EP MANUFACTURING BHD Company No. 390116-T

ANNUAL REPORT 2007

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No.8 & 10, Jalan Jurutera U1/23, Seksyen U1
Kawasan Perindustrian Hicom Glenmarie, 40150 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel 03-7803 6663 **Fax** 03-7804 9761

www.epmb.com.my

EPMB - AUTOMOTIVE SYSTEMS SUPPLIER & WATER SOLUTIONS PROVIDER

Since our inception in 1996, EP Manufacturing Bhd ("EPMB") has evolved into a Tier 1 automotive systems supplier providing global solutions for our automotive clients and their end customers. With our partners Bosch & Koito, we value engineer leading technologies to provide cost conscious, effective and timely solutions.

Marking a new chapter in our growth story, EPMB has forayed into the water solutions industry with the welcoming of Severn Trent PLC into our partnership. Severn Trent PLC is a leading water group on the FTSE100, providing purification, operating and testing services in the UK and overseas. EPMB and Severn Trent will together explore water opportunities in Asia Pacific, providing world class water solutions through patented technologies.

Leveraging on its technology portfolio, unique business partnerships, and economies of scale, EPMB is constantly opening new opportunities to evolve our product offerings and solution services.

VISION

With our focus on technology, product quality, methodology, infrastructure, human resource, and business services, EPMB strives to be benchmarked amongst the world's best global companies.

Our service vision is to provide swift and effective solutions throughout all our business functions and verticals from design, development, production, delivery and quality, in both automotive and water.

Every step taken towards our vision will open new territories and new opportunities for our businesses. These opportunities will be met with ready hands, and with the aim to create value for our clients, partners and shareholders.

Contents

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Twelfth (12th) Annual General Meeting of **EP Manufacturing Bhd** will be held at Topas Room, The Saujana Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 25 June 2008 at 10.00 a.m. for the following purposes:

AGENDA

1) To receive the Company's Audited Financial Statements for the financial year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon. **(Resolution 1)**

2) To approve the payment of Directors' fees for the financial year ended 31 December 2007. **(Resolution 2)**

3) To re-elect Encik Hamidon Bin Abdullah who retires in accordance with Article 105 of the Company's Articles of Association. **(Resolution 3)**

4) To re-elect Dr Linden Hamidon Nee Fong who retires in accordance with Article 105 of the Company's Articles of Association. **(Resolution 4)**

5) To re-appoint Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin who is over seventy (70) years of age as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company in accordance with Section 129(6) of the Companies Act, 1965. **(Resolution 5)**

6) To re-appoint Messrs KPMG as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7) As Special Business
To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from the Bursa Malaysia Securities Berhad and other governmental/regulatory bodies where such approvals shall be necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 from time to time to allot and issue ordinary shares from the unissued capital of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided always that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed 10 percent of the issued capital for the time being of the Company". **(Resolution 7)**

8) To transact any other business for which due notice shall have been given.

By Order of the Board

Tay Li Li
Secretary

Selangor
3 June 2008

notice of annual general meeting

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. Where a member appoints two (2) or more proxies to attend the same meeting, a member shall specify the proportions of his shareholdings to be represented by each proxy.

2. A Proxy may but need not be a member of the Company. A member shall not be entitled to appoint a person who is not a member unless that person is an advocate, an approved auditor or a person approved by the Companies Commission of Malaysia.

3. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or his attorney duly authorized in writing, and in the case of a corporation, shall be either given under the corporation's seal or under the hand of an officer or attorney of the corporation duly authorized.

5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at No. 8 & 10, Jalan Jurutera U1/23, Seksyen U1, Kawasan Perindustrian Hicom Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or at any adjournment thereof.

6. Explanatory Note on Special Business:-

   Ordinary Resolution 7

   The Ordinary Resolution proposed under item 7, if passed, will give the Directors of the Company, from the date of the abovementioned Meeting, authority to allot and issue ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company at any time and for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company in General Meeting, will expire at the next Annual General Meeting.

statement accompanying notice of annual general meeting

Pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

1. The Directors standing for re-election at the 12th Annual General Meeting of the Company are Encik Hamidon Bin Abdullah, Dr Linden Hamidon Nee Fong and Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin. Further details of these Directors are set out in Directors' Profile and Analysis of Shareholdings - Directors' Shareholdings.

2. There were four (4) Directors' meetings held during the financial year ended 31 December 2007. Details of attendance of the Directors are set out in the Statement on Corporate Governance of this Annual Report.

3. The Twelfth (12th) Annual General Meeting of the Company will be held at Topas Room, The Saujana Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 25 June 2008 at 10.00 a.m.

group structure

EPMB

EP MANUFACTURING BERHAD

Company No. 390116-T

AUTOMOTIVE

- 95.8%* PEPS-JV (M) SDN BHD
- 100% EP POLYMERS (M) SDN BHD
  - 50% EPTS MANUFACTURING SDN BHD
- 100% FUNDWIN SDN BHD
- 100% ADVANCED PRODUCT SYSTEMS SDN BHD
- 100% EP MOULDS & DIES (M) SDN BHD
- 100% EPMB (AUSTRALIA) PTE LTD

WATER

- 100% EP METERING SERVICES SDN BHD (f.k.a. Wiracash Holdings Sdn Bhd)
- 100% CIRCLE RING NETWORK SDN BHD

* Upon automatic conversion of the 30,000,000 Redeemable Convertible Secured Preference Shares ("RCSPS") held entirely by EP Manufacturing Bhd ("EPMB") on 18 May 2008, EPMB's interest in Peps-JV (M) Sdn Bhd has increased from 89.5% to 95.8%.

corporate information

Board of Directors

Hamidon Bin Abdullah
Executive Chairman

Shaari Bin Haron
Independent Non-Executive Director

Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin
Independent Non-Executive Director

Dr Linden Hamidon Nee Fong
Non-Independent Non-Executive Director

Hew Voon Foo
Non-Independent Non-Executive Director

Audit Committee

Shaari Bin Haron
Chairman

Dato' Ibrahim Hussein
@ Ibrahim Bin Nyar Hussin
Member

Hew Voon Foo
Member

Company Secretary

Tay Li Li
MAICSA 7007996

Registered Office and Principal Place of Business

No. 8 & 10, Jalan Jurutera U1/23
Seksyen U1, Kawasan Perindustrian
Hicom Glenmarie
40150 Shah Alam
Selangor Darul Ehsan, Malaysia
Tel: 603-7803 6663
Fax: 603-7804 9761

Share Registrar

Mega Corporate Services Sdn Bhd
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Tel: 603-26924271
Fax: 603-27325388

Stock Exchange Listing

Main Board, Bursa Malaysia Securities Berhad
Stock Name • EPMB
Stock Code • 7773

Auditors

KPMG Malaysia
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor, Malaysia
Tel: 603-7721 3388
Fax: 603-7721 3399

Principal Bankers

Bank Muamalat Malaysia Berhad
HSBC Bank Malaysia Berhad
Bangkok Bank Berhad
CIMB Bank Berhad

Lawyers

Zul Rafique & Partners
Wee Choo Keong & Faaiz

board of directors

from left to right

Hew Voon Foo
(Non-Independent Non-Executive Director)

Dr Linden Hamidon Nee Fong
(Non-Independent Non-Executive Director)

Hamidon Bin Abdullah
(Executive Chairman)

Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin
(Independent Non-Executive Director)

Shaari Bin Haron
(Independent Non-Executive Director)

directors' profile

HAMIDON BIN ABDULLAH
Executive Chairman

Hamidon bin Abdullah, Malaysian, aged 55, is an established entrepreneur and is the controlling shareholder and the Executive Chairman of EP Manufacturing Bhd ("EPMB"). He was appointed to the Board on 20 January 1997. Encik Hamidon is the founding member of the EPMB Group which he started in 1988. He is also a director of Atis Corporation Berhad and the Executive Chairman of Mutiara Goodyear Development Berhad.

Encik Hamidon obtained his Bachelor's Degree in Applied Mathematics & Computer Science in 1974 and a Master's Degree in Urban Planning in 1975 from the University of Adelaide, Australia. Upon graduation in 1975, he started his career as a System Analyst with the South Australia Highway Department. After 4 years, he was engaged as an Urban Planning Consultant with P.G. Pakpoys & Associates (KL). In 1983, he joined an architect firm, Hijjas Kasturi & Associates as one of its partners. He left after 3 years to start his own business.

He has no family relationship with any other director or major shareholder of EPMB except for Dr Linden Hamidon Nee Fong who is his spouse and has no conflict of interest with EPMB. He has not been convicted for any offences within the past 10 years.

SHAARI BIN HARON
Independent Non-Executive Director

Shaari bin Haron, Malaysian, aged 57, is an Independent Non-Executive Director of EPMB and the Chairman of the Audit Committee. He was appointed to the Board on 20 January 1997. Encik Shaari obtained his Bachelor of Law (Honours) degree from the International Islamic University in 1991. He started his career as an Inspector with the Royal Malaysian Police Force in 1971. In 1992, he opted for early retirement from the Police Force to practice law and currently he is a Senior Partner in Messrs Abu Bakar & Yong. He is an Independent Director of a Second Board company, Voir Holdings Berhad.

Encik Shaari is also a member of the Nomination Committee and Remuneration Committee.

He has no family relationship with any other director or major shareholder of EPMB and has no conflict of interest with EPMB. He has not been convicted for any offences within the past 10 years.

DATO' IBRAHIM HUSSEIN @ IBRAHIM BIN NYAR HUSSIN
Independent Non-Executive Director

Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin, Malaysian, aged 72, is an Independent Non-Executive Director of EPMB and a member of the Audit Committee. He was appointed to the Board on 20 January 1997. Dato' Ibrahim is an artist by profession. He set up the Ibrahim Hussein Museum and Cultural Foundation, a private, non-profit foundation in Langkawi on 18 September 1991. He is internationally recognized and has received many accolades and prestigious awards, which includes the "Crystal Award' from The World Economic Forum, Davos, Switzerland, in 1977. In 2007, he received "Anugerah Tokoh Melayu Terbilang' from the President of UMNO who is also the Prime Minister.

Dato' Ibrahim is also a member of the Nomination Committee and Remuneration Committee.

He has no family relationship with any other director or major shareholder of EPMB and has no conflict of interest with EPMB. He has not been convicted for any offences within the past 10 years.

DR LINDEN HAMIDON NEE FONG
Non-Independent Non-Executive Director

Dr Linden Hamidon Nee Fong, Australian/Malaysian PR, aged 54, is a Non-Executive Director of EPMB. She was appointed to the Board on 20 January 1997. Dr Linden holds a Bachelor of Dental Surgery from the University of Adelaide, Australia, which she obtained in 1978. She is also a practicing Dentist since 1980.

She has no family relationship with any other director or major shareholder of EPMB except for Encik Hamidon Bin Abdullah who is her spouse and has no conflict of interest with EPMB. She has not been convicted for any offences within the past 10 years.

HEW VOON FOO
Non-Independent Non-Executive Director

Hew Voon Foo, Malaysian, aged 47, is a Non-Independent Non-Executive Director of EPMB and a member of the Audit Committee. He was appointed to the Board on 17 April 2002. He is a member of the Chartered Institute of Management Accountants ("CIMA") and the Malaysian Institute of Accountants ("MIA").

He has extensive experience in financial management gained over the years in an audit firm and as financial controller in a local manufacturing company.

Mr Hew is also a member of the Nomination Committee and Remuneration Committee.

