

EP MANUFACTURING BHD.

(Company No. 390116-T)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Income Statement

For the Period Ended 30 September 2010 - unaudited

	3 months quarter ended 30.09.2010 RM'000	3 months quarter ended 30.09.2009 RM'000	Cumulative 9 months 30.09.2010 RM'000	Cumulative 9 months 30.09.2009 RM'000
Revenue	<u>147,807</u>	<u>115,293</u>	<u>455,347</u>	<u>337,268</u>
Operating profit	10,840	4,692	30,437	12,229
Interest expense	(1,903)	(2,852)	(7,991)	(9,851)
Interest income	53	19	132	48
Other income	1,500	(6)	1,255	2,227
Profit before taxation	<u>10,489</u>	<u>1,853</u>	<u>23,832</u>	<u>4,653</u>
Tax expense	(3,480)	-	(6,706)	1
Net profit for the period	<u>7,009</u>	<u>1,853</u>	<u>17,126</u>	<u>4,654</u>
Attributable to:				
Equity holders of the parent	6,964	1,818	16,787	4,560
Minority interests	45	35	339	94
Net profit for the period	<u>7,009</u>	<u>1,853</u>	<u>17,126</u>	<u>4,654</u>
Earnings per ordinary share (sen):				
Basic	<u>4.20</u>	<u>1.09</u>	<u>10.12</u>	<u>2.74</u>
Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Condensed Consolidated Balance Sheet

As at 30 September 2010 - unaudited

	30.09.2010 RM'000	31.12.2009 RM'000 (Audited)
Assets		
Property, plant and equipment	289,404	327,392
Other investments	-	38
Intangible assets	111,850	112,598
Deferred tax assets	9,756	5,326
Total non-current assets	<u>411,010</u>	<u>445,354</u>
Inventories	32,108	28,535
Trade and other receivables	103,421	81,650
Current tax assets	510	335
Fixed deposits	9,002	4,817
Cash and cash equivalents	12,625	12,032
Total current assets	<u>157,666</u>	<u>127,369</u>
Total assets	<u>568,676</u>	<u>572,723</u>
Equity		
Share Capital	165,960	165,960
Reserves	71,942	57,579
Treasury Shares	(2,647)	(2,647)
Total equity attributable to equity holders of the parent	<u>235,255</u>	<u>220,892</u>
Minority interests	6,288	6,005
Total equity	<u>241,543</u>	<u>226,897</u>
Liabilities		
Borrowings	111,253	100,149
Deferred tax liabilities	12,133	2,572
Total non-current liabilities	<u>123,386</u>	<u>102,721</u>
Trade and other payables	100,758	107,262
Borrowings	94,823	130,850
Current tax liabilities	3,294	2,851
Provision for warranties	3,638	2,142
Proposed final dividend	1,234	-
	<u>203,747</u>	<u>243,105</u>
Total liabilities	327,133	345,826
Total equity and liabilities	<u>568,676</u>	<u>572,723</u>
Net Assets per share attributable to equity holders of the parent (RM)	<u>1.42</u>	<u>1.33</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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Unaudited Condensed Cash Flow Statement

For the Financial Period Ended 30.09.2010

	9 months Ended 30.09.2010 RM'000	9 months Ended 30.09.2009 RM'000
Net cash inflow from operating activities	69,464	44,142
Net cash inflow/ (outflow) from investing activities	(34,308)	1,740
Interest received	(234)	(48)
Pledged of deposits with licenced banks	(4,412)	(587)
Proceeds from disposal of property, plant and equipment	1,076	204
Proceeds from disposal of quoted shares	90	-
Purchase of property, plant and equipment	(30,828)	(10,662)
Impairment loss in investment of a subsidiary company	-	12,833
Net cash flow from financing activities	(33,755)	(44,817)
Net change in Cash & Cash Equivalents	1,400	1,065
Cash & Cash Equivalents at 1 January	4,788	8,972
Foreign exchange differences on opening balances	-	-
Cash & Cash Equivalents at 30 Sept	6,188	10,037

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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Unaudited Condensed Statement of Changes in Equity

For the Financial Period Ended 30 September 2010

----- Share Capital ----- Attributable to equity holders of the Company -----
----- Non Distributable ----- Distributable

