

EP MANUFACTURING BHD.

(Company No. 390116-T)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Comprehensive Income

For the Period Ended 30 September 2012 - (unaudited)

	3 months quarter ended 30.09.2012 RM'000	3 months quarter ended 30.09.2011 RM'000 (restated)	Cumulative 9 months 30.09.2012 RM'000	Cumulative 9 months 30.09.2011 RM'000 (restated)
Revenue	127,027	142,197	389,358	408,239
Operating expenses	(110,476)	(114,442)	(324,062)	(325,219)
Depreciation and amortisation	(8,202)	(18,717)	(37,941)	(50,670)
Other income	1,589	1,379	5,776	2,971
Results from operating activities	9,938	10,417	33,131	35,321
Finance costs	(2,838)	(2,962)	(7,765)	(8,018)
Interest income	302	191	499	505
Net finance costs	(2,536)	(2,771)	(7,266)	(7,513)
Profit before tax	7,402	7,646	25,865	27,808
Income tax expenses	(554)	2,310	(3,302)	2,010
Total comprehensive income for the period	6,848	9,956	22,563	29,818
Other comprehensive expense, net of tax				
Foreign currency translation differences for foreign operations	-	-	-	-
Other comprehensive expense, net of tax	-	-	-	-
Total comprehensive income for the year	6,848	9,956	22,563	29,818
Profit attributable to :				
Owners of the Company	6,848	9,956	22,563	29,818
Non controlling interest	22	-	107	-
Net profit for the period	6,870	9,956	22,670	29,818
Total comprehensive income attributable to :				
Owners of the Company	6,848	9,956	22,563	29,818
Non controlling interest	22	-	107	-
Total comprehensive income for the period	6,870	9,956	22,670	29,818
Earnings per ordinary share (sen):				
Basic	4.30	6.20	14.16	18.58
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.

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(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position

As at 30 September 2012 - (unaudited)

	30.09.2012 RM'000	31.12.2011 RM'000 (Audited) (Restated)	1.1.2011 RM'000 (Audited) (Restated)
Assets	RM'000	RM'000	RM'000
Property, plant and equipment	285,255	272,748	309,586
Intangible assets	90,796	98,240	111,129
Deferred tax assets	4,672	5,788	5,478
Total non-current assets	380,723	376,776	426,193
Inventories	30,445	40,676	36,689
Trade and other receivables	104,202	71,813	82,277
Prepayment and other assets	6,854	6,696	2,785
Prepayment of tax	2,410	67	311
Fixed deposits	34,761	28,259	12,055
Cash and cash equivalents	26,604	43,996	26,136
Total current assets	205,275	191,507	160,253
Total assets	585,998	568,283	586,446
Equity			
Share Capital	165,960	165,960	165,960
Reserves	150,316	130,836	98,244
Treasury Shares	(4,489)	(4,346)	(2,689)
Total equity attributable to equity holders of the parent	311,788	292,450	261,515
Non controlling interest	(107)	-	-
	311,681	292,450	261,515
Liabilities			
Borrowings	60,839	63,211	70,265
Deferred tax liabilities	4,889	3,661	12,826
Total non-current liabilities	65,728	66,872	83,091
Trade and other payables	80,389	103,379	112,515
Borrowings	119,393	98,442	124,446
Current tax liabilities	1,022	156	136
Provision for warranties	7,785	5,390	4,743
Dividend payable	-	1,594	-
Total current liabilities	208,589	208,961	241,840
Total liabilities	274,317	275,833	324,931
	585,998	568,283	586,446
Net Assets per share attributable to equity holders of the parent (RM)	1.96	1.82	1.62

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 Changes in Equity

For the Financial Period Ended 30 SEPTEMBER 2012 -(unaudited)

