

EP MANUFACTURING BHD.

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

Condensed statement of profit or loss and other comprehensive income

for the financial period ended 30 June 2014 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/6/2014 RM'000	Preceding year corresponding quarter ended 30/6/2013 RM'000	Current year- to-date 30/6/2014 RM'000	Preceding year- to-date 30/6/2013 RM'000
Revenue	144,231	115,276	260,560	225,677
Operating expenses	(125,297)	(101,870)	(226,667)	(195,727)
Depreciation and amortisation	(10,777)	(6,314)	(20,150)	(14,128)
Other income	1,734	1,921	3,211	3,540
Results from operating activities	9,891	9,013	16,954	19,362
Finance costs	(2,883)	(3,189)	(5,597)	(6,267)
Finance income	325	327	519	588
Net finance costs	(2,558)	(2,862)	(5,078)	(5,679)
Profit before tax	7,333	6,151	11,876	13,683
Tax expense	(2,234)	(2,596)	(3,526)	(4,538)
Profit for the period	5,099	3,555	8,350	9,145
Other comprehensive expense, net of tax Items that may be reclassified subsequently to profit or loss				
Fair value of available-for-sale financial assets	2	-	(10)	-
Available-for-sale financial assets - reclassified to profit or loss	48	-	-	-
Foreign currency translation differences for foreign operations	2	8	(1)	7
Other comprehensive expense for the period, net of tax	52	8	(11)	7
Total comprehensive income for the period	5,151	3,563	8,339	9,152
Profit attributable to :				
Owners of the Company	5,117	3,574	8,386	9,181
Non-controlling interests	(18)	(19)	(36)	(36)
Profit for the period	5,099	3,555	8,350	9,145
Total comprehensive income attributable to :				
Owners of the Company	5,169	3,582	8,375	9,188
Non-controlling interests	(18)	(19)	(36)	(36)
Total comprehensive income for the period	5,151	3,563	8,339	9,152
Earnings per ordinary share (sen):				
Basic	3.21	2.24	5.26	5.76
Diluted	-	-	-	-

These condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

EP MANUFACTURING BHD.

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(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position

as at 30 June 2014

	30/6/2014 (Unaudited) RM'000	31/12/2013 (Audited) RM'000
Assets		
Property, plant and equipment	388,059	356,904
Intangible assets	88,964	87,132
Deferred tax assets	4,176	4,142
Total non-current assets	481,199	448,178
Inventories	32,529	32,999
Other investment	2,490	-
Trade and other receivables	124,303	118,818
Prepayments and other assets	3,215	1,710
Current tax assets	763	595
Cash and cash equivalents	47,799	52,295
Total current assets	211,099	206,417
Total assets	692,298	654,595
Equity		
Share capital	165,960	165,960
Reserves	164,781	161,188
Total equity attributable to owners of the Company	330,741	327,148
Non-controlling interest	(92)	(56)
Total equity	330,649	327,092
Liabilities		
Loan and borrowings	88,814	74,429
Deferred tax liabilities	3,533	3,424
Total non-current liabilities	92,347	77,853
Loan and borrowings	165,935	160,223
Current tax liabilities	2,689	2,195
Provision for warranties	1,944	3,617
Trade and other payables	95,548	82,022
Dividend payable	3,186	1,593
Total current liabilities	269,302	249,650
Total liabilities	361,649	327,503
Total equity and liabilities	692,298	654,595
Net assets per share attributable to owners of the Company (RM)	2.08	2.05

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2014 - (Unaudited)

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

	Share Capital RM'000	Share Premium RM'000	Translation Reserve RM'000	Fair Value Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2014	165,960	14,069	(976)	-	(4,521)	152,616	327,148	(56)	327,092
Total comprehensive income for the period	-	-	(1)	-	-	8,386	8,385	(36)	8,349
Fair value of available-for-sale financial assets	-	-	-	(10)	-	-	(10)	-	(10)
Dividend to owners of the Company	-	-	-	-	-	(4,778)	(4,778)	-	(4,778)
Repurchase of own shares	-	-	-	-	(4)	-	(4)	-	(4)
At 30 June 2014	165,960	14,069	(977)	(10)	(4,525)	156,224	330,741	(92)	330,649
At 1 January 2013	165,960	14,069	(984)	-	(4,498)	142,576	317,123	29	317,152
Total comprehensive income for the period	-	-	7	-	-	9,181	9,188	(36)	9,152
Dividend to owners of the Company	-	-	-	-	-	(1,593)	(1,593)	-	(1,593)
Repurchase of own shares	-	-	-	-	(19)	-	(19)	-	(19)
At 30 June 2013	165,960	14,069	(977)	-	(4,517)	150,164	324,699	(7)	324,692

