

EP MANUFACTURING BHD.

(Company No. 390116-T)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Income Statement

For the Year Ended 31 December 2010 - unaudited

	3 months quarter ended 31.12.2010 RM'000	3 months quarter ended 31.12.2009 RM'000	Cumulative 12 months 31.12.2010 RM'000	(Audited) Cumulative 12 months 31.12.2009 RM'000
Revenue	<u>132,138</u>	<u>130,196</u>	<u>587,485</u>	<u>468,046</u>
Operating profit	11,956	3,711	42,393	10,556
Interest expense	(2,041)	(3,172)	(10,032)	(14,146)
Interest income	174	30	306	78
Other income	(2,283)	1,203	(1,029)	3,437
Profit before taxation	<u>7,806</u>	<u>1,772</u>	<u>31,638</u>	<u>(75)</u>
Tax expense	355	991	(6,351)	7,946
Net profit for the period	<u><u>8,161</u></u>	<u><u>2,763</u></u>	<u><u>25,287</u></u>	<u><u>7,871</u></u>
Attributable to:				
Equity holders of the parent	7,449	2,505	24,236	7,293
Minority interests	712	258	1,051	578
Net profit for the period	<u><u>8,161</u></u>	<u><u>2,763</u></u>	<u><u>25,287</u></u>	<u><u>7,871</u></u>
Earnings per ordinary share (sen):				
Basic	<u><u>4.49</u></u>	<u><u>1.51</u></u>	<u><u>14.80</u></u>	<u><u>4.39</u></u>
Diluted	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet

As at 31 December 2010 - unaudited

	31.12.2010 RM'000	31.12.2009 RM'000 (Audited)
Assets		
Property, plant and equipment	270,239	327,392
Other investments	-	38
Intangible assets	110,079	112,598
Deferred tax assets	5,478	5,326
Total non-current assets	385,796	445,354
Inventories	39,746	28,535
Trade and other receivables	98,533	81,650
Current tax assets	344	335
Fixed deposits	12,055	4,817
Cash and cash equivalents	26,130	12,032
Total current assets	176,808	127,369
Total assets	562,604	572,723
Equity		
Share Capital	165,960	165,960
Reserves	79,387	57,579
Treasury Shares	(2,689)	(2,647)
Total equity attributable to equity holders of the parent	242,658	220,892
Minority interests	-	6,005
Total equity	242,658	226,897
Liabilities		
Borrowings	72,784	100,149
Deferred tax liabilities	10,234	2,572
Total non-current liabilities	83,018	102,721
Trade and other payables	110,032	107,262
Borrowings	121,948	130,850
Current tax liabilities	174	2,851
Provision for warranties	4,743	2,142
Proposed final dividend	31	-
	236,928	243,105
Total liabilities	319,946	345,826
Total equity and liabilities	562,604	572,723
Net Assets per share attributable to equity holders of the parent (RM)	1.46	1.33

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 Year Ended 31.12.2010

	12 months Ended 31.12.2010 RM'000	12 months Ended 31.12.2009 RM'000 (Audited)
Net cash inflow from operating activities	108,523	109,642
Net cash inflow/ (outflow) from investing activities	(45,520)	(50,570)
Intangible cost capitalised	-	(76)
Interest received	(306)	78
Pledged of deposits with licenced banks	(7,128)	(31)
Proceeds from disposal of property, plant and equipment	4,872	268
Proceeds from disposal of quoted shares	90	-
Purchase of property, plant and equipment	(36,048)	(50,809)
Acquisition of minority interest	(7,000)	-
Net cash flow from financing activities	(41,324)	(63,254)
Net change in Cash & Cash Equivalents	21,679	(4,182)
Cash & Cash Equivalents at 1 January	4,788	8,972
Foreign exchange differences on opening balances	-	(2)
Cash & Cash Equivalents at 31 December	26,467	4,788

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 Year Ended 31 December 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)	44,491	220,892	6,005	226,897
Net profit/(loss) recognised directly in equity	-	-	-	-	(3)	-	-	(3)	-	(3)
Profit for the period	-	-	-	-	-	-	24,236	24,236	1,050	25,286
Appropriation:										
Final dividend paid for financial year ended 31 December 2009	-	-	-	-	-	-	(1,212)	(1,212)	-	(1,212)
Interim dividend paid for financial year ended '31 December 2010	-	-	-	-	-	-	(1,212)	(1,212)	-	(1,212)
Dividend to minority shareholders	-	-	-	-	-	-	-	-	(55)	(55)
Repurchased of own shares	-	-	-	-	-	(42)	-	(42)	-	(42)
Acquisition of minority interest	-	-	-	-	-	(42)	-	(42)	(7,000)	(7,000)
Total recognised income and expense for the year	-	-	-	-	(3)	(42)	21,811	21,766	(6,005)	15,761
At 31 December 2010	165,960	-	14,069	-	(984)	(2,689)	66,302	242,658	-	242,658
At 1 January 2009 (Audited)	165,960	-	14,069	-	(32)	(2,647)	37,198	214,548	5,427	219,975
Net loss recognised directly in equity	-	-	-	-	(949)	-	-	(949)	-	(949)
Profit for the period	-	-	-	-	-	-	7,293	7,293	578	7,871
Total recognised income and expense for the year	-	-	-	-	(949)	-	7,293	6,344	578	6,922
At 31 December 2009 (Audited)	165,960	-	14,069	-	(981)	(2,647)	44,491	220,892	6,005	226,897

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 Fourth (“4th”) Quarter ended 31 December 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 for the period under review, 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 year ended 31 December 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

During the current financial quarter, the Company acquired the remaining 2,100,000 ordinary shares representing 4.2% of the issued and paid-up share capital of Peps-JV (M) Sdn Bhd ("Peps-JV") at a purchase consideration of RM7.0 million from Proton Holdings Berhad. As at 31 December 2010, Peps-JV became a wholly-owned subsidiary of the Company.