He has no family relationship with any other director or major shareholder of EPMB and has no conflict of interest with EPMB. He has not been convicted for any offences within the past 10 years.

board of directors and management team

From Left to Right:-
Hew Voon Foo (Director), Zulkefly Baharuddin (Director of Business & Development), Haldun Arin (Chief Operating Officer), Dr Linden Hamidon Nee Fong (Director), Hamidon Bin Abdullah (Executive Chairman), Dato' Ibrahim Hussein (Director), Ong Tsuey Yun (Director of Finance & Special Project), Shaari Bin Haron (Director), Mohd Nizam Bin Mohamed (Director of Manufacturing)

water divison

From Left to Right:-
Jahiz Ikmal (Marketing & Projects), Thomas Hahn (Director of Marketing & Projects), Ahmad Kamaruzaman Bin Mohamed Baria (Director of Circle Ring Network Sdn Bhd), Shahrulzaman Hassan (Corporate Development), Vincent Khor Ying Cheng (Marketing & Projects)

our products

AUTOMOTIVE COMPONENTS

MODULAR

INTAKE AIR FUEL MODULE
FUEL TANK
CORNER MODULE
PARKING BRAKE ASSY
DUPLEX ACTUATION SYSTEM
REAR COMBINATION LAMP
HEAD LAMP

METAL/SUSPENSION PART

CHASSIS & BODY PARTS
SUB-FRAME
FRONT DECK
CROSS-MEMBER
DOOR INNER FRONT
DASH PANEL
TRAILING ARM
MUFFLER

PLASTIC

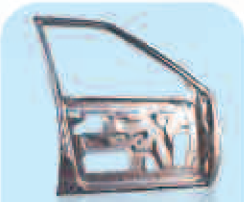
LAMP
BUMPER
FUEL RAIL ASSY
REAR SPOILER


Cross-Member


Intake Air
Fuel Module

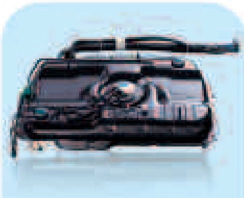

Sub-Frame


Head Lamp


Door Inner Front


Trailing Arm


Bumper


Fuel Tank


Rear Corner Module


Dash Panel


Rear Combination
Lamp


Rear Spoiler

WATER METERS


SM 150VR


SM 700


SM 150E

chairman's statement

On behalf of the Board of Directors of EP Manufacturing Bhd ("EPMB"), it is my pleasure to present to you the annual report and audited financial statements of the EPMB Group and the Company for the financial year ended 31 December 2007.

FINANCIAL PERFORMANCE

The Group recorded total revenue of RM303.0 million for the financial year ended 31 December 2007 compared to RM228.5 million achieved in the previous financial year, an increase of 33%. The Group recorded a net loss of RM0.5 million, from a net profit of RM2.9 million in the previous financial year.

Basic loss per share for the year is 0.77 sen.

chairman's statement

MALAYSIAN ECONOMY & AUTOMOBILE INDUSTRY

The Malaysian economy grew by 6.3% in 2007, the fastest pace since 2004. The growth was attributed to the expansion in the manufacturing and services sectors, especially in the second half of 2007. The growth prospects are expected to remain favourable in 2008, with expanding domestic demand to continue to provide strong support for the economy.

Automotive sales recorded significant improvement in the second half of 2007 due to higher public sector salaries, launch of new models especially in the lower engine capacity segment at affordable prices and consumers' acceptance of lower trade-in vehicle prices. Total industry volume ("TIV") declined only marginally by 0.7% to 487,176 units in 2007 from 490,768 units in 2006.

REVIEW OF OPERATIONS

Automotive Division

EPMB's automotive division was positively impacted from the recovery of the domestic automotive industry in the second half of 2007.

Locally, the increase in revenue was mainly attributed to the improvement in vehicle sales driven by the new models launched by Proton and Perodua. Revenue was further boosted by an increase in sales exports to the Middle East region.

However, profitability declined as we incurred one-off costs to prepare our manufacturing platform and train our staff for the production of new components, mainly the Intake Air Fuel Module ("IAFM") for Proton Campro engines and automotive modular systems for newly launched Proton Persona, Proton Saga and Perodua Viva.

Water Meter Division

EPMB ventured into the business of manufacturing electronic water meters in 2007 by acquiring a 100% equity stake in Circle Ring Network Sdn Bhd ("CRN"). CRN is the manufacturing and sales partner of Severn Trent Metering Services Ltd ("STMS"), part of Severn Trent PLC, a leading water group in the United Kingdom.

Revenues to our water meter division were largely contributed by export sales to STMS. In the regional scene, EPMB's extensive marketing efforts have led to current on-going trials of the electronic water meters in Malaysia and several countries across the Asia-Pacific region.

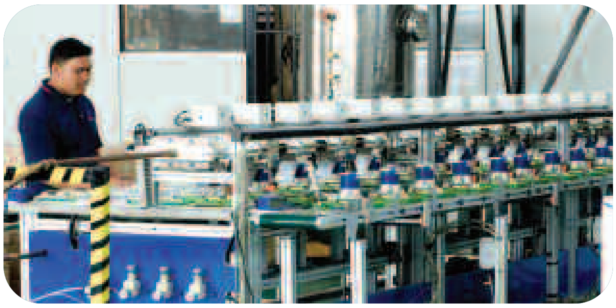
CORPORATE DEVELOPMENTS

EPMB has on 6 May 2008 signed a License and Technology Transfer Agreement with Bosch to manufacture and assemble starter motors and alternators.

This is a further extension of the technical partnership and licensing arrangements between EPMB and Bosch. This collaboration will enable EPMB to supply starter motors and alternators to Bosch's customers and other original equipment manufacturers ("OEMs") in the Asean region.

We are excited about this development as it marks EPMB's maiden foray into the regional automotive industry.

chairman's statement



PROSPECTS

The Group's outlook for the coming year remains positive, supported by the expected recovery in the domestic automotive industry. The Malaysian Automotive Association ("MAA") has forecasted that TIV will increase by 4.7% to 510,000 units in 2008.

Over the longer term, we expect our export sales to grow, driven by the extended licensing arrangement with Bosch which will enhance our sales in the Asean region.

In our water meter division, we are optimistic that the current on-going trials will materialize into substantial orders over the near term.

DIVIDENDS

It is our intention to reward our shareholders via dividends whenever circumstances so permit. However, after considering the Group's financial and cash flow positions for the financial year ended 31 December 2007, the Board has collectively decided to conserve cash reserves for future investments. As such, the Board has not recommended any dividend for the financial year under review.

APPRECIATION

On behalf of the Board of Directors of EPMB, I would like to extend my gratitude to the management team and all employees for their commitment, dedication and loyalty in contributing to the success of the Group. I would also like to record my appreciation to our shareholders, customers and suppliers for their support and confidence in us. To my fellow Board members, thank you for your continuous support and counsel.

HAMIDON BIN ABDULLAH
Executive Chairman

statement on corporate governance

Recognising the Company's responsibility towards its shareholders, customers, employees, the community and regulatory bodies, the Board of Directors is committed to ensure and maintain a high standard of corporate governance and social ethical behavior in conducting the business and affairs of the Group.

The Company applied the principles and practices of the Malaysian Code on Corporate Governance continuously within the Group in achieving this commitment.

1. BOARD OF DIRECTORS

1.1 Composition of the Board

The Board is principally responsible for strategic planning and ensuring proper conduct of the operations and business affairs of the Group. The Board currently consists of five (5) directors, i.e. an Executive Chairman and four non-executive directors, two of whom are independent. A brief write-up on each Director is set out under the Directors' Profile.

The Executive Chairman is responsible for the orderly conduct and working of the Board. The Independent Directors are independent of management. They have the necessary skills and experience to exercise their unfettered and independent judgement. They provide independent views and judgement and safeguard the interest of parties such as minority shareholders. No individual or group of individuals dominate the Board's decision making.

Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin was nominated as the Senior Independent Non-Executive Director of whom concerns may be conveyed.

In accordance with the Company's Articles of Association, all Directors shall retire from office at least once in every three years but shall be eligible for re-election.

1.2 Board Meetings

The Board generally meets quarterly with additional meetings convened as and when necessary. During the financial year ended 31 December 2007, four (4) meetings were held and the record of Directors' attendance is as follows:-

Directors	Meetings attended by the Directors/ Total number of meetings held during the financial year ended 31 December 2007	% of attendance
Executive Director		
Hamidon Bin Abdullah	4/4	100
Non-Executive Directors		
Dr Linden Hamidon Nee Fong	4/4	100
Shaari Bin Haron	4/4	100
Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin	4/4	100
Hew Voon Foo	4/4	100

statement on corporate governance

1. BOARD OF DIRECTORS (Cont'd)

1.3 Responsibilities and Supply of Information

The principal responsibilities of the Board include:-

- setting and reviewing the Group's strategic direction, goals and business plans
- overseeing and monitoring the conduct of business and financial performance of the Group and evaluate the performance against the strategies.
- identifying principal risks and ensuring implementation of appropriate internal control systems and reporting framework for the management of these risks.
- reviewing the adequacy and integrity of the Group's internal control and management information systems.
- succession planning of senior management
- developing and implementing an investor relations programme or shareholders communications policy for the Group

The Board reserved to itself a schedule of matters for decision including strategy and policy issues, major capital investment, financial decision, approval of corporate plans and changes in major activities of the Group.

Prior to Board meeting, board members are furnished with the agenda of the meeting and relevant board papers to facilitate decision making and sound judgement during the meeting.

To assist in the effective discharge of their duties, all Directors have full access to information pertaining to all matters and may seek independent professional advice in furtherance of their duties and have access to the advice and services of the Company Secretary and the senior management staff of the Group.

1.4 Directors' Remuneration

1.4.1 Remuneration procedure

The remuneration of each Director is determined by the Board as a whole. The Directors do not participate in the discussion and decision of their own remuneration.

1.4.2 Remuneration Package

All Directors are provided with Directors' fees, which are approved by the shareholders at the Annual General Meeting, based on the recommendation of the Board. The details of the remuneration of the Directors of the company for the financial year ended 31 December 2007 are as follows:-

	Salary RM	Fees RM	Bonus RM	Benefits-in-kind & others RM	Total RM
Executive	709,055	30,000	22,581	112,614	874,250
Non-Executive Directors	-	120,000	1,000	40,629	161,629

The number of Directors whose remuneration falls into the following bands are as follows:

	Executive	Non-Executive
RM50,000 and below	-	3
RM50,001 - RM100,000	-	1
RM850,001 - RM900,000	1	-

statement on corporate governance

1. BOARD OF DIRECTORS (Cont'd)

1.5 Directors' Training

All Directors have attended the Mandatory Accreditation Programme (MAP) and the Continuing Education Programme (CEP) prescribed by the Bursa Malaysia Securities Berhad. The Directors will continue to attend other relevant training programmes to equip themselves with knowledge and skill to discharge their duties effectively. During the financial year, all Directors attended a training programme conducted by external training providers on areas relating to leadership and corporate strategy. Other seminars attended by respective Directors cover areas on business operations and financial management.

The Board is regularly updated on the latest updates of the Listing Requirements and other regulatory requirements pertinent to the discharge of their duties.

In addition, the Board also received briefings and updates on the Group's businesses and development on operations.

2. THE BOARD COMMITTEES

The Board has three formally constituted committees which operated within defined terms and reference to assist it in discharging its duties and responsibilities.

2.1 Audit Committee

The details are set out in the Audit Committee Report of this Annual Report.

2.2 Nomination Committee

The Nomination Committee's primary function is to recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board taking consideration of the candidates' skill, knowledge, expertise and experience, professionalism, integrity and for independent non-executive director, his ability to discharge such responsibilities/functions as expected from an independent non-executive director. The actual decision as to who shall be appointed is the responsibility of the full Board after considering the recommendations of the Nomination Committee. The Nomination Committee also has the authority to assess the Board as a whole and examine a particular issue and reports back to the Board its recommendations.

Composition
The present members of the Nomination Committee of the Company are:-

Member

Shaari Bin Haron (Chairman)
Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin
Hew Voon Foo

The Chairman of the Nomination Committee is an Independent Non-Executive Director. The Chairman shall attend all meetings of the committee other than when matters concerning himself are discussed.

The Company Secretary is the secretary of the Nomination Committee. The Secretary shall maintain minutes of the proceedings of the Committee and circulate such minutes to all members of the Board.

statement on corporate governance

2. THE BOARD COMMITTEES (Cont'd)

Meetings

Meetings of the Nomination Committee will be held from time to time as determined by the members of the Committee. Written notice of the meeting together with an agenda will be given to the members of the Committee.