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 Cash Flows

for the financial period ended 30 June 2014 -(Unaudited)

	6 months Ended 30/6/2014 RM'000	6 months Ended 30/6/2013 RM'000
Cash flows from operating activities		
Profit before tax	11,876	13,683
Adjustments for:		
Non cash items	20,150	14,128
Non-operating items	3,941	5,885
Operation profit before working capital changes	35,967	33,696
Decrease/(increase) in inventories	470	6,004
Decrease/(increase) in trade and other receivables	(21,918)	(5,914)
(Decrease)/increase in trade and other payables	13,313	(14,054)
(Decrease)/increase in provision	(864)	(1,540)
Cash generated from operations	26,968	18,192
Income tax paid	(3,126)	(1,226)
Net cash from operating activities	23,842	16,966
Cash flows from investing activities		
Interest received	519	588
Withdrawal/(pledged) deposits with licensed banks	(633)	17,792
Proceeds from disposal of property, plant & equipment	60	35
Purchase of property, plant & equipment	(51,026)	(33,392)
Net cash used in investing activities	(51,080)	(14,977)
Cash flows from financing activities		
Finance cost paid	(5,597)	(6,267)
Net drawdown/(repayment) of bank borrowings	19,983	7,672
Net drawdown/(repayment) of finance lease liabilities	114	3
Dividends paid to owners of the Company	(4,778)	(1,593)
Proceeds from disposal of short term investment	12,391	-
Repurchase of shares	(4)	(19)
Net cash used in financing activities	22,109	(204)
Net increase/(decrease) in cash and cash equivalents	(5,129)	1,785
Foreign exchange differences on opening	-	-
Cash and cash equivalents as at beginning	50,193	46,668
Cash and cash equivalents as at end	45,064	48,453

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

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

A1. Basis of preparation

These condensed consolidated interim financial statements for the second quarter ended 30 June 2014 are unaudited and have been prepared in accordance with MFRS 134: *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.

The unaudited interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013. The explanatory notes attached to the unaudited interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

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 2013 except for the adoption of the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are 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 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

A2. Changes in accounting policies (continued)

MFRSs, Amendments to MFRSs and IC Interpretation effective for annual periods beginning on or after 1 July 2014 (continued)

- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Amendments to MFRSs and IC Interpretation effective date yet to be determined

- MFRS 9 Financial Instruments (2009)
- MFRS 9 Financial Instruments (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosure*

The initial application of the above standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2013 was not subject to any qualification.

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

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual in nature, size or incidence during this financial period-to-date.

A5. Material changes in estimates

There were no changes in nature and amount of changes in estimates of amounts reported in current financial period or changes in estimates of amounts reported in prior financial years that have a material effect in the financial period-to-date.

A6. Changes in the composition of the Group

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

A7. Seasonality or cyclicity of operations

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

A8. Segmental information

During the current reporting period, the Group operates under one main business segment which is Automotive. The information contain in the Condensed statement of profit or loss and other comprehensive income represent the Automotive segment.

A9. Valuation of property, plant and equipment

The valuations of certain property, plant and equipment have been brought forward without amendment from the latest audited annual financial statements.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

A10. Capital commitments

Capital commitments not provided for in the financial statements as at 30 June 2014 are as follows:

	RM'000
Property, plant and equipment	
Authorized but not contracted for and payable	-
Contracted but not provided for and payable	28,800
	<u>28,800</u>

A11. Changes in contingent liabilities or contingent assets

The changes in contingent liabilities since 31 December 2013 are summarised as follows:-

	RM'000
Balance as at 31 December 2013	233,803
Additional corporate guarantee issued to financial institutions for banking facilities granted to the subsidiaries	19,982
Balance as at 30 June 2014	<u>253,785</u>

A12. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

As at 30 June 2014, total shares bought back and held as treasury shares were 6,676,700 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 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.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

A14. Material events subsequent to the end of the financial year

There were no material events subsequent to the current quarter ended 30 June 2014 up to the date of this report.

A15. Dividends Paid

There is no dividend paid during the quarter under review.

