EP Manufacturing Bhd

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

and its subsidiaries

Financial Statements for the year ended 31 December 2013

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

Directors' report for the year ended 31 December 2013

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 2013.

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	16,412	4,759
Non-controlling interests	(85)	-
Profit for the year	16,327	4,759

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 first interim tax exempt dividend of 1.00 sen per ordinary share totalling approximately RM1,593,000 in respect of the financial year ended 31 December 2012 on 18 January 2013; and

ii) a second interim tax exempt dividend of 1.00 sen per ordinary share totalling approximately RM1,593,000 in respect of the financial year ended 31 December 2012 on 20 March 2013; and

iii) a final tax exempt dividend of 2.00 sen per ordinary share totalling approximately RM3,186,000 in respect of the financial year ended 31 December 2012 on 18 July 2013.

Dividends (continued)

For (i) above, the dividends paid out were based on the issued and paid up capital (excluding treasury shares) of 159,318,300 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 159,313,300 ordinary shares of RM1.00 each.

For (iii) above, the dividends paid out were based on the issued and paid up capital (excluding treasury shares) of 159,293,300 ordinary shares of RM1.00 each.

During the financial year, the Directors approved a first interim tax exempt dividend for the financial year ended 31 December 2013 of which an amount totalling approximately RM1,593,000 representing 1.00 sen per ordinary share was paid on 20 January 2014 based on the issued and paid up capital (excluding treasury shares) of 159,288,300 ordinary shares of RM1.00 each.

Subsequent to the financial year end, the Directors approved a second interim single tier dividend for the financial year ended 31 December 2013 of which an amount totalling approximately RM1,593,000 representing 1.00 sen per ordinary share was paid on 20 March 2014 based on the issued and paid up capital (excluding treasury shares) of 159,283,300 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 2013 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
Aidan Hamidon

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 1.1.2013	**Bought**	**Sold**	**At 31.12.2013**
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 1.1.2013	**Bought**	**Sold**	**At 31.12.2013**
Indirect interest in the Company				
Hamidon Bin Abdullah*	65,218,833	-	-	65,218,833

	Number of ordinary shares of USD1.00 each			
	At 1.1.2013	**Bought**	**Sold**	**At 31.12.2013**
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 1.1.2013	**Bought**	**Sold**	**At 31.12.2013**
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 2013 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.

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 2013 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.

Company No. 390116-T

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

……………………………………………………………
Aidan Hamidon

Shah Alam, Malaysia

Date: 29 April 2014

EP Manufacturing Bhd
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(Incorporated in Malaysia)
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Statements of financial position as at 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	356,904	314,997	395	284
Investment properties	4	-	-	46,828	47,125
Investments in subsidiaries	5	-	-	200,429	241,522
Investment in an associate	6	-	-	-	-
Intangible assets	7	87,132	87,280	-	-
Deferred tax assets	8	4,142	4,950	-	-
Total non-current assets		448,178	407,227	247,652	288,931
Inventories	9	32,999	33,816	-	-
Trade and other receivables	10	118,818	103,888	42,995	23,607
Prepayments and other assets		1,710	7,898	5	2,158
Current tax assets		595	1,260	69	7
Cash and cash equivalents	11	52,295	66,138	10,287	4,031
Total current assets		206,417	213,000	53,356	29,803
Total assets		654,595	620,227	301,008	318,734
Equity					
Share capital	12	165,960	165,960	165,960	165,960
Reserves	12	161,188	151,163	26,331	27,967
Total equity attributable to owners of the Company		327,148	317,123	192,291	193,927
Non-controlling interests		(56)	29	-	-
Total equity		327,092	317,152	192,291	193,927

Company No. 390116-T

Statements of financial position as at 31 December 2013 (continued)

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Liabilities					
Loans and borrowings	13	74,429	68,188	-	-
Deferred tax liabilities	8	3,424	5,657	3,334	3,757
Total non-current liabilities		77,853	73,845	3,334	3,757
Loans and borrowings	13	160,223	140,553	-	-
Current tax liabilities		2,195	-	-	-
Provision for warranties	14	3,617	3,778	-	-
Trade and other payables	15	82,022	83,306	103,790	119,457
Dividend payable		1,593	1,593	1,593	1,593
Total current liabilities		249,650	229,230	105,383	121,050
Total liabilities		327,503	303,075	108,717	124,807
Total equity and liabilities		654,595	620,227	301,008	318,734

EP Manufacturing Bhd
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Statements of profit or loss and other comprehensive income for the year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue - sales		452,168	522,408	-	-
- dividend income		-	-	36,500	9,450
- rental income		144	144	1,892	1,892
- management fees		-	-	610	670
		452,312	522,552	39,002	12,012
Cost of sales		(372,210)	(432,820)	-	-
Gross profit		80,102	89,732	39,002	12,012
Other income		8,113	7,813	-	3,883
Distribution expenses		(10,212)	(10,839)	-	-
Administrative expenses		(39,125)	(41,925)	(5,906)	(2,495)
Other expenses		(6,862)	(1,877)	(24,060)	(4,023)
Results from operating activities		32,016	42,904	9,036	9,377
Finance costs	18	(12,374)	(10,065)	(3,559)	(2,947)
Finance income		949	999	296	96
Net finance costs		(11,425)	(9,066)	(3,263)	(2,851)
Profit before tax	16	20,591	33,838	5,773	6,526
Tax expense	19	(4,264)	(4,277)	(1,014)	(2,199)
Profit for the year		16,327	29,561	4,759	4,327
Other comprehensive income/(expense), net of tax					
Items that maybe reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		8	(1)	-	-
Other comprehensive income/(expense) for the year, net of tax		8	(1)	-	-
Total comprehensive income for the year		16,335	29,560	4,759	4,327

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Statements of profit or loss and other comprehensive income for the year ended 31 December 2013 (continued)

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		16,412	29,568	4,759	4,327
Non-controlling interests		(85)	(7)	-	-
Profit for the year		16,327	29,561	4,759	4,327
Total comprehensive income attributable to:					
Owners of the Company		16,420	29,567	4,759	4,327
Non-controlling interests		(85)	(7)	-	-
Total comprehensive income for the year		16,335	29,560	4,759	4,327
Basic earnings per ordinary share (sen)	20	10.3	18.5		

