EP Manufacturing Bhd

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

and its subsidiaries

Financial Statements for the year ended 31 December 2012

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

Directors' report for the year ended 31 December 2012

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 2012.

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	29,568	4,327
Non-controlling interests	(7)	-
Profit for the year	29,561	4,327
	=====	=====

Reserves and provisions

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

Dividends

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

i) a second interim tax exempt dividend of 1.00 sen per ordinary share totalling approximately RM1,594,000 in respect of the financial year ended 31 December 2011 on 20 February 2012; and

ii) a final tax exempt dividend of 2.00 sen per ordinary share totalling approximately RM3,187,000 in respect of the financial year ended 31 December 2011 on 17 July 2012.

For (i) above, the dividends paid out were based on the issued and paid up capital (excluding treasury shares) of 159,424,400 ordinary shares of RM1.00 each.

For (ii) above, the dividends paid out were based on the issued and paid up capital (excluding treasury shares) of 159,341,800 ordinary shares of RM1.00 each.

Dividends (continued)

During the financial year, the Directors approved a first interim tax exempt dividend for the financial year ended 31 December 2012 of which an amount totalling approximately RM1,593,000 representing 1.00 sen per ordinary share was paid on 18 January 2013 based on the issued and paid up capital (excluding treasury shares) of 159,318,300 ordinary shares of RM1.00 each.

Subsequent to the financial year end, the Directors approved a second interim tax exempt dividend for the financial year ended 31 December 2012 of which an amount totalling approximately RM1,593,000 representing 1.00 sen per ordinary share was paid on 20 March 2013 based on the issued and paid up capital (excluding treasury shares) of 159,313,300 ordinary shares of RM1.00 each; and recommend a final tax exempt dividend of 2.00 sen per ordinary share totalling approximately RM3,186,000 for the financial year ended 31 December 2012 subject to the approval by the owners at the forthcoming Annual General Meeting based on the issued and paid up capital (excluding treasury shares) at the date of this report.

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
Dato’ Seri Ismail Bin Shahudin
Dato’ Ikmal Hijaz Bin Hashim
Johan Bin Hamidon (Appointed w.e.f. 28 August 2012)
Aidan Hamidon (Appointed w.e.f. 28 August 2012)

Company No. 390116-T

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 the financial 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 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
Company				
Directors of the Company				
Direct interest in the Company				
Hamidon Bin Abdullah	8,447,133	-	-	8,447,133
Dr. Linden Hamidon	1,329,384	-	-	1,329,384
Dato' Seri Ismail Bin Shahudin	372,000	-	-	372,000
Shaari Bin Haron	20,000	-	-	20,000

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
Indirect interest in the Company				
Hamidon Bin Abdullah*	65,218,833	-	-	65,218,833

	Number of ordinary shares of USD1.00 each			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
Subsidiary				
Indirect interest in subsidiary - PT EP Metering & Services				
Hamidon Bin Abdullah	315,000	-	-	315,000

	Number of ordinary shares of Rp1,000,000 each			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
Indirect interest in subsidiary - PT Tirta Serang Madani				
Hamidon Bin Abdullah	900	-	-	900

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

Directors' interests in shares (continued)

By virtue of his interests in the shares of the Company, Hamidon Bin Abdullah is also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2012 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 corporations) 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 26 to the financial statements.

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

Issue of shares and debentures

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

Options granted over unissued shares

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

Other statutory information

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

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

ii) 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 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 2012 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.

Significant events during the year

The significant event during the financial year is disclosed in Note 27 to the financial statements.

Subsequent events

The significant event subsequent to the financial year is disclosed in Note 28 to the financial statements.

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

Shah Alam, Malaysia

Date: 26 April 2013

EP Manufacturing Bhd
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Statements of financial position as at 31 December 2012

		Group			Company		
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Assets							
Property, plant and equipment	3	314,997	272,786	309,624	284	273	35
Investment properties	4	-	-	-	47,125	47,655	48,098
Investments in subsidiaries	5	-	-	-	241,522	245,542	245,542
Investment in an associate	6	-	-	-	-	-	-
Intangible assets	7	87,280	98,240	111,129	-	47	-
Deferred tax assets	8	4,950	5,548	5,478	-	-	-
Trade and other receivables	9	-	-	-	-	-	51,915
Total non-current assets		407,227	376,574	426,231	288,931	293,517	345,590
Inventories	10	33,816	40,676	36,689	-	-	-
Trade and other receivables	9	103,888	71,813	82,277	23,607	11,466	4,952
Prepayments and other assets		7,898	6,696	2,785	2,158	18	-
Current tax assets		1,260	67	311	7	34	69
Cash and cash equivalents	11	66,138	72,255	38,191	4,031	4,433	7,495
Total current assets		213,000	191,507	160,253	29,803	15,951	12,516
Total assets		620,227	568,081	586,484	318,734	309,468	358,106
Equity							
Share capital	12	165,960	165,960	165,960	165,960	165,960	165,960
Reserves	12	151,163	126,528	95,594	27,967	28,572	31,530
Total equity attributable to owners of the Company		317,123	292,488	261,554	193,927	194,532	197,490
Non-controlling interests		29	-	-	-	-	-
Total equity		317,152	292,488	261,554	193,927	194,532	197,490

Company No. 390116-T

Statements of financial position as at 31 December 2012 (continued)

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Liabilities							
Loans and borrowings	13	68,188	63,211	70,265	-	-	10,000
Deferred tax liabilities	8	5,657	3,421	12,825	3,757	3,983	3,683
Total non-current liabilities		73,845	66,632	83,090	3,757	3,983	13,683
Loans and borrowings	13	140,553	98,442	124,446	-	10,000	48,000
Current tax liabilities		-	156	136	-	-	-
Provision for warranties	14	3,778	5,390	4,743	-	-	-
Trade and other payables	15	83,306	103,379	112,515	119,457	99,359	98,933
Dividend payable		1,593	1,594	-	1,593	1,594	-
Total current liabilities		229,230	208,961	241,840	121,050	110,953	146,933
Total liabilities		303,075	275,593	324,930	124,807	114,936	160,616
Total equity and liabilities		620,227	568,081	586,484	318,734	309,468	358,106

The notes on pages 16 to 105 are an integral part of these financial statements.

EP Manufacturing Bhd
(Company No. 390116-T)
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Statements of profit or loss and other comprehensive income for the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue - sales		522,408	578,165	-	-
- dividend income		-	-	9,450	6,500
- rental income		144	144	1,892	1,892
- management fees		-	-	670	679
		522,552	578,309	12,012	9,071
Cost of sales		(432,820)	(482,970)	-	-
Gross profit		89,732	95,339	12,012	9,071
Other income		7,813	5,430	3,883	-
Distribution expenses		(10,839)	(12,339)	-	-
Administrative expenses		(41,925)	(42,085)	(2,495)	(2,630)
Other expenses		(1,877)	(5,060)	(4,023)	-
Results from operating activities		42,904	41,285	9,377	6,441
Finance costs	18	(10,065)	(11,994)	(2,947)	(334)
Finance income		999	885	96	537
Net finance costs		(9,066)	(11,109)	(2,851)	203
Profit before tax	16	33,838	30,176	6,526	6,644
Tax expense	19	(4,277)	8,403	(2,199)	(1,958)
Profit for the year		29,561	38,579	4,327	4,686
Other comprehensive expense, net of tax					
Items that maybe reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(1)	(1)	-	-
Other comprehensive expense for the year, net of tax		(1)	(1)	-	-
Total comprehensive income for the year		29,560	38,578	4,327	4,686

Company No. 390116-T

Statements of profit or loss and other comprehensive income for the year ended 31 December 2012 (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit attributable to:					
Owners of the Company		29,568	38,579	4,327	4,686
Non-controlling interests		(7)	-	-	-
Profit for the year		29,561	38,579	4,327	4,686
Total comprehensive income attributable to:					
Owners of the Company		29,567	38,578	4,327	4,686
Non-controlling interests		(7)	-	-	-
Total comprehensive income for the year		29,560	38,578	4,327	4,686
Basic earnings per ordinary share (sen)	20	18.5	24.1		

The notes on pages 16 to 105 are an integral part of these financial statements.

EP Manufacturing Bhd
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Consolidated statement of changes in equity for the year ended 31 December 2012

Group	Note	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/------------ Attributable to owners of the Company ------------/							
		/-------------- *Non distributable* --------------/				*Distributable*			
At 1 January 2011		165,960	14,069	(982)	(2,689)	85,196	261,554	-	261,554
Total comprehensive income for the year		-	-	(1)	-	38,579	38,578	-	38,578
Dividends to owners of the Company	21	-	-	-	-	(5,987)	(5,987)	-	(5,987)
Repurchase of own shares	12	-	-	-	(1,657)	-	(1,657)	-	(1,657)
At 31 December 2011/1 January 2012		165,960	14,069	(983)	(4,346)	117,788	292,488	-	292,488
Total comprehensive income for the year		-	-	(1)	-	29,568	29,567	(7)	29,560
Recognition of non-controlling interests' share capital		-	-	-	-	-	-	36	36
Dividends to owners of the Company	21	-	-	-	-	(4,780)	(4,780)	-	(4,780)
Repurchase of own shares	12	-	-	-	(152)	-	(152)	-	(152)
At 31 December 2012		165,960	14,069	(984)	(4,498)	142,576	317,123	29	317,152
		/------------------------------Note 12-------------------------/							

The notes on pages 16 to 105 are an integral part of these financial statements.