2. THE BOARD COMMITTEES (Cont'd)

2.3 Remuneration Committee

The Remuneration Committee's primary function is to set the policy framework and recommend to the Board on the remuneration packages of the Executive Directors in all its forms, drawing from outside advice as necessary. Executive Directors shall play no part in decisions on their own remuneration. The determination of the remuneration package for Non-Executive Directors shall be a matter for the Board as a whole. The Director concerned shall abstain from deliberations and voting on decisions in respect of his individual remuneration package.

The Remuneration Committee also has the authority to examine a particular issue and reports back to the Board its recommendations.

Composition

The present members of the Remuneration Committee of the Company are as follows:-

Member

Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin (Chairman)
Shaari Bin Haron
Hew Voon Foo

The Chairman of the Remuneration Committee is elected amongst Non-Executive Directors. The Chairman shall attend all meetings of the committee other than when matters concerning himself are discussed.

The Company Secretary is the secretary of the Remuneration Committee. The Secretary shall maintain minutes of the proceedings of the Committee and circulate such minutes to all members of the Board.

Meetings

Meetings of the Remuneration Committee shall be held from time to time as determined by the members of the Committee. Written notice of the meeting together with an agenda shall be given to the members of the Committee.

Remuneration Policy

The Remuneration Committee shall aim to ensure the remuneration is sufficient to attract and retain the Directors needed to run the Company successfully.

The remuneration package comprises of a number of separate elements such as basic salary, allowance, fee, bonus and other non-cash benefits.

In the case of Executive Directors, the component parts of remuneration shall be structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration shall be linked to their experience and the level of responsibilities undertaken.

3. RELATIONSHIP WITH SHAREHOLDERS

The Company recognizes the importance of effective communications and timely dissemination of information to its shareholders, stakeholders and public at large. The Company maintains an effective communication policy which interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are factored into the Group's business decision.

Annual Report, financial statements, circular to shareholders and announcements are some of the modes of reporting to the shareholders, stakeholders and the public on the business activities, financial performance and major development of the Group to enable the shareholders to have an overview of the Group's performance and operations.

General Meetings provide an opportunity for shareholders to access their Board for clarification of issues relevant to the Company. Shareholders are encouraged to participate and communicate at the general meetings and to vote on all resolutions.

The Company maintains a website at www.epmb.com.my for which the shareholders can access to information of the Group.

The Company also participated in the Bursa Research Scheme (CBRS) during the year. Under this scheme, investors could access to the analytical review reports of the Company by professionals to make better informed investment decisions.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

In presenting the annual report and quarterly financial statements to shareholders, the Board aims to provide a balanced and comprehensive assessment of the Group's financial performance and prospect.

The Directors also responsible for ensuring the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

4.2 Internal Control

The Board acknowledges their responsibility for the maintenance of a sound system of internal control, including risk assessment and reviewing its effectiveness to safeguard shareholders' investment and Group assets. As with any such system, controls can only provide reasonable but not absolute assurance against material misstatement or loss. The Group is continuously looking into the adequacy and integrity of its system of internal control.

A statement on Internal Control of the Group is set out in this Annual Report.

4.3 Relationship with Auditors

The company has always maintained a formal and transparent relationship with the Auditors, both internal and external, in seeking professional advice and ensuring compliance in matters pertaining to risk management and internal control and accounting standards.

statement on corporate governance

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Company and the Group, in accordance with the provisions of the Companies Act, 1965, applicable approved accounting standards and accounting principles generally accepted in Malaysia and the Listing Requirements of Bursa Malaysia Securities Berhad.

In ensuring the preparation of these financial statements, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgement and estimates that are reasonable and prudent;
- ensured that applicable approved accounting standards have been complied with; and
- ensured that proper accounting and other records which disclose with reasonable accuracy the financial position of the Company and the Group are kept.

The Statement is made in accordance with the resolution of the Board of Directors dated 28 April 2008.

ADDITIONAL INFORMATION

1. Share Buyback

During the financial year, the Company bought back a total of 1,463,100 ordinary shares from open market and all the shares purchased were retained as treasury shares in accordance with Section 67A of the Companies Act, 1965. None of the treasury shares were resold or cancelled during the financial year. The details of the share buy-back carried out by the Company during the financial year are as follows:-

Month (2007)	No of shares purchased	Minimum price (RM)	Maximum price (RM)	Average price (RM)	Total Consideration (RM)
January	1,463,100	0.59	0.59	0.59	866,364

2. Options, Warrants or Convertible Securities

During the financial year, the following securities were converted into Ordinary Shares:-

(a) 123,000 17.5% Irredeemable Convertible Unsecured Preference Shares ("ICUPS") were converted into 61,500 Ordinary shares.

(b) 43,800 17.5% Redeemable Convertible Secured Preference Shares ("RCSPS") were converted into 21,900 Ordinary shares.

3. American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company did not sponsor any ADR or GDR programme during the financial year.

4. Non-audit fees

The non-audit fees paid or payable to the external auditors by the Group for the financial year ended 31 December 2007 amounted to RM10,000.

ADDITIONAL INFORMATION (Cont'd)

5. **Imposition of Sanctions and/or Penalties**

   There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

6. **Profit Estimates, Forecast or Projections**

   The Company did not issue any profit estimates, forecasts or projections for the financial year.

7. **Profit Guarantee**

   The Company did not receive any profit guarantee during the financial year.

8. **Material Contracts**

   Save as disclosed below, there were no material contracts entered into by the Company and/or its subsidiaries, involving Directors and Major Shareholders interests during the financial year:-

   Sale and Purchase of Shares Agreement dated 27 April 2007 entered into between the Company, Hamidon Bin Abdullah, Ahmad Kamaruzaman Bin Mohamed Baria and Anthony Buxton Dix (the "Vendors") pursuant to which the Company acquired 1,250,000 ordinary shares of RM1.00 each representing the entire equity interest in Circle Ring Network Sdn Bhd from the Vendors for a cash consideration of RM38,500,000. One of the Vendors, namely Hamidon Bin Abdullah is the Executive Chairman and a substantial shareholder of the Company.

statement on internal control

INTRODUCTION

The Revised Malaysian Code on Corporate Governance sets out that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Board of Directors is pleased to present the Statement on Internal Control of the Group during the year in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board affirms the overall responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity so as to safeguard shareholders' investment and the Group's assets. However, due to the limitations that are inherent in any system of internal control, the system of internal control is designed to manage rather than to eliminate the risk of failure to achieve business objectives.

Accordingly, the internal control system can only provide reasonable and not absolute assurance against material misstatement or losses. The Board confirms that there is an on-going process of identifying, evaluating and managing all significant risks faced by the Group that has been in place for years. The process is regularly reviewed by the Board and is in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

INTERNAL CONTROL MECHANISM

The system of internal control includes the establishment of an appropriate and effective control environment to cover risk management, financial, operational and legal aspects as well as reviewing mechanism for its adequacy and integrity.

The management has provided the Board with appropriate assurance regarding the adequacy and effectiveness of risk management, internal control and governance systems for compliance with applicable laws, regulations, directives and guidelines. Regular management meetings were held to discuss the Group's operations and financial matters.

The Group in its efforts to provide adequate and effective internal control system had appointed an independent consulting firm to undertake its internal audit function. The independent consulting firm acts as internal auditor and reports directly to the Audit Committee.

The internal auditor reviews critical business processes, identifies internal control gaps, assesses the effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control process. This is to provide reasonable assurance that such system continue to operate satisfactorily and effectively within the Group. Periodic audit reports and status report on follow up actions by the internal auditor were tabled to the Audit Committee during its quarterly meetings.

The Board confirms that the Group's system of internal control is being properly implemented. Continuous reviews of the system and controls are being carried out to ensure its adequacy and effectiveness. There were no major internal control weaknesses that require disclosure in the Annual Report and corrective actions have been taken on control exceptions identified.

The statement is made in accordance with the resolution of the Board of Directors dated 28 April 2008.

audit committee report

MEMBERSHIP

The present members of the Audit Committee are as follows:-

Chairman

Shaari Bin Haron
(Independent Non-Executive Director)

Members

Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin
(Senior Independent Non-Executive Director)

Hew Voon Foo
(Non-Independent Non-Executive Director)

TERMS OF REFERENCE

COMPOSITION

The Audit Committee shall be appointed by the Board of Directors from amongst their number and shall compose of not fewer than three (3) members. All members must be non-executive directors, with a majority of them being independent directors.

At least one member of the Audit Committee:-

i) must be a member of the Malaysian Institute of Accountants (MIA); or
ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:-
    (a) have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
    (b) must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
iii) fulfils such other requirements as prescribed or approved by the Exchange.

In the event of any vacancy in the Audit Committee resulting in the non-compliance with Paragraph 15.10(1) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board shall appoint a new member within three (3) months.

The Board of Directors shall review the term of office and the performance of an Audit Committee and each of its members at least once in every three (3) years.

No alternate Director shall be appointed as a member of the Audit Committee.

MEETINGS AND REPORTING PROCEDURES

The Audit Committee shall meet at least four (4) times a year and the quorum shall be at least three (3) persons with majority being Independent Directors.

The Audit Committee may require the attendance of management staff from any department of the Group deemed necessary and representatives from the external auditors.

The Audit Committee shall meet with the external auditors without executive board members present at least twice a year. Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors may bring to the attention of the Directors or shareholders.

The Company Secretary shall act as secretary of the Audit Committee and shall keep the minutes of each Audit Committee meeting.

audit committee report

DUTIES AND FUNCTIONS

The duties and functions of the Audit Committee include the following:-

(i) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;

(ii) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(iii) To discuss with the external auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors;

(iv) To review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;

(v) To review the quarterly and annual financial statements of the Group, focusing particularly on:
- any changes in the accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements;

(vi) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of the management where necessary);

(vii) To review the external auditor's management letter and the management's response;

(viii) To do the following where there is an internal audit function:-
- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of internal auditors or outsourced internal auditors; and
- take cognisance of resignations of internal auditors and provide the resigning internal auditors an opportunity to submit his reasons for resigning;

(ix) To consider any related party transactions that may arise within the Company or the Group.

(x) To consider the major findings of internal investigations and the management's response; and

(xi) To consider other topics as defined by the Board.

AUTHORITY

The Committee is authorised by the Board to:-

(i) have authority to investigate any matter within its terms of reference;

(ii) have the resources and unrestricted access to information which are required to perform its duties;

AUTHORITY (Cont'd)

(iii) have direct communication channels with the external auditors and persons carrying out the internal audit function;

(iv) be able to obtain independent professional or other advice; and

(v) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors or employees, whenever deemed necessary.

MEETINGS AND SUMMARY OF ACTIVITIES

The Audit Committee met four times during the financial year ended 31 December 2007 and all members attended the said meetings. The Audit Committee and representatives of external auditors met once without the presence of executive board members or employees.

During the financial year, the Audit Committee carried out the following activities in accordance with its terms of reference:-

- Reviewed the quarterly audited reports and annual financial statements before recommended to the Board for approval.
- Reviewed scope and approach of audit plan under audit planning memorandum prepared by the external auditors.
- Reviewed adequacy of functions of external and internal auditors and assess their performance.
- Reviewed with the external auditors, the results of the annual audit, audit report, areas of concern and management letter.
- Reviewed internal audit report, which highlighted the audit issues, recommendations with regards to risk management, internal control and management's response thereto.
- Reviewed internal control statement and audit committee report for inclusion in the Annual Report.
- Reviewed recurrent related party transactions to ensure adherence of review procedures for recurrent related party transactions.

INTERNAL AUDIT FUNCTION

The Company outsourced its internal audit function to an independent consulting firm which reports directly to the Audit Committee. The internal auditors carried out regular and systematic reviews so as to provide assurance on the adequacy and effectiveness of the system of internal control. The internal auditors adopt a risk-based audit approach, focusing its work mainly on key processes and principal risk areas of the operating units.

During the financial year, the internal auditors reviewed and evaluated the control environment within the Group and carried out special reviews requested by the management. Total cost incurred for the internal audit function during the financial year is RM42,669.

corporate social responsibility statement

EPMB believes that observing a good standard of corporate social responsibility is an inherent aspect of the business principles and has a positive impact on our corporate image.