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 25% higher than the preceding year corresponding quarter, contributed from higher sales from automotive. Accordingly, the Group registered higher profit by RM1.5mil for current quarter compared to preceding year corresponding quarter.

B2. Comparison with Immediate Preceding Quarter

The Group revenue was 24% higher than the preceding quarter, arose from higher sales from automotive. Accordingly, Group registered higher profit by RM1.8mil for current quarter compared to immediate preceding quarter.

B3. Prospects for coming financial year

The operating environment continues to be challenging. However the Group believes that the demand for local automotive still remains positive. The Board remains confident that the Group will continue to register satisfactory performance.

B4. Profit forecast or profit guarantee

There were no profit forecast or profit guarantee issued by the Group during the financial period-to-date.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

B5. Tax expense

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/06/2014 RM'000	Preceding year corresponding quarter ended 30/06/2013 RM'000	Current year- to-date 30/06/2014 RM'000	Preceding year-to-date 30/06/2013 RM'000
Income tax:				
-Current year	2,275	1,051	3,451	1,521
-Prior years	-	-	-	-
	2,275	1,051	3,451	1,521
Deferred tax:				
-Current year	(41)	1,545	75	3,017
-Prior years	-	-	-	-
	(41)	1,545	75	3,017
	2,234	2,596	3,526	4,538

The effective tax rate of the Group for the current quarter was higher than the statutory tax rate mainly due to expenses not deductible for tax purposes and no deferred tax assets recognised for certain subsidiaries.

B6. Status of corporate proposals

There were no new or outstanding corporate proposals announced which have not been completed as at the date of this report.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

B7. Group borrowings and debt securities

The group borrowings as at 30 June 2014 are as follows:

	RM'000
Non-current	
- Finance lease liabilities	697
- Bai Bithaman Ajil facilities	20,952
- Term loans	67,165
	<u>88,814</u>
Current	
- Finance lease liabilities	267
- Bankers' acceptance	130,704
- Bai Bithaman Ajil facilities	9,750
- Term loans	25,214
	<u>165,935</u>
Total	<u>254,749</u>

The above borrowings are secured and denominated in Ringgit Malaysia.

B8. Changes in material litigation

As at the date of this report, there is no pending material litigation.

B9. Dividend

The Board of Directors does not declare any dividend for the financial period-to-date.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

B10.Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to owners of the Company for the period divided by the weighted average number of ordinary shares:

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/06/2014	Preceding year corresponding quarter ended 30/06/2013	Current year- to- date 30/06/2014	Preceding year-to-date 30/06/2013
Profit for the period attributable to owners of the Company (RM'000)	5,117	3,574	8,386	9,181
Weighted average number of ordinary shares ('000)	159,288	159,303	159,288	159,303
Basic earnings per share (sen)	3.21	2.24	5.26	5.76
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

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

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

B11. Notes to the Statement of Comprehensive Income

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/06/2014 RM'000	Preceding year corresponding quarter ended 30/06/2013 RM'000	Current year-to-date 30/06/2014 RM'000	Preceding year-to-date 30/06/2013 RM'000
Interest income	325	327	519	588
Other income	1,734	1,921	3,211	3,540
Interest expense	(2,883)	(3,189)	(5,597)	(6,267)
Depreciation and amortisation	(10,777)	(6,314)	(20,150)	(14,128)
Provision for and write off of inventories	-	(296)	-	(669)
Foreign exchange gain/(loss)	51	(20)	(416)	(397)

The above disclosure is prepared in accordance with the paragraph 16 of Appendix 9B of the Main Listing Requirements ("MLR") issued by Bursa Malaysia Securities Berhad. Except for the above, the rest of the items required for disclosures pursuant to Paragraph 16 of MLR are not applicable to the Group.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the First Quarter ended 30 June 2014

B12. Realized and Unrealized Profits

The breakdown of the retained profits of the Group as at 30 June 2014 into realized and unrealized profits, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirement are as follows:

	Current year quarter ended 30/6/2014 RM'000	As at end of 31/12/2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	146,222	144,350
- Unrealized	19,487	17,761
	<hr/>	<hr/>
	165,709	162,111
Less: Consolidation adjustments	(9,485)	(9,495)
Total retained earnings as per statement of financial positions	<hr/>	<hr/>
	156,224	152,616

The determination of realized and unrealized profits is compiled based on Guidance on Special Matter No. 1 *Determination of Realized and Unrealized Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad 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: 25 August 2014