EP Manufacturing Bhd

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Statement of changes in equity for the year ended 31 December 2012

		/-------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 2011		165,960	14,069	(2,689)	20,150	197,490
Total comprehensive income for the year		-	-	-	4,686	4,686
Dividends to owners of the Company	21	-	-	-	(5,987)	(5,987)
Repurchase of own shares	12	-	-	(1,657)	-	(1,657)
At 31 December 2011/ 1 January 2012		165,960	14,069	(4,346)	18,849	194,532
Total comprehensive income for the year		-	-	-	4,327	4,327
Dividends to owners of the Company	21	-	-	-	(4,780)	(4,780)
Repurchase of own shares	12	-	-	(152)	-	(152)
At 31 December 2012		165,960	14,069	(4,498)	18,396	193,927
		/----------------------Note 12-------------------/				

The notes on pages 16 to 105 are an integral part of these financial statements.

EP Manufacturing Bhd
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Statements of cash flows for the year ended 31 December 2012

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before taxation	33,838	30,176	6,526	6,644
Adjustments for:				
Amortisation of intangible assets	11,273	9,283	-	-
Depreciation of property, plant and equipment	39,601	68,778	15	10
Depreciation of investment properties	-	-	530	533
Dividend income	-	-	(9,450)	(6,500)
Fair value loss on derivatives	-	863	-	-
Finance costs	10,065	11,994	2,947	334
Finance income	(999)	(885)	(96)	(537)
Impairment loss of intangible assets	-	6,397	-	-
Impairment loss on investment in subsidiaries	-	-	4,020	-
Impairment loss on property, plant and equipment	279	42	-	-
Intangible assets written off	47	215	47	-
(Gain)/Loss on disposal of property, plant and equipment	(27)	10	-	-
Net unrealised foreign exchange (gain)/loss	(761)	208	-	-
Property, plant and equipment written off	50	4	-	-
(Reversal of)/Provision for warranties	(171)	2,632	-	-
Operating profit before changes in working capital	93,195	129,717	4,539	484
Changes in working capital:				
Inventories	6,860	(3,987)	-	-
Trade and other receivables, prepayments and other assets	(32,351)	6,344	(14,281)	45,383
Trade and other payables	(20,148)	(9,999)	20,097	426
Provision for warranties	(1,441)	(1,985)	-	-
Cash generated from operations	46,115	120,090	10,355	46,293
Dividends received	-	-	7,087	4,875
Finance costs paid	(105)	-	(2,767)	-
Income taxes (paid)/refunded	(2,792)	(807)	(35)	2
Net cash generated from operating activities	43,218	119,283	14,640	51,170

Company No. 390116-T

Statements of cash flows for the year ended 31 December 2012 (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash flows from investing activities					
Interest received		999	885	96	537
(Increase)/decrease in pledged deposits with licensed banks		(532)	(7,116)	-	1,288
Increase in development costs		(112)	(3,006)	-	(47)
Proceeds from disposal of property, plant and equipment		31	38	-	-
Purchase of property, plant and equipment	(ii)	(81,984)	(31,881)	(26)	(248)
Additions to investment properties		-	-	-	(90)
Net cash (used in)/from investing activities		(81,598)	(41,080)	70	1,440
Cash flows from financing activities					
Dividends paid to owners of the Company		(4,780)	(4,393)	(4,780)	(4,393)
Finance costs paid		(9,960)	(11,994)	(180)	(334)
Repayment of finance lease liabilities		(3,752)	(6,811)	-	-
Net drawdown/(repayment) of loans and borrowings		24,394	(26,400)	(10,000)	(48,000)
Purchase of treasury shares		(152)	(1,657)	(152)	(1,657)
Net cash from/(used in) financing activities		5,750	(51,255)	(15,112)	(54,384)

Company No. 390116-T

Statements of cash flows for the year ended 31 December 2012 (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Net (decrease)/increase in cash and cash equivalents		(32,630)	26,948	(402)	(1,774)
Effect of change in exchange rate		(56)	-	-	-
Cash and cash equivalents at 1 January	(i)	53,317	26,369	4,433	6,207
Cash and cash equivalents at 31 December	(i)	20,631	53,317	4,031	4,433

(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 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Deposits placed with licensed banks	41,156	28,259	1,400	4,088
Cash and bank balances	24,982	43,996	2,631	345
	66,138	72,255	4,031	4,433
Less: Pledged deposits	(19,470)	(18,938)	-	-
Bank overdraft	(26,037)	-	-	-
	20,631	53,317	4,031	4,433

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

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM82,393,000 (2011: RM32,034,000), of which RM409,000 (2011: RM153,000) were acquired by means of finance lease arrangements.

EP Manufacturing Bhd
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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 the principal place of business and registered office is as follows:

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associate. The financial statements of the Company as at and for the year ended 31 December 2012 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 26 April 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. The financial impacts on transition to MFRSs are disclosed in Note 29.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company have early adopted the amendments to MFRS 101, *Presentation of Financial Statements* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on these financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

The following are accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRS, Interpretations and Amendments	**Effective for annual periods beginning on or after**
• MFRS 10, *Consolidated Financial Statements*	1 January 2013
• MFRS 11, *Joint Arrangements*	1 January 2013
• MFRS 12, *Disclosure of Interests in Other Entities*	1 January 2013
• MFRS 13, *Fair Value Measurement*	1 January 2013
• MFRS 119, *Employee Benefits (2011)*	1 January 2013
• MFRS 127, *Separate Financial Statements (2011)*	1 January 2013
• MFRS 128, *Investments in Associates and Joint Ventures (2011)*	1 January 2013
• IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
• Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
• Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*	1 January 2013
• Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*	1 January 2013
• Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*	1 January 2013
• Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*	1 January 2013
• Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*	1 January 2013

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS, Interpretations and Amendments (continued)	**Effective for annual periods beginning on or after**
• Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*	1 January 2013
• Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*	1 January 2013
• Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*	1 January 2013
• Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013
• Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*	1 January 2014
• Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*	1 January 2014
• Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*	1 January 2014
• Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*	1 January 2014
• MFRS 9, *Financial Instruments* (2009)	1 January 2015
• MFRS 9, *Financial Instruments* (2010)	1 January 2015
• Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*	1 January 2015

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

- from the annual period beginning on 1 January 2013 for those standards, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2014 for those standards, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, interpretations or amendments that are effective for annual periods beginning on or after 1 January 2015.

The initial application of the above standards, interpretations and amendments are not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

1. Basis of preparation (continued)

(b) Basis of measurement

These 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 these financial statements in conformity with MFRSs 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 estimates are 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 7	-	measurement of the recoverable amounts of cash-generating units
Note 8	-	recognition of deferred tax assets and liabilities
Note 14	-	provision for warranties

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less impairment losses, if any, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

Acquisitions on or after 1 January 2011 (continued)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, ie. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the changes, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are recognised at cost and are accounted for in the consolidated financial statements using the equity method, unless it is classified as held for sale or distribution. The Group's investment in associates includes goodwill identified on acquisition, net of accumulated impairment, if any. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognized in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Investments in associates are measured in the Company's statement of financial position at cost less impairment losses, if any, unless the investment is classified as held for sale or distribution. The cost of the investments includes transaction costs.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, 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. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) 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 associates are eliminated against the investment to the extent of the Group's interests in the associates. 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.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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.

2. Significant accounting policies (continued)

(c) Foreign currency (continued)

(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 2011 which are treated as assets and liabilities of the Company. 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") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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 in the FCTR in equity.

2. Significant accounting policies (continued)

(d) Financial instruments

(i) Initial recognition and measurement

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

A financial asset is any asset that is cash; or a contractual right to receive cash or another financial asset from another entity; or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable or an equity instrument of another entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets.

Loans and receivables category comprises trade and other receivables and cash and cash equivalents in the statement of financial position.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2(k)(i)).

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities. The classification depends on the nature of the liabilities and the purpose for which the financial liabilities were incurred. Management determines the classification at initial recognition.

When other financial liabilities are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost other than those categorised as fair value through profit or loss.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incures because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probably, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) 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 transferring 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.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(iv) Derecognition (continued)

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 measured at cost less accumulated depreciation and accumulated impairment losses, if any.

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.

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 gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

2. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component 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 annual rates as follows:

Buildings	2%
Renovation	10% - 15%
Equipment, furniture and fittings	8% - 40%
Plant and machineries	10% - 34%
Motor vehicles	16% - 20%

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

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. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. 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 arising from business combinations is measured at cost less accumulated impairment losses, if any. In respect of equity accounted associates, 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 associates.

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(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 as 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 and to use or sell the asset.

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 profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses, if any.

(iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

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.

(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.

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(v) Amortisation

Amortisation is based on the cost of an asset less its residual value.

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 from the date that they are available for use.

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

• Capitalised development costs	3 - 5 years
• Manufacturing and distribution rights	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 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. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than investment properties.

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

2. Significant accounting policies (continued)

(h) Investment properties (continued)

(i) Investment properties carried at cost (continued)

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of 50 years for buildings. Freehold land is not depreciated.

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.

(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.

(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.

(j) Cash and cash equivalents

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

2. Significant accounting policies (continued)

(k) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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.

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 the 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 goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

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 cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in 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 cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at 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 financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When 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 sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(m) Employee benefits

(i) 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.

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) 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.

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(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.

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(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.

(p) 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.

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.

2. Significant accounting policies (continued)

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 financial 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(r) Earnings per ordinary 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, adjusted for own shares held.

(s) 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. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Chairman of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Contingencies

(i) 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 not recognised in the statements of financial position and 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.