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

	Ordinary Shares RM'000	Share Premium RM'000	Exchange translation reserve RM'000	Treasury Shares RM'000	Retained Profits RM'000	Total RM'000	Controlling Interest RM'000	Total Equity RM'000
At 1 January 2012	165,960	14,069	(983)	(4,346)	99,513	274,213	-	274,213
Effect of transition to MFRS					18,237	18,237	-	18,237
Total comprehensive income for the year	165,960	14,069	(983)	(4,346)	117,750	292,450	-	292,450
Repurchase of own shares	-	-	(2)	-	22,670	22,668	(107)	22,561
Dividend to owners of the Company	-	-	-	(143)	-	(143)	-	(143)
At 30 September 2012	165,960	14,069	(985)	(4,489)	137,233	311,788	(107)	311,681
At 1 January 2011 (Restated)	165,960	14,069	(982)	(2,689)	67,123	243,481	-	243,481
Effect of transition to MFRS					18,034	18,034	-	18,034
Total comprehensive income for the period as previously stated	165,960	14,069	(982)	(2,689)	85,157	261,515	-	261,515
Effect of transition to MFRS	-	-	-	-	29,818	29,818	-	29,818
Total comprehensive income for the period as restated	-	-	-	-	152	152	-	152
Repurchase of own shares	-	-	-	(1,575)	29,970	29,970	-	29,970
Dividend to owners of the Company	-	-	-	-	(2,795)	(2,795)	-	(2,795)
At 30 September 2011	165,960	14,069	(982)	(4,264)	112,332	287,115	-	287,115

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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Condensed Consolidated Statement of Cash Flow

For the Financial Period Ended 30.09.2012 -(Unaudited)

	9 months Ended 30.09.2012 RM'000	9 months Ended 30.09.2011 RM'000
Cashflow from operating activities		
Profit before taxation	25,865	27,809
Adjustment for:		
Non cash items	36,711	48,892
Non-operating items	8,895	7,523
Operation profit before working capital changes	71,471	84,224
Decrease/ (increase) in inventories	10,231	(560)
Decrease/ (increase) in trade and other receivables	(32,546)	869
(Decrease)/ increase in trade and other payables	(22,990)	(12,189)
(Decrease) /increase in provision	(431)	438
Cash generated from/ (used in) operations	25,735	72,782
Income tax (paid) / refund	(2,343)	(867)
Net cash generated from operating activities	23,392	71,915
Cash flow from investing activities:		
Interest received	499	505
Pledged deposits with licensed banks	(635)	(7,182)
(Increase)/ decrease in development costs	1,261	-
Proceeds from disposal of property, plant & equipment	17	1
Purchase of property, plant & equipment	(43,543)	(27,670)
Net cash generated from investing activities	(42,401)	(34,346)
Cash flow from financing activities:		
Finance cost paid	(7,765)	(8,018)
Net repayment of bank borrowings	21,820	9,925
Repayment in finance lease liabilities	(3,241)	(4,289)
Dividends paid to owners of the Company	(3,186)	(2,798)
Repurchase of shares	(143)	(1,575)
Net cash generated from financing activities	7,485	(6,755)
Net increase/(decrease) in cash and cash equivalent	(11,524)	30,814
Cash and cash equivalent as at beginning,	53,317	26,371
Cash and cash equivalent as at end	41,793	57,185

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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Interim Financial Report for the Third Quarter ended 30 September 2012

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. They do not include all of the information required for a full annual financial statements.

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 a MFRS Condensed Consolidated Interim Financial Report for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS1: *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. 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 Condensed Report are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

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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.

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 RM'000	30 September 2011 RM'000	31 December 2011 RM'000
Consolidated statement of comprehensive income			
Administrative expenses – depreciation	-	(152)	(203)
Adjustment before tax	<u>-</u>	<u>(152)</u>	<u>(203)</u>
	=====	=====	=====
Consolidated statement of financial position			
Fair value gain on property, plant and equipment	20,626	20,778	20,829
Related tax effect	(2,592)	(2,592)	(2,592)
Adjustment to retained earnings	<u>18,034</u>	<u>18,186</u>	<u>18,237</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 1 January 2013

- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10 Consolidated Financial statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement

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A2 (iii) MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet Effective (con't)

Effective for annual periods beginning on or after 1 January 2013 (continued)

- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in Dec 2004)
- MFRS 128 Investments in Associates and Joint Venture
- Amendments to MFRS 1 – First time Adoption of Malaysian Financial Reporting Standards – Annual Improvements 2009 -2011 Cycle.
- MFRS 119 – Employee Benefits (2011)
- Amendments to MFRS 7- Disclosures – offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10 Consolidated Financial Statements- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities : Transition Guidance
- Amendments to MFRS 11 Joint Arrangements- Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities : Transition Guidance
- Amendments to MFRS 12 Disclosure of Interests in Other Entities : Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 101 – Presentation of Financial statements – Annual improvements 2009 – 2011 cycle
- Amendments to MFRS 116 – Property, Plant & Equipment – Annual improvements 2009- 2011 Cycle
- Amendments to MFRS 132 Financial Instruments: Presentation – Annual Improvements 2009 – 2011 cycle
- Amendments to MFRS 134 Interim Financial Reporting – Annual Improvements 2009 -2011 cycle
- Amendments to IC Interpretation 2 Members' shares in Co-operative Entities and Similar Instruments – Annual Improvements 2009 – 2011 cycle
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to MFRS 1, First time Adoption of Financial Reporting Standards – Government loans

Effective 1 January 2014

- Amendments to MFRS 132, Financial Instruments: Presentation – offsetting Financial Assets and Financial Liabilities

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A2 (iii) MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet Effective (con't)

Effective for annual periods beginning on or after 1 January 2015

- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures
- MFRS 9 Financial Instruments (FRS 9 issued by IASB in November 2009 and October 2010)
- Amendments to FRS 7, Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures

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 are 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 SEPT 2012	30 SEPT 2011	30 SEPT 2012	30 SEPT 2011	30 SEPT 2012	30 SEPT 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	372,999	395,484	16,359	12,755	389,358	408,239
Segment results	39,663	41,376	(3,013)	(3,518)	36,650	37,858
Unallocated expenses					128	(24)
Results from operating activities					36,778	37,834
Amortisation of intangible assets					(3,148)	(2,008)
Finance Cost					(7,765)	(8,018)
Tax expenses					(3,302)	2,010
Net profit after tax					22,563	29,818
Non - controlling interest					107	-
Net profit after tax & MI					22,670	29,818

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

	30.09.2012
	RM'000
Property, plant and equipment	
Authorized but not contracted for and payable:	27,082
Contracted but not provided for and payable:	-
	27,082

A11. Changes in contingent liabilities or contingent assets

	30.09.2012
	RM'000
Corporate guarantee given by the Company to secure banking facilities granted to subsidiaries	178,736

A12. Debt and equity securities

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

- i) During the quarter ended 30 September 2012, the Company has bought back 10,000 of its issued shares from open market for a total consideration of RM7,741.42 or at an average purchase cost of approximately RM0.77 per share. The shares bought back are held as treasury shares.

As at 30 September 2012, total shares bought back and held as treasury shares were 6,628,200 shares.

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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 MFRS 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

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, EPMEX Sdn Bhd (“EPMEX”) 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 EPMEX (“EPMEX Sukuk”). The completion of the Proposed Acquisition is subject to the fulfillment of the conditions precedent as set out in the Acquisition Agreement.

On 25 June 2012, EPMB has announced that the Securities Commission (“SC”) had via its letter dated 22 June 2012 informed EPMB that the SC will only be able to consider the following:

- (i) application to the SC in relation to the Proposed Acquisition pursuant to the Equity Guidelines; and
- (ii) application to the SC (Equity Compliance Unit) for the resultant Bumiputera equity structure of EPMB upon completion of the Proposed Acquisition;

after the Government of Malaysia has communicated its decision on the matters requiring its approval in relation to the Proposed Acquisition.

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A14. Material events subsequent to the end of the financial period (con't)

Proposed acquisition of the business of Maju Expressway Sdn Bhd("MESB") and the entire equity interest in MESB

The Company has requested for a further extension for the fulfillment of the conditions precedent of the Acquisition Agreement and the parties are still in negotiation.