Social and Community

For the past years, the Group has given various contributions and donations to the disabled people, single mothers group and the mosques. The Company also organized Hari Raya dinner for the orphans and contributed various gifts and daily necessities to the orphanage home.

To prepare for future human resources, the Company also has an internship programme during the past financial year for which 12 interns from various local institutes and universities were trained in several positions in production and technical fields.

Employees

The Company recognizes its employees as principal assets and the foundation for business operations. The Group committed to the skill management and personal development of its employees by providing them on the job trainings and other external training courses.

Environmental

The Company has always concern about the impact of its business activities towards the environment and compliance of its production processes and products with the changing environmental laws and regulations.

The Company has in placed a waste water treatment system which consists of chemical treatment plant, biological treatment plant and de-watering equipment where waste water from production processes is treated before discharge.

Health and Safety

The Company aims to provide a safe, secure and healthy working environment by enforcing and monitoring strictly all health and safety measures in accordance with Occupational Safety and Health Act. Relevant trainings on work space and environmental safety and frequent drills are carried out by Safety and Health Committee under Plant Administration Organisation to instill safety consciousness at all levels.

Stakeholders

At EPMB, we recognize the obligations we have towards our shareholders, fund managers, suppliers and customers. We strive to build the stakeholders' confident and trust by maintaining good corporate image and reputation. Through the Company's website, general meetings, annual reports and press releases, the stakeholders were updated with the on going activities of the Group. The Company has also participated in the CMDF-Bursa Research Scheme (CBRS) since January 2008. The research reports will facilitate greater investor understanding and helps to promote and raise profile of the Company.

This statement is made in accordance with the resolution of the Board of Directors dated 28 April 2008.

Financial Statements

directors' report

for the year ended 31 December 2007

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 2007.

Principal activities

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 4 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Shareholders of the Company	(511)	733
Minority interest	1,273	-
	762	733

Reserves and provisions

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

Dividends

No dividends was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

Directors of the Company

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

Hamidon bin Abdullah
Y.B. Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin
Shaari bin Haron
Dr. Linden Hamidon Nee Fong
Hew Voon Foo

Directors of the Company (Cont'd)

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each or shares to be issued arising from the exercise of EPMB ICUPS and EPMB RCSPS			
	At 1.1.2007	**Bought/ Converted**	**(Sold)/ (Converted)**	**At 31.12.2007**
Shareholdings in which Directors have direct interest				
Interest in EP Manufacturing Bhd. ("EPMB"): Ordinary shares				
Hamidon bin Abdullah	8,447,133	-	-	8,447,133
Dr. Linden Hamidon Nee Fong	1,236,967	-	-	1,236,967
Y.B. Dato' Ibrahim Hussein @ Ibrahim bin Nyar Hussin	50,000	-	-	50,000
Shaari bin Haron	20,000	-	-	20,000
Shareholdings in which Directors have deemed interest				
Hamidon bin Abdullah				
- deemed interest*	29,801,967	-	-	29,801,967
- deemed interest**	1,236,967	-	-	1,236,967
Dr. Linden Hamidon Nee Fong				
- deemed interest**	38,249,100	-	-	38,249,100
Irredeemable Convertible Unsecured Preference Shares ("EPMB ICUPS")				
Hamidon bin Abdullah				
- deemed interest**	73,934	-	-	73,934
- deemed interest***	35,416,866	-	-	35,416,866
Dr. Linden Hamidon Nee Fong				
- direct interest	73,934	-	-	73,934
- deemed interest**	35,416,866	-	-	35,416,866
Redeemable Convertible Secured Preference Shares ("EPMB RCSPS")				
Hamidon bin Abdullah				
- deemed interest**	18,484	-	-	18,484
Dr. Linden Hamidon Nee Fong				
- direct interest	18,484	-	-	18,484

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

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

*** Deemed interested by virtue of his substantial shareholdings in Mutual Concept Sdn. Bhd.

directors' report
for the year ended 31 December 2007

Directors of the Company (Cont'd)

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

None of the other Director holding office at 31 December 2007 had any interest in the ordinary shares of the Company and its related corporations during the financial year.

Directors' benefits

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

During the financial year, 123,000 EPMB ICUPS of RM0.10 each and 43,800 EPMB RCSPS of RM0.10 each were converted into 61,500 and 21,900 ordinary shares respectively.

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

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the outstanding warrants (as disclosed below), EPMB ICUPS and EPMB RCSPS.

The 20,730,000 warrants are in registered form and constituted by a Deed Poll and entitle the registered holders to subscribe for One (1) new ordinary share of RM1.00 in the Company at a price of RM1.00 per ordinary share for every warrant held at any time during the five (5) year subscription period expiring on 3 September 2008. At the end of the financial year, 20,730,000 warrants remained unexercised.

At the end of the financial year, 80,789,000 EPMB ICUPS and 2,287,407 EPMB RCSPS remained unexercised.

The EPMB ICUPS, EPMB RCSPS and warrants holders are not entitled to participate in any share issue of any other company.

Other statutory information

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

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

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

Other statutory information (Cont'd)

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the year

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

directors' report
for the year ended 31 December 2007

Subsequent events

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

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

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

Auditors

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

Signed in accordance with a resolution of the Directors:

____

Hamidon bin Abdullah

____

Hew Voon Foo

Kuala Lumpur,
Date: 28 April 2008

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 33 to 80 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Hamidon bin Abdullah

Hew Voon Foo

Kuala Lumpur,
Date: 28 April 2008

statutory declaration

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

I, **Hew Voon Foo**, the Director primarily responsible for the financial management of EP Manufacturing Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 80 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 28 April 2008.

Hew Voon Foo

Before me:
Raman Kunyapu
No. W476
Commissioner for Oath
Kuala Lumpur

report of the auditors

to the members of EP Manufacturing Bhd.

We have audited the financial statements set out on pages 33 to 80. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:

    i) the state of affairs of the Group and of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and

    ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiary in respect of which we have not acted as auditors is identified in Note 4 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Mohamed Raslan Abdul Rahman
Partner
Approval Number: 1825/05/09(J/PH)

Kuala Lumpur,
Date: 28 April 2008

balance sheets
as at 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Assets					
Property, plant and equipment	3	323,830	304,354	36,204	36,386
Investments in subsidiaries	4	-	-	224,665	185,673
Other investments	6	38	13	-	-
Intangible assets	7	142,807	91,277	-	-
Deferred tax assets	8	4,852	3,665	-	-
Advances to subsidiaries	9	-	-	91,825	140,215
Total non-current assets		471,527	399,309	352,694	362,274
Receivables, deposits and prepayments	9	111,341	77,801	47,557	28,035
Inventories	10	32,662	27,686	-	-
Current tax assets		456	725	118	42
Cash and cash equivalents	11	13,383	30,164	1,265	2,071
Total current assets		157,842	136,376	48,940	30,148
Total assets		629,369	535,685	401,634	392,422
Equity					
Share capital	12	131,598	131,528	131,598	131,528
Reserves	12	68,000	70,663	44,333	45,439
Total equity attributable to shareholders of the Company		199,598	202,191	175,931	176,967
Minority interest	13	11,288	10,015	-	-
Total equity		210,886	212,206	175,931	176,967
Liabilities					
Borrowings	14	160,961	175,014	137,000	147,668
Deferred tax liabilities	8	17,419	4,176	1,332	1,332
Total non-current liabilities		178,380	179,190	138,332	149,000
Payables and accruals	15	137,122	47,019	56,134	44,838
Borrowings	14	101,676	96,016	30,656	21,000
Current tax liabilities		17	318	-	-
Provision for warranties	16	707	319	-	-
Dividend payable		581	617	581	617
Total current liabilities		240,103	144,289	87,371	66,455
Total liabilities		418,483	323,479	225,703	215,455
Total equity and liabilities		629,369	535,685	401,634	392,422

The notes on pages 40 to 80 are an integral part of these financial statements.

income statements
for the year ended 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Revenue - manufacturing		302,454	228,223	-	-
- dividend income		-	-	4,850	4,232
- rental income		580	285	1,562	1,545
		303,034	228,508	6,412	5,777
Other operating income		7,118	3,574	-	1,051
Changes in inventories		(5,900)	(2,309)	-	-
Raw materials and consumables used		(202,949)	(145,377)	-	-
Staff costs		(24,515)	(22,297)	(420)	(443)
Depreciation and amortisation		(22,069)	(15,927)	(526)	(596)
Operating expenses		(41,266)	(34,537)	(965)	(2,815)
Operating profit	17	13,453	11,635	4,501	2,974
Finance costs	19	(14,886)	(5,471)	(3,023)	(206)
Interest income		162	233	42	33
(Loss)/Profit before tax		(1,271)	6,397	1,520	2,801
Tax expense	20	2,033	(1,835)	(787)	(235)
Profit for the year		762	4,562	733	2,566
Attributable to:					
Shareholders of the Company		(511)	2,876	733	2,566
Minority interests		1,273	1,686	-	-
Profit for the year		762	4,562	733	2,566
Basic (loss)/earnings per ordinary share (sen)	21	(0.77)	1.19		
Diluted (loss)/earnings per ordinary share (sen)	21	(0.76)	1.19		

The notes on pages 40 to 80 are an integral part of these financial statements.

consolidated statement of changes in equity

for the year ended 31 December 2007

		Attributable to shareholders of the Company									
		Share capital		Non distributable				Distributable			
Group	Note	Ordinary shares RM'000	Financial instruments* RM'000	Share premium RM'000	Capital reserve RM'000	Exchange translation reserve RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
1 January 2006, restated		122,569	7,496	44,055	4,146	(1,104)	-	28,547	205,709	18,531	224,240
Conversion to ordinary shares											
- EPMB ICUPS	12	1,566	(270)	(1,082)	-	-	-	-	214	-	214
- EPMB RCSPS	12	202	(35)	(140)	-	-	-	-	27	-	27
Net loss recognised directly in equity		-	-	-	-	(57)	-	-	(57)	-	(57)
Profit for the year		-	-	-	-	-	-	2,876	2,876	1,686	4,562
Total recognised income and expense for the year		-	-	-	-	(57)	-	2,876	2,819	1,686	4,505
Balance carried forward		124,337	7,191	42,833	4,146	(1,161)	-	31,423	208,769	20,217	228,986
Treasury shares acquired		-	-	-	-	-	(1,783)	-	(1,783)	-	(1,783)
Acquisition of minority interest		-	-	-	-	-	-	-	-	(10,202)	(10,202)
Preference dividends											
- EPMB ICUPS		-	-	-	-	-	-	(896)	(896)	-	(896)
- EPMB RCSPS		-	-	-	-	-	-	(25)	(25)	-	(25)
Ordinary dividends											
- 2005 final	22	-	-	-	-	-	-	(1,863)	(1,863)	-	(1,863)
- 2006 interim		-	-	-	-	-	-	(2,011)	(2,011)	-	(2,011)
At 31 December 2006/ 1 January 2007		124,337	7,191	42,833	4,146	(1,161)	(1,783)	26,628	202,191	10,015	212,206

consolidated statement of changes in equity

for the year ended 31 December 2007

Group	Note	Attributable to shareholders of the Company — Share capital: Ordinary shares RM'000	Share capital: Financial instruments* RM'000	Non distributable: Share premium RM'000	Non distributable: Capital reserve RM'000	Non distributable: Exchange translation reserve RM'000	Non distributable: Treasury shares RM'000	Distributable: Retained profits RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 31 December 2006/ 1 January 2007		124,337	7,191	42,833	4,146	(1,161)	(1,783)	26,628	202,191	10,015	212,206
Conversion to ordinary shares											
- EPMB ICUPS	12	63	(11)	(43)	-	-	-	-	9	-	9
- EPMB RCSPS	12	22	(4)	(15)	-	-	-	-	3	-	3
Net loss recognised directly in equity		-	-	-	-	(313)	-	-	(313)	-	(313)
(Loss)/Profit for the year		-	-	-	-	-	-	(511)	(511)	1,273	762
Total recognised income and expense for the year		-	-	-	-	(313)	-	(511)	(824)	1,273	449
Balance carried forward		124,422	7,176	42,775	4,146	(1,474)	(1,783)	26,117	201,379	11,288	212,667
Treasury shares acquired		-	-	-	-	-	(864)	-	(864)	-	(864)
Preference dividends											
- EPMB ICUPS		-	-	-	-	-	-	(893)	(893)	-	(893)
- EPMB RCSPS		-	-	-	-	-	-	(24)	(24)	-	(24)
		124,422	7,176	42,775	4,146	(1,474)	(2,647)	25,200	199,598	11,288	210,886