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3. Property, plant and equipment

Group	Freehold land RM'000	Buildings and renovation RM'000	Equipment, furniture and fittings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2011	36,300	103,826	7,451	312,611	2,384	51,400	513,972
Additions	248	327	1,357	6,137	171	23,794	32,034
Disposals	-	-	(44)	(66)	(154)	-	(264)
Write off	-	-	(7)	-	(395)	-	(402)
Transfer	-	-	-	74,949	-	(74,949)	-
At 31 December 2011/1 January 2012	36,548	104,153	8,757	393,631	2,006	245	545,340
Additions	-	1,219	718	57,138	455	22,863	82,393
Disposals	-	-	-	-	(266)	-	(266)
Write off	-	(1)	(249)	(427)	-	-	(677)
Transfer to intangible assets (Note 7)	(248)	1	7	(8)	-	-	(248)
At 31 December 2012	36,300	105,372	9,233	450,334	2,195	23,108	626,542

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3. Property, plant and equipment (continued)

Group (continued)	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	-	838	3,252	193,340	1,386	-	198,816
Accumulated impairment loss	-	-	-	5,532	-	-	5,532
At 1 January 2011	-	838	3,252	198,872	1,386	-	204,348
Charge for the year	-	2,196	667	65,628	287	-	68,778
Disposals	-	-	(44)	(42)	(130)	-	(216)
Write off	-	-	(3)	-	(395)	-	(398)
Impairment loss	-	-	-	42	-	-	42
Accumulated depreciation	-	3,034	3,872	258,926	1,148	-	266,980
Accumulated impairment loss	-	-	-	5,574	-	-	5,574
At 31 December 2011/1 January 2012	-	3,034	3,872	264,500	1,148	-	272,554
Charge for the year	-	2,213	774	36,306	308	-	39,601
Disposals	-	-	-	-	(262)	-	(262)
Write off	-	(1)	(218)	(408)	-	-	(627)
Impairment loss	-	-	-	279	-	-	279
Accumulated depreciation	-	5,246	4,428	294,824	1,194	-	305,692
Accumulated impairment loss	-	-	-	5,853	-	-	5,853
At 31 December 2012	-	5,246	4,428	300,677	1,194	-	311,545
	======	======	======	======	======	======	======

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3. Property, plant and equipment (continued)

Group (continued)

	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
Carrying amounts							
At 1 January 2011	36,300	102,988	4,199	113,739	998	51,400	309,624
At 31 December 2011/1 January 2012	36,548	101,119	4,885	129,131	858	245	272,786
At 31 December 2012	36,300	100,126	4,805	149,657	1,001	23,108	314,997

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3. Property, plant and equipment (continued)

Company

	Capital work-in-progress RM'000	Equipment, furniture and fittings RM'000	Total RM'000
Cost			
At 1 January 2011	-	50	50
Additions	248	-	248
At 31 December 2011/1 January 2012	248	50	298
Additions	-	26	26
At 31 December 2012	248	76	324
Accumulated depreciation			
At 1 January 2011	-	15	15
Charge for the year	-	10	10
At 31 December 2011/1 January 2012	-	25	25
Charge for the year	-	15	15
At 31 December 2012	-	40	40
Carrying amounts			
At 1 January 2011	-	35	35
At 31 December 2011/1 January 2012	248	25	273
At 31 December 2012	248	36	284

3.1 Impairment loss

During the financial 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 RM279,000 (31 December 2011: RM42,000; 1 January 2011: Nil) based on their recoverable scrap value.

3.2 Capitalisation of borrowing costs

Included in the Group's additions of property, plant and equipment during the year is borrowing costs capitalised of RM70,000 (31 December 2011: RM1,056,000; 1 January 2011: RM1,316,000).

3. Property, plant and equipment (continued)

3.3 Security

The Group's freehold land, buildings and plant and machineries with net carrying amount of RM195,727,000 (31 December 2011: RM146,177,000; 1 January 2011: RM154,713,000) have been pledged for banking facilities granted to the Group (see Note 13).

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 RM12,744,000 (31 December 2011: RM13,842,000; 1 January 2011: RM15,834,000).

4. Investment properties

Company	**Freehold land RM'000**	**Buildings RM'000**	**Total RM'000**
Cost			
At 1 January 2011	21,500	26,600	48,100
Additions	-	90	90
At 31 December 2011/1 January 2012/ 31 December 2012	21,500	26,690	48,190
Accumulated depreciation			
At 1 January 2011	-	2	2
Charge for the year	-	533	533
At 31 December 2011/ 1 January 2012	-	535	535
Charge for the year	-	530	530
At 31 December 2012	-	1,065	1,065
Carrying amounts			
At 1 January 2011	21,500	26,598	48,098
At 31 December 2011/1 January 2012	21,500	26,155	47,655
At 31 December 2012	21,500	25,625	47,125

4. Investment properties (continued)

Company (continued)	**Freehold land RM'000**	**Buildings RM'000**	**Total RM'000**
Fair value			
At 1 January 2011			48,100
			=====
At 31 December 2011			51,900
			=====
At 31 December 2012			52,769
			=====

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

	Company 2012 RM'000	**2011 RM'000**
Rental income	1,892	1,892
Direct operating expenses		
- Income generating investment properties	148	169
	====	====

5. Investments in subsidiaries

Company

	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Cost of investment		217,381	217,381	217,381
Capital contribution	5.1	30,471	30,471	30,471
Additions	5.2	*	-	-
Less: Impairment loss	5.3	(6,330)	(2,310)	(2,310)
		241,522	245,542	245,542
		======	======	======

* Denotes RM2.00

Details of the subsidiaries are as follows:

Name of subsidiary	**Country of incorporation**	**Principal activities**	**Effective ownership interest 31.12.2012 %**	**31.12.2011 %**	**1.1.2011 %**
PEPS-JV (M) Sdn Bhd	Malaysia	Manufacturing of automotive modular components	100	100	100

5. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
EP Polymers (M) Sdn Bhd	Malaysia	Manufacturing of Integrated Air Fuel Module automotive engines, engineering plastic components and parts	100	100	100
Fundwin Sdn Bhd	Malaysia	Distribution of automotive parts and acts as a sub-contractor to supply materials	100	100	100
Circle Ring Network Sdn Bhd	Malaysia	Manufacture, assembly and distribution of water meters	100	100	100
EP Metering Services Sdn Bhd	Malaysia	Management of water treatment facilities, water meter installation and its related consultancy work	100	100	100
Advance Product Systems Sdn Bhd	Malaysia	Dormant	100	100	100
EP Moulds & Dies (M) Sdn Bhd	Malaysia	Dormant	100	100	100
EPMEX Sdn Bhd	Malaysia	Dormant	100	-	-
EPMB (Australia) Pty Ltd (1)	Australia	Dormant	100	100	100

5. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Held by EP Metering Services Sdn Bhd					
PT EP Metering & Services (1) and its subsidiary	Indonesia	Construction of water treatment and waste water facilities	90	90	90
PT Tirta Serang Madani (1)	Indonesia	Build, develop and to manage drinking water supply system and permanent water treatment plant	81	81	81

(1) Not audited by member firms of KPMG International

5.1 Capital contribution relates to advances to its subsidiaries whereby repayments of these amounts are neither fixed nor expected in the short term.

5.2 Addition to cost of investment relates to incorporation of a wholly-owned subsidiary, EPMEX Sdn Bhd to facilitate the Proposed Acquisition of the business of Maju Expressway Sdn Bhd (“MESB”) and the entire equity interest in MESB.

5.3 Investments in Advance Product Systems Sdn Bhd, EPMB (Australia) Pty Ltd and EP Moulds & Dies (M) Sdn Bhd have been impaired by RM5,625,000, RM2,000 and RM703,000 respectively. Costs of investments in these subsidiaries have been fully impaired.

6. Investment in an associate

	Group 31.12.2012 RM’000	31.12.2011 RM’000	1.1.2011 RM’000
At cost:			
Unquoted shares	*	*	*
	=====	=====	=====

* Denotes RM1.00

The Group has a 50% (31 December 2011: 50%; 1 January 2011: 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 RM1,238 (31 December 2011: RM1,288; 1 January 2011: RM385). The Group has not recognised its share of the losses as the Group has no obligation in respect of these losses.

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7. Intangible assets

Group	Goodwill on consolidation RM'000	Capitalised development costs RM'000	Manufacturing and distribution rights RM'000	Total RM'000
Cost				
At 1 January 2011	84,533	34,345	53,147	172,025
Additions	-	3,006	-	3,006
Write off	-	(215)	-	(215)
At 31 December 2011/ 1 January 2012	84,533	37,136	53,147	174,816
Additions	-	112	-	112
Write off	-	(47)	-	(47)
Transfer from property, plant and equipment (Note 3)	-	248	-	248
At 31 December 2012	84,533	37,449	53,147	175,129
Amortisation and impairment loss				
Accumulated amortisation	-	25,544	14,819	40,363
Accumulated impairment loss	-	-	20,533	20,533
At 1 January 2011	-	25,544	35,352	60,896
Amortisation for the year	-	6,605	2,678	9,283
Impairment loss	-	-	6,397	6,397
Accumulated amortisation	-	32,149	17,497	49,646
Accumulated impairment loss	-	-	26,930	26,930
At 31 December 2011/ 1 January 2012	-	32,149	44,427	76,576
Amortisation for the year	-	2,553	8,720	11,273
Accumulated amortisation	-	34,702	26,217	60,919
Accumulated impairment loss	-	-	26,930	26,930
At 31 December 2012	-	34,702	53,147	87,849
Carrying amounts				
At 1 January 2011	84,533	8,801	17,795	111,129
At 31 December 2011/ 1 January 2012	84,533	4,987	8,720	98,240
At 31 December 2012	84,533	2,747	-	87,280

7. Intangible assets (continued)

Company	**Capitalised development costs RM'000**
Cost	
At 1 January 2011	-
Additions	47
At 31 December 2011/1 January 2012	47
Write off	(47)
At 31 December 2012	-
Carrying amounts	
At 31 December 2011	47
At 31 December 2012	-

7.1 Manufacturing and distribution rights

Manufacturing and distribution rights of the Group are principally arising from recognition of identifiable assets from the acquisition of Circle Ring Network Sdn Bhd ("Circle Ring") in the previous financial years.

