

EP MANUFACTURING BHD.

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

Condensed Consolidated Statement of Comprehensive Income

For the Period Ended 30 June 2011 - (unaudited)

	3 months quarter ended 30.06.2011 RM'000	3 months quarter ended 30.06.2010 RM'000	Cumulative 6 months 30.06.2011 RM'000	Cumulative 6 months 30.06.2010 RM'000
Revenue	140,545	157,312	266,042	307,540
Results from operating activities	13,119	13,288	23,309	19,596
Finance costs	(2,484)	(3,646)	(5,053)	(6,087)
Finance income	162	47	314	79
Other income	892	(879)	1,591	(245)
Profit before taxation	11,689	8,810	20,161	13,343
Income tax expenses	(422)	(2,925)	(300)	(3,226)
Total comprehensive income for the period	11,267	5,885	19,861	10,117
Profit attributable to :				
Owners of the Company	11,267	5,702	19,861	9,824
Minority interests	-	183	-	293
Net profit for the period	11,267	5,885	19,861	10,117
Total comprehensive income attributable to :				
Owners of the Company	11,267	5,702	19,861	9,824
Minority interests	-	183	-	293
Total comprehensive income for the period	11,267	5,885	19,861	10,117
Earnings per ordinary share (sen):				
Basic	7.00	3.53	12.35	6.08
Diluted	-	-	-	-

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Financial Position

As at 30 June 2011 - (unaudited)

	30.06.2011 RM'000	31.12.2010 RM'000 (Audited)
Assets		
Property, plant and equipment	282,417	288,960
Intangible assets	106,824	111,129
Deferred tax assets	5,478	5,478
Total non-current assets	394,719	405,567
Inventories	35,053	36,689
Trade and other receivables	85,210	82,277
Prepayment and other assets	3,952	2,785
Prepayment of tax	697	311
Fixed deposits	33,839	12,055
Cash and cash equivalents	25,939	26,136
Total current assets	184,690	160,253
Total assets	579,409	565,820
Equity		
Share Capital	165,960	165,960
Reserves	100,071	80,210
Treasury Shares	(3,875)	(2,689)
Total equity attributable to equity holders of the parent	262,156	243,481
Liabilities		
Borrowings	75,072	70,265
Deferred tax liabilities	9,899	10,234
Total non-current liabilities	84,971	80,499
Trade and other payables	94,921	112,515
Borrowings	131,893	124,446
Current tax liabilities	577	136
Provision for warranties	4,891	4,743
Total current liabilities	232,282	241,840
Total liabilities	317,253	322,339
Total equity and liabilities	579,409	565,820
	-	-
Net Assets per share attributable to equity holders of the parent (RM)	1.64	1.51

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Cash Flow

For the Financial Period Ended 30.06.2011 -(Unaudited)

	6 months Ended 30.06.2011 RM'000	6 months Ended 30.06.2010 RM'000
Net cash inflow from operating activities	33,204	59,225
Net cash outflow from investing activities	(27,160)	(29,057)
Interest received	152	(79)
Pledged of deposits with licenced banks	(7,013)	(3,013)
Proceeds from disposal of property, plant and equipment	1	970
Proceeds from disposal of quoted shares	-	90
Purchase of property, plant and equipment	(20,300)	(27,025)
Net cash flow from financing activities	6,596	(25,773)
Net change in Cash & Cash Equivalents	<u>12,640</u>	<u>4,395</u>
Cash & Cash Equivalents at 1 January	26,369	4,788
Foreign exchange differences on opening balances	-	-
Cash & Cash Equivalents at 30 June	<u><u>39,009</u></u>	<u><u>9,183</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Changes in Equity

For the Financial Period Ended 30 June 2011 -(unaudited)

	----- Attributable to equity holders of the Company -----		----- Non Distributable -----		----- Distributable -----	
	Ordinary Shares	Share Premium	Exchange translation reserve	Treasury Shares	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	165,960	14,069	(982)	(2,689)	67,123	243,481
Total comprehensive income for the period	-	-	-	-	19,861	19,861
Repurchase of own shares	-	-	-	(1,186)	-	(1,186)
At 30 June 2011	165,960	14,069	(982)	(3,875)	86,984	262,156
At 1 January 2010	165,960	14,069	(981)	(2,647)	44,491	220,892
Total comprehensive income for the period	-	-	6	-	9,824	9,830
Dividend to owners of the Company	-	-	-	-	(1,212)	(1,212)
At 30 June 2010	165,960	14,069	(975)	(2,647)	53,103	229,510
					6,298	235,808

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

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Interim Financial Report for the Second Quarter ended 30 June 2011

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

A1. Basis of preparation

These interim financial statements are unaudited 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 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 2010.

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 2010 except for the adoption of the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standard Board (MASB) but are not yet effective for the Group and the Company.:

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

- *IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments*
- *Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- *FRS 124, Related Party Disclosures (revised)*
- *IC Interpretation 15, Agreements for the Construction of Real Estate*

The Group and the Company plans to adopt the abovementioned standards, amendments and interpretations, where applicable, from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012.

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A2. Changes in accounting policies (con't)

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods' financial statements upon their first adoption.

A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2010 was not subject to any qualification.

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flow for this quarter under review.

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.