Note 12

statement of changes in equity

for the year ended 31 December 2007

Company	Note	Share capital: Ordinary shares RM'000	Share capital: Financial instruments* RM'000	Non distributable: Share premium RM'000	Non distributable: Capital reserve RM'000	Non distributable: Treasury shares RM'000	Distributable: Retained profits RM'000	Total RM'000
At 1 January 2006		122,569	7,496	44,055	4,146	-	2,303	180,569
Conversion to ordinary shares								
- EPMB ICUPS	12	1,566	(270)	(1,082)	-	-	-	214
- EPMB RCSPS	12	202	(35)	(140)	-	-	-	27
Net profit for the year		-	-	-	-	-	2,566	2,566
Treasury shares acquired		-	-	-	-	(1,783)	-	(1,783)
Preference dividends								
- EPMB ICUPS		-	-	-	-	-	(896)	(896)
- EPMB RCSPS		-	-	-	-	-	(25)	(25)
Ordinary dividends								
- 2005 final	22	-	-	-	-	-	(1,863)	(1,863)
- 2006 interim	22	-	-	-	-	-	(1,842)	(1,842)
At 31 December 2006/ 1 January 2007		124,337	7,191	42,833	4,146	(1,783)	243	176,967
Conversion to ordinary shares								
- EPMB ICUPS	12	63	(11)	(43)	-	-	-	9
- EPMB RCSPS	12	22	(4)	(15)	-	-	-	3
Net profit for the year		-	-	-	-	-	733	733
Treasury shares acquired		-	-	-	-	(864)	-	(864)
Preference dividends								
- EPMB ICUPS		-	-	-	-	-	(893)	(893)
- EPMB RCSPS		-	-	-	-	-	(24)	(24)
At 31 December 2007		124,422	7,176	42,775	4,146	(2,647)	59	175,931
		Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	

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

The notes on pages 40 to 80 are an integral part of these financial statements.

cash flow statements

for the year ended 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Cash flows from operating activities					
(Loss)/Profit before taxation		(1,271)	6,397	1,520	2,801
Adjustments for:					
Bad debts written off		30	507	-	-
Depreciation		19,551	15,673	526	596
Intangible assets					
- amortisation		2,518	254	-	-
- written off		-	81	-	-
Dividend income		-	-	(4,850)	(4,232)
Gain on disposal of property, plant and equipment		(9)	(1,325)	-	(1,033)
Finance costs		14,886	5,471	3,023	206
Interest income		(162)	(233)	(42)	(33)
Property, plant and equipment written off		-	73	-	-
Negative goodwill on acquisition of a subsidiary		(4,143)	-	-	-
Reversal of diminution in value of investment		(25)	-	-	-
Net unrealised foreign exchange loss/(gain)		20	131	-	(17)
Operating profit/(loss) before working capital changes		31,395	27,029	177	(1,712)
Change in inventories		(2,048)	(184)	-	-
Change in receivables, deposits and prepayments		(31,067)	19,020	(19,522)	(45,326)
Change in payables and accruals		85,263	(18,168)	11,296	19,793
Change in provision for warranties		388	45	-	-
Cash generated from/(used in) operations		83,931	27,742	(8,049)	(27,245)
Income taxes refunded/(paid)		237	254	(120)	(123)
Net cash from/(used in) operating activities		84,168	27,996	(8,169)	(27,368)
Cash flows from investing activities					
Dividends received		-	-	4,107	2,100
Increase in investments in subsidiaries		-	-	-	(18,215)
Intangible cost capitalised		(293)	-	-	-
Interest received		162	233	42	33
Conversion of shares		-	-	12	-
Release/(Pledge) of deposits with licensed banks		(138)	9,692	(34)	(167)
Proceeds from disposal of property, plant and equipment		1,176	7,117	-	6,675
Purchase of property, plant and equipment	(ii)	(33,136)	(78,362)	(344)	-
Additional shares acquired from minority interest		-	(13,590)	-	-
Acquisition of a subsidiary company	27	(38,736)	-	(38,992)	-
Net cash used in investing activities		(70,965)	(74,910)	(35,209)	(9,574)

cash flow statements
for the year ended 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Cash flows from financing activities					
Ordinary dividends paid to shareholders of the company		(36)	(5,756)	(36)	(5,526)
Preference dividend paid to EPMB ICUPS and EPMB RCSPS holders		(917)	(946)	(917)	(946)
Finance costs paid		(14,886)	(5,471)	(3,023)	(206)
Net repayment in hire purchase		(5,114)	(354)	-	-
Net repayment from subsidiaries		-	-	48,390	-
Net (repayment)/proceeds of borrowings		(8,305)	68,074	(1,012)	46,000
Purchase of treasury shares		(864)	(1,783)	(864)	(1,783)
Net cash (used in)/from financing activities		(30,122)	53,764	42,538	37,539
Net (decrease)/increase in cash and cash equivalents		(16,919)	6,850	(840)	597
Cash and cash equivalents at beginning of year	(i)	27,261	20,409	904	307
Foreign exchange differences on opening balances		-	2	-	-
Cash and cash equivalents at end of year	(i)	10,342	27,261	64	904

(i) Cash and cash equivalents

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

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Deposits (excluding deposits pledged)	217	16,967	-	-
Cash and bank balances	10,125	10,294	64	904
	10,342	27,261	64	904

(ii) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM38,048,000 (2006 - RM110,549,000), of which RM4,912,000 (2006 - RM32,187,000) were acquired by means of hire purchase.

The notes on pages 40 to 80 are an integral part of these financial statements.

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 Board of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

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

The consolidated financial statements as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 December 2007 do not include other entities.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 4 to the financial statements.

The financial statements were approved by the Board of Directors on 28 April 2008.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued the following FRSs and Interpretations that are effective for annual periods beginning after 1 January 2007, and that have not been applied in preparing these financial statements:

FRSs / Interpretations	**Effective date**
FRS 107, *Cash Flow Statements*	1 July 2007
FRS 111, *Construction Contracts*	1 July 2007
FRS 112, *Income Taxes*	1 July 2007
FRS 118, *Revenue*	1 July 2007
FRS 120, *Accounting for Government Grants and Disclosure of Government Assistance*	1 July 2007
Amendment to FRS 121, *The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*	1 July 2007
FRS 134, *Interim Financial Reporting*	1 July 2007
FRS 137, *Provisions, Contingent Liabilities and Contingent Assets*	1 July 2007
FRS 139, *Financial Instruments: Recognition and Measurement*	To be announced
IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 July 2007
IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*	1 July 2007
IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 July 2007
IC Interpretation 6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	1 July 2007
IC Interpretation 7, *Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies*	1 July 2007
IC Interpretation 8, *Scope of FRS 2*	1 July 2007

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

The Company plans to apply the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008 except for FRS 139, *Financial Instruments: Recognition and measurement* which the effective date has yet to be announced.

The impact of applying FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group except for the following:

FRS 112 addresses the accounting treatment for income taxes. However, FRS 112 does not prescribe the accounting treatment for reinvestment allowance and investment tax allowance (tax incentives). In the current accounting policy for income taxes, reinvestment allowance or investment tax allowance is treated as the tax base of an asset. On adoption of FRS 112, the Group intend to account for these tax incentives by applying the analogy of the accounting treatment for unused tax losses in FRS 112. The change in accounting policy is expected to be applied retrospectively and may have the following impact on the financial statements:

	Group	
	2007	**2006**
	RM'000	**RM'000**
Balance sheets		
Net deferred tax liabilities at 31 December	(12,567)	(511)
Over recognition of deferred tax liabilities	1,249	1,249
Net deferred tax (liabilities)/assets at 31 December, if restated	(11,318)	738

(b) Basis of measurement

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

As at 31 December 2007, the Group and the Company's current liabilities are in excess of its current assets by RM82,261,000 and RM38,431,000 respectively. At the date of this report, there is no reason for the Directors to believe that the Group will not be able to achieve profitable results, generate positive cash flows and the bankers will not continue its support. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amount and classification of liabilities that may be necessary if the Group and the Company was unable to continue as a going concern.

(c) Functional and presentation currency

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

notes to the financial statements

1. Basis of preparation (Cont'd)

(d) Use of estimates and judgements

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

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

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

Note 7 - measurement of the recoverable amounts of cash-generating units
Note 16 - provision for warranties
Note 27 - business combination

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) Changes in Group composition

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

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

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

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iii) Minority interests

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

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

(iv) Transactions eliminated on consolidation

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

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

(b) Affiliated companies

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

(c) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies 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 the income statement.

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

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

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

notes to the financial statements

2. Significant accounting policies (Cont'd)

(c) Foreign currency (Cont'd)

(iii) Net investment in foreign operations

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

notes to the financial statements

2. Significant accounting policies (Cont'd)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation

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

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

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

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group 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

Other leases are operating leases and leased assets are not recognised on the Group's balance sheet.

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

(f) Intangible assets

(i) Goodwill

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

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

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

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

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

2. **Significant accounting policies (Cont'd)**

(f) Intangible assets (Cont'd)

(i) Goodwill (Cont'd)

Acquisition of minority interest

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

(ii) Research and development cost

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

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

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

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill is tested for impairment annually and whenever there is an indication that they may be impaired. Other intangible assets are amortised from the date that they are available for use. The estimated useful life of capitalised development costs ranges from 3 to 5 years.

(g) Investments

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

Subsequent to initial recognition:

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

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

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

2. Significant accounting policies (Cont'd)

(g) Investments (Cont'd)

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

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

(h) Inventories

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

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

(i) Receivables

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

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

Receivables are not held for the purpose of trading.

(j) Cash and cash equivalents

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

(k) Impairment of assets

The carrying amounts of assets except for financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

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

2. Significant accounting policies (Cont'd)

(k) Impairment of assets (Cont'd)

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

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

(l) Share capital

(i) Repurchase of share capital

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

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

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

(ii) Preference share capital

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

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

(m) Compound financial instrument

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

2. Significant accounting policies (Cont'd)

(m) Compound financial instrument (Cont'd)

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

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

(n) Loans and borrowings

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

(o) Employee benefits

Short term employee benefits

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

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

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

(p) 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.

notes to the financial statements

2. Significant accounting policies (Cont'd)

(p) Provisions (Cont'd)

(ii) Contingent liabilities

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

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

(q) Payables

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

(r) Revenue recognition

(i) Goods sold

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

(ii) Services

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

(iii) Rental income

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

(iv) Dividend income

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

(s) Interest income and borrowing costs

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

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

2. Significant accounting policies (Cont'd)

(s) Interest income and borrowing costs (Cont'd)

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.

(t) Tax expense

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

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

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

Deferred tax liability is recognised for all taxable temporary differences.

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

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(v) Segment reporting

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

notes to the financial statements

3. **Property, plant and equipment**

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

3. Property, plant and equipment

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

3. Property, plant and equipment (cont'd)

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

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

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

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

4. Investments in subsidiaries

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

The subsidiary companies are:

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

[1] Subsidiary company not audited by KPMG Malaysia

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

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

notes to the financial statements

5. Investment in an associate

	Group 2007 RM'000	Group 2006 RM'000
Unquoted shares, at cost	*	-

* Denotes RM1.00.