In the previous financial year, an impairment loss of RM6,397,000 with a corresponding reversal of deferred tax liabilities amounting to RM1,599,000 was recorded due to a shortfall in business plan projections.

7.2 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.

7. Intangible assets (continued)

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

The aggregate carrying amounts of goodwill are allocated as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Manufacture, assembly and sale of automotive parts	84,533	84,533	84,533
	=====	=====	=====

The recoverable amount 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.

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.

- Projected sales revenue for the next 5 years up to 2017 were based on an average growth rate of 1.9% per annum.

- Projected cost of sales for the next 5 years up to 2017 were based on an expected increase of approximately 2% per annum.

- A pre-tax discount rate of 7.55% (31 December 2011: 7.26%; 1 January 2011: 8%) has been applied in determining the recoverable amount of the automotive unit. The discount rate was estimated based on the Group's weighted average cost of capital. 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 values assigned to the key assumptions represent management's assessment of future trends in the automotive industry and are based on both external sources and internal sources (historical data).

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

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8. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	-	179	179	(19,163)	(13,767)	(16,962)	(19,163)	(13,588)	(16,783)
Unabsorbed capital allowances	2,117	-	-	-	-	-	2,117	-	-
Unutilised investment tax allowances	6,802	5,158	2,679	-	-	-	6,802	5,158	2,679
Unutilised reinvestment allowances	6,116	5,848	4,776	-	-	-	6,116	5,848	4,776
Unutilised tax losses	2,878	2,508	2,049	-	-	-	2,878	2,508	2,049
Others	543	1,639	1,639	-	562	(1,707)	543	2,201	(68)
Tax assets/(liabilities)	18,456	15,332	11,322	(19,163)	(13,205)	(18,669)	(707)	2,127	(7,347)
Set-off of tax	(13,506)	(9,784)	(5,844)	13,506	9,784	5,844	-	-	-
Net tax assets/(liabilities)	4,950	5,548	5,478	(5,657)	(3,421)	(12,825)	(707)	2,127	(7,347)
Company									
Property, plant and equipment	-	-	-	(3,757)	(3,983)	(3,683)	(3,757)	(3,983)	(3,683)

8. 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		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Property, plant and equipment	(391)	(876)	(111)
Deductible temporary differences	5,690	3,264	2,451
Unabsorbed capital allowances	10,957	5,464	4,704
Unutilised investment tax allowances	-	-	11,215
Unutilised reinvestment allowance	10,159	-	1,858
Unutilised tax losses	28,934	27,079	22,405
	55,349	34,931	42,522

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.

9. Trade and other receivables

		Group			Company		
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Non-current:							
Non-trade							
Loans to subsidiaries	9.1	-	-	-	-	-	51,915
Current:							
Trade							
Trade receivables	9.2	78,368	69,427	73,604	-	-	-
Affiliated companies	9.3	3,240	585	805	-	-	-
		81,608	70,012	74,409	-	-	-
Non-trade							
Loans to subsidiaries	9.1	-	-	-	-	6,915	-
Amounts due from subsidiaries	9.4	-	-	-	3,548	4,515	4,879
Affiliated companies	9.3	353	343	950	36	12	36
Other receivables	9.5	21,927	1,458	6,918	20,023	24	37
		22,280	1,801	7,868	23,607	11,466	4,952
		103,888	71,813	82,277	23,607	11,466	4,952

9. Trade and other receivables (continued)

9.1 Loans to subsidiaries

In the previous financial year, loans to subsidiaries are unsecured and bear interest between 5.95% to 7.9% (1 January 2011: 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 13).

9.2 Trade receivables

Included in trade receivables at 31 December 2012 are retentions of RM514,000 (31 December 2011: RM514,000; 1 January 2011: RM514,000) relating to water meter installation project which are expected to be collected within one year.

9.3 Amounts due from affiliated companies

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

9.4 Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, subject to interest rate of 3.15% (31 December 2011: Nil; 1 January 2011: Nil) per annum and repayable on demand.

9.5 Other receivables

Included in other receivables at 31 December 2012 is a deposit of RM20,000,000 relating to the Proposed Acquisition as disclosed in Note 27.

10. Inventories

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Raw materials	21,040	28,776	24,601
Work-in-progress	5,868	7,382	6,100
Finished goods	6,908	4,518	5,988
	33,816	40,676	36,689
Recognised in profit or loss:			
Inventories recognised as cost of sales	432,031	480,870	486,897
Written off	714	2,189	735
Write-down to/(Reversal of) net realisable value	75	(89)	1,719

10. Inventories (continued)

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

11. Cash and cash equivalents

	Group			Company		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deposits placed with licensed banks	41,156	28,259	12,055	1,400	4,088	7,288
Cash and bank balances	24,982	43,996	26,136	2,631	345	207
	66,138	72,255	38,191	4,031	4,433	7,495

Included in the Group's and Company's deposits placed with licensed banks are RM19,470,000 (31 December 2011: RM18,938,000; 1 January 2011: RM11,822,000) and Nil (31 December 2011: Nil; 1 January 2011: RM1,288,000) respectively, pledged for certain banking facilities granted to the Group and the Company (see Note 13).

12. Capital and reserves

12.1 Share capital

	Group and Company					
	Amount 31.12.2012 RM'000	**Number of shares 31.12.2012 '000**	**Amount 31.12.2011 RM'000**	**Number of shares 31.12.2011 '000**	**Amount 1.1.2011 RM'000**	**Number of shares 1.1.2011 '000**
Authorised:						
Ordinary shares of RM1 each	500,000	500,000	500,000	500,000	500,000	500,000
Issued and fully paid:						
Ordinary shares of RM1 each	165,960	165,960	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.

12.2 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.

12. Capital and reserves (continued)

12.3 Treasury shares

The owners of the Company, by an ordinary resolution passed in an Annual General Meeting held on 29 June 2012, approved the Company's plan to repurchase its own shares.

During the financial year, the Company repurchased 181,000 (31 December 2011: 2,079,800; 1 January 2011: 80,000) of its issued ordinary share capital of RM1.00 each ("EP Shares") from the open market at an average buy-back price of RM0.83 (31 December 2011: RM0.80; 1 January 2011: RM0.53) per ordinary share. The total consideration paid for the share buy-back of EP Shares by the Company during the financial year was RM152,000 (31 December 2011: RM1,657,000; 1 January 2011: RM42,000). The repurchase transaction was financed by internally generated funds. The EP Shares repurchased were retained as treasury shares.

As at 31 December 2012, the Group held 6,641,700 (31 December 2011: 6,460,700; 1 January 2011: 4,380,900) EP Shares as treasury shares out of its total issued and paid-up share capital. As at 31 December 2012, the number of shares in issue and paid-up, net of treasury shares is therefore 159,318,300 (31 December 2011: 159,499,300; 1 January 2011: 161,579,100) 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.

12.4 Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has Section 108 tax credit and tax exempt income to frank RM16,659,000 (31 December 2011: RM18,849,000; 1 January 2011: RM20,150,000) of its distributable reserves at 31 December 2012 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the remaining Section 108 tax credit as at 31 December 2012 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

13. Loans and borrowings

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current:						
Secured						
Finance lease liabilities	444	408	3,950	-	-	-
MUNIF/IMTN	-	-	10,000	-	-	10,000
Bai Bithaman Ajil facilities	34,427	44,679	4,732	-	-	-
Term loans	33,317	18,124	51,583	-	-	-
	68,188	63,211	70,265	-	-	10,000
Current:						
Secured						
Finance lease liabilities	305	3,684	6,800	-	-	-
Bankers' acceptances	66,459	60,414	55,631	-	-	-
MUNIF/IMTN	-	10,000	48,000	-	10,000	48,000
Bai Bithaman Ajil facilities	10,991	10,007	2,720	-	-	-
Term loans	11,761	14,337	11,295	-	-	-
Bank overdraft	26,037	-	-	-	-	-
Revolving credit	25,000	-	-	-	-	-
	140,553	98,442	124,446	-	10,000	48,000
	208,741	161,653	194,711	-	10,000	58,000

In the previous financial year, an amount of RM6,915,000 (1 January 2011: RM51,915,000) 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 9).

During the financial year, the Group undertook bank overdraft and revolving credit facilities for the redemption of trade credit facilities. Subsequent to the financial year end, the bank overdraft was converted to trade line facilities.

13. Loans and borrowings (continued)

Security

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 by the subsidiaries (see Note 11).

Bank overdraft, bankers' acceptances and revolving credit
Secured

The bank overdraft, bankers' acceptances and revolving credit 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 by the subsidiaries (see Note 11);
c) first party legal charge on the lands owned by the Company;
d) third party first legal charge on the lands owned by a subsidiary;
e) corporate guarantee issued by the Company and subsidiaries; and
f) negative pledge from the Company and subsidiaries.

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) corporate guarantees by the Company;
c) an assignment of proceeds from Perusahaan Otomobil Nasional Berhad and Perodua Manufacturing Sdn Bhd into the Designated Accounts; and
d) a first rank charge over all Designated Accounts.