The notes on pages 16 to 88 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 2013

		/------------ Attributable to owners of the Company ------------/							
		/-------------- *Non distributable* --------------/				*Distributable*			
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**
At 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 2012/1 January 2013		165,960	14,069	(984)	(4,498)	142,576	317,123	29	317,152
Total comprehensive income for the year		-	-	8	-	16,412	16,420	(85)	16,335
Dividends to owners of the Company	21	-	-	-	-	(6,372)	(6,372)	-	(6,372)
Repurchase of own shares	12	-	-	-	(23)	-	(23)	-	(23)
At 31 December 2013		165,960	14,069	(976)	(4,521)	152,616	327,148	(56)	327,092
		/-------------------------------Note 12-------------------------/							

The notes on pages 16 to 88 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 2013

Company	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
		/-------Non distributable------/			*Distributable*	
At 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/ 1 January 2013		165,960	14,069	(4,498)	18,396	193,927
Total comprehensive income for the year		-	-	-	4,759	4,759
Dividends to owners of the Company	21	-	-	-	(6,372)	(6,372)
Repurchase of own shares	12	-	-	(23)	-	(23)
At 31 December 2013		165,960	14,069	(4,521)	16,783	192,291
		/---------------------Note 12------------------/				

EP Manufacturing Bhd
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Statements of cash flows for the year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities				
Profit before taxation	20,591	33,838	5,773	6,526
Adjustments for:				
Advisory fee written off	2,152	-	1,426	-
Amortisation of intangible assets	453	11,273	-	-
Depreciation of property, plant and equipment	32,180	39,601	40	15
Depreciation of investment properties	-	-	543	530
Dividend income	-	-	(36,500)	(9,450)
Finance costs	12,374	10,065	3,559	2,947
Finance income	(949)	(999)	(296)	(96)
Impairment loss on investment in subsidiaries	-	-	23,708	4,020
Impairment loss on property, plant and equipment	-	279	-	-
Intangible assets written off	-	47	-	47
Gain on disposal of property, plant and equipment	(11)	(27)	-	-
Net unrealised foreign exchange loss/(gain)	4	(761)	-	-
Property, plant and equipment written off	21	50	-	-
Provision/(Reversal of provision) for warranties	125	(171)	-	-
Operating profit/(loss) before changes in working capital	66,940	93,195	(1,747)	4,539
Changes in working capital:				
Inventories	817	6,860	-	-
Trade and other receivables, prepayments and other assets	(10,652)	(32,351)	(390)	(14,281)
Trade and other payables	(1,533)	(20,148)	1,718	20,097
Provision for warranties	(286)	(1,441)	-	-
Cash generated from/(used in) operations	55,286	46,115	(419)	10,355
Dividends received	-	-	16,513	7,087
Finance costs paid	(1,633)	(105)	(3,559)	(2,767)
Income taxes paid	(2,829)	(2,792)	(62)	(35)
Net cash generated from operating activities	50,824	43,218	12,473	14,640

Company No. 390116-T

Statements of cash flows for the year ended 31 December 2013 (continued)

		Group		Company	
		2013	**2012**	**2013**	**2012**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from investing activities					
Interest received		949	999	296	96
Decrease/(Increase) in pledged deposits with licensed banks		17,368	(532)	-	-
Increase in development costs		(294)	(112)	-	-
Proceeds from disposal of property, plant and equipment		40	31	-	-
Purchase of property, plant and equipment	(ii)	(73,671)	(81,984)	(86)	(26)
Additions in investment properties		-	-	(32)	-
Net cash (used in)/from investing activities		(55,608)	(81,598)	178	70
Cash flows from financing activities					
Dividends paid to owners of the Company		(6,372)	(4,780)	(6,372)	(4,780)
Finance costs paid		(10,741)	(9,960)	-	(180)
Repayment of finance lease liabilities		(365)	(3,752)	-	-
Net drawdown/(repayment) of loans and borrowings		51,847	24,394	-	(10,000)
Purchase of treasury shares		(23)	(152)	(23)	(152)
Net cash from/(used in) financing activities		34,346	5,750	(6,395)	(15,112)

Company No. 390116-T

Statements of cash flows for the year ended 31 December 2013 (continued)

		Group		Company	
		2013	**2012**	**2013**	**2012**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Net increase/(decrease) in cash and cash equivalents		29,562	(32,630)	6,256	(402)
Effect of change in exchange rate		-	(56)	-	-
Cash and cash equivalents at 1 January	(i)	20,631	53,317	4,031	4,433
Cash and cash equivalents at 31 December	(i)	50,193	20,631	10,287	4,031

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

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits placed with licensed banks	12,341	41,156	7,037	1,400
Cash and bank balances	39,954	24,982	3,250	2,631
	52,295	66,138	10,287	4,031
Less: Pledged deposits	(2,102)	(19,470)	-	-
Bank overdraft	-	(26,037)	-	-
	50,193	20,631	10,287	4,031

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

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM74,137,000 (2012: RM82,393,000), of which RM466,000 (2012: RM409,000) were acquired by means of finance lease arrangements.

The notes on pages 16 to 88 are an integral part of these financial statements.

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 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2013 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 29 April 2014.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

MFRSs, Amendments and Interpretations	Effective for annual periods beginning on or after
• 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
• Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
• Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
• IC Interpretation 21, *Levies*	1 January 2014
• Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*	1 July 2014
• Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*	1 July 2014
• Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*	1 July 2014
• Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*	1 July 2014
• Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*	1 July 2014
• Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*	1 July 2014
• Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*	1 July 2014

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Amendments and Interpretations (continued)	Effective for annual periods beginning on or after
• Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*	1 July 2014
• Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*	1 July 2014
• Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*	1 July 2014
• MFRS 9, *Financial Instruments* (2009)	Date yet to be determined
• MFRS 9, *Financial Instruments* (2010)	Date yet to be determined
• MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*	Date yet to be determined
• Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*	Date yet to be determined

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

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for Amendments to MFRS 139 and IC Interpretation 21 which are not applicable to the Group.

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 2 which is not applicable to the Group.

