

EP MANUFACTURING BHD.

(Company No. 390116-T)

For the Period Ended 31 December 2009

A Explanatory Notes Pursuant to Financial Reporting Standards (“FRS”) 134

A1. Basis of preparation

The interim financial statements are un-audited and have been prepared in accordance with Financial Reporting Standards (FRS134), Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

A2. Changes in accounting policies

The significant accounting policies adopted in this interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2008 except for the adoption of the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, <i>Insurance Contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments :Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segments</i>	1 July 2009
FRS 139, <i>Financial Instruments :Recognition and Measurement</i>	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010

The Group and the Company plan to apply the abovementioned FRSs/ Interpretations from the annual period beginning 1 January 2010, except for FRS 4, which is not applicable.

The impact of applying FRS 7 and 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 exemptions given in the respective FRSs. The initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and the Company.

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A2. Changes in accounting policies (continued)

FRS 8, Operating Segment –will become effective for financial statements for the year ending 31 December 2010. FRS 8, which replaces FRS 114, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business segments. Under FRS 8, the Group will present segment information in respect of its operating segments: automotive and water division.

A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2008 was not subject to any qualification.

A4. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter. For financial period-to-date, a reduction of RM9.625million from amount payable to the vendor and cost of investment in Circle Ring Network in accordance with the sales and purchase of shares agreement, and correspondingly, the manufacturing and distribution rights intangible assets at the Group level has been reduced by RM9.625million.

A5. Change of accounting estimate

There was no change to estimate of amounts reported in prior financial quarter or financial year that have a material effect for the financial quarter under review.

A6. Changes in composition of the Group

EP Metering Services Sdn Bhd ("EPMS"), a wholly-owned subsidiary of the Company had on 19 October 2009 incorporated a subsidiary in the Republic of Indonesia known as PT EP Metering & Services ("PT EPMS"). The principal activities of PT EPMS involve trading and provision of services within water sector including waste water treatment, non-revenue water improvement, metering and use of water resources for power generation.

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A7. Seasonal or cyclical factors

The business operations of the Group were not affected by any seasonal or cyclical factors.

A8. Segment information

Segment information is presented in respect of the Group's business segment:

	Automotive		Water		Consolidated	
	31 Dec 2009	31 Dec 2008 (Audited)	31 Dec 2009	31 Dec 2008 (Audited)	31 Dec 2009	31 Dec 2008 (Audited)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	457,817	471,225	9,647	12,508	467,464	483,733
Segment results	32,103	32,120	(6,048)	(6,423)	26,055	25,697
Unallocated expenses					460	(1,601)
Results from operating activities					26,515	24,096
Net amortization of intangible assets					(3,626)	(5,661)
Finance Cost					(15,469)	(14,179)
Tax expenses					-	4,069
Net profit for the period					7,420	8,325

A9. Valuation of property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous annual financial statements.

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A10. Capital commitments

	31.12.2009
	RM'000
Property, plant and equipment	
Contracted but not provided for and payable: Within one year	3,552
Approved but not provided for:	
One year or later and no later than five years	50,000
TOTAL	53,552

A11. Changes in contingent liabilities

As at the date of this report, there were no changes to the contingent liabilities of the Group.

A12. Debt and equity securities

For the current financial quarter, there were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities.

A13. Related party transactions

The Group has significant related party transactions with companies in which certain directors of the Company have interests. Related parties are those defined under FRS 124, Related Party Disclosures. Transactions with these related parties have been entered into in the normal course of business and have been established under arms length basis.

A14. Events subsequent to the balance sheet date

There were no material events that have not been reflected in the financial statements for the current quarter and for the financial year to date.

A15. Dividends

The Board recommends a final dividend of 1 sen less 25% tax per ordinary share for the current financial year ended 31.12.2009, subject to shareholders approval at the forthcoming Annual General Meeting.

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Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of the performance

The Group's revenue of RM130.19million for the quarter under review was RM7.55million higher than the RM122.64million registered in the preceding year's corresponding quarter due to higher sales volume.

The Group's pre-tax profit for the current quarter was RM2.76million compared to preceding year's corresponding quarter profit of RM1.06million.

B2. Variation of results against preceding quarter (Quarter 4, 2009 vs. Quarter 3, 2009)

For the quarter under review, the Group's revenue was higher by RM14.9mil as compared to preceding quarter contributed by the higher volume from New Saga and Alza. Meanwhile, profit before tax for the current quarter is RM2.76million, which is higher by RM911,000 as compared to the previous quarter.

B3. Current year prospects

With the expected improved economic outlook, rising consumer confidants and Government's spending on stimulus packages, automotive car industry is projecting a growth in sales.

Forecast total industry volume to reach 550,000 units as compared to 536,905 units in 2009. The higher sales volume is expected to lead to higher sales for the Group.

Moving forward, the Board anticipated that financial performance of the Group for the forthcoming period to be better.

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B4. Profit forecast or profit guarantee

The Company has received a profit guarantee of RM9.625 million in previous quarter.

B5. Tax expense

	12 months ended 31.12	
	2009 RM'000	2008 RM'000
Current tax expense:		
Malaysia – current provision	-	(77)
Malaysia – deferred tax liabilities	-	(462)
- deferred tax assets	-	1,007
Malaysia income tax- over provided in prior years	-	-
	<hr/>	<hr/>
	-	468

No provision for taxation is required for the profit making subsidiary due to exemption under pioneer status, utilization of unabsorbed capital allowances and tax losses of previous years.

B6. Quoted investments

Investments in quoted securities as at 31 December 2009 are as follows:-

	RM'000
Shares quoted in Malaysia, at cost	<hr/> 38
Book value of quoted shares in Malaysia	<hr/> 38
Market value of quoted shares in Malaysia	<hr/> 54

There were no purchases or disposals of quoted investments during the financial quarter under review.

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B7. Status of corporate proposals

There were no corporate proposals announced or not completed as at the date of this quarterly report.

B8. Borrowing and debt securities

The borrowings as at 31 December 2009 are as follows:

	RM'000
Current	
Trade facilities	61,895
Term loan	10,284
Finance lease liabilities	6,434
Overdraft	7,053
MUNIF/ IMTN	45,000
	<u>130,666</u>
Non-current	
MUNIF/ IMTN	58,000
Term loan	31,800
Finance lease liabilities	10,604
	<u>100,404</u>
Total	<u>231,070</u>

The above borrowings are denominated in Ringgit Malaysia.

B9. Off balance sheet financial instruments

There are no off balance sheet risks as at the date of this report that might materially affect the position or business of the Group.

B10. Changes in material litigation

There is no material litigation as at the date of this report.

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B11. Earnings per share

The calculation of the earnings per share for the Group is based on profit attributable to ordinary shareholders (after preference dividend for ICUPS & RCSPS for Year:2008) on the number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year quarter	Current year to date	Preceding year to date (Audited)
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Profit for the period (RM'000)	2,506	1,389	7,068	6,792
Number of ordinary shares RM1.00 each ('000)	165,960	165,960	165,960	165,960
Basic earning per share (sen)	1.51	0.84	4.26	4.09
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

The Group has no potential ordinary shares in issue, therefore diluted earnings per share has not been presented.