,866)	(81,152)	(58,175)
Finance costs	(8,910)	(11,929)	(1,425)	(1,382)	(10,335)	(13,311)
Finance income	278	55	-	-	278	55
Impairment of						
- property, plant and equipment	-	(5,532)	-	-	-	(5,532)
- intangible assets	-	-	-	(25,666)	-	(25,666)
Reversal of amount due to vendor	-	-	-	19,250	-	19,250
Reversal of impairment on intangible assets	-	-	5,133	-	5,133	-
Write-back of amount due to vendor	-	-	(3,850)	-	(3,850)	-
Write-down and write-off of inventories	(661)	-	(1,793)	(50)	(2,454)	(50)

23. Operating segments (continued)

Reconciliations of reportable segment profit or loss

	Group	
	2010	**2009**
	RM'000	**RM'000**
Profit or loss		
Total profit or loss for reportable segments	34,910	3,785
Other non-reportable segments	7,043	(528)
Elimination of inter-segment profits	(9,484)	(3,332)
Consolidated profit before income tax	32,469	(75)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. The non-current assets of the Group are located in Malaysia. Capital expenditure incurred is also in Malaysia.

	Group	
	2010	**2009**
	RM'000	**RM'000**
Geographical information		
Revenue		
Malaysia	511,979	408,063
United Kingdom	20,516	4,835
Saudi Arabia	55,024	55,148
	587,519	468,046

24. Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R); and
(b) Other liabilities (OL).

2010	Carrying amount RM'000
Financial assets categories as loans and receivables	
Group	
Trade and other receivables	82,277
Cash and cash equivalents	38,191
	120,468
Company	
Trade and other receivables	56,867
Cash and cash equivalents	7,495
	64,362
Financial liabilities categories as other liabilities	
Group	
Loans and borrowings	194,711
Trade and other payables	112,515
	307,226
Company	
Loans and borrowings	58,000
Trade and other payables	13,933
	71,933

24. Financial instruments (continued)

24.2 Net losses arising from financial instruments

2010	Group RM'000	Company RM'000
Net losses arising on:		
Loans and receivables	(455)	(15)
Financial liabilities measured at amortised cost	(10,902)	(507)
	(11,357)	(522)

24.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy 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.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2010			
Not past due	66,280	-	66,280
Past due 1 - 30 days	3,448	-	3,448
Past due 31 - 120 days	2,317	-	2,317
Past due more than 120 days	3,359	(995)	2,364
	75,404	(995)	74,409

The movements in the allowance for impairment losses of trade receivables during the year were:

	2010 RM'000	2009 RM'000
At 1 January	409	3,149
Impairment loss recognised	586	629
Impairment loss written off	-	(3,369)
At 31 December	995	409

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

No impairment loss was provided for trade receivable which has past due for more than 120 days as it consists of the retention sums and final payments of projects which certain amounts were recovered subsequent to year end.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries.

The Company monitors the results of the subsidiaries and repayments made by the subsidiaries on an ongoing basis.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM133,032,000 (2009: RM185,313,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to subsidiaries.

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meets its liabilities when they fall due.

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2010							
Non-derivative financial liabilities							
Secured term loans	62,878	3% - 8%	64,673	12,284	23,881	28,508	-
Secured Bai Bithaman Ajil facilities	7,452	3% - 8%	7,937	3,010	3,010	1,917	-
Secured MUNIF/IMTN	58,000	5.95% - 7.9%	62,239	51,632	10,607	-	-
Finance lease liabilities	10,750	3% - 7%	11,379	7,264	3,804	304	7
Secured bankers' acceptances	55,631	3% - 5.5%	57,995	57,995	-	-	-
Trade and other payables	112,515	-	112,515	112,515	-	-	-
	307,226		316,738	244,700	41,302	30,729	7
Company							
2010							
Non-derivative financial liabilities							
Secured MUNIF/IMTN	58,000	5.95% - 7.9%	62,239	51,632	10,607	-	-
Trade and other payables	13,933	-	13,933	13,933	-	-	-
	71,933		76,172	65,565	10,607	-	-

24. Financial instruments (continued)

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position or cash flows.

24.6.1 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 U.S. Dollar (USD) and EURO.

Risk management objectives, policies and processes for managing the risk

The Group and the Company do not transact in any derivative instruments to hedge their current exposure. However, the Board of Directors keeps this policy under review and regularly monitors the exposures to avoid significant adverse impact to the Group and the Company.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in	
Group	**EURO**	**USD**
	RM'000	**RM'000**
2010		
Trade receivables	-	11,083
Trade payables	(3,014)	(8,953)
Exposure in the statements of financial position	(3,014)	2,130

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10 percent strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss RM'000
Group	
2010	
EURO	226
USD	160
	=====

A 10 percent weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

24.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company are exposed to interest rate risk on fixed and floating interest bearing financial liabilities and fixed interest earning financial assets. The Company does not transact in any interest rate swaps to hedge the exposure.

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-earning and interest bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	12,055	4,817	59,203	54,215
Financial liabilities	(131,080)	(119,121)	(50,000)	(60,000)
	(119,025)	(114,304)	9,203	(5,785)
Floating rate instruments				
Financial liabilities	(63,631)	(111,878)	(8,000)	(43,000)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	Profit or loss		**Profit or loss**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Floating rate instruments	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flow sensitivity (net)	(477)	477	(60)	60

Company No. 390116-T

24. Financial instruments (continued)

24.7 Fair value of financial instruments

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

The carrying amount of the MUNIF at reporting date approximate their fair value as this is a variable rate financial instrument.