The initial application of the above standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period's financial statements of the Group.

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 have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured 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.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

For new acquisitions, 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.

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.

(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) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. 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.

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.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

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 if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) 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 year between non-controlling interests and 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.

(vii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted 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 of the Group 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.

2. Significant accounting policies (continued)

(c) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) 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 gain 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.

2. Significant accounting policies (continued)

(c) Foreign currency (continued)

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

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.

(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.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

(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.

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.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

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

Financial liabilities (continued)

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

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 incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from 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 probable, 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 and in accordance to note 2(u).

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" and "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%
Solar	5%
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 arises on business combinations is measured at cost less any accumulated impairment losses. 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.

(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).

2. Significant accounting policies (continued)

(h) Investment properties (continued)

(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.

In the previous financial years, cost of inventories is measured based on the first-in first-out principal.

However, during the financial year, the Group has adopted weighted average cost basis where the cost of inventories is measured based on weighted average cost formula, 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.

The change of measurement method to weighted average cost basis did not have any material impact on the financial statements of the Group retrospectively.

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) 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 impairment loss of the financial asset 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 of disposal. 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.

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.

(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.

(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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(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.

(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.

2. Significant accounting policies (continued)

(q) Income tax (continued)

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.

(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.

2. Significant accounting policies (continued)

(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.

(u) Fair value measurements

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

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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	Solar RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 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 2012/1 January 2013	36,300	105,372	9,233	450,334	-	2,195	23,108	626,542
Additions	-	4,500	1,020	5,107	2,045	527	60,938	74,137
Disposals	-	-	-	(119)	-	(141)	-	(260)
Write off	-	-	(241)	(50)	-	(190)	-	(481)
Transfers	-	-	-	10,663	22,321	-	(32,984)	-
At 31 December 2013	36,300	109,872	10,012	465,935	24,366	2,391	51,062	699,938

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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	Solar RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment loss								
Accumulated depreciation	-	3,034	3,872	258,926	-	1,148	-	266,980
Accumulated impairment loss	-	-	-	5,574	-	-	-	5,574
At 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 2012/1 January 2013	-	5,246	4,428	300,677	-	1,194	-	311,545
Charge for the year	-	2,265	834	28,363	380	338	-	32,180
Disposals	-	-	-	(119)	-	(112)	-	(231)
Write off	-	-	(229)	(41)	-	(190)	-	(460)
Accumulated depreciation	-	7,511	5,033	323,068	380	1,230	-	337,222
Accumulated impairment loss	-	-	-	5,812	-	-	-	5,812
At 31 December 2013	-	7,511	5,033	328,880	380	1,230	-	343,034
Carrying amounts								
At 1 January 2012	36,548	101,119	4,885	129,131	-	858	245	272,786
At 31 December 2012/1 January 2013	36,300	100,126	4,805	149,657	-	1,001	23,108	314,997
At 31 December 2013	36,300	102,361	4,979	137,055	23,986	1,161	51,062	356,904

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 2012	248	50	298
Additions	-	26	26
At 31 December 2012/1 January 2013	248	76	324
Additions	71	15	86
Transfer from subsidiary	-	65	65
At 31 December 2013	319	156	475
Accumulated depreciation			
At 1 January 2012	-	25	25
Charge for the year	-	15	15
At 31 December 2012/1 January 2013	-	40	40
Charge for the year	-	40	40
At 31 December 2013	-	80	80
Carrying amounts			
At 1 January 2012	248	25	273
At 31 December 2012/1 January 2013	248	36	284
At 31 December 2013	319	76	395

3.1 Impairment loss

In the previous 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 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 RM73,000 (2012: RM70,000).

3. Property, plant and equipment (continued)

3.3 Security

The Group's freehold land, buildings and plant and machineries with net carrying amount of RM188,959,000 (2012: RM195,727,000) 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 RM1,123,000 (2012: RM894,000).

4. Investment properties

Company	**Freehold land RM'000**	**Buildings (inclusive of renovation) RM'000**	**Total RM'000**
Cost			
At 1 January 2012/31 December 2012/ 1 January 2013	21,500	26,690	48,190
Additions	-	32	32
Transfer from subsidiary	-	214	214
At 31 December 2013	21,500	26,936	48,436
Accumulated depreciation			
At 1 January 2012	-	535	535
Charge for the year	-	530	530
At 31 December 2012/1 January 2013	-	1,065	1,065
Charge for the year	-	543	543
At 31 December 2013	-	1,608	1,608
Carrying amounts			
At 1 January 2012	21,500	26,155	47,655
At 31 December 2012/1 January 2013	21,500	25,625	47,125
At 31 December 2013	21,500	25,328	46,828

4. Investment properties (continued)

Company (continued)	**Freehold land RM'000**	**Buildings (inclusive of renovation) RM'000**	**Total RM'000**
Fair value			
At 1 January 2012			51,900
			=====
At 31 December 2012			52,769
			=====
At 31 December 2013			53,736
			=====

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

	Company	
	2013 RM'000	**2012 RM'000**
Rental income	1,892	1,892
Direct operating expenses		
- Income generating investment properties	148	148
	====	====

5. Investments in subsidiaries

		Company	
	Note	**2013 RM'000**	**2012 RM'000**
Cost of investment		217,381	217,381
Capital contribution	5.1	13,086	30,471
Additions		-	*
Less: Impairment loss	5.2	(30,038)	(6,330)
		200,429	241,522
		======	======

* Denotes RM2.00

5. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
PEPS-JV (M) Sdn Bhd	Malaysia	Manufacturing of automotive modular components	100	100
EP Polymers (M) Sdn Bhd	Malaysia	Manufacturing of Integrated Air Fuel Module automotive engines, engineering plastic components and parts	100	100
Fundwin Sdn Bhd	Malaysia	Distribution of automotive parts	100	100
Circle Ring Network Sdn Bhd (1)	Malaysia	Manufacture, assembly and distribution of water meters	100	100
EP Metering Services Sdn Bhd	Malaysia	Management of water treatment facilities, water meter installation and its related consultancy work	100	100
Advance Product Systems Sdn Bhd	Malaysia	Dormant	100	100
EP Moulds & Dies (M) Sdn Bhd	Malaysia	Dormant	100	100
EPMEX Sdn Bhd	Malaysia	Dormant	100	100
EPMB (Australia) Pty Ltd (3)	Australia	Dormant	100	100

5. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Held by PEPS-JV (M) Sdn Bhd				
Peps-JV (Melaka) Sdn Bhd (2) (formerly known as EPTS Manufacturing Sdn Bhd)	Malaysia	Manufacturing of automotive components	100	-
Held by EP Metering Services Sdn Bhd				
PT EP Metering & Services (3), (4) and its subsidiary	Indonesia	Construction of water treatment and waste water facilities	90	90
PT Tirta Serang Madani (3), (4)	Indonesia	Build, develop and to manage drinking water supply system and permanent water treatment plant	81	81

(1) The subsidiary temporarily ceased operations at the end of the financial year.