Significant financial covenants for certain term loans granted:

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

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13. Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 31.12.2012 RM'000	Interest 31.12.2012 RM'000	Present value of minimum lease payments 31.12.2012 RM'000	Future minimum lease payments 31.12.2011 RM'000	Interest 31.12.2011 RM'000	Present value of minimum lease payments 31.12.2011 RM'000	Future minimum lease payments 1.1.2011 RM'000	Interest 1.1.2011 RM'000	Present value of minimum lease payments 1.1.2011 RM'000
Less than one year	348	(43)	305	3,787	(103)	3,684	7,282	(482)	6,800
Between one and five years	492	(48)	444	463	(55)	408	4,093	(143)	3,950
	840	(91)	749	4,250	(158)	4,092	11,375	(625)	10,750

14. Provision for warranties

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At 1 January	5,390	4,743	2,142
(Reversal)/Provision made during the year	(171)	2,632	6,428
Provision used during the year	(1,441)	(1,985)	(3,827)
At 31 December	3,778	5,390	4,743

The Group gives warranties on certain automotive parts and materials sold and undertake to repair or replace items that fail to perform satisfactory or meet the specification required. The provision for warranties is based on estimates made from historical warranty data.

15. Trade and other payables

		Group			Company		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Trade							
Trade payables		50,438	41,534	54,332	-	-	-
Affiliated companies	15.1	886	4,692	8,934	-	-	-
		51,324	46,226	63,266	-	-	-
Non-trade							
Amounts due to subsidiaries	15.2	-	-	-	119,115	99,031	93,725
Other payables		22,809	41,824	43,501	1	30	398
Finance liabilities at fair value through profit or loss : - Held for trading, including derivatives		-	863	-	-	-	-
Accruals		9,062	14,191	5,660	341	298	4,810
Affiliated companies	15.1	111	275	88	-	-	-
		31,982	57,153	49,249	119,457	99,359	98,933
		83,306	103,379	112,515	119,457	99,359	98,933

15. Trade and other payables (continued)

15.1 Amounts due to affiliated companies

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

15.2 Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and repayable on demand other than an amount of RM116,734,000 (31 December 2011: Nil; 1 January 2011: Nil) subject to interest rate of 3.15% (31 December 2011: Nil; 1 January 2011: Nil) per annum.

16. Profit before tax

		Group		Company	
	Note	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Profit before tax is arrived at after charging:					
Amortisation of intangible assets	7	11,273	9,283	-	-
Auditors' remuneration					
Statutory audit					
- KPMG		363	355	80	75
- other auditors		4	3	-	-
Other services					
- KPMG		15	15	15	15
Bad debts written off		205	36	-	-
Depreciation of property, plant and equipment	3	39,601	68,778	15	10
Depreciation of investment properties	4	-	-	530	533
Fair value loss on derivatives		-	863	-	-
Impairment loss					
- intangible assets	7	-	6,397	-	-
- investment in subsidiaries		-	-	4,020	-
- property, plant and equipment	3	279	42	-	-
- trade and other receivables		836	184	-	-
Inventories written off		714	2,189	-	-
Intangibles assets written off		47	215	47	-
Inventories write-down to net realisable value		75	-	-	-
Loss on disposal of property, plant and equipment		-	10	-	-
Loss on foreign exchange					
- realised		986	1,632	-	-
- unrealised		153	236	-	-

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16. Profit before tax (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit before tax is arrived at after charging (continued):					
Personnel expenses (including key management personnel)					
- Contributions to Employees Provident Fund		3,161	2,946	74	75
- Wages, salaries and others		41,209	37,730	1,083	1,075
Property, plant and equipment written off	3	50	4	-	-
Provision for warranties	14	-	2,632	-	-
Rental expense on					
- machineries and equipment		744	410	4	1
- premises		26	74	1	-
Royalties		42	48	-	-
Other assets written off		-	41	-	-
		=====	=====	=====	=====
and after crediting:					
Dividend income from subsidiaries (unquoted)		-	-	9,450	6,550
Gain on foreign exchange					
- realised		1,490	659	-	-
- unrealised		914	28	-	-
Gain on disposal of property, plant and equipment		27	-	-	-
Rental income					
- premises		432	432	1,892	1,892
- motor vehicles		4	-	-	-
Reversal of impairment loss on trade and other receivables		82	-	-	-
Reversal of inventories to net realisable value		-	89	-	-
Reversal of provision for warranties	14	171	-	-	-
Waiver of debts by a subsidiary		-	-	3,859	-
Write back of payables		-	93	-	-
		=====	=====	=====	=====

17. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors:				
- Fees	362	342	200	180
- Remuneration	1,823	1,944	-	-
- EPF contribution	214	221	-	-
Total short term employee benefits	2,399	2,507	200	180
Other key management personnel:				
- Wages, salaries and others	499	326	-	-
- EPF contribution	58	35	-	-
	2,956	2,868	200	180

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 RM38,000 (2011: RM31,000).

18. Finance costs

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Amounts due to subsidiaries	-	-	2,767	-
- Bankers' acceptances	3,796	2,807	-	-
- Finance lease liabilities	182	485	-	-
- Term loans	5,461	5,159	-	-
- MUNIF/IMTN	584	4,399	180	334
- Bank overdraft	105	200	-	-
- Others	7	-	-	-
	10,135	13,050	2,947	334

18. Finance costs (continued)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Recognised in profit or loss	10,065	11,994	2,947	334
Capitalised on qualifying assets:				
- property, plant and equipment (Note 3)	70	1,056	-	-
	10,135	13,050	2,947	334

19. Tax expense

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
Malaysian - current year	1,527	1,024	2,363	1,625
- prior year	(84)	47	62	33
Total income tax recognised in profit or loss	1,443	1,071	2,425	1,658
Deferred tax expense:				
Origination and reversal of temporary differences	1,348	(5,936)	51	542
Under/(Over) provision in prior year	1,486	(3,538)	(277)	(242)
Total deferred tax recognised in profit or loss	2,834	(9,474)	(226)	300
Total tax expense	4,277	(8,403)	2,199	1,958

19. Tax expense (continued)

Reconciliation of tax expense

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year	29,561	38,579	4,327	4,686
Total tax expense	4,277	(8,403)	2,199	1,958
Profit excluding tax expense	33,838	30,176	6,526	6,644
Income tax calculated using Malaysian tax rate of 25% (2011: 25%)	8,459	7,544	1,632	1,661
Non-deductible expenses	3,366	4,201	782	506
Tax exempt incentives*	(7,300)	(11,851)	-	-
Effect of unrecognised deferred tax assets	(1,650)	(4,806)	-	-
	2,875	(4,912)	2,414	2,167
Over provision in prior year				
- income tax	(84)	47	62	33
- deferred tax	1,486	(3,538)	(277)	(242)
	4,277	(8,403)	2,199	1,958

* The tax exempt incentives arises from reinvestment allowance, investment tax allowance and pioneer status.

20. Earnings per ordinary share - Group

The calculation of basic earnings per share for the year ended 31 December 2012 was based on the profit attributable to ordinary shareholders of RM29,568,000 (2011: RM38,579,000) and a weighted average number of ordinary shares outstanding, calculated as follows:

Weighted average number of ordinary shares

	Group	
	2012	**2011**
	'000	**'000**
Issued ordinary shares at 1 January	165,960	165,960
Effect of treasury shares held	(6,599)	(5,588)
Weighted average number of ordinary shares at 31 December	159,361	160,372
Basic earnings per ordinary share (sen)	18.5	24.1

21. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2012			
Final 2011 ordinary	2.00	3,187	17 July 2012
First interim 2012 ordinary	1.00	1,593	18 January 2013
		4,780	
2011			
Final 2010 ordinary	1.75	2,797	25 August 2011
First interim 2011 ordinary	1.00	1,596	18 November 2011
Second interim 2011 ordinary	1.00	1,594	20 February 2012
		5,987	

Subsequent to the financial year end, the Directors approved and paid a second interim tax exempt dividend of 1.00 sen per ordinary share totalling approximately RM1,593,000 for the financial year ended 31 December 2012 on 20 March 2013. The Directors have recommend a final tax exempt dividend of 2.00 sen per ordinary share totalling approximately RM3,187,000 for the financial year ended 31 December 2012 subject to the approval by the owners at the forthcoming Annual General Meeting based on the issued and paid-up capital (excluding treasury shares) at the date of this report.

22. 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 Executive 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 and sales of materials. The accounting policies of the reportable segments are the same as described in Note 2 (s).

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's Executive 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 Executive Chairman. Hence no disclosure is made on segment assets and liabilities.

Segment capital expenditure

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

22. Operating segments (continued)

	Automotive		Water division		Total	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Segment profit/(loss)	48,430	45,274	(11,929)	(15,798)	36,501	29,476
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	495,757	554,911	17,217	17,996	512,974	572,907
Inter-segment revenue	(2,187)	(2,545)	-	-	(2,187)	(2,545)
Depreciation and amortisation	(40,935)	(73,956)	(9,378)	(3,536)	(50,313)	(77,492)
Finance costs	(9,794)	(11,510)	(87)	(159)	(9,881)	(11,669)
Finance income	911	357	-	-	911	357
Impairment of						
- intangible assets	-	-	-	(6,397)	-	(6,397)
- property, plant and equipment	(279)	-	-	(42)	(279)	(42)
Reversal of write-down of inventories	-	-	-	222	-	222
Write-down and write-off of inventories	(106)	(132)	(683)	(2,189)	(789)	(2,321)
Write-off of intangibles assets	-	-	-	(215)	-	(215)

22. Operating segments (continued)

Reconciliations of reportable segment profit or loss

	Group	
	2012	**2011**
	RM'000	**RM'000**
Profit or loss		
Total profit or loss for reportable segments	36,501	29,476
Other non-reportable segments	(2,663)	700
Consolidated profit before income tax	33,838	30,176

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	
	2012	**2011**
	RM'000	**RM'000**
Geographical information		
Revenue		
Malaysia	470,013	522,267
United Kingdom	17,194	17,996
Saudi Arabia	35,345	38,046
	522,552	578,309

Two major customers of the Group contribute 78% (2011: 80%) to the total revenue of the Group.