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

6. Other investments

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

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

7. Intangible assets

Group	Goodwill on consolidation RM'000	Development costs RM'000	Manufacturing and distribution rights RM'000	Total RM'000
Cost				
At 1 January 2006	87,772	12,328	-	100,100
Additions	3,388	-	-	3,388
Write off	-	(81)	-	(81)
Effect of movement in exchange rates	-	15	-	15
At 31 December 2006/1 January 2007	91,160	12,262	-	103,422
Additions	-	293	-	293
Acquisition through business Combination (Note 27)	-	608	53,147	53,755
At 31 December 2007	91,160	13,163	53,147	157,470

7. Intangible assets (Cont'd)

Group (Cont'd)	Goodwill on consolidation	Development costs	Manufacturing and distribution rights	Total
	RM'000	RM'000	RM'000	RM'000
Amortisation				
At 1 January 2006	-	11,876	-	11,876
Amortisation charge for the year	-	254	-	254
Effect of movement in exchange rates	-	15	-	15
At 31 December 2006/ 1 January 2007	-	12,145	-	12,145
Amortisation charge for the year	-	304	2,214	2,518
At 31 December 2007	-	12,449	2,214	14,663
Carrying amounts				
At 1 January 2006	87,772	452	-	88,224
At 31 December 2006/ 1 January 2007	91,160	117	-	91,277
At 31 December 2007	91,160	714	50,933	142,807

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

Impairment testing for cash-generating units containing goodwill

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

The aggregate carrying amounts of goodwill are allocated as follows:

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

Manufacture, assembly and sale of automotive parts

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

7. Intangible assets (Cont'd)

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

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

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

8. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

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

8. Deferred tax assets and liabilities (Cont'd)

Unrecognised deferred tax assets

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

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

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

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

9. Receivables, deposits and prepayments

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

9. Receivables, deposits and prepayments (Cont'd)

Note a

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

Note b

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

Note c

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

Note d

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

Analysis of foreign currency exposure for significant receivables

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

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

10. Inventories

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

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

11. Cash and cash equivalents

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

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

12. Capital and reserves

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

12. Capital and reserves (Cont'd)

Share capital (Cont'd)

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

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

The salient terms of the EPMB ICUPS are as follows:

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

(ii) Any outstanding EPMB ICUPS will be automatically converted into new EPMB Shares by the Company on 22 June 2008 at the conversion mode stated in (i).

(iii) The registered holders of the EPMB ICUPS shall be entitled to receive notice of and attend all general meetings and be heard but have no right to vote except on resolutions for reducing capital, or winding up, or sanctioning a sales of the principal undertaking of the Company, or where the proposition to be submitted to the meeting directly affects the rights of the holders of the EPMB ICUPS.

(iv) The registered holders of the EPMB ICUPS shall rank pari passu with the EPMB RCSPS but shall rank in priority to the ordinary shares of the Company in the event of the winding up/liquidation of the Company.

(v) A cumulative dividend rate of 17.5% of the nominal value will be payable annually on the EPMB ICUPS.

12. Capital and reserves (Cont'd)

The salient terms of the EPMB RCSPS are as follows:

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

(ii) The unconverted EPMB RCSPS is redeemable at par at the discretion of EPMB on 22 June 2008. Any EPMB RCSPS that are not converted within the five (5) year period and not redeemed on 22 June 2008, will be automatically converted into new EPMB Shares by the Company on that date at the conversion mode stated in (i).

(iii) The registered holders of the EPMB RCSPS shall be entitled to receive notice of and attend all general meetings and be heard but have no right to vote except on resolutions for reducing capital, or winding up, or sanctioning a sales of the principal undertaking of the Company, or where the proposition to be submitted to the meeting directly affects the rights of the holders of the EPMB RCSPS.

(iv) The registered holders of the EPMB RCSPS shall rank pari passu with the EPMB ICUPS but shall rank in priority to the ordinary shares of the Company in the event of the winding up/liquidation of the Company.

(v) A cumulative dividend rate of 17.5% of the nominal value will be payable annually on the EPMB RCSPS.

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

Reserves

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

Share premium

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

12. Capital and reserves (Cont'd)

Capital reserve

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

Translation reserve

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

Treasury shares

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

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

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

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

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

Section 108 tax credit

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

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

13. Minority shareholders' interests

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

14. Loans and borrowings

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

In the current financial year, the Company:

i made a repayment of RM21 million of the previously drawndown facility of RM123 million under the old RM150 million Murabahah Underwritten Notes Issuance Facility / Islamic Medium Term Notes Facility ("MUNIF/IMTN") at discount with a profit rate ranging between 6.3 % to 6.9% (2006 - 5.5% to 6.5%) per annum. The old MUNIF/IMTN has a seven (7) years tenor from the date of first issue; and

ii drawndown additional RM20 million under the new RM120 million Murabahah Underwritten Notes Issuance Facility/Islamic Medium Term Notes Facility ("MUNIF/IMTN") at discount with a profit rate raging between 7.4% to 7.9% per annum. The total new MUNIF/IMTN drawndown as at 31 December 2007 is RM60 million. The new MUNIF/IMTN has a five (5) years tenor from the date of first issue.

14. Loans and borrowings (Cont'd)

Security

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

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

Term and debt repayment schedule

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

Group **2007**	**Year of maturity**	**Carrying amount RM'000**	**Under 1 year RM'000**	**1 - 2 years RM'000**	**2 - 5 years RM'000**	**Over 5 years RM'000**
Bankers acceptances and trust receipts	2008	62,829	62,829	-	-	-
Hire purchase liabilities	2011	32,152	8,191	13,739	10,200	22
EPMB ICUPS	2008	5,500	5,500	-	-	-
EPMB RCSPS	2008	156	156	-	-	-
MUNIF/IMTN	2011	162,000	25,000	34,000	103,000	-
		262,637	101,676	47,739	113,200	22
Group **2006**						
Bankers acceptances and trust receipts	2007	70,134	70,134	-	-	-
Hire purchase liabilities	2011	32,228	4,882	15,852	11,494	-
EPMB ICUPS	2008	5,509	-	5,509	-	-
EPMB RCSPS	2008	159	-	159	-	-
MUNIF/IMTN	2011	163,000	21,000	25,000	117,000	-
		271,030	96,016	46,520	128,494	-
Company **2007**						
EPMB ICUPS	2008	5,500	5,500	-	-	-
EPMB RCSPS	2008	156	156	-	-	-
MUNIF/IMTN	2011	162,000	25,000	34,000	103,000	-
		167,656	30,656	34,000	103,000	-

14. Loans and borrowings (Cont'd)

Term and debt repayment schedule (Cont'd)

Company 2006	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
EPMB ICUPS	2008	5,509	-	5,509	-	-
EPMB RCSPS	2008	159	-	159	-	-
MUNIF/IMTN	2011	163,000	21,000	25,000	117,000	-
		168,668	21,000	30,668	117,000	-

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

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

15. Payables and accruals

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

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

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

15. Payables and accruals (Cont'd)

Analysis of foreign currency exposure for significant payables

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

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

16. Provision for warranties

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

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

17. Operating profit

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Operating profit is arrived at after crediting:				
Dividend income from subsidiaries	-	-	4,850	4,232
Dividend income - others	2	-	-	-
Doubtful debts provision written back	-	28	-	-
Gain on foreign exchange				
- realised	64	53	-	-
- unrealised	106	111	-	17
Gain on disposal of property, plant and equipment	9	1,325	-	1,033
Rental income	580	300	1,562	1,545
Reversal of allowance for diminution in value of investment	25	-	-	-
Negative goodwill on acquisition (Note 27)	4,143	-	-	-

17. Operating profit (Cont'd)

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
and after charging:				
Allowance for doubtful debts	1,061	-	-	-
Auditors' remuneration				
- holding company auditors	316	228	73	63
- other auditors	9	9	-	-
Non-audit fees				
- holding company auditors	10	50	-	50
Bad debts written off	30	507	-	-
Depreciation	19,551	15,673	526	596
Intangible assets				
- amortisation	2,518	254	-	-
- written off	-	81	-	-
Inventories written off	2,337	68	-	-
Personnel expenses (including key management personnel)				
- Contribution to Employee Provident Fund	2,012	1,874	25	32
- Wages, salaries and others	22,503	20,243	408	411
Loss on foreign exchange				
- realised	382	219	-	-
- unrealised	126	242	-	-
Property, plant and equipment written off	-	73	-	-
Provision for warranties	1,496	1,924	-	-
Rental				
- premises	186	414	-	-
- machinery and equipment	472	332	-	-
Royalties	221	-	-	-

18. Key management personnel compensation

The key management personnel compensations is as follows:

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

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

notes to the financial statements

19. Finance costs

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

20. Tax expense

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

Reconciliation of effective tax expense

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

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

21. Earnings per ordinary share - Group

Basic earnings per ordinary share

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

Weighted average number of ordinary shares

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

Diluted earnings per ordinary share

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

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

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

Weighted average number of ordinary shares (diluted)

	2007	2006
Weighted average number of ordinary shares	163,345	163,470
Effect of EPMB RCSPS	1,144	1,166
Weighted average number of ordinary shares (diluted)	164,489	164,636

22. Dividends

Dividends recognised in the prior year by the Company were:

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

23. Segmental information

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

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

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

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

Business segments

The Group comprises the following main business segments:

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

Geographical segments

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

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

23. Segmental information (Cont'd)

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

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

24. Contingencies

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

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

24. Contingencies (Cont'd)

Litigation

Group

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

25. Commitments

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

26. Related parties

Identity of related parties

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group. Key management personnel compensation are disclosed in Note 18 to the financial statements.

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

26. Related parties (Cont'd)

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

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

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

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

27. Acquisition of subsidiary

Business combination

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

27. Acquisition of subsidiary (Cont'd)

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

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

* Includes legal fees of RM76,000.

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

28. Financial instruments

Financial risk management objectives and policies

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

Credit risk

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

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

Interest rate risk

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

28. Financial instruments (Cont'd)

Effective interest rates and repricing analysis

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

Group	**Average effective interest rate %**	**Total RM'000**	**Less than 1 year RM'000**	**1 - 2 years RM'000**	**2 - 3 years RM'000**	**3 -4 years RM'000**	**4 -5 years RM'000**	**More than 5 years RM'000**
2007								
Fixed rate instrument								
EPMB ICUPS	3.5	(5,500)	(5,500)	-	-	-	-	-
EPMB RCSPS	3.5	(156)	(156)	-	-	-	-	-
		(5,656)	(5,656)	-	-	-	-	-
Floating rate instrument								
Deposits with licensed banks	3.1	3,258	3,258	-	-	-	-	-
Secured bankers' acceptances	5.3	(62,829)	(62,829)	-	-	-	-	-
MUNIF/IMTN		(162,000)	(25,000)	(34,000)	(45,000)	(48,000)	(10,000)	-
		(221,571)	(84,571)	(34,000)	(45,000)	(48,000)	(10,000)	-
2006								
Fixed rate instrument								
EPMB ICUPS	3.5	(5,509)	-	(5,509)	-	-	-	-
EPMB RCSPS	3.5	(159)	-	(159)	-	-	-	-
		(5,668)	-	(5,668)	-	-	-	-
Floating rate instrument								
Deposits with licensed banks	3.1	19,870	19,870	-	-	-	-	-
Secured bankers' acceptances	5.0	(70,134)	(70,134)	-	-	-	-	-
MUNIF/IMTN		(163,000)	(21,000)	(25,000)	(34,000)	(35,000)	(48,000)	-
		(213,264)	(71,264)	(25,000)	(34,000)	(35,000)	(48,000)	-