A7. Seasonal or cyclical factors

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

A8. Segmental information

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

	Automotive		Water		Consolidated	
	31 Dec 2010	31 Dec 2009 (Audited)	31 Dec 2010	31 Dec 2009 (Audited)	31 Dec 2010	31 Dec 2009 (Audited)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	564,647	457,929	22,838	10,117	587,485	468,046
Segment results	49,678	30,862	(8,435)	(17,275)	41,243	13,587
Unallocated expenses					427	484
Results from operating activities					41,670	14,071
Finance Cost					(10,032)	(14,146)
Tax expenses					(6,351)	7,946
Net profit for the year					25,287	7,871

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

	31.12.2010
	RM'000
Property, plant and equipment	
Contracted but not provided for and payable:	
Within one year	34,500
Approved but not provided for:	
One year or later and no later than five years	10,500
TOTAL	45,000

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

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities except for the following:-

During the current financial quarter, the Company bought back 92,000 of its issued shares from open market at an average purchase price of RM0.53 per share or for a total purchase price of RM48,900.85 including transaction cost. The shares bought back were held as treasury shares.

As at 31 December 2010, total shares bought back and held as treasury shares were 4,392,900 shares.

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 31 December 2010 up to the date of this report.

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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 ended 31 December 2010 of 1.0sen per ordinary shares less 25% income tax was paid on 23 November 2010.

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

B1. Review of the performance

The Group posted higher revenue of RM132.14 million for the quarter under review compared to RM130.20million registered in the preceding year’s corresponding quarter.

The Group’s pre-tax profit for the current quarter was RM7.86million compared to preceding year’s corresponding quarter profit of RM1.77million. The increase was mainly attributed to improved operating profit due to higher revenue.

For the current year ended 31 December 2010, the Group recorded revenue of RM587.49mil, a 25% increase over the preceding year’s Group revenue of RM468.04mil, as a result of rise in the car sales volume.

Group profit after tax for the current year achieved RM25.29mil, exceeded last year Group PAT of RM7.87mil by RM17.42mil. The favorable results was contributed by improved operating profit and higher revenue.

B2. Variation of results against preceding quarter (Quarter 4, 2010 vs. Quarter 3, 2010)

For the quarter under review, the Group achieved Revenue of RM132.14mil, lowered by RM15.67mil or 11%, as compared to preceding quarter’s Revenue of RM147.80mil. This was mainly due to lower volume of sales in automotive segment.

Correspondingly, the Group profit before tax for the current quarter registered RM7.80mil, lower by RM2.63mil as compared to the previous quarter’s profit before tax of RM10.49mil.

B3. Current year prospects

The Malaysian Automotive Association forecast a higher growth of 618,000 units in total industry volume for passenger vehicles in this coming year 2011, representing an increase of 3% over 2010 car sales volume of 600,000.

The Board is optimistic that the Group will sustain its performance for the forth-coming year.

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 (Audited)
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Current tax:				
-Current year	174	-	1,172	2,852
-Prior year	(2,297)	-	(2,331)	(3)
	(2,123)	-	(1,159)	2,849
Deferred tax:				
-Current year	1,768	(991)	7,510	(10,300)
-Prior year	-	-	-	(495)
	1,768	-	7,510	(10,795)
Total	(355)	(991)	6,351	(7,946)

The effective tax rate for the current quarter is lower than the statutory tax rate mainly due to the utilisation of tax losses and allowances.

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 sale of unquoted investments and/or properties included in the results for the current quarter and financial year ended 31 December 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 year ended 31 December 2010. There was no investment in quoted securities as at 31 December 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 31 December 2010 are as follows:

	RM'000
Current	
Trade facilities	55,648
Term loan	11,507
Finance lease liabilities	6,793
MUNIF/ IMTN	48,000
	<u>121,948</u>
Non-current	
MUNIF/ IMTN	10,000
Term loan	58,820
Finance lease liabilities	3,964
	<u>72,784</u>
Total	<u>194,732</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
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Profit for the period (RM'000)	7,449	2,505	24,236	7,293
Number of ordinary shares RM1.00 each ('000)	165,960	165,960	165,960	165,960
Basic earning per share (sen)	4.49	1.51	14.60	4.39
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.

B14. Realised and Unrealised Profits

	Current financial year ended 31/12/2010 RM'000
Total retained profits/ (accumulated losses) of the Company and its subsidiaries:	
- Realised	57,242
- Unrealised	9,060
Total group retained profits/ (accumulated losses) as per consolidated accounts	66,302

The Company has applied Listing Directive (LD09/10: Disclosure Requirements Pursuant to FRS139, Financial Instruments: Recognition and Measurement) which exempts entities from disclosing comparative figures on the breakdown of realized and unrealized profits in the first year of applying the directive requirement.

By order of The Board
EP Manufacturing Berhad

Tay Lili
Company Secretary
Shah Alam.
Date: 18 February 2011