	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 Interests RM'000	Total Equity RM'000
At 1 January 2010	165,960	-	14,069	-	(981)	(2,647)	44,489	220,892	6,007	226,897
Net profit/(loss) recognised directly in equity	-	-	-	-	3	-	-	3	-	3
Profit for the period	-	-	-	-	-	-	16,787	16,787	339	17,126
Appropriation:										
Final dividend paid for financial year ended 31 December 2009	-	-	-	-	-	-	(1,212)	(1,212)	-	(1,212)
Interim dividend payable for financial year ending 31 December 2010	-	-	-	-	-	-	(1,212)	(1,212)	-	(1,212)
Dividend to minority shareholders	-	-	-	-	-	-	-	-	(58)	(58)
Total recognised income and expense for the year	-	-	-	-	3	-	14,362	14,365	281	14,646
At 30 September 2010	165,960	-	14,069	-	(978)	(2,647)	58,850	235,257	6,288	241,543
At 1 January 2009	165,960	-	14,069	-	(32)	(2,647)	37,198	214,548	5,427	219,975
Net loss recognised directly in equity	-	-	-	-	32	-	-	32	-	32
Profit for the period	-	-	-	-	-	-	4,497	4,497	93	4,590
Total recognised income and expense for the year	-	-	-	-	32	-	4,497	4,529	93	4,622
At 30 September 2009	165,960	-	14,069	-	-	(2,647)	41,695	219,077	5,520	224,597

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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Interim Financial Report for the Third ("3rd") Quarter ended 30 September 2010

A Notes to the Interim Financial Statements Pursuant to Financial Reporting Standards ("FRS") 134

A1. Basis of preparation

These interim financial statements are un-audited and have been prepared in accordance with Financial Reporting Standards ("FRS") 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009.

A2. Changes in accounting policies

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009 except for the adoption of the following new and revised FRSS and Issues Committee Interpretations ("IC Int.") effective for the financial period beginning on 1 January 2010:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009

- FRS 8, *Operating Segments*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
 - *Puttable Financial Instruments and Obligations Arising on Liquidation*

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A2. Changes in accounting policies (continued)

- *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
 - *Reclassification of Financial Assets*
 - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010 (continued)

- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

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

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

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A2. Changes in accounting policies (continued)

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

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, Amendments to FRS 2, IC Interpretations 13 and 14 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for Amendments to FRS 2, Amendments to FRS 5, IC Interpretations 12, 15, 16 and 17 which are not applicable to the Group and the Company.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSS. The initial application of the other applicable standards (and its consequential amendments) and interpretations is not expected to have any material financial impact on the Group and the Company's financial statements.

A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2009 was not subject to any qualification.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flow

Based on the review of recoverable amount of manufacturing and distribution rights during the current quarter, there was a write back on overprovision of intangible assets amounting to RM5.13 million and the corresponding deferred tax liabilities amounting to RM1.28million at the Group level.

Except for the above, there were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the current quarter and financial period ended 30 September 2010.

A5. Material changes in estimates

There were no changes in estimates of amounts reported in prior financial quarter or financial year that have a material effect in the financial quarter under review.

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A6. Changes in composition of the Group

On 4 November 2009, PT EP Metering & Services (“PT EPMS”), the subsidiary of the Company has signed a Deed of Establishment (“Deed”) for the incorporation of a 90% owned subsidiary in the Republic of Indonesia namely PT Tirta Serang Madani (“PTTSM”).

The approval from Department of Law and Human Rights of Indonesia for the Deed dated 9 July 2010 has been received.

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	
	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009	30 Sept 2010	30 Sept 2009
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Revenue from external customers	440,747	330,826	14,600	6,442	455,347	337,268
Segment results	35,918	21,978	(4,452)	(7,150)	31,466	14,828
Unallocated expenses					357	(324)
Results from operating activities					31,823	14,504
Finance Cost					(7,991)	(9,851)
Tax expenses					(6,706)	1
Net profit for the period					17,126	4,654

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

	30.09.2010
	RM'000
Property, plant and equipment	
Contracted but not provided for and payable: Within one year	46,000
Approved but not provided for:	
One year or later and no later than five years	-
TOTAL	46,000

A11. Changes in contingent liabilities or contingent assets

There were no material changes in contingent liabilities or contingent assets of the Group since the last audited financial statements for the financial year ended 31 December 2009.