(2) There was an internal re-organisation within the Group during the financial year. PEPS-JV (M) Sdn Bhd, a wholly-owned subsidiary of the Company has on 3 October 2013 acquired the entire equity interest in Peps-JV (Melaka) Sdn Bhd ("PJM") (formerly known as EPTS Manufacturing Sdn Bhd) from EP Polymers (M) Sdn Bhd, another wholly-owned subsidiary of the Company.

(3) Not audited by member firms of KPMG International

(4) Consolidated using management accounts as at 31 December 2013

5.1 Capital contribution relates to advances to its subsidiary whereby repayments of the amount is neither fixed nor expected in the short term.

5.2 The cost of investments in Circle Ring Network Sdn Bhd, Advance Product Systems Sdn Bhd, EPMB (Australia) Pty Ltd and EP Moulds & Dies (M) Sdn Bhd have been fully impaired by RM23,708,000, RM5,625,000, RM2,000 and RM703,000 respectively.

5. Investments in subsidiaries (continued)

5.3 Non-controlling interest in subsidiaries

The Group's subsidiaries that have non-controlling interests ("NCI") are as follows:

	2013		
	PT EP Metering & Services RM'000	PT Tirta Serang Madani RM'000	Total RM'000
NCI percentage of ownership interest and voting interest:	10%	19%	
Carrying amount of NCI	120	68	188
Loss allocated to NCI	-	86	86

Summarised financial information before intra-group elimination

	PT EP Metering & Services RM'000	PT Tirta Serang Madani RM'000
As at 31 December		
Non-current assets	402	2,134
Current assets	3,065	52
Current liabilities	(2,270)	(2,943)
Net assets/(liabilities)	1,197	(757)
Year ended 31 December		
Revenue	-	15
Loss for the year	-	452
Total comprehensive expenses	-	452
Cash flows from operating activities	-	276
Cash flows from investing activities	-	(294)
Net decrease in cash and cash equivalents	-	(18)

5. Investment in subsidiaries (continued)

5.3 Non-controlling interest in subsidiaries (continued)

	2012		
	PT EP Metering & Services RM'000	**PT Tirta Serang Madani RM'000**	**Total RM'000**
NCI percentage of ownership interest and voting interest:	10%	19%	
Carrying amount of NCI	120	68	188
Loss allocated to NCI	-	89	89

Summarised financial information before intra-group elimination

	PT EP Metering & Services RM'000	PT Tirta Serang Madani RM'000
As at 31 December		
Non-current assets	402	2,105
Current assets	2,590	71
Current liabilities	(1,795)	(2,481)
Net assets/(liabilities)	1,197	(305)
Year ended 31 December		
Revenue	-	23
Loss for the year	-	466
Total comprehensive expenses	-	466
Cash flows from operating activities	-	56
Cash flows from investing activities	-	(112)
Net decrease in cash and cash equivalents	-	(56)

6. Investment in an associate

	Group 2013 RM'000	Group 2012 RM'000
At cost:		
Unquoted shares	-	*
	=====	=====

* Denotes RM1.00

On 4 January 2013, the Group via its wholly-owned subsidiary, EP Polymers (M) Sdn Bhd ("EPP") acquired the remaining 50% of the issued and paid-up share capital of Peps-JV (Melaka) Sdn Bhd ("PJM") (formerly known as EPTS Manufacturing Sdn Bhd) comprising 1 ordinary share of RM1.00 for a cash consideration of RM1.00.

PJM remained dormant on acquisition date with net identified liabilities of RM10,631. There is no cash inflow/(outflow) to the Company after setting off with net cash acquired resulting from the acquisition.

In the previous financial year, PJM recorded a loss of RM1,238. The Group has not recognised its share of the losses as the Group has no obligation in respect of these losses.

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 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/ 1 January 2013	84,533	37,449	53,147	175,129
Additions	11	294	-	305
At 31 December 2013	84,544	37,743	53,147	175,434
	=====	=====	=====	======

7. Intangible assets (continued)

Group (continued)	Goodwill on consolidation RM'000	Capitalised development costs RM'000	Manufacturing and distribution rights RM'000	Total RM'000
Amortisation and impairment loss				
Accumulated amortisation	-	32,149	17,497	49,646
Accumulated impairment loss	-	-	26,930	26,930
At 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/ 1 January 2013	-	34,702	53,147	87,849
Amortisation for the year	-	453	-	453
Accumulated amortisation	-	35,155	26,217	61,372
Accumulated impairment loss	-	-	26,930	26,930
At 31 December 2013	-	35,155	53,147	88,302
	=====	=====	=====	======
Carrying amounts				
At 1 January 2012	84,533	4,987	8,720	98,240
	=====	=====	=====	======
At 31 December 2012/ 1 January 2013	84,533	2,747	-	87,280
	=====	=====	=====	======
At 31 December 2013	84,544	2,588	-	87,132
	=====	=====	=====	======

7. Intangible assets (continued)

7.1 Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill are allocated as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Manufacture, assembly and sale of automotive parts	84,544	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 2018 were based on an average growth rate of 1.5% (2012: 1.9%) per annum.

- Projected cost of sales for the next 5 years up to 2018 were based on an expected increase of approximately 2% (2012: 2%) per annum.

- A post-tax discount rate of 5.48% (2012: 7.55%) 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.