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23. Financial instruments

23.1 Categories of financial instruments

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

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL):
- Held for trading (HFT), and
(c) Financial liabilities measured at amortised cost (FL).

Group	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
31 December 2012			
Financial assets			
Trade and other receivables	103,888	103,888	-
Cash and cash equivalents	66,138	66,138	-
	170,026	170,026	-
Financial liabilities			
Loans and borrowings	(208,741)	(208,741)	-
Trade and other payables	(83,306)	(83,306)	-
Dividend payable	(1,593)	(1,593)	-
	(293,640)	(293,640)	-
31 December 2011			
Financial assets			
Trade and other receivables	71,813	71,813	-
Cash and cash equivalents	72,255	72,255	-
	144,068	144,068	-
Financial liabilities			
Loans and borrowings	(161,653)	(161,653)	-
Trade and other payables	(103,379)	(102,516)	(863)
Dividend payable	(1,594)	(1,594)	-
	(266,626)	(265,763)	(863)

23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

Group (continued)	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
1 January 2011			
Financial assets			
Trade and other receivables	82,277	82,277	-
Cash and cash equivalents	38,191	38,191	-
	120,468	120,468	-
Financial liabilities			
Loans and borrowings	(194,711)	(194,711)	-
Trade and other payables	(112,515)	(112,515)	-
	(307,226)	(307,226)	-

Company	Carrying amount RM'000	L&R/ (FL) RM'000
31 December 2012		
Financial assets		
Trade and other receivables	23,607	23,607
Cash and cash equivalents	4,031	4,031
	27,638	27,638
Financial liabilities		
Trade and other payables	(119,457)	(119,457)
Dividend payable	(1,593)	(1,593)
	(121,050)	(121,050)

23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

Company (continued)	Carrying amount RM'000	L&R/ (FL) RM'000
31 December 2011		
Financial assets		
Trade and other receivables	11,466	11,466
Cash and cash equivalents	4,433	4,433
	15,899	15,899
Financial liabilities		
Loans and borrowings	(10,000)	(10,000)
Trade and other payables	(99,359)	(99,359)
Dividend payable	(1,594)	(1,594)
	(110,953)	(110,953)
1 January 2011		
Financial assets		
Trade and other receivables	56,867	56,867
Cash and cash equivalents	7,495	7,495
	64,362	64,362
Financial liabilities		
Loans and borrowings	(58,000)	(58,000)
Trade and other payables	(98,933)	(98,933)
	(156,933)	(156,933)

23. Financial instruments (continued)

23.2 Net gain and losses arising from financial instruments

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) arising on:				
Fair value through profit and loss:				
- Held for trading	-	(863)	-	-
Loans and receivables	653	95	96	537
Financial liabilities measured at amortised cost	(9,497)	(12,646)	912	(334)
	(8,844)	(13,414)	1,008	203

23.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

23.4 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.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

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 trade receivables. Any trade receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

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
31 December 2012			
Not past due	70,468	-	70,468
Past due 1 - 30 days	5,807	-	5,807
Past due 31 - 120 days	1,167	-	1,167
Past due more than 120 days	2,407	(1,481)	926
	79,849	(1,481)	78,368
31 December 2011			
Not past due	26,208	-	26,208
Past due 1 - 30 days	37,437	-	37,437
Past due 31 - 120 days	4,662	-	4,662
Past due more than 120 days	2,122	(1,002)	1,120
	70,429	(1,002)	69,427

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

Group (continued)

	Gross RM'000	Individual impairment RM'000	Net RM'000
1 January 2011			
Not past due	65,474	-	65,474
Past due 1 - 30 days	3,448	-	3,448
Past due 31 - 120 days	2,317	-	2,317
Past due more than 120 days	3,360	(995)	2,365
	74,599	(995)	73,604

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

	2012 RM'000	2011 RM'000
At 1 January	1,002	995
Impairment loss recognised	479	7
At 31 December	1,481	1,002

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 trade receivable directly.

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

23. Financial instruments (continued)

23.4 Credit risk (continued)

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.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk relates to the following:

	Company	
	2012	**2011**
	RM'000	**RM'000**
Corporate guarantee issued to:		
- financial institutions for banking facilities granted to its subsidiaries	207,731	149,241
	======	======

As at the 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.

Intercompany 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.

23. Financial instruments (continued)

23.5 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 meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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23. Financial instruments (continued)

23.5 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:

Group	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
31 December 2012							
Non-derivative financial liabilities							
Secured term loans	45,078	3.0% - 5.6%	50,349	13,514	13,169	19,328	4,338
Secured Bai Bithaman Ajil facilities	45,418	4.0% - 8.1%	52,410	13,798	11,881	26,731	-
Finance lease liabilities	749	2.35% - 4.0%	840	348	246	162	84
Secured bankers' acceptances	66,459	4.7% - 5.25%	67,142	67,142	-	-	-
Bank overdraft	26,037	8.1%	27,524	27,524	-	-	-
Revolving credit	25,000	4.45%	26,022	26,022	-	-	-
Trade and other payables	83,306	-	83,306	83,306	-	-	-
Dividend payable	1,593	-	1,593	1,593	-	-	-
	293,640		309,186	233,247	25,296	46,221	4,422

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis (continued)

	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
Company							
31 December 2012							
Non-derivative financial liabilities							
Trade and other payables	119,457	3.15%	123,133	123,133	-	-	-
Dividend payable	1,593	-	1,593	1,593	-	-	-
	121,050		124,726	124,726	-	-	-

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23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	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
31 December 2011							
Non-derivative financial liabilities							
Secured term loans	32,461	3.0% - 5.6%	34,832	15,524	10,282	9,026	-
Secured Bai Bithaman Ajil facilities	54,686	4.0% - 8.1%	64,330	12,911	13,798	35,642	1,979
Secured MUNIF/IMTN	10,000	7.9%	10,790	10,790	-	-	-
Finance lease liabilities	4,092	2.5% - 4.0%	4,250	3,787	276	187	-
Secured bankers' acceptances	60,414	3.0% - 5.5%	60,926	60,926	-	-	-
Trade and other payables	102,516	-	102,516	102,516	-	-	-
Dividend payable	1,594	-	1,594	1,594	-	-	-
	265,763		279,238	208,048	24,356	44,855	1,979
Derivative financial liabilities							
Forward exchange contracts (gross settled)							
Outflow	863		863	863	-	-	-
	266,626		280,101	208,911	24,356	44,855	1,979
	======		======	======	======	======	======

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis (continued)

	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
Company							
31 December 2011							
Non-derivative financial liabilities							
Secured MUNIF/IMTN	10,000	7.9%	10,790	10,790	-	-	-
Trade and other payables	99,359	-	99,359	99,359	-	-	-
Dividend payable	1,594	-	1,594	1,594	-	-	-
	110,953		111,743	111,743	-	-	-

23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	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
1 January 2011							
Non-derivative financial liabilities							
Secured term loans	62,878	3.0% - 5.6%	64,673	12,284	23,881	28,508	-
Secured Bai Bithaman Ajil facilities	7,452	4.0% - 8.1%	7,937	3,010	3,010	1,917	-
Secured MUNIF/IMTN	58,000	5.95% - 7.90%	62,239	51,632	10,607	-	-
Finance lease liabilities	10,750	2.5% - 4.0%	11,379	7,264	3,804	304	7
Secured bankers' acceptances	55,631	3.0% - 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							
1 January 2011							
Non-derivative financial liabilities							
Secured MUNIF/IMTN	58,000	5.95% - 7.90%	62,239	51,632	10,607	-	-
Trade and other payables	98,933	-	98,933	98,933	-	-	-
	156,933		161,172	150,565	10,607	-	-

23. Financial instruments (continued)

23.6 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.

23.6.1 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 EURO, U.S. Dollar (USD) and Australian Dollar (AUD).

Risk management objectives, policies and processes for managing the risk

During the financial year, the Group did not transact in any derivative instruments or 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. In the previous financial year, the Group used forward exchange contracts up to a value of USD1,400,000 to hedge its foreign currency risk.

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**	**AUD**
	RM'000	**RM'000**	**RM'000**
31 December 2012			
Trade receivables	-	4,224	-
Trade payables	(4,428)	(3,551)	-
Exposure in the statements of financial position	(4,428)	673	-
31 December 2011			
Trade receivables	-	9,284	-
Trade payables	(3,245)	(6,207)	(582)
Foreign exchange contracts	-	(863)	-
Exposure in the statements of financial position	(3,245)	2,214	(582)

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

Group (continued)	Denominated in EURO RM'000	USD RM'000	AUD RM'000
1 January 2011			
Trade receivables	-	11,083	-
Trade payables	(3,014)	(8,953)	-
Exposure in the statements of financial position	(3,014)	2,130	-

Currency risk sensitivity analysis

A 10% (2011: 10%) 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.

Group	Profit or loss 2012 RM'000	2011 RM'000
EURO	332	243
USD	(50)	(166)
AUD	-	44

A 10% (2011: 10%) 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.

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk

The Group's fixed rate financial assets and borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of changes in cash flows 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

In managing interest rate risk, the Group and Company maintain a balanced portfolio of fixed and floating rate instruments. All interest rate exposures are monitored and managed by the Group and Company on a regular basis.

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		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Fixed rate instruments						
Financial assets	41,156	28,259	12,055	4,948	11,003	59,203
Financial liabilities	(31,188)	(51,284)	(131,080)	(116,734)	(10,000)	(50,000)
	9,968	(23,025)	(119,025)	(111,786)	1,003	9,203
Floating rate instruments						
Financial liabilities	(177,553)	(110,369)	(63,631)	-	-	(8,000)

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.