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. Material events subsequent to the end of the financial period

There were no material events subsequent to the current quarter and financial period ended 30 September 2010 up to the date of this report.

A15. Dividends Paid

Final dividend for the previous financial year ended 31 December 2009 of 1.0 sen per ordinary shares less 25% income tax was paid on 23 August 2010.

An interim dividend for the current financial year ending 31 December 2010 of 1.0 sen per ordinary shares less 25% income tax was paid on 23 November 2010.

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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 RM147.8million for the quarter under review was RM32.5million higher than the RM115.3million registered in the preceding year's corresponding quarter. Automotive segment recorded an increase in revenue by RM29.0 million, whereas the water segment posted an increase in revenue of RM3.4million, for the current quarter under review.

The Group's pre-tax profit for the current quarter was RM10.5million compared to preceding year's corresponding quarter profit of RM1.8million. The increase were mainly attributed to improved operating profit as a result of higher revenue and write back of overprovision of intangible asset.

On a cumulative 9 months period ended 30 September 2010 basis, the Group posted pre-tax profit of RM23.83mil on Group revenue of RM455.35mil. The results exceeded the same period last year by RM19.18mil contributed by the write back of overprovision of intangible asset and improved operating profit as a result of higher revenue.

B2. Variation of results against preceding quarter (Quarter 3, 2010 vs. Quarter2, 2010)

For the quarter under review, the Group achieved Revenue of RM147.8mil, lowered by RM9.5mil or 6%, as compared to preceding quarter. This was mainly due to lower volume of sales in automotive segment, while the water segment sales remain consistent.

Meanwhile, Group profit before tax for the current quarter registered RM10.5mil, which is higher by RM1.6mil as compared to the previous quarter. The improved results were driven by increase in sales in automotive segment.

B3. Current year prospects

The Malaysian Automotive Association forecasted a lower growth in total industry volume for passenger vehicles in the second half year. As such, the Board remains conservative that the Group performance for the remainder of the year can be sustainable.

B4. Profit forecast or profit guarantee

There were no profit forecast or profit guarantee issued by the Group.

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B5. Tax expense

In RM'000	Current year quarter	Preceding year quarter	Current year to date	Preceding year to date
	30.9.2010	30.06.2009	30.9.2010	30.6.2009
Current tax:				
-Current year	480	-	998	-
-Prior year	-	-	(34)	(1)
	480	-	964	(1)
Deferred tax:				
-Current year	3,000	-	5,742	-
-Prior year	-	-	-	-
	3,000	-	5,742	-
Total	3,480	-	6,706	(1)

The effective tax rate for the current quarter is higher than the statutory tax rate mainly due to the impact of non tax-deductible expenses

Included in the deferred tax liabilities is an amount of RM1,283,333 provided arising from the write back of overprovision of intangible asset.

B6. Profit/(loss) on sale of unquoted investments and/or properties

There were no profit/(loss) on sale of unquoted investments and/or properties included in the results for the current quarter and financial period ended 30 September 2010.

B7. Quoted investments

There was a disposal of quoted securities with book value of RM37,682 for a sales proceeds of RM89,889 with capital gain of RM52,207 during the financial period ended 30 September 2010.

B8. Status of corporate proposals

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

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B9. Borrowing and debt securities

The borrowings as at 30 September 2010 are as follows:

	RM'000
Current	
Trade facilities	56,229
Term loan	10,062
Finance lease liabilities	8,097
Overdraft	6,435
MUNIF/ IMTN	14,000
	<u>94,823</u>
Non-current	
MUNIF/ IMTN	50,000
Term loan	53,518
Finance lease liabilities	7,735
	<u>111,253</u>
Total	<u>206,076</u>

The above borrowings are denominated in Ringgit Malaysia.

B10. Off balance sheet financial instruments

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

B11. Changes in material litigation

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

B12. Dividend

The Board of Directors does not declare any interim dividend for the current quarter.

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B13. Earnings per share

The calculation of the earnings per share for the Group is based on profit attributable to ordinary shareholders 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
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Profit for the period (RM'000)	6,964	1,819	16,787	4,560
Number of ordinary shares RM1.00 each ('000)	165,960	165,960	165,960	165,960
Basic earning per share (sen)	4.20	1.09	10.12	2.74
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.

By order of The Board
EP Manufacturing Bhd

Tay Li Li
Company Secretary
Selangor
Date: 23 November 2010