7. Intangible assets (continued)

7.2 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 in the previous financial years.

8. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Property, plant and equipment	30	-	(23,647)	(19,163)	(23,617)	(19,163)
Unabsorbed capital allowances	5,408	2,117	-	-	5,408	2,117
Unutilised investment tax allowances	11,834	6,802	-	-	11,834	6,802
Unutilised reinvestment allowances	6,116	6,116	-	-	6,116	6,116
Unutilised tax losses	778	2,878	-	-	778	2,878
Others	289	543	(90)	-	199	543
Tax assets/(liabilities)	24,455	18,456	(23,737)	(19,163)	718	(707)
Set-off of tax	(20,313)	(13,506)	20,313	13,506	-	-
Net tax assets/ (liabilities)	4,142	4,950	(3,424)	(5,657)	718	(707)
Company						
Property, plant and equipment	-	-	(3,334)	(3,757)	(3,334)	(3,757)

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 2013 RM'000	Group 2012 RM'000
Property, plant and equipment	313	(391)
Deductible temporary differences	4,571	5,690
Unabsorbed capital allowances	11,092	10,957
Unutilised investment tax allowances	1,992	-
Unutilised reinvestment allowance	10,159	10,159
Unutilised tax losses	32,847	28,934
	60,974	55,349

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. Inventories

	Group 2013 RM'000	Group 2012 RM'000
Raw materials	19,195	21,040
Work-in-progress	6,653	5,868
Finished goods	7,151	6,908
	32,999	33,816
Recognised in profit or loss:		
Inventories recognised as cost of sales	371,593	432,031
Written off	617	714
Write-down to net realisable value	3,722	75

The inventories written off are included in cost of sales and the inventories written down to net realiseable value has been included in other expenses.

10. Trade and other receivables

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current:					
Trade					
Trade receivables	10.1	89,819	78,368	-	-
Affiliated companies	10.2	2,266	3,240	-	-
		92,085	81,608	-	-
Non-trade					
Amounts due from subsidiaries	10.3	-	-	19,647	3,548
Affiliated companies	10.2	340	353	24	36
Other receivables	10.4	26,393	21,927	23,324	20,023
		26,733	22,280	42,995	23,607
		118,818	103,888	42,995	23,607

10.1 Trade receivables

Included in trade receivables at 31 December 2013 are retentions of RM514,000 (2012: RM514,000) relating to water meter installation project which expired in October 2013. The amount has not been recovered as of the date of this report and its recoverability forms part of the legal suit disclosed in the significant event during the financial year in Note 27.

10.2 Amounts due from affiliated companies

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

10.3 Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, subject to interest rate of 3.15% (2012: 3.15%) per annum and repayable on demand.

10.4 Other receivables

Included in other receivables at 31 December 2013 is a deposit of RM20,000,000 (2012: RM20,000,000) relating to the Proposed Acquisition as disclosed in Note 27.

11. Cash and cash equivalents

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Deposits placed with licensed banks	12,341	41,156	7,037	1,400
Cash and bank balances	39,954	24,982	3,250	2,631
	52,295	66,138	10,287	4,031

Included in the Group's deposits placed with licensed banks are RM2,102,000 (2012: RM19,470,000) which are 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 2013 RM'000	Number of shares 2013 '000	Amount 2012 RM'000	Number of shares 2012 '000
Authorised:				
Ordinary shares of RM1 each	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

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 26 June 2013, approved the Company's plan to repurchase its own shares.

During the financial year, the Company repurchased 30,000 (2012: 181,000) of its issued ordinary share capital of RM1.00 each ("EP Shares") from the open market at an average buy-back price of RM0.76 (2012: RM0.83) per ordinary share. The total consideration paid for the share buy-back of EP Shares by the Company during the financial year was RM23,000 (2012: RM152,000). The repurchase transaction was financed by internally generated funds. The EP Shares repurchased were retained as treasury shares.

As at 31 December 2013, the Group held 6,671,700 (2012: 6,641,700) EP Shares as treasury shares out of its total issued and paid-up share capital. As at 31 December 2013, the number of shares in issue and paid-up, net of treasury shares is therefore 159,288,300 (2012: 159,318,300) 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 Retained earnings

Subject to agreement by the Inland Revenue Board, the Company has tax exempt income to frank RM8,586,000 (2012: RM16,659,000) of its distributable reserves at 31 December 2013 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 Company may frank its future dividends under the single tier company income tax system.

13. Loans and borrowings

	Group 2013 RM'000	Group 2012 RM'000
Non-current:		
Secured		
Finance lease liabilities	541	444
Bai Bithaman Ajil facilities	25,928	34,427
Term loans	47,960	33,317
	74,429	68,188
Current:		
Secured		
Finance lease liabilities	309	305
Bankers' acceptances	108,959	66,459
Bai Bithaman Ajil facilities	9,365	10,991
Term loans	16,590	11,761
Bank overdraft	-	26,037
Revolving credit	25,000	25,000
	160,223	140,553
	234,652	208,741

In the previous financial year, the Group undertook bank overdraft and revolving credit facilities for the redemption of trade credit facilities. The bank overdraft was converted to trade line facilities during the financial year.

13. Loans and borrowings (continued)

Security

Group

Term loans and Bai Bithaman Ajil facilities
Secured

The term loans and Bai Bithaman Aijil 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) pledge of fixed deposit by the subsidiaries (see Note 11); and
d) specific Deed of Assignment of contract proceeds.

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.

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.

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13. Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	**Future minimum lease payments 2013 RM'000**	**Interest 2013 RM'000**	**Present value of minimum lease payments 2013 RM'000**	**Future minimum lease payments 2012 RM'000**	**Interest 2012 RM'000**	**Present value of minimum lease payments 2012 RM'000**
Less than one year	349	(40)	309	348	(43)	305
Between one and five years	604	(63)	541	492	(48)	444
	953	(103)	850	840	(91)	749

14. Provision for warranties

	Group 2013 RM'000	**Group 2012 RM'000**
At 1 January	3,778	5,390
Provision made/(Reversal) during the year	125	(171)
Provision used during the year	(286)	(1,441)
At 31 December	3,617	3,778

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	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade					
Trade payables		40,786	50,438	-	-
Affiliated companies	15.1	1,011	886	-	-
		41,797	51,324	-	-
Non-trade					
Amounts due to subsidiaries	15.2	-	-	103,378	119,115
Other payables	15.3	14,224	6,590	250	1
Accruals		25,937	25,281	162	341
Affiliated companies	15.1	64	111	-	-
		40,225	31,982	103,790	119,457
		82,022	83,306	103,790	119,457

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, subject to interest rate of 3.15% per annum and repayable on demand. In prior year, the amounts due to subsidiaries are unsecured, interest free and repayable on demand other than an amount of RM116,734,000 which is subject to interest rate of 3.15% per annum.

