

# EP MANUFACTURING BHD.

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

## Condensed Consolidated Statement of Comprehensive Income

For the Period Ended 31 March 2012 - (unaudited)

	3 months quarter ended 31.03.2012 RM'000	3 months quarter ended 31.03.2011 RM'000 (restated)	Cumulative 3 months 31.03.2012 RM'000	Cumulative 3 months 31.03.2011 RM'000 (restated)
Revenue	137,704	125,497	137,704	125,497
Operating expenses	(110,007)	(99,018)	(110,007)	(99,018)
Depreciation and amortisation	(17,576)	(16,239)	(17,576)	(16,239)
Other income	2,877	700	2,877	700
<b>Results from operating activities</b>	<b>12,998</b>	<b>10,940</b>	<b>12,998</b>	<b>10,940</b>
Finance costs	(2,507)	(2,569)	(2,507)	(2,569)
Interest income	71	152	71	152
Net finance costs	(2,436)	(2,417)	(2,436)	(2,417)
<b>Profit/(loss) before tax</b>	<b>10,562</b>	<b>8,523</b>	<b>10,562</b>	<b>8,523</b>
Income tax (expenses)/ credit	(1,823)	122	(1,823)	122
<b>Total comprehensive income for the period</b>	<b>8,739</b>	<b>8,645</b>	<b>8,739</b>	<b>8,645</b>
<b>Other comprehensive expense, net of tax</b>				
Foreign currency translation differences for foreign operations	(4)	-	(4)	-
Other comprehensive expense, net of tax	(4)	-	(4)	-
<b>Total comprehensive income for the year</b>	<b>8,735</b>	<b>8,645</b>	<b>8,735</b>	<b>8,645</b>
<b>Profit attributable to :</b>				
Owners of the Company	8,694	8,645	8,694	8,645
Non controlling interest	45	-	45	-
<b>Net profit for the period</b>	<b>8,739</b>	<b>8,645</b>	<b>8,739</b>	<b>8,645</b>
<b>Total comprehensive income attributable to :</b>				
Owners of the Company	8,690	8,645	8,690	8,645
Non controlling interest	45	-	45	-
<b>Total comprehensive income for the period</b>	<b>8,735</b>	<b>8,645</b>	<b>8,735</b>	<b>8,645</b>
<b>Earnings per ordinary share (sen):</b>				
Basic	5.45	5.36	5.45	5.36
Diluted	-	-	-	-

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

# EP MANUFACTURING BHD

(Company No. 390116-T)

(Incorporated in Malaysia)

## Condensed Consolidated Statement of Financial Position

As at 31 March 2012 - (unaudited)

	31.03.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
		(Audited)	(Audited)
		(Restated)	(Restated)
<b>Assets</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment	260,538	272,748	309,586
Intangible assets	96,509	98,240	111,129
Deferred tax assets	5,697	5,788	5,478
<b>Total non-current assets</b>	<b>362,744</b>	<b>376,776</b>	<b>426,193</b>
Inventories	34,108	40,676	36,689
Trade and other receivables	105,690	71,813	82,277
Prepayment and other assets	12,172	6,696	2,785
Prepayment of tax	485	67	311
Fixed deposits	33,577	28,259	12,055
Cash and cash equivalents	20,947	43,996	26,136
<b>Total current assets</b>	<b>206,979</b>	<b>191,507</b>	<b>160,253</b>
<b>Total assets</b>	<b>569,723</b>	<b>568,283</b>	<b>586,446</b>
<b>Equity</b>			
Share Capital	165,960	165,960	165,960
Reserves	137,006	128,270	95,680
Treasury Shares	(4,481)	(4,346)	(2,689)
<b>Total equity attributable to equity holders of the parent</b>	<b>298,485</b>	<b>289,884</b>	<b>258,951</b>
Non controlling interest	(45)	-	-
	<b>298,440</b>	<b>289,884</b>	<b>258,951</b>
<b>Liabilities</b>			
Borrowings	70,882	63,211	70,265
Deferred tax liabilities	7,102	6,227	15,390
<b>Total non-current liabilities</b>	<b>77,984</b>	<b>69,438</b>	<b>85,655</b>
Trade and other payables	99,052	103,379	112,515
Borrowings	88,605	98,442	124,446
Current tax liabilities	800	156	136
Provision for warranties	4,842	5,390	4,743
Dividend payable	-	1,594	-
<b>Total current liabilities</b>	<b>193,299</b>	<b>208,961</b>	<b>241,840</b>
<b>Total liabilities</b>	<b>271,283</b>	<b>278,399</b>	<b>327,495</b>
	<b>569,723</b>	<b>568,283</b>	<b>586,446</b>
	-	-	-
<b>Net Assets per share attributable to equity holders of the parent (RM)</b>	<b>1.87</b>	<b>1.82</b>	<b>1.60</b>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 31.03.2012 -(Unaudited)