A6. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter.

A7. Seasonal or cyclical factors

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

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A8. Segmental information

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

	Automotive		Water		Consolidated	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	256,959	298,034	9,083	9,506	266,042	307,540
Segment results	28,887	22,722	(3,682)	(3,530)	25,205	19,192
Unallocated expenses					9	238
Results from operating activities					25,214	19,430
Finance Cost					(5,053)	(6,087)
Tax expenses					(300)	(3,226)
Net profit for the year					19,861	10,117

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.

A10. Capital commitments

	30.06.2011
	RM'000
Property, plant and equipment	
Contracted but not provided for and payable: Within one year	27,000

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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 2010.

A12. Debt and equity securities

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

i) During the second quarter ended 30 June 2011, the Company has bought back 1,491,100 of its issued shares from open market at an average purchase cost of RM0.79 per share. The total consideration paid for the share buy back during the second quarter ended 30 June 2011, including transaction costs was RM1,187,035.66. The shares repurchased are being held as treasury shares.

As at 30 June 2011, total shares bought back and held as treasury shares were 5,884,000 shares, and

ii) full redemption of the RM150.0million Murabahah Underwritten Notes Issuance Facility ("MUNIF") on 16 February 2011.

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 ended 30 June 2011 up to the date of this report.

A15. Dividends Paid

There was no dividend paid during the current quarter.

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Interim Financial Report for the Second Quarter ended 30 June 2011

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

B1. Review of the performance

The Group posted lower revenue of RM140.55million for the quarter under review as compared to RM157.3million registered in the preceding year's corresponding quarter, mainly due to drop in sales revenue in automotive segment.

The Group's pre-tax profit for the current quarter was RM11.69million compared to RM8.81million in the corresponding period last year. The increase was mainly attributed to certain non-recurring charges in preceding year's corresponding quarter.

B2. Variation of results against preceding quarter (Quarter 2, 2011 vs. Quarter 1, 2011)

For the quarter under review, the Group achieved revenue of RM140.55mil, higher by RM15.05mil or 12%, as compared to preceding quarter's revenue of RM125.5mil. This was mainly due to higher sales revenue in automotive segment.

The Group registered profit before tax of RM11.69mil for the current quarter, higher by RM3.22mil as compared to the previous quarter's profit before tax of RM8.47mil. .

B3. Current year prospects

The impact from disruption in supply chain following the earthquake in Japan in March 2011 is expected to be temporary.

The Malaysian Automotive Association forecasts that the total industry volume for the year 2011 will register positive growth of 0.5% over 2010 in view of the positive consumer sentiment and the introduction of new models.

Under the prevailing conditions, the Board expects the Group to maintain its performance consistent with last 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
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
Current tax:				
-Current year	568	200	613	518
-Prior year	22	(17)	22	(34)
	590	183	635	484
Deferred tax:				
-Current year	(168)	2,742	(335)	2,742
-Prior year	-	-	-	-
	(168)	2,742	(335)	2,742
Total	422	2,925	300	3,226

The effective tax rate of the Group for the current quarter and current year to date was lower than the statutory tax rate due mainly to tax incentive in the form of tax exemption and investment tax allowances granted to certain subsidiary companies.

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.

B7. Quoted investments

There were no purchase or disposal of quoted securities for the current quarter.

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 June 2011 are as follows:

	RM'000
Current	
Trade facilities	68,084
Term loan	14,891
Finance lease liabilities	6,984
Overdraft	1,934
MUNIF/ IMTN	40,000
	<u>131,893</u>
Non-current	
MUNIF/ IMTN	10,000
Term loan	64,664
Finance lease liabilities	408
	<u>75,072</u>
Total	<u>206,965</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 has declared a first tax exempt interim dividend of 1 sen per share for the financial year ending 31 December 2011 which will be paid on 18 November 2011 to the Depositors registered in the Record of Depositors at the close of business on 4 November 2011.

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B13. Earnings per share

The calculation of basic earnings per share is based on net profit attributable to shareholders of the Company during the quarter and the weighted average number of ordinary shares in issued during the quarter.

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year quarter (restated)	Current year to date	Preceding year to date (restated)
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	'000	'000	'000	'000
Issued ordinary shares at beginning of the year	165,960	165,960	165,960	165,960
Effect of treasury shares held	(5,107)	(4,301)	(5,107)	(4,301)
Weighted average number of shares	160,853	161,659	160,853	161,659
Profit for the period (RM'000)	11,267	5,702	19,861	9,824
Basic earnings per share (sen)	7.00	3.53	12.35	6.08
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

No diluted EPS is disclosed in these financial statements as there are no dilutive potential ordinary shares.

B14. Realised and Unrealised Profits

	Current quarter ended 30/06/2011	Preceding quarter ended 31/03/2011
	RM'000	RM'000
Total retained profits/ (accumulated losses) of the Company and its subsidiaries:		
- Realised	81,996	71,888
- Unrealised	4,988	3,830
Total group retained profits/ (accumulated losses) as per consolidated accounts	86,984	75,718

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Interim Financial Report for the Second Quarter ended 30 June 2011

By order of The Board
EP Manufacturing Bhd

Tay Li Li
Company Secretary
Shah Alam.
Date: 19 August 2011