15.3 Other payables

Included in other payables are amounts due to suppliers of RM6,296,000 (2012: Nil) in respect of capital expenditure incurred.

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16. Profit before tax

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit before tax is arrived at after charging:					
Advisory fee written off		2,152	-	1,426	-
Amortisation of intangible assets	7	453	11,273	-	-
Auditors' remuneration					
Statutory audit					
- KPMG		341	363	80	80
- other auditors		2	4	-	-
Other services					
- KPMG		37	15	25	15
Bad debts written off		-	205	-	-
Depreciation of property, plant and equipment	3	32,180	39,601	40	15
Depreciation of investment properties	4	-	-	543	530
Impairment loss					
- investment in subsidiaries		-	-	23,708	4,020
- property, plant and equipment	3	-	279	-	-
- trade and other receivables		-	836	-	-
Inventories written off		617	714	-	-
Intangibles assets written off		-	47	-	47
Inventories write-down to net realisable value		3,722	75	-	-
Loss on foreign exchange					
- realised		1,887	986	-	-
- unrealised		511	153	-	-
Personnel expenses (including key management personnel)					
- Contributions to Employees Provident Fund		2,615	3,161	39	74
- Wages, salaries and others		40,000	41,209	689	1,083
Property, plant and equipment written off	3	21	50	-	-
Provision for warranties	14	125	-	-	-
Rental expense on					
- machineries and equipment		834	744	5	4
- premises		118	26	3	1
Royalties		57	42	-	-
		=====	=====	=====	=====

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16. Profit before tax (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit before tax is arrived at after crediting:					
Dividend income from subsidiaries (unquoted)		-	-	36,500	9,450
Gain on foreign exchange					
- realised		849	1,490	-	-
- unrealised		507	914	-	-
Gain on disposal of property, plant and equipment		11	27	-	-
Rental income					
- premises		432	432	1,892	1,892
- motor vehicles		-	4	-	-
Reversal of impairment loss on trade receivables		8	82	-	-
Reversal of provision for warranties	14	-	171	-	-
Waiver of debts by a subsidiary		-	-	-	3,859
		=====	=====	=====	=====

17. Key management personnel compensation

The key management personnel compensations are as follows:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Directors:				
- Fees	402	362	240	200
- Remuneration	1,705	1,823	-	-
- EPF contribution	201	214	-	-
Total short term employee benefits	2,308	2,399	240	200
Other key management personnel:				
- Wages, salaries and others	979	499	-	-
- EPF contribution	109	58	-	-
	3,396	2,956	240	200
	=====	=====	=====	=====

17. Key management personnel compensation (continued)

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' and other key management personnel's benefit-in-kind is RM33,000 (2012: RM38,000) and RM3,000 (2012: RM1,000) respectively.

18. Finance costs

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Amounts due to subsidiaries	-	-	3,565	2,767
- Finance lease liabilities	41	182	-	-
- Bankers' acceptances	5,119	3,796	-	-
- Term loans and Bai Bithaman Ajil facilities	5,653	5,461	-	-
- Bank overdraft	457	105	-	-
- Revolving credit	1,176	-	-	-
- MUNIF/IMTN	-	584	-	180
- Others	1	7	(6)	-
	12,447	10,135	3,559	2,947
Recognised in profit or loss	12,374	10,065	3,559	2,947
Capitalised on qualifying assets:				
- property, plant and equipment (Note 3)	73	70	-	-
	12,447	10,135	3,559	2,947

19. Tax expense

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax expense:				
Malaysian - current year	5,600	1,527	1,437	2,363
- prior year	89	(84)	-	62
Total income tax recognised in profit or loss	5,689	1,443	1,437	2,425
Deferred tax expense:				
Origination and reversal of temporary differences	(1,085)	1,348	161	51
(Over)/Under provision in prior year	(340)	1,486	(584)	(277)
Total deferred tax recognised in profit or loss	(1,425)	2,834	(423)	(226)
Total tax expense	4,264	4,277	1,014	2,199

Reconciliation of tax expense

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit for the year	16,327	29,561	4,759	4,327
Total tax expense	4,264	4,277	1,014	2,199
Profit excluding tax expense	20,591	33,838	5,773	6,526
Income tax calculated using Malaysian tax rate of 25% (2012: 25%)	5,147	8,459	1,443	1,632
Non-deductible expenses	3,166	3,366	7,843	782
Tax exempt incentives	-	(7,300)	-	-
Tax exempt income	-	-	(7,688)	-
Effect of unrecognised deferred tax assets	(3,798)	(1,650)	-	-
	4,515	2,875	1,598	2,414
Under/(Over) provision in prior year				
- income tax	89	(84)	-	62
- deferred tax	(340)	1,486	(584)	(277)
	4,264	4,277	1,014	2,199

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20. Earnings per ordinary share - Group

The calculation of basic earnings per share for the year ended 31 December 2013 was based on the profit attributable to ordinary shareholders of RM16,415,000 (2012: RM29,568,000) and a weighted average number of ordinary shares outstanding, calculated as follows:

Weighted average number of ordinary shares

	Group	
	2013 ’000	**2012 ’000**
Issued ordinary shares at 1 January	165,960	165,960
Effect of treasury shares held	(6,658)	(6,599)
Weighted average number of ordinary shares at 31 December	159,302	159,361
Basic earnings per ordinary share (sen)	10.3	18.5