	3 months Ended 31.03.2012 RM'000	3 months Ended 31.03.2011 RM'000
<b>Cashflow from operating activities</b>		
Profit before taxation	10,562	8,473
Adjustment for:		
Non cash items	17,851	15,207
Non-operating items	3,340	2,420
<b>Operation profit before working capital changes</b>	<b>31,753</b>	<b>26,100</b>
Decrease/ (increase) in inventories	6,568	389
Decrease/ (increase) in trade and other receivables	(39,653)	(9,571)
Decrease/ (increase) in trade and other payables	(4,327)	(15,502)
Decrease/(increase) in provision	(1,042)	13
<b>Cash generated from/ (used in) operations</b>	<b>(6,701)</b>	<b>1,429</b>
Income tax (paid) / refund	(418)	(354)
<b>Net cash generated from operating activities</b>	<b>(7,119)</b>	<b>1,075</b>
<b>Cash flow from investing activities:</b>		
Interest received	71	152
Pledged deposits with licensed banks	(235)	(6,352)
Increase in development costs	(90)	(782)
Proceeds from disposal of property, plant & equipment	-	1
Purchase of property, plant & equipment	(4,491)	(15,120)
<b>Net cash generated from investing activities</b>	<b>(4,745)</b>	<b>(22,101)</b>
<b>Cash flow from financing activities:</b>		
Finance cost paid	(2,507)	(2,569)
Net repayment of bank borrowings	(548)	17,366
Repayment in finance lease liabilities	(1,618)	(1,646)
Dividends paid to owners of the Company	(1,594)	31
Repurchase of shares	(135)	(315)
<b>Net cash generated from financing activities</b>	<b>(6,402)</b>	<b>12,867</b>
Net increase/(decrease) in cash and cash equivalent	(17,966)	(8,159)
Cash and cash equivalent as at beginning,	53,317	26,369
Cash and cash equivalent as at end	35,351	18,210

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 31 March 2012 -(unaudited)

	----- Attributable to equity holders of the Company -----		----- Non Distributable ----- Distributable					
	Ordinary Shares	Share Premium	Exchange translation reserve	Treasury Shares	Retained Profits	Total	Non Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2012</b>	165,960	14,069	(983)	(4,346)	99,513	274,213	-	274,213
Effect of transition to MFRS					15,672	15,672	-	15,672
Total comprehensive income for the year			(983)	(4,346)	115,185	289,885	-	289,885
Repurchase of own shares		-	(4)	-	8,739	8,735	(45)	8,690
				(135)	-	(135)	-	(135)
<b>At 31 March 2012</b>	165,960	14,069	(987)	(4,481)	123,924	298,485	(45)	298,440
<b>At 1 January 2011</b>	165,960	14,069	(982)	(2,689)	67,123	243,481	-	243,481
Effect of transition to MFRS					15,469	15,469	-	15,469
Total comprehensive income for the period as previously stated			(982)	(2,689)	82,592	258,950	-	258,950
Effect of transition to MFRS					8,595	8,595	-	8,595
Total comprehensive income for the period as restated					50	50	-	50
Repurchase of own shares				(315)	8,645	8,645	-	8,645
					-	(315)	-	(315)
<b>At 31 March 2011</b>	165,960	14,069	(982)	(3,004)	91,237	267,280	-	267,280

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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## **A Notes to the Interim Financial Statements Pursuant to MFRS 134**

### **A1. First time adoption of Malaysian Financial Reporting Standards (MFRS)**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS134: *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRSs).

This Condensed Report is the Group's first MFRS compliant Condensed Report and hence MFRS 1: *First Time Adoption of Malaysian Financial Reporting Standards (MFRS 1)* has been applied.

The date of transition to the MFRS framework is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS1. In preparing its opening MFRS statement of financial position, the Group has adjusted amounts previously reported in financial statements prepared in accordance with the previous FRSs and the impact of the transition from FRS to MFRS is described in Note (A2 (ii)) below.

### **A2. Changes in accounting policies**

#### **A2 (i) Application of MFRS**

The audited financial statements of the Group for the year ended 31 December, 2011 were prepared in accordance with FRS. As the requirement under FRS and MFRS are similar, the significant accounting policies adopted in preparing this Condense Report are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

#### **A2 (ii) Property, plant and equipment**

The Group elected to apply the optional exemption to measure certain property, plant and equipment at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

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The aggregate fair value of these property, plant and equipment at 1 January 2011 was determined to be RM138,600,000 compared to the then carrying amount of RM117,974,000 under FRSs.