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

	2010		**2009**	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Quoted shares	-	-	38	58
Secured term loan	(62,878)	(57,055)	(27,560)	(27,132)
Secured Bai Bithaman Ajil facilities	(7,452)	(7,252)	(10,050)	(9,775)
Secured IMTN	(50,000)	(49,660)	(60,000)	(49,502)
Finance lease liabilities	(10,750)	(10,408)	(21,511)	(21,078)
	=====	=====	=====	=====
Company				
Loan to subsidiaries	51,915	50,522	52,953	46,893
Secured IMTN	(50,000)	(49,660)	(60,000)	(49,502)
	=====	=====	=====	=====

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Investments in equity securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For finance lease the market rate of interest is determined by reference to similar lease agreements.

24. Financial instruments (continued)

24.7 Fair value of financial instruments (continued)

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2010	**2009**
Loans and borrowings	4% - 8%	4% - 8%
Leases	4% - 7%	4% - 7%

25. Capital management

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the debt-to-equity ratio below 1.5. The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:

	Group	
	2010 RM'000	**2009 RM'000**
Total borrowings (Note 14)	194,711	230,999
Less: Cash and cash equivalents (Note 12)	(38,191)	(16,849)
Net debt	156,520	214,150
Total equity	243,481	226,897
Debt-to-equity ratio	0.64	0.94

There were no changes in the Group's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.4 million. The Company has complied with this requirement.

26. Capital commitments

	Group	
	2010	2009
	RM'000	RM'000
Capital expenditure commitments		
Property, plant and equipment		
Authorised but not contracted for and payable:		
Within one year	34,436	3,552
Contracted for but not provided for and payable:		
Within one year	13,800	50,000
	=====	=====

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.

	Company	
	2010	2009
Unsecured	RM'000	RM'000
Guarantees and contingencies relating to borrowings of subsidiaries	133,032	185,313
	======	======

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 include all the Directors of the Group, and certain members of senior management of the Group.

28. Related parties (continued)

The significant related party transactions of the Group and the Company are as follows:

	Transactions amount for the year ended	
	2010	**2009**
Group	**RM'000**	**RM'000**
Affiliated companies in which the controlling shareholders and Directors have interests		
Purchases of automotive parts	(52,162)	(41,374)
Sales of automotive parts	1,047	183
Rental payable	(192)	(336)
Rental receivable	432	432
Affiliated companies in which a Director of a subsidiary has interest		
Purchases of automotive parts	(6,957)	(5,825)
	======	======
Company		
Subsidiaries		
Rental receivable	1,498	1,596
Management fees	741	-
Affiliated companies in which the controlling shareholders and Directors have interests		
Rental receivable	144	144
	======	======

These transaction have been entered into in the normal course of business and have been established under negotiated terms.

The net balance outstanding arising from the above transactions have been disclosed in Note 10 and Note 16 to the financial statements. All the outstanding balances are expected to be settled in cash by the related parties.

29. Acquisition of minority interest

In December 2010, the Group acquired the remaining 4.2% equity interest in PEPS-JV (M) Sdn. Bhd. for a consideration of RM7,000,000, increasing its ownership from 95.8% to 100%. The net assets in the consolidated financial statements on the date of acquisition was RM180,530,000.

The Group recognised a decrease in minority interest of RM6,370,000 and a decrease in retained earnings of RM630,000.

30. Subsequent event

The Company repurchased 535,400 ordinary share capital of RM1.00 each from the open market for a total cash consideration of RM317,931. As of the date of this report the number of shares in issued and paid-up, net of treasury shares is 161,043,700 ordinary shares of RM1.00 each.

31. Significant changes in accounting policies

31.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Consequently, the adoption of FRS 139 does not affect the basic earnings per ordinary share for prior periods. It is not practicable to estimate the impact arising from the adoption FRS 139 to the current year's basic earnings per share.

31.2 FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Chairman, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114_{2004}, *Segment Reporting*.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

31.3 FRS 101 (revised), *Presentation of Financial Statements*

The Group applies revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

32. Disclosure of realised and unrealised profit

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and prescribed format presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	2010	
	Group RM'000	**Company RM'000**
Total retained earnings of the Company and its subsidiaries:		
- realised	112,073	4,614
- unrealised	(1,857)	1,332
	110,216	5,946
Less: Consolidation adjustments	(43,093)	-
Total retained earnings as per statement of financial position	67,123	5,946

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated to the directive of Bursa Malaysia and should not be applied for any other purposes.

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 7 to 76 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 2010 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 32 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors:

…………………………………………………………
Hamidon Bin Abdullah

…………………………………………………………
Hew Voon Foo

Kuala Lumpur,

Date: 27 April 2011

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 7 to 77 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 27 April 2011.

………………………………..
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 statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 76.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of 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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

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 2010 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 Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and prepared based on format prescribed by Bursa Malaysia Securities Berhad.

Company No. 390116-T

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

Chong Dee Shiang
Approval Number: 2782/09/12(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 27 April 2011