28. Financial instruments (Cont'd)

Company 2007	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 -4 years RM'000	4 -5 years RM'000	More than 5 years RM'000
Fixed rate instrument								
EPMB ICUPS	3.5	(5,500)	(5,500)	-	-	-	-	-
EPMB RCSPS	3.5	(156)	(156)	-	-	-	-	-
		(5,656)	(5,656)	-	-	-	-	-
Floating rate instrument								
Deposits with licensed banks	3.1	1,201	1,201	-	-	-	-	-
Advances to subsidiaries	7.2	91,825	-	18,047	27,071	38,215	8,492	-
MUNIF/IMTN		(162,000)	(25,000)	(34,000)	(45,000)	(48,000)	(10,000)	-
		(68,974)	(23,799)	(15,953)	(17,929)	(9,785)	(1,508)	-
2006								
Fixed rate instrument								
EPMB ICUPS	3.5	(5,509)	-	(5,509)	-	-	-	-
EPMB RCSPS	3.5	(159)	-	(159)	-	-	-	-
		(5,668)	-	(5,668)	-	-	-	-
Floating rate instrument								
Deposits with licensed banks	3.0	1,167	1,167	-	-	-	-	-
Advances to subsidiaries	6.0	140,215	17,110	20,369	102,736	-	-	-
MUNIF/IMTN		(163,000)	(21,000)	(25,000)	(34,000)	(35,000)	(48,000)	-
		(21,618)	(2,723)	(4,631)	68,736	(35,000)	(48,000)	-

28. Financial instruments (Cont'd)

Foreign currency risk

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

Liquidity risk

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

Fair values

Recognised financial instruments

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

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

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

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

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

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

notes to the financial statements

29. Significant events during the year

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

30. Events subsequent to the balance sheet date

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

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

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

analysis of shareholdings
as at 8 May 2008

ORDINARY SHARES

Authorised Share Capital	:	RM470,000,000
Issued & Paid-up Capital	:	RM124,454,797 (Inclusive of 4,300,900 treasury shares)
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	% OF OF HOLDERS	NO. OF SHARES HELD	% OF SHARES HELD
Less than 100 shares	7	0.25	365	0.00
100 to 1,000 shares	920	33.02	897,150	0.72
1,001 to 10,000 shares	1,435	51.51	6,500,300	5.22
10,001 to 100,000 shares	361	12.96	10,922,317	8.78
100,001 to less than 5% of issued shares	61	2.19	82,494,665	66.29
5% and above of issued shares	2	0.07	23,640,000	18.99
TOTAL	2,786	100.00	124,454,797	100.00

THIRTY LARGEST SHAREHOLDERS

NO.	NAMES	NO. OF SHARES	% OF SHARES
1	MUTUAL CONCEPT SDN BHD	15,990,000	12.85
2	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MUTUAL CONCEPT SDN BHD	7,650,000	6.15
3	ECML NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD NIZAM BIN MOHAMED	5,520,100	4.44
4	SYMPHONY VISTA SDN BHD	5,517,800	4.43
5	MOHAMED BIN HASHIM	5,276,865	4.24
6	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR HWANGDBS SELECT OPPORTUNITY FUND	5,166,900	4.15
7	YAP SIEW YOONG	4,705,400	3.78
8	ATURAN OMEGA SDN BHD	4,674,000	3.76
9	MICHELLE CHEAH MIN TZE	4,505,600	3.62
10	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HAMIDON BIN ABDULLAH	4,200,000	3.38
11	CHEW SOO TON	4,199,200	3.37
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR HAMIDON BIN ABDULLAH	4,110,000	3.30
13	ECML NOMINEES (TEMPATAN) SDN BHD SHAHRUL AZHAN BIN SAMSUDIN @ SHAMSUDDIN	3,692,200	2.97
14	EP PROPERTIES (M) SDN BHD	3,465,000	2.78
15	MUTUAL CONCEPT SDN BHD	2,596,967	2.09

analysis of shareholdings
as at 8 May 2008

THIRTY LARGEST SHAREHOLDERS (Cont'd)

NO.	NAMES	NO. OF SHARES	% OF SHARES
16	SHAHRUL AZHAN BIN SAMSUDIN @ SHAMSUDDIN	2,302,600	1.85
17	HSBC NOMINEES (ASING) SDN BHD TNTC FOR DBS MALAYSIA EQUITY FUND	1,754,000	1.41
18	LINDEN HAMIDON NEE FONG	1,200,000	0.96
19	LEE CHIN WATT @ LEE LIP GIAP	1,059,500	0.85
20	LEE CHEE BENG	1,046,500	0.84
21	MALAYSIA NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	1,000,000	0.80
22	MALAYSIA NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)	966,000	0.78
23	MAYBAN NOMINEES (TEMPATAN) SDN BHD HWANGDBS INVESTMENT MANAGEMENT BHD FOR HWANG-DBS (MALAYSIA) BERHAD	870,450	0.70
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MICHELLE CHEAH MIN TZE	818,700	0.66
25	ECML NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH BEE YONG	684,800	0.55
26	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON MENG HENG	574,000	0.46
27	YEOH KEAN HUA	550,000	0.44
28	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SAI LIM	489,000	0.39
29	MOHD NIZAM BIN MOHAMED	476,500	0.38
30	CHUAH GUAT KOOI	419,000	0.34
	TOTAL	95,481,082	76.72

SUBSTANTIAL SHAREHOLDERS

(In accordance with the register kept pursuant to Section 69L of the Companies Act, 1965)

NAME	DIRECT NO. OF SHARES HELD	%	INDIRECT NO. OF SHARES HELD	%
HAMIDON BIN ABDULLAH	8,447,133	7.03	29,801,967*	24.80
MUTUAL CONCEPT SDN BHD	26,336,967	21.92	-	-

Note : * Deemed interest by virtue of his shareholdings in Mutual Concept Sdn Bhd and EP Properties (M) Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

analysis of shareholdings
as at 8 May 2008

DIRECTORS' SHAREHOLDINGS

NAME	DIRECT NO. OF SHARES HELD	%	INDIRECT NO. OF SHARES HELD	%
HAMIDON BIN ABDULLAH	8,447,133	7.03	29,801,967*	24.80
SHAARI BIN HARON	20,000	0.02	-	-
DATO' IBRAHIM HUSSEIN @ IBRAHIM BIN NYAR HUSSIN	50,000	0.04	-	-
DR LINDEN HAMIDON NEE FONG	1,236,967	1.03	-	-
HEW VOON FOO	-	-	-	-

Note : * Deemed interest by virtue of his shareholdings in Mutual Concept Sdn Bhd and EP Properties (M) Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

analysis of shareholdings
as at 8 May 2008

IRREDEEMABLE CONVERTIBLE UNSECURED PREFERENCE SHARES ("ICUPS")

Authorised Share Capital	:	RM20,000,000
Issued & Paid-up Capital	:	RM8,074,800
Class of Shares	:	17.5% ICUPS 2003/2008 of RM0.10 each
Voting Rights	:	The registered holders of EPMB ICUPS would not have the right to vote at any general meeting unless meeting is convened for purpose of reducing the capital, or winding up or sanctioning a sale of the principal undertaking of EPMB, or where the proposition to be submitted to the meeting directly affects the rights of the holders of EPMB ICUPS.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	% OF HOLDERS	NO. OF ICUPS HELD	% OF ICUPS HELD
Less than 100 ICUPS	0	0	0	0
100 to 1,000 ICUPS	13	7.14	10,200	0.01
1,001 to 10,000 ICUPS	122	67.03	612,200	0.76
10,001 to 100,000 ICUPS	39	21.43	972,500	1.21
100,001 to less than 5% of issued ICUPS	7	3.85	8,319,368	10.30
5% and above of issued ICUPS	1	0.55	70,833,732	87.72
TOTAL	182	100.00	80,748,000	100.00

THIRTY LARGEST SHAREHOLDERS

NO.	NAMES	NO. OF ICUPS	% OF ICUPS
1	MUTUAL CONCEPT SDN BHD	70,833,732	87.72
2	MOHAMED BIN HASHIM	3,000,000	3.71
3	MOHD NIZAM BIN MOHAMED	3,000,000	3.71
4	YONG CHEAU CHIN	900,000	1.11
5	TAN TAI KOOI	600,000	0.74
6	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (MALAYSIA) TRUSTEE BERHAD FOR AMANAH SAHAM SARAWAK	567,500	0.70
7	LINDEN HAMIDON NEE FONG	147,868	0.18
8	TAN AH KOW @ TAN CHEE LIN	104,000	0.13
9	EU MUI @ EE SOO MEI	93,000	0.12
10	LOH SIEW LEE	64,500	0.08
11	PHAN AH KOW	60,000	0.08
12	MD KARIM BIN ABU HASSAN	40,000	0.05
13	LEE JEAN HOE	40,000	0.05
14	KHEW YIT LEN	36,000	0.04
15	DORIS CHUAH SIEW KEE	34,000	0.04
16	LIM CHE CHAI	32,000	0.04
17	LEE HOON CHENG	32,000	0.04

analysis of shareholdings
as at 8 May 2008

THIRTY LARGEST SHAREHOLDERS (Cont'd)

NO.	NAMES	NO. OF ICUPS	% OF ICUPS
18	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHEN CHAI	32,000	0.04
19	NG TIAN CHAI	32,000	0.04
20	TANG CHOK LOI	30,000	0.04
21	YEOH CHIN ENG	28,000	0.03
22	HLG NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOO TEN SAM	28,000	0.03
23	TEH KEE HUAT	24,000	0.03
24	TAN PENG LIM	24,000	0.03
25	CH'NG BAN SENG	24,000	0.03
26	GAN KHOON EE	20,000	0.03
27	MAYBAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG LAI YONG	20,000	0.03
28	OSK NOMINEES (ASING) SDN BHD DMG & PARTNERS SECURITIES PTE LTD FOR CHEW LAN KEAK MELISSA	20,000	0.03
29	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WAN AZAINI BIN WAN AHMAD	20,000	0.03
30	TANG CHOK LOI	20,000	0.03
	TOTAL	79,906,600	98.96

DIRECTORS' SHAREHOLDINGS

NAME	DIRECT NO. OF ICUPS HELD	%	INDIRECT NO. OF ICUPS HELD	%
HAMIDON BIN ABDULLAH	-	-	70,833,732*	87.72
DR LINDEN HAMIDON NEE FONG	147,868	0.18	-	-
SHAARI BIN HARON	-	-	-	-
DATO' IBRAHIM HUSSEIN @ IBRAHIM BIN NYAR HUSSIN	-	-	-	-
HEW VOON FOO	-	-	-	-

Note : * Deemed interest by virtue of his shareholdings in Mutual Concept Sdn Bhd.

analysis of shareholdings
as at 8 May 2008

REDEEMABLE CONVERTIBLE SECURED PREFERENCE SHARES ("RCSPS")

Authorised Share Capital	:	RM10,000,000
Issued & Paid-up Capital	:	RM226,240.70
Class of Shares	:	17.5% RCSPS 2003/2008 of RM0.10 each
Voting Rights	:	The registered holders of EPMB RCSPS would not have the right to vote at any general meeting unless meeting is convened for purpose of reducing the capital, or winding up or sanctioning a sale of the principal undertaking of EPMB, or where the proposition to be submitted to the meeting directly affects the rights of the holders of EPMB RCSPS.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	% OF HOLDERS	NO. OF RCSPS HELD	% OF RCSPS HELD
Less than 100 RCSPS	1	0.53	40	0
100 to 1,000 RCSPS	70	37.04	65,100	2.88
1,001 to 10,000 RCSPS	99	52.38	386,200	17.07
10,001 to 100,000 RCSPS	16	8.46	385,067	17.02
100,001 to less than 5% of issued RCSPS	0	0	0	0
5% and above of issued RCSPS	3	1.59	1,426,000	63.03
TOTAL	189	100.00	2,262,407	100.00

THIRTY LARGEST SHAREHOLDERS

NO.	NAMES	NO. OF RCSPS	% OF RCSPS
1	MALAYSIA NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)	883,000	39.03
2	EU MUI @ EE SOO MEI	342,000	15.12
3	TAN AH KOW @ TAN CHEE LIN	201,000	8.89
4	ONG HOOI SIAN	50,000	2.21
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BENG GUAN	46,100	2.04
6	BEH ENG PAR	40,000	1.77
7	LINDEN HAMIDON NEE FONG	36,967	1.64
8	LOH SIEW LEE	30,000	1.33
9	LEE CHEE BENG	25,000	1.11
10	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE EE @ LEE KIM LOONG	22,000	0.97
11	ECML NOMINEES (TEMPATAN) SDN BHD TAN KIM KHUAT	20,000	0.88
12	WONG GEK KEONG	19,000	0.84
13	TEH AH AU @ TEH AH AUN	16,000	0.71
14	FOO MING HEE	15,000	0.66
15	TENG SIN CHEANG	15,000	0.66
16	LIM CHE CHAI	14,000	0.62

analysis of shareholdings
as at 8 May 2008

THIRTY LARGEST SHAREHOLDERS (Cont'd)