The impact arising from the change is summarized as follows:

	1 January 2011	31 March 2011	31 December 2011
<b>Consolidated statement of comprehensive income</b>			
Administrative expenses – depreciation	-	(50)	(203)
Adjustment before tax		<u>(50)</u>	<u>(203)</u>
		=====	=====
<b>Consolidated statement of financial position</b>			
Fair value gain on property, plant and equipment	20,626	20,676	20,829
Related tax effect	(5,157)	(5,157)	(5,157)
Adjustment to retained earnings	<u>15,469</u>	<u>15,519</u>	<u>15,672</u>
	=====	=====	=====

### A2 (iii) MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorization of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
• MFRS 9 Financial Instruments (FRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
• MFRS 10 Consolidated Financial statements	1 January 2013
• MFRS 11 Joint Arrangements	1 January 2013
• MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
• MFRS 13 Fair Value Measurement	1 January 2013
• MFRS 119 Employee Benefits	1 January 2013
• MFRS 127 Separate Financial Statements	1 January 2013
• MFRS 128 Investments in Associates and Joint Venture	1 January 2013

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- Amendments to MFRS 7- Disclosures – offsetting Financial Assets and Financial Liabilities 1 January 2013
- Amendments to MFRS 101 – Presentation of Items of Other Comprehensive Income 1 July 2012
- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities 1 January 2014
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine 1 January 2013

## **A3. Audit qualifications**

The audited financial statements of the Group for the financial year ended 31 December 2011 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	
	31 MAR 2012	31 MAR 2011	31 MAR 2012	31 MAR 2011	31 MAR 2012	31 MAR 2011 (restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	131,275	120,115	6,429	5,382	137,704	125,497
Segment results	14,087	12,876	(461)	(1,213)	13,626	11,663
Unallocated expenses					124	98
Results from operating activities					13,750	11,761
Amortisation of intangible assets					(726)	(669)
Finance Cost					(2,507)	(2,569)
Tax expenses					(1,823)	122
Net profit after tax					8,694	8,645
Non - controlling interest					45	-
Net profit after tax & MI					8,739	8,645

## A9. Valuation of property, plant and equipment

As disclosed in Note (A2 (ii)) above, the Group has measured its land and building at the date of transition at its fair value and use that fair value as its deemed cost at that date.



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## A10. Capital commitments

	31.03.2012
	RM'000
<b>Property, plant and equipment</b>	
Authorise but not contracted for and payable:	12,367
Contracted but not provided for and payable:	6,092
	18,459

## A11. Changes in contingent liabilities or contingent assets

	31.03.2012
	RM'000
Corporate guarantee given by the Company to secure banking facilities granted to subsidiaries	147,352

## 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 first quarter ended 31 March 2012, the Company has bought back 157,500 of its issued shares from open market at an average purchase cost of RM0.86 per share. The total consideration paid for the share buy back during the first quarter ended 31 March 2012, including transaction costs was RM136,015.87. The shares repurchased are being held as treasury shares.

As at 31 March 2012, total shares bought back and held as treasury shares were 6,618,200 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.

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## **A14. Material events subsequent to the end of the financial period**

### **Proposed acquisition of the business of Maju Expressway Sdn Bhd (“MESB”) and the entire equity interest in MESB**

On 16 March 2012, EP Manufacturing Bhd (“EPMB”) entered into an Acquisition Agreement with MESB, Bright Focus Berhad (“BFB”) and Ulimas Sdn Bhd (“Ulimas”) for the proposed acquisition by a wholly-owned subsidiary of EPMB to incorporate, the business of MESB and the entire equity interest in MESB from BFB and Ulimas for a purchase consideration of RM1.15 billion (“Proposed Acquisition”) together with the redemption of MESB’s existing Islamic medium term notes with a nominal amount of RM550 million. On 2 April 2012, EPMB Sdn Bhd (“EPMB”) was incorporated to facilitate the Proposed Acquisition.

The total consideration of the Proposed Acquisition will be satisfied by internally generated funds, bank borrowings, issuance of 38,462,000 new EPMB Shares amounting to RM50 million (issue price of RM1.30 per share), Redeemable Unsecured Loan Stocks (“RULS”) of RM100 million and the issuance of new Islamic Securities of up to nominal value of RM1,300 million by EPMB (“EPMB Sukuk”). The completion of the Proposed Acquisition is subject to the fulfillment of the conditions precedent as set out in the Acquisition Agreement.