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) (2011: 100bp) 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 Profit or loss	
Floating rate instruments	**100 bp increase RM'000**	**100 bp decrease RM'000**
2012		
Cash flow sensitivity (net)	(1,332)	1,332
	=====	=====
2011		
Cash flow sensitivity (net)	(828)	828
	=====	=====

23.7 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 liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	31.12.2012		31.12.2011		1.1.2011	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Secured term loan	(44,768)	(48,441)	(32,461)	(33,226)	(62,878)	(57,055)
Secured Bai Bithaman Ajil facilities	(45,418)	(52,410)	(54,686)	(55,288)	(7,452)	(7,252)
Secured IMTN	-	-	(10,000)	(10,000)	(50,000)	(49,660)
Finance lease liabilities	(730)	(793)	(4,092)	(4,218)	(10,750)	(10,408)
Forward exchange contracts liabilities	-	-	(863)	(863)	-	-
	=====	=====	=====	=====	=====	=====

23. Financial instruments (continued)

23.7 Fair value of financial instruments (continued)

Company	31.12.2012 Carrying amount RM'000	31.12.2012 Fair value RM'000	31.12.2011 Carrying amount RM'000	31.12.2011 Fair value RM'000	1.1.2011 Carrying amount RM'000	1.1.2011 Fair value RM'000
Loan to subsidiaries	-	-	-	-	51,915	50,522
Secured IMTN	-	-	-	-	(50,000)	(49,660)
	=====	=====	=====	=====	=====	=====

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

Derivatives

Fair value of forward exchange contracts are based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

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 reporting period. For finance lease, the market rate of interest is determined by reference to similar lease agreements.

Interest rates used to determine fair value

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

Group	31.12.2012	31.12.2011	1.1.2011
Loans and borrowings	5.0%	4% - 8%	4% - 8%
Finance lease liabilities	2.55% - 3%	4% - 7%	4% - 7%

23. Financial instruments (continued)

23.8 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
31 December 2011				
Financial liabilities				
Forward exchange contracts	-	(863)	-	(863)
	=====	=====	=====	=====

Fair value hierarchy disclosure is not applicable as at 1 January 2011 and 31 December 2012 as the Group does not have any financial instruments carried at fair value.

Company

Fair value hierarchy disclosure is not applicable as at 1 January 2011, 31 December 2011 and 31 December 2012 as the Company does not have any financial instruments carried at fair value.

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24. 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 2012, the Group's strategy, which was unchanged from 2011, was to maintain the debt-to-equity ratio below 1.5. The debt-to-equity ratios at 31 December 2012, 31 December 2011 and 1 January 2011 were as follows:

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Total borrowings (Note 13)	208,741	161,653	194,711
Less: Cash and cash equivalents (Note 11)	(66,138)	(72,255)	(38,191)
Net debt	142,603	89,398	156,520
Total equity	317,152	292,488	261,554
Debt-to-equity ratio	0.45	0.31	0.60

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% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

25. Capital commitments

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Capital expenditure commitments			
Plant and equipment			
Authorised but not contracted for	46,937	12,367	34,436
Contracted but not provided for	4,214	19,124	13,800

26. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel 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.

The significant related party transactions of the Group and of the Company (other than key management personnel compensations as disclosed in Note 17) are as follows:

	Amount transacted for the year ended	
	2012	**2011**
	RM'000	**RM'000**
Group		
Affiliated companies in which the controlling shareholders and Directors have interests		
Purchases of automotive parts	(57,295)	(62,729)
Sales of materials	9,434	7,881
Rental payable	(26)	(40)
Rental receivable	432	432
Affiliated companies in which a Director of a subsidiary has interest		
Purchases of automotive parts	-	(2,761)
	======	======
Company		
Subsidiaries		
Rental receivable	1,748	1,748
Management fees receivable	670	679
Interest receivable	8	-
Interest payable	(2,767)	-
Waiver of debts by a subsidiary	3,859	-
	======	======

26. Related parties (continued)

Identity of related parties (continued)

Company (continued)	**Amount transacted for the year ended 2012 RM'000**	**2011 RM'000**
Affiliated companies in which the controlling shareholders and Directors have interests		
Rental receivable	144	144
	======	======

The net balance outstanding arising from the above transactions have been disclosed in Note 9 and Note 15. All the outstanding balances are expected to be settled in cash by the related parties.

27. Significant events during the year

27.1 Proposed acquisition of the business of Maju Expressway Sdn Bhd ("MESB") and the entire equity interest in MESB

On 16 March 2012, EP Manufacturing Bhd ("EPMB") entered into an Acquisition Agreement with MESB, Bright Focus Bhd ("BFB") and Ulimas Sdn Bhd ("Ulimas") for the proposed acquisition by a wholly-owned subsidiary of EPMB to incorporate the business of MESB and the entire equity interest in MESB from BFB and Ulimas for a purchase consideration of RM1.15 billion ("Proposed Acquisition") together with the redemption of MESB's existing Islamic medium term notes with nominal amount of RM550 million. On 2 April 2012, EPMEX Sdn Bhd ("EPMEX") was incorporated to facilitate the Proposed Acquisition.

The total consideration of the Proposed Acquisition will be satisfied by internally-generated funds, bank borrowings, issuance of 38,462,000 new EPMB shares amounting to RM50 million (issue price of RM1.30 per share), Redeemable Unsecured Loan Stocks ("RULS") of RM100 million and the issuance of new Islamic Securities of up to nominal value of RM1,300 million by EPMEX ("EPMEX Sukuk"). The completion of the Proposed Acquisition is subject to the fulfillment of the conditions precedent set out in the Acquisition Agreement.

On 24 April 2012, EPMB announced that the size of the EPMEX Sukuk has been increased to nominal value of up to RM1,350 million.

27. Significant events during the year (continued)

27.1 Proposed acquisition of the business of Maju Expressway Sdn Bhd ("MESB") and the entire equity interest in MESB (continued)

On 25 June 2012, EPMB has announced that the authorities will only be able to consider Proposed Acquisition after the Government of Malaysia has communicated its decision on the matters.

The Company has requested for a further extension for the fulfilment of the conditions precedent of the Acquisition Agreement and the parties are still in negotiation.

EPMB will make the necessary announcements on a timely manner in relation to the Proposed Acquisition.

28. Subsequent events

28.1 Material litigation - Writ Summon and Statement of Claim filed by Salcon Engineering Berhad against Circle Ring Network Sdn Bhd

The Group via its wholly-owned subsidiary, Circle Ring Network Sdn Bhd ("CRN") received a Writ of Summons and a statement of claim from Salcon Engineering Berhad ("Salcon"), for the sum of RM11,111,606 ("Sum") together with a claim for interest for the Sum with reference to the total amount invoiced for the supply of water meters by CRN to Salcon. This emanates from allegations of defective water meters by Salcon in its statement of claim. CRN has a good defence to the claim as the defective parts of the water meters, which are within the warranty period under the agreement, have been rectified and replaced. Based on legal advice, CRN and the Group does not expect any loss arising from this claim as it has strong defence to the claim. CRN, via its lawyer, had on 18 April 2013 filed the Memorandum of Appearance and will file the defence on or before 20 May 2013.

28.2 Acquisition of the remaining 50% equity interest in EPTS Manufacturing Sdn Bhd

EP Polymers (M) Sdn Bhd ("EPP"), a wholly-owned subsidiary of the Company had on 4 January 2013 acquired the remaining 1 share representing 50% of the issued and paid-up share capital of EPTS Manufacturing Sdn Bhd ("EPTS") for a total cash consideration of RM1. As such, EPTS became a wholly-owned subsidiary of the Company via EPP.

28. Subsequent events (continued)

28.3 Purchase of treasury shares

Subsequent to year-end, the Company repurchased 5,000 of its issued ordinary share capital of RM1.00 each from the open market for a total consideration of RM3,500 at an average buy-back price of RM0.70 per ordinary share. As of the date of this report, the number of shares in issue and paid-up, net of treasury shares, is 6,646,700 ordinary shares of RM1.00 each.

29. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's and the Company's date of transition to MFRSs).

In preparing the opening statement of financial position at 1 January 2011, the Group and the Company have adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's and the Company's financial position, financial performance and cash flows is set out as follows:

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29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of statement of financial position

Group	Note	1.1.2011 FRSs RM'000	1.1.2011 Effect of transition to MFRSs RM'000	1.1.2011 MFRSs RM'000	31.12.2011 FRSs RM'000	31.12.2011 Effect of transition to MFRSs RM'000	31.12.2011 MFRSs RM'000
Assets							
Property, plant and equipment	a	288,960	20,664	309,624	251,920	20,866	272,786
Investment in an associate		-	-	-	-	-	-
Intangible assets		111,129	-	111,129	98,240	-	98,240
Deferred tax assets	a	5,478	-	5,478	5,788	(240)	5,548
Total non-current assets		405,567	20,664	426,231	355,948	20,626	376,574
Inventories		36,689	-	36,689	40,676	-	40,676
Trade and other receivables		82,277	-	82,277	71,813	-	71,813
Prepayments and other assets		2,785	-	2,785	6,696	-	6,696
Current tax assets		311	-	311	67	-	67
Cash and cash equivalents		38,191	-	38,191	72,255	-	72,255
Total current assets		160,253	-	160,253	191,507	-	191,507
Total assets		565,820	20,664	586,484	547,455	20,626	568,081

29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of statement of financial position (continued)

Group (continued)