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**
2013			
Second interim 2012 ordinary	1.00	1,593	20 March 2013
Final 2012 ordinary	2.00	3,186	18 July 2013
First interim 2013 ordinary	1.00	1,593	20 January 2014
		6,372	
2012			
Final 2011 ordinary	2.00	3,187	17 July 2012
First interim 2012 ordinary	1.00	1,593	18 January 2013
		4,780	

21. Dividends (continued)

Subsequent to the financial year end, the Directors approved and paid a second interim single tier dividend of 1.00 sen per ordinary share totalling approximately RM1,593,000 for the financial year ended 31 December 2013 on 20 March 2014. The Directors have 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 2013 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	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Segment profit/(loss)	30,254	48,430	(5,588)	(11,929)	24,665	36,501
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	450,773	495,757	569	17,217	451,342	512,974
Inter-segment revenue	(52)	(2,187)	-	-	(52)	(2,187)
Depreciation and amortisation	(31,079)	(40,935)	(591)	(9,378)	(31,670)	(50,313)
Finance costs	(12,374)	(9,794)	(6)	(87)	(12,380)	(9,881)
Finance income	831	911	10	-	841	911
Impairment of property plant and equipment	-	(279)	-	-	-	(279)
Write-down and write-off of inventories	(617)	(106)	(3,722)	(683)	(4,339)	(789)

22. Operating segments (continued)

Reconciliations of reportable segment profit or loss

	Group	
	2013	**2012**
	RM'000	**RM'000**
Profit or loss		
Total profit or loss for reportable segments	24,665	36,501
Other non-reportable segments	(4,074)	(2,663)
Consolidated profit before income tax	20,591	33,838

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	
	2013	**2012**
	RM'000	**RM'000**
Geographical information		
Revenue		
Malaysia	414,440	470,013
United Kingdom	554	17,194
Saudi Arabia	37,318	35,345
	452,312	522,552

Two major customers (including sub-contractors of these customers) of the Group contribute 88% (2012: 84%) 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) Financial liabilities measured at amortised cost (FL).

Group	2013 Carrying amount RM'000	2013 L&R/ (FL) RM'000	2012 Carrying amount RM'000	2012 L&R/ (FL) RM'000
Financial assets				
Trade and other receivables	118,818	118,818	103,888	103,888
Cash and cash equivalents	52,295	52,295	66,138	66,138
	171,113	171,113	170,026	170,026
Financial liabilities				
Loans and borrowings	(234,652)	(234,652)	(208,741)	(208,741)
Trade and other payables	(82,022)	(82,022)	(83,306)	(83,306)
Dividend payable	(1,593)	(1,593)	(1,593)	(1,593)
	(318,267)	(318,267)	(293,640)	(293,640)

Company	2013 Carrying amount RM'000	2013 L&R/ (FL) RM'000	2012 Carrying amount RM'000	2012 L&R/ (FL) RM'000
Financial assets				
Trade and other receivables	42,995	42,995	23,607	23,607
Cash and cash equivalents	10,287	10,287	4,031	4,031
	53,282	53,282	27,638	27,638
Financial liabilities				
Trade and other payables	(103,790)	(103,790)	(119,457)	(119,457)
Dividend payable	(1,593)	(1,593)	(1,593)	(1,593)
	(105,383)	(105,383)	(121,050)	(121,050)

23. Financial instruments (continued)

23.2 Net gain and losses arising from financial instruments

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net gains/(losses) arising on:				
Loans and receivables	1,431	653	296	96
Financial liabilities measured at amortised cost	(13,890)	(9,497)	(3,559)	912
	(12,459)	(8,844)	(3,263)	1,008

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**
2013			
Not past due	68,657	-	68,657
Past due 1 - 30 days	17,644	-	17,644
Past due 31 - 120 days	753	-	753
Past due more than 120 days	4,238	(1,473)	2,765
	91,292	(1,473)	89,819
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

23. Financial instruments (continued)

23.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

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

	2013 RM'000	2012 RM'000
At 1 January	1,481	1,002
Impairment loss recognised	-	479
Impairment loss reversed	(8)	-
At 31 December	1,473	1,481

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 negotiations with the customers are on-going to recover the outstanding amounts.

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.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk relates to the following:

	Company	
	2013	**2012**
	RM'000	**RM'000**
Corporate guarantee issued to:		
- financial institutions for banking facilities		
granted to its subsidiaries	233,803	207,731
	======	======

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 wholly-owned subsidiaries. The Company monitors the loans and advances from the subsidiaries on monthly basis.

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.

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**
2013							
Non-derivative financial liabilities							
Secured term loans	64,550	4.0% - 6%	73,264	19,307	23,123	25,922	4,912
Secured Bai Bithaman Ajil facilities	35,293	8.1%	40,508	11,881	11,881	16,746	-
Finance lease liabilities	850	2.28% - 3.5%	953	349	212	213	179
Secured bankers' acceptances	108,959	4.7% - 5.25%	109,828	109,828	-	-	-
Revolving credit	25,000	4.81%	26,202	26,202	-	-	-
Trade and other payables	82,022	-	82,022	82,022	-	-	-
Dividend payable	1,593	-	1,593	1,593	-	-	-
	318,267		334,370	251,182	35,216	42,881	5,091

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
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							
2013							
Non-derivative financial liabilities							
Trade and other payables	103,790	3.15%	107,046	107,046	-	-	-
Dividend payable	1,593	-	1,593	1,593	-	-	-
	105,383		108,639	108,639	-	-	-
2012							
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	-	-	-

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), Japanese Yen (YEN) and Australian Dollar (AUD).

Risk management objectives, policies and processes for managing the risk

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.

Exposure to foreign currency risk

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

	Denominated in		
Group	**EURO RM'000**	**USD RM'000**	**YEN RM'000**
2013			
Trade receivables	387	4,294	-
Trade payables	(6,797)	(2,766)	(92)
Exposure in the statements of financial position	(6,410)	1,528	(92)
2012			
Trade receivables	-	4,224	-
Trade payables	(4,428)	(3,551)	-
Exposure in the statements of financial position	(4,428)	673	-

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.1 Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2012: 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. This analysis is based on foreign currency exchange rate variance that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

Group	**Profit or (loss)**	
	2013	**2012**
	RM'000	**RM'000**
EURO	481	332
USD	(115)	(50)
YEN	7	-
	====	====

A 10% (2012: 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.