A15. Dividends Paid

The final tax exempt dividend of 2 sen per share amounted to RM3,186,836.00 for the financial year ended 31 December 2011 was paid on 17 July 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 10.7% lower than the corresponding quarter last year, attributed by drop in sales from automotive and water segment sales.

The Group registered a lower post-tax profit of RM6.8mil for the current quarter, compared to the corresponding quarter last year mainly arose from drop in sales in automotive segment.

B2. Comparison with Preceding Quarter

Revenue for the current quarter was 1.9% higher than the preceding quarter, mainly contributed from higher sales from automotive.

The Group registered a post-tax profit of RM6.8mil for the current quarter, slightly lower than preceding quarter by RM174,000.

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B3. Current year prospects

The Group believes that the demand for local automotive still remain positive. The upward trend is expected to provide impetus for recording higher sales in the next coming quarters.

B4. Profit forecast or profit guarantee

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

B5. Tax expense

In RM'000	Current year quarter	Preceding year quarter	Current year to date	Preceding year to date
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
Current tax:				
-Current year	51	356	1,099	978
-Prior year	-	-	-	-
	51	356	1,099	978
Deferred tax:				
-Current year	192	(166)	1,619	(488)
-Prior year	311	(2,500)	584	(2,500)
	503	(2,666)	2,203	(2,988)
Total	554	(2,310)	3,302	(2,010)

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

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.

All applications in relation to the Proposed Acquisition (including EPMEX Sukuk) have been submitted and pending approvals.

On 25 June 2012, EPMB has announced that that the Securities Commission ("SC") had via its letter dated 22 June 2012 informed EPMB that the SC will only be able to consider the following:

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B6. Status of corporate proposals (con't)

- (i) Application to the SC in relation to the Proposed Acquisition pursuant to the Equity Guidelines; and
- (ii) Application to the SC (Equity Compliance Unit) for the resultant Bumiputera equity structure of EPMB upon completion of the Proposed Acquisition;

after the Government of Malaysia has communicated its decision on the matters requiring its approval in relation to the Proposed Acquisition.

The Company has requested for a further extension for the fulfillment of the conditions precedent of the Acquisition Agreement and the parties are still in negotiation.

B7. Borrowing and debt securities

The borrowings as at 30 September 2012 are as follows:

	RM'000
Current	
Trade facilities	98,881
Term loan	19,954
Finance lease liabilities	558
	<hr/>
	119,393
Non-current	
Term loan	60,546
Finance lease liabilities	293
	<hr/>
	60,839
	<hr/>
Total	180,232

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.

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B9. Dividend

The Board has declared a first tax exempt interim dividend of 1 sen per share for the financial year ending 31 December 2012 which will be paid on 18 January 2013 to the Depositors registered in the Record of Depositors at the close of business on 4 January 2013.

B10. 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	Current year todate	Preceding year todate
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	'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	(6,610)	(5,466)	(6,610)	(5,466)
Weighted average number of shares	159,350	160,494	159,350	160,494
Profit for the period (RM'000)	6,848	9,956	22,563	29,818
Basic earnings per share (sen)	4.30	6.20	14.16	18.58
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.

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B11. Realized and Unrealized Profits

The breakdown of the retained profits of the Group as at 30 September, 2012 into realized and unrealized profits, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirement are as follows:

	Current quarter ended 30/09/2012	Preceding quarter ended 30/06/2012
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	173,811	166,997
- Unrealized	12,651	14,866
	186,462	181,863
Less: Consolidation adjustments	(49,229)	(48,312)
Total retained earnings as per statement of financial positions	137,233	133,551

The determination of realized and unrealized profits is compiled based on Guidance of Special Matter No 1 *Determination of Realized and Unrealized Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December, 2010.

The disclosure of realized and unrealized profits above is solely for the purposes of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

By order of The Board
EP Manufacturing Bhd

Tay Li Li
Company Secretary
Shah Alam.
Date: 22 November, 2012.