NO.	NAMES	NO. OF RCSPS	% OF RCSPS
17	HAH KEE LOON	12,000	0.53
18	DORIS CHUAH SIEW KEE	12,000	0.53
19	HOR LENG CHOY	12,000	0.53
20	ANG BOON KIAT	10,000	0.44
21	MD KARIM BIN ABU HASSAN	10,000	0.44
22	ONG CHAI LUN	10,000	0.44
23	LEE JEAN HOE	10,000	0.44
24	LIEW KIM THIAM	10,000	0.44
25	PHAN AH KOW	10,000	0.44
26	KHEW YIT LEN	9,000	0.40
27	LEE HOON CHENG	8,000	0.35
28	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHEN CHAI	8,000	0.35
29	LEE SER WOR	8,000	0.35
30	YIP KAM YOKE	8,000	0.35
	TOTAL	1,912,067	84.51

DIRECTORS' SHAREHOLDINGS

NAME	DIRECT NO. OF RCSPS HELD	%	INDIRECT NO. OF RCSPS HELD	%
HAMIDON BIN ABDULLAH	-	-	-	-
DR LINDEN HAMIDON NEE FONG	36,967	1.64	-	-
SHAARI BIN HARON	-	-	-	-
DATO' IBRAHIM HUSSEIN @ IBRAHIM BIN NYAR HUSSIN	-	-	-	-
HEW VOON FOO	-	-	-	-

analysis of warrant holdings
as at 8 May 2008

WARRANTS

No of Warrants issued	:	20,730,000
No of Warrants Unexercised	:	20,730,000
Exercise Period	:	From 4 September 2003 to 3 September 2008
Exercise Rights	:	Each warrant entitles the holder to subscribe for one (1) new ordinary share of RM1.00 each in the Company at a price of RM1.00 per share at any time during the Exercise Period

DISTRIBUTION OF WARRANT HOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	% OF HOLDERS	NO. OF WARRANTS HELD	% OF WARRANTS HELD
Less than 100 warrants	0	0	0	0
100 to 1,000 warrants	155	26.05	124,400	0.60
1,001 to 10,000 warrants	256	43.02	1,171,200	5.65
10,001 to 100,000 warrants	151	25.38	4,835,634	23.33
100,001 to less than 5% of issued warrants	31	5.21	8,412,166	40.58
5% and above of issued warrants	2	0.34	6,186,600	29.84
TOTAL	595	100.00	20,730,000	100.00

THIRTY LARGEST WARRANT HOLDERS

NO.	NAMES	NO. OF WARRANTS	% OF WARRANTS
1	HAMIDON BIN ABDULLAH	4,979,000	24.02
2	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB-GK SECURITIES PTE LTD	1,207,600	5.83
3	ECML NOMINEES (TEMPATAN) SDN BHD SHAHRUL AZHAN BIN SAMSUDIN @ SHAMSUDDIN	759,500	3.66
4	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOOI LEE YEE	689,900	3.33
5	MAYBAN NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AI LING	490,000	2.36
6	MOHAMED BIN HASHIM	488,000	2.35
7	CHONG SOO CHAN	480,000	2.31
8	LOW LAY PING	439,400	2.12
9	CHONG YEE TING	434,500	2.10
10	YONG NG GAH @ YONG WEE SING	399,100	1.92
11	MICHELLE CHEAH MIN TZE	370,300	1.79
12	HON MENG HENG	315,000	1.52
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BENG GUAN	284,900	1.37
14	LEE CHEE BENG	209,000	1.01
15	MOHD NIZAM BIN MOHAMED	200,500	0.97
16	CHEW SOO TON	200,000	0.96

analysis of warrant holdings
as at 8 May 2008

THIRTY LARGEST WARRANT HOLDERS

NO.	NAMES	NO. OF WARRANTS	% OF WARRANTS
17	YEOH LIANG CHAI	200,000	0.96
18	MAYBAN NOMINEES (TEMPATAN) SDN BHD LIM TONG KWEE @ LIM TONG PENG	190,000	0.92
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG LAIN CHOO @ CHONG LIAN CHOO	190,000	0.92
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEONG YEW MUN	190,000	0.92
21	TEH SWEE HENG	182,600	0.88
22	KHOO SENG MIAU	175,000	0.84
23	TAN HVI PING	170,000	0.82
24	SESHAN LIM TEE HENG	165,000	0.80
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIOW KHIEN MENG	165,000	0.80
26	LIM HING FUN @ LIM KHENG HO	150,000	0.72
27	LEOW HONG YEN	150,000	0.72
28	LIM BENG GUAN	134,466	0.65
29	LEE CHIN WATT @ LEE LIP GIAP	123,800	0.60
30	NG BOON KEAN @ NG BEH KIAN	122,300	0.59
	TOTAL	14,254,866	68.76

DIRECTORS' WARRANT HOLDINGS

NAME	DIRECT NO. OF WARRANTS HELD	%	INDIRECT NO. OF WARRANTS HELD	%
HAMIDON BIN ABDULLAH	4,979,000	24.02	-	-
DR LINDEN HAMIDON NEE FONG	18,484	0.09	-	-
SHAARI BIN HARON	10,000	0.05	-	-
DATO' IBRAHIM HUSSEIN @ IBRAHIM BIN NYAR HUSSIN	25,000	0.12	-	-
HEW VOON FOO	-	-	-	-

recurrent related party transactions

In accordance with Paragraph 4.1.5 of Practice Note No. 12/2001 of the Listing Requirement of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted by the Group during the financial year ended 31 December 2007 with the related parties pursuant to the shareholders' mandate obtained at the Extraordinary General Meeting held on 19 June 2007 are as follows:-

Related Parties	EP Manufacturing Bhd and/or its subsidiaries	Nature of transactions with related parties	Aggregate value of transactions (RM'000)
Companies in which the substantial shareholder and Directors of EP Manufacturing Bhd Group, Hamidon Bin Abdullah and/or Dr Linden Hamidon Nee Fong are deemed to have interests:-			
1) EP Properties (M) Sdn Bhd	Peps-JV (M) Sdn Bhd ("Peps-JV") EP Polymers (M) Sdn Bhd ("EP Polymers")	Rental payable	479
2) KB Teknik Sdn Bhd	EP Polymers Fundwin Sdn Bhd ("Fundwin")	Purchases of automotive parts Sales of automotive parts	5,730 67
3) Pesaka Nuri (M) Sdn Bhd	EP Polymers Peps-JV EP Moulds & Dies Sdn Bhd ("EP Moulds & Dies") EP Manufacturing Bhd ("EPMB")	Purchases of automotive parts Sales of automotive parts and maintenance services Rental receivable	19,768 175 576
4) PN Engineering Sdn Bhd	EP Polymers Peps-JV EP Moulds and Dies Fundwin Peps-JV	Purchases of automotive parts and moulds	566
5) KVC Connectors Sdn Bhd	EP Polymers	Purchases of automotive parts	64
6) KVC Industrial Supplies Sdn Bhd	Peps-JV	Purchases of automotive parts	508
7) TSA Industries Sdn Bhd	Peps-JV	Purchases of automotive parts	1,172
8) GEIC Technology Sdn Bhd	EP Metering Services Sdn Bhd	Purchases of automotive parts	773
Company in which Kamludin Bin Abu, a director of Peps-JV, is deemed to have an interest:-			
1) Inteledge Manufacturing Sdn Bhd	Peps-JV	Purchases of automotive parts	6,547

list of properties

Title / Location	Description	Tenure	Land Area (sq.m.)	Gross Floor Area (sq.m.)	Net book value as at 31.12.2007 (RM)	Age of Building (Years)	Date of Acquisition
1 Plot No. 72 & 73 Hicom-Glenmarie Industrial Park Phase 2A Mukim of Damansara Daerah Kelang Selangor Darul Ehsan	Land with factory, stores and office	Freehold	13,858	15,480	29,351,713	13	20/1/1997
2 G.M. No 4776 Lot No. 1401 Mukim of Ulu Yam District of Ulu Selangor Selangor Darul Ehsan	Industrial land	Freehold	10,116	-	2,486,056	-	10/6/1997
3 Lot No. 1410 E.M.R. No. 3019 Lot No. 1412 Lot No. 3027 Mukim of Ulu Yam District of Ulu Selangor Selangor Darul Ehsan	Industrial land with factory, stores and office	Freehold	13,782	5,808	29,583,201	4	5/6/1997
	Industrial land (vacant)	Freehold	13,402	-	1,284,377	-	5/6/1997
4 GM No 4974 Lot 1403 Batu 29, Jalan Ipoh 44300 Batang Kali Selangor Darul Ehsan	Industrial land (vacant)	Freehold	8,979	-	1,196,470	-	28/10/1995
5 GM No 4973, GM4956 Lot 1406, Lot 1409 Batu 29, Jalan Ipoh 44300 Batang Kali Selangor Darul Ehsan	Industrial land with factory, stores, office and guardhouse	Freehold	24,780	7,834	13,632,972	10.75	28/10/1995
				11,952	20,603,428	3	28/10/1995
6 GM 5073 Lot 1404 Mukim of Ulu Yam District of Hulu Selangor Selangor Darul Ehsan	Industrial land (vacant)	Freehold	9,485	-	1,504,169	-	16/2/1996
7 GM 5072 Lot 1407 Mukim of Ulu Yam District of Hulu Selangor Selangor Darul Ehsan	Industrial land with factory, lab, canteen, locker room and guard house	Freehold	11,510	11,808	17,611,634	-	16/2/1996

notes

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EP MANUFACTURING BHD 390116-T
(INCORPORATED IN MALAYSIA)

proxy form

I/We ____
(FULL NAME IN BLOCK AND I.C.NO./COMPANY NO.)

of ____
(ADDRESS)

being a member/members of EP MANUFACTURING BHD hereby appoint ____________________

____
(FULL NAME IN BLOCK AND I.C.NO)

of ____
(ADDRESS)

or failing whom, ____
(FULL NAME IN BLOCK AND I.C.NO)

of ____
(ADDRESS)

as my/our proxy to vote for me/us and on my/our behalf at the Twelfth (12th) Annual General Meeting of the Company to be held at Topas Room, The Saujana Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Wednesday, 25 June 2008 at 10.00 am or at any adjournment thereof as indicated below:

	RESOLUTION	**For**	**Against**
1	To receive Audited Financial Statements for the year ended 31 December 2007 and the Reports thereon		
2	Approval of Directors' fees		
3	Re-election of Encik Hamidon Bin Abdullah		
4	Re-election of Dr Linden Hamidon Nee Fong		
5	Re-appointment of Dato' Ibrahim Hussein @ Ibrahim Bin Nyar Hussin		
6	Re-appointment of Auditors		
7	Approval for Directors to allot and issue shares		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

Dated this ________ day of ____________ 2008

____
Signature/ Common Seal of Shareholders

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. Where a member appoints two (2) or more proxies to attend the same meeting, a member shall specify the proportions of his shareholdings to be represented by each proxy.
2. A Proxy may but need not be a member of the Company. A member shall not be entitled to appoint a person who is not a member unless that person is an advocate, an approved auditor or a person approved by the Companies Commission of Malaysia.
3. Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or his attorney duly authorized in writing, and in the case of a corporation, shall be either given under the corporation's seal or under the hand of an officer or attorney of the corporation duly authorized.
5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at No. 8 & 10 , Jalan Jurutera U1/23, Seksyen U1, Kawasan Perindustrian Hicom Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or at any adjournment thereof.

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Stamp

THE COMPANY SECRETARY
EP MANUFACTURING BHD 390116-T
No 8 & 10, Jalan Jurutera U1/23, Seksyen U1
Kawasan Perindustrian Hicom Glenmarie
40150 Shah Alam, Selangor Darul Ehsan

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