23.6.2 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.

23. Financial instruments (continued)

23.6 Market risk (continued)

23.6.2 Interest rate risk (continued)

Exposure to interest rate risk

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Fixed rate instruments				
Financial assets	12,341	41,156	26,684	4,948
Financial liabilities	(38,289)	(31,188)	(103,378)	(116,734)
	(25,948)	9,968	(76,694)	(111,786)
Floating rate instruments				
Financial liabilities	(196,363)	(177,553)	-	-

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) (2012: 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**
2013		
Cash flow sensitivity (net)	(1,473)	1,473
	=====	=====
2012		
Cash flow sensitivity (net)	(1,332)	1,332
	=====	=====

23.7 Fair value information

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

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in active market and the fair value cannot be reliably measured.

23. Financial instruments (continued)

23.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013										
Secured term loans	-	-	-	-	-	-	(71,215)	(71,215)	(71,215)	(64,550)
Secured Bai Bithaman Ajil	-	-	-	-	-	-	(40,508)	(40,508)	(40,508)	(35,293)
Finance lease liabilities	-	-	-	-	-	-	(925)	(925)	(925)	(850)
	======	======	======	======	======	======	======	======	======	======

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value*	Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012							
Secured term loans	-	-	-	-	(48,441)	(48,441)	(44,768)
Secured Bai Bithaman Ajil	-	-	-	-	(52,410)	(52,410)	(45,418)
Finance lease liabilities	-	-	-	-	(793)	(793)	(730)
	======	======	======	======	======	======	======

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

23. Financial instruments (continued)

23.7 Fair Value Information (continued)

Policy on transfer between levels
The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value
Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entry can assess at the measurement date.

Level 2 fair value
Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

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. The market rate of interest is determined by reference to similar borrowing arrangements and lease agreements.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2012: No transfer in either directions).

Level 3 fair value
Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The valuation techniques in determining the fair values disclosed in Level 3 for the financial instruments not carried at fair value is discounted cash flow.

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 2013, the Group's strategy, which was unchanged from 2012, was to maintain the debt-to-equity ratio below 1.5. The debt-to-equity ratios at 31 December 2013 and 31 December 2012 were as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Total borrowings (Note 13)	234,652	208,741
Less: Cash and cash equivalents (Note 11)	(52,295)	(66,138)
Net debt	182,357	142,603
Total equity	327,095	317,152
Debt-to-equity ratio	0.56	0.45

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	
	2013	**2012**
	RM'000	**RM'000**
Capital expenditure commitments		
Plant and equipment		
Authorised but not contracted for	12,000	46,937
Contracted but not provided for	47,014	4,214

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 or jointly 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 Group and the Company has related party relationship with its subsidiaries, affiliated companies and key management personnel during the financial year.

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	
	2013 RM'000	**2012 RM'000**
Group		
Affiliated companies in which the controlling shareholders and Directors have interests		
Purchases of automotive parts	(51,993)	(57,295)
Sales of materials	155	9,434
Rental payable	(17)	(26)
Rental receivable	432	432
Company		
Subsidiaries		
Rental receivable	1,748	1,748
Management fees receivable	610	670
Interest receivable	188	8
Interest payable	(3,565)	(2,767)
Transfer of property, plant and equipment	280	-
Waiver of debts by a subsidiary	-	3,859
	======	======

26. Related parties (continued)

Identity of related parties (continued)

Company	**Amount transacted for the year ended 2013 RM'000**	**2012 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 10 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 Termination of proposed acquisition of the business of Maju Expressway Sdn Bhd ("MESB")

In the previous financial year, a wholly-owned subsidiary of EPMB was incorporated to facilitate the Acquisition Agreement with MESB, Bright Focus Bhd ("BFB") and Ulimas Sdn Bhd ("Ulimas") for the proposed acquisition of the business of MESB 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 16 May 2013, the Group announced that the Company, MESB, BFB and Ulimas had, on 15 May 2013, agreed that the Acquisition Agreement be terminated and MESB shall refund the Security Deposit free from interest to the Group.

The termination of the Acquisition Agreement does not have any material impact to the Group.

Subsequent to the financial year, the security deposit of RM20 million was refunded by BFB through the issuance of Islamic securities – BFB's Sukuk of RM15 million bonds and RM5 million cash.

27. Significant events during the year (continued)

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

On 5 April 2013, the Group via its wholly-owned subsidiary, Circle Ring Network Sdn Bhd ("CRN") received a Writ of Summon 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. Case Management was held on 17 July 2013. Based on legal advice, the Group is of the opinion that they have a good defence to the claim and CRN had filed a Memorandum of Appearance and Defence and Counter Claim.

As disclosed in Note 28.1, the Group disposed CRN subsequent to year end.

28. Subsequent events

28.1 Disposal of a subsidiary

On 9 January 2014, the Company entered into a Share Sale Agreement with Calgary Global Group Limited to dispose its entire shareholdings in Circle Ring Network Sdn Bhd ("CRN") comprising 1,250,000 ordinary shares representing 100% of the issued and paid-up share capital of the Company for a consideration of RM10.

28.2 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 RM3,700 at an average buy-back price of RM0.74 per ordinary share. As of the date of this report, the number of shares in issue and paid-up, net of treasury shares, is 6,676,700 ordinary shares of RM1.00 each.

29. 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	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings of the Company and its subsidiaries:				
- realised	144,350	177,791	3,562	5,598
- unrealised	17,761	16,942	13,221	12,798
	162,111	194,733	16,783	18,396
Less: Consolidation adjustments	(9,495)	(52,157)	-	-
Total retained earnings as per statement of financial position	152,616	142,576	16,783	18,396
	======	======	=====	=====

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 87 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 2013 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 29 on page 88 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

…………………………………………………………
Aidan Hamidon

Shah Alam, Malaysia

Date: 29 April 2014

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, **Chong Poh Leng**, the officer 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 88 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 29 April 2014.

………………………………..
Chong Poh Leng

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 2013 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 87.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of 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 2013 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' report of the subsidiary of which we have not acted as auditors, which is 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 29 on page 88 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

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: 29 April 2014