On 24 April 2012, EPMB announced that the size of the EPMB Sukuk has been increased to nominal value of up to RM1,350 million.

EPMB will make the necessary announcements on a timely manner in relation to the Proposed Acquisition.

## **A15. Dividends Paid**

A second interim tax exempt dividend of 1 sen per ordinary shares amounted to RM1,594,244.00 for the financial year ended 31 December 2011 was paid on 20 February 2012.

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Interim Financial Report for the First Quarter ended 31 March 2012

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

### **B1. Review of the performance**

#### **Current Quarter**

Revenue of the Group for the current quarter was 9.7% higher than the corresponding quarter last year, contributed largely by the contribution from automotive segment. Water segment sales were higher by RM1.05mil as compared to last year's corresponding quarter due to higher customer's orders.

The Group registered a post-tax profit of RM8.7mil for the current quarter, comparable with corresponding quarter last year, arose from higher depreciation charge on moulds and dies commensurate with higher sales volume in automotive segment.

### **B2. Comparison with Preceding Quarter**

Revenue for the current quarter was 18.5% lower than the preceding quarter, attributed to lower sales and tooling cost recovery registered from automotive segment. Water segment sales have improved by RM1.2mil as compared to preceding quarter.

The Group registered a post-tax profit of RM8.7mil for the current quarter, higher than corresponding quarter by 5.3% arose from improvement in operation efficiency.

### **B3. Current year prospects**

The Group is expecting to operate in a challenging environment with market uncertainties, rising crude oil prices and cautious consumers spending sentiments.

However, the Board remains confident that the Group will continue to register satisfactory performance with committed effort to achieve efficiency in productivity and strategy to contain cost-overrun.

### **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
	<b>31.03.2012</b>	<b>31.03.2011</b>
<b>Current tax:</b>		
-Current year	856	45
-Prior year		-
	856	45
<b>Deferred tax:</b>		
-Current year	967	(167)
-Prior year	-	-
	1,823	(122)
<b>Total</b>		

The effective tax rate of the Group for the current quarter was lower than the statutory tax rate due to tax incentives granted to certain subsidiaries.

Included in the defer tax expense, is the reversal of deferred tax liabilities of RM164,000 arising from the amortization of water segment intangibles.

## B6. Status of corporate proposals

Maybank Investment Bank Berhad and ZJ Advisory Sdn Bhd (collectively "Joint Advisers") on behalf of the Board have announced on 16 March 2012 that the Company has entered into the Proposed Acquisition as disclosed in Section A14.

The applications to Securities Commission, Securities Commission (Private Debt Securities Department) and Securities Commission (Equity Compliance Unit ) in relation to the above said Proposed Acquisition (including EPMEX Sukuk) are pending submission.

The Company expects to submit all applications in relation to the Proposed Acquisition (including EPMEX Sukuk) by early May 2012.

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## B7. Borrowing and debt securities

The borrowings as at 31 March 2012 are as follows:

	<b>RM'000</b>
<b>Current</b>	
Trade facilities	53,658
Term loan	22,946
Finance lease liabilities	2,001
IMTN	<u>10,000</u>
	<u>88,605</u>
<b>Non-current</b>	
Term loan	70,409
Finance lease liabilities	<u>473</u>
	<u>70,882</u>
<b>Total</b>	<u>159,487</u>

The above borrowings are denominated in Ringgit Malaysia.

## B8. Changes in material litigation

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

## B9. Dividend

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

The Board recommends a final tax exempt dividend of 2.0sen per ordinary share for the financial year ended 31 December 2011 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

# EP MANUFACTURING BHD.

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## 10. 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	
	Current year quarter	Preceding year quarter (restated)
	31.03.2012	31.03.2011
	'000	'000
Issued ordinary shares at beginning of the year	165,960	165,960
Effect of treasury shares held	(6,475)	(4,534)
Weighted average number of shares	159,485	161,425
Profit for the period (RM'000)	8,694	8,645
Basic earnings per share (sen)	5.45	5.36
Diluted earnings per share (sen)	N/A	N/A

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

## B11. Realised and Unrealised Profits

	Current quarter ended 31/03/2012	Preceding quarter ended 31/12/2011
	RM'000	RM'000 (restated)
Total retained earnings of the Company and its subsidiaries:		
- Realised	145,715	132,590
- Unrealised	11,473	14,026
	157,188	146,616
Less: Consolidation adjustments	(33,264)	(31,430)
Total retained earnings as per statement of financial positions	123,924	115,186

By order of The Board  
EP Manufacturing Bhd

Tay Li Li  
Company Secretary  
Shah Alam.  
Date: 27 April, 2012.