	Note	1.1.2011 FRSs RM'000	1.1.2011 Effect of transition to MFRSs RM'000	1.1.2011 MFRSs RM'000	31.12.2011 FRSs RM'000	31.12.2011 Effect of transition to MFRSs RM'000	31.12.2011 MFRSs RM'000
Equity							
Share capital		165,960	-	165,960	165,960	-	165,960
Share premium		14,069	-	14,069	14,069	-	14,069
Translation reserve		(982)	-	(982)	(983)	-	(983)
Treasury share		(2,689)	-	(2,689)	(4,346)	-	(4,346)
Retained earnings	c	67,123	18,073	85,196	99,513	18,275	117,788
Total equity attributable to owners of the Company		243,481	18,073	261,554	274,213	18,275	292,488
Liabilities							
Loans and borrowings		70,265	-	70,265	63,211	-	63,211
Deferred tax liabilities	a,b	10,234	2,591	12,825	1,070	2,351	3,421
Total non-current liabilities		80,499	2,591	83,090	64,281	2,351	66,632

29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of statement of financial position (continued)

Group (continued)

	Note	1.1.2011 FRSs RM'000	1.1.2011 Effect of transition to MFRSs RM'000	1.1.2011 MFRSs RM'000	31.12.2011 FRSs RM'000	31.12.2011 Effect of transition to MFRSs RM'000	31.12.2011 MFRSs RM'000
Loans and borrowings		124,446	-	124,446	98,442	-	98,442
Current tax liabilities		136	-	136	156	-	156
Provisions for warranties		4,743	-	4,743	5,390	-	5,390
Trade and other payables		112,515	-	112,515	103,379	-	103,379
Dividend payable		-	-	-	1,594	-	1,594
Total current liabilities		241,840	-	241,840	208,961	-	208,961
Total liabilities		322,339	2,591	324,930	273,242	2,351	275,593
Total equity and liabilities		565,820	20,664	586,484	547,455	20,626	568,081

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29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of statement of financial position (continued)

Company		1.1.2011			31.12.2011		
	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Assets							
Property, plant and equipment		35	-	35	273	-	273
Investment properties	a	31,543	16,555	48,098	31,106	16,549	47,655
Investment in subsidiaries		245,542	-	245,542	245,542	-	245,542
Intangible assets		-	-	-	47	-	47
Trade and other receivables		51,915	-	51,915	-	-	-
Total non-current assets		329,035	16,555	345,590	276,968	16,549	293,517
Trade and other receivables		4,952	-	4,952	11,466	-	11,466
Prepayments and other assets		-	-	-	18	-	18
Current tax assets		69	-	69	34	-	34
Cash and cash equivalents		7,495	-	7,495	4,433	-	4,433
Total current assets		12,516	-	12,516	15,951	-	15,951
Total assets		341,551	16,555	358,106	292,919	16,549	309,468

29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of statement of financial position (continued)

Company (continued)

	Note	1.1.2011 FRSs RM'000	1.1.2011 Effect of transition to MFRSs RM'000	1.1.2011 MFRSs RM'000	31.12.2011 FRSs RM'000	31.12.2011 Effect of transition to MFRSs RM'000	31.12.2011 MFRSs RM'000
Equity							
Share capital		165,960	-	165,960	165,960	-	165,960
Share premium		14,069	-	14,069	14,069	-	14,069
Treasury share		(2,689)	-	(2,689)	(4,346)	-	(4,346)
Retained earnings	c	5,946	14,204	20,150	4,651	14,198	18,849
Total equity attributable to owners of the Company		183,286	14,204	197,490	180,334	14,198	194,532
Liabilities							
Loans and borrowings		10,000	-	10,000	-	-	-
Deferred tax liabilities	a,b	1,332	2,351	3,683	1,632	2,351	3,983
Total non-current liabilities		11,332	2,351	13,683	1,632	2,351	3,983

29. Explanation of transition to MFRSs (continued)

29.1 Reconciliation of statement of financial position (continued)

Company (continued)

	Note	1.1.2011 FRSs RM'000	1.1.2011 Effect of transition to MFRSs RM'000	1.1.2011 MFRSs RM'000	31.12.2011 FRSs RM'000	31.12.2011 Effect of transition to MFRSs RM'000	31.12.2011 MFRSs RM'000
Loans and borrowings		48,000	-	48,000	10,000	-	10,000
Trade and other payables		98,933	-	98,933	99,359	-	99,359
Dividend payable		-	-	-	1,594	-	1,594
Total current liabilities		146,933	-	146,933	110,953	-	110,953
Total liabilities		158,265	2,351	160,616	112,585	2,351	114,936
Total equity and liabilities		341,551	16,555	358,106	292,919	16,549	309,468

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29. Explanation of transition to MFRSs (continued)

29.2 Reconciliation of statement of profit or loss and other comprehensive income for the year ended 31 December 2011

Group

	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Revenue		578,309	-	578,309
Cost of sales		(482,970)	-	(482,970)
Gross profit		95,339	-	95,339
Other income		5,430	-	5,430
Distribution expenses		(12,339)	-	(12,339)
Administrative expenses	a	(42,287)	202	(42,085)
Other expenses		(5,060)	-	(5,060)
Results from operating activities		41,083	202	41,285
Finance costs		(11,994)	-	(11,994)
Finance income		885	-	885
Net finance costs		(11,109)	-	(11,109)
Profit before tax		29,974	202	30,176
Tax expense		8,403	-	8,403
Profit for the year		38,377	202	38,579
Other comprehensive expense, net of tax				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations		(1)	-	(1)
Other comprehensive expense for the year		(1)	-	(1)
Total comprehensive income for the year		38,376	202	38,578

29. Explanation of transition to MFRSs (continued)

29.2 Reconciliation of statement of profit or loss and other comprehensive income for the year ended 31 December 2011 (continued)

Company

	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Revenue		9,071	-	9,071
Cost of sales		-	-	-
Gross profit		9,071	-	9,071
Administrative expenses	a	(2,624)	(6)	(2,630)
Results from operating activities		6,447	(6)	6,441
Finance costs		(334)	-	(334)
Finance income		537	-	537
Net finance income		203	-	203
Profit before tax		6,650	(6)	6,644
Tax expense		(1,958)	-	(1,958)
Profit for the year		4,692	(6)	4,686
Total comprehensive income for the year		4,692	(6)	4,686

29. Explanation of transition to MFRSs (continued)

29.3 Material adjustments to the statements of cash flows for the year ended 31 December 2011

There are no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

29.4 Notes to reconciliations

(a) Property, plant and equipment and investment properties – Deemed cost exemption – fair value

The Group and Company elected to apply the optional exemption to measure certain property, plant and equipment and investment properties respectively at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The aggregate fair value of these property, plant and equipment of the Group at 1 January 2011 was determined to be RM138,600,000 compared to the then carrying amount of RM117,936,000 under FRSs.

The aggregate fair value of these investment properties of the Company at 1 January 2011 was determined to be RM48,100,000 compared to the then carrying amount of RM31,545,000 under FRSs.

The impact arising from the change is summarised as follows:

	Group	
	1.1.2011	**31.12.2011**
	RM'000	**RM'000**
Statement of profit or loss and other comprehensive income		
Administrative expenses		
- depreciation of property, plant and equipment		202
Adjustment before tax		202
Statement of financial position		
Property, plant and equipment	20,664	20,866
Deferred tax assets	-	(240)
Deferred tax liabilities	(2,591)	(2,351)
Adjustment to retained earnings	18,073	18,275

29. Explanation of transition to MFRSs (continued)

29.4 Notes to reconciliations (continued)

(a) Property, plant and equipment and investment properties – Deemed cost exemption – fair value (continued)

	Company 1.1.2011 RM'000	31.12.2011 RM'000
Statement of profit or loss and other comprehensive income		
Administrative expenses		
- depreciation of property, plant and equipment		(6)
Adjustment before tax		(6)
Statement of financial position		
Investment properties	16,555	16,549
Deferred tax liabilities	(2,351)	(2,351)
Adjustment to retained earnings	14,204	14,198

(b) Tax expense

The changes that affected the deferred tax assets/liabilities are as follows:

	Note	Group 1.1.2011 RM'000	Group 31.12.2011 RM'000	Company 1.1.2011 RM'000	Company 31.12.2011 RM'000
Property, plant and equipment	a	(2,591)	(2,591)	-	-
Investment properties	a	-	-	(2,351)	(2,351)
Increase in deferred tax liabilities		(2,591)	(2,591)	(2,351)	(2,351)

There is no effect on the statement of profit or loss and other comprehensive income for the financial year ended 31 December 2011 on the previously reported tax charge for the financial year.

29. Explanation of transition to MFRSs (continued)

29.4 Notes to reconciliations (continued)

(c) Retained earnings

The changes that affected the retained earnings are as follows:

		Group		Company	
	Note	1.1.2011 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2011 RM'000
Property, plant and equipment	a	18,073	18,275	-	-
Investment properties	a	-	-	14,204	14,198
Increase in retained earnings		18,073	18,275	14,204	14,198

30. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	177,791	148,058	5,598	6,277
- unrealised	16,942	17,193	12,798	12,572
	194,733	162,251	18,396	18,849
Less: Consolidation adjustments	(52,157)	(47,463)	-	-
Total retained earnings as per statement of financial position	142,576	117,788	18,396	18,849

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 the Malaysian Institute of Accountants on 20 December 2010.

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 104 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 30 on page 105 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 on behalf of the Board of Directors in accordance with a resolution of the Directors:

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

…………………………………………………………
Hew Voon Foo

Shah Alam, Malaysia

Date: 26 April 2013

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 financial statements set out on pages 7 to 105 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 26 April 2013.

………………………………..
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 2012 of the Group and of the Company, and the statements of profit or loss and other 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 104.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 30 on page 105 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 Malaysian Financial Reporting Standards or International 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 presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 390116-T

Other Matters

As stated in Note 1(a) to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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

Siew Chin Kiang @ Seow Chin Kiang
Approval Number: 2012/11/14(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 26 April 2013