

EP MANUFACTURING BHD.

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

Condensed statement of profit or loss and other comprehensive income

for the financial year ended 31 December 2014 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/12/2014 RM'000	Preceding year corresponding quarter ended 31/12/2013 RM'000	Current year- to-date 31/12/2014 RM'000	Preceding year- to-date 31/12/2013 RM'000
Revenue	132,240	110,484	518,772	452,312
Operating expenses	(99,166)	(98,599)	(433,946)	(395,776)
Depreciation and amortisation	(22,660)	(9,127)	(54,341)	(32,633)
Other income	2,005	2,268	7,167	8,113
Results from operating activities	12,419	5,026	37,652	32,016
Finance costs	(3,132)	(3,343)	(11,690)	(12,374)
Finance income	276	206	1,017	949
Net finance costs	(2,856)	(3,137)	(10,673)	(11,425)
Profit before tax	9,563	1,889	26,979	20,591
Tax expense	(2,896)	1,662	(8,373)	(4,264)
Profit for the period	6,667	3,551	18,606	16,327
Other comprehensive expense, net of tax				
Foreign currency translation differences for foreign operations	2	4	2	8
Other comprehensive expense for the period, net of tax	2	4	2	8
Total comprehensive income for the period	6,669	3,555	18,608	16,335
Profit attributable to :				
Owners of the Company	6,685	3,582	18,678	16,412
Non-controlling interests	(18)	(31)	(72)	(85)
Profit for the period	6,667	3,551	18,606	16,327
Total comprehensive income attributable to :				
Owners of the Company	6,687	3,586	18,680	16,420
Non-controlling interests	(18)	(31)	(72)	(85)
Total comprehensive income for the period	6,669	3,555	18,608	16,335
Earnings per ordinary share (sen):				
Basic	4.20	2.25	11.73	10.30
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.

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Condensed Consolidated Statement of Financial Position

as at 31 December 2014

	31/12/2014 (Unaudited) RM'000	31/12/2013 (Audited) RM'000
Assets		
Property, plant and equipment	382,188	356,904
Intangible assets	89,477	87,132
Deferred tax assets	1,616	4,142
Total non-current assets	473,281	448,178
Inventories	37,945	32,999
Trade and other receivables	113,333	118,818
Prepayments and other assets	2,962	1,710
Current tax assets	1,501	595
Cash and cash equivalents	66,581	52,295
Total current assets	222,322	206,417
Total assets	695,603	654,595
Equity		
Share capital	165,960	165,960
Reserves	173,466	161,188
Total equity attributable to owners of the Company	339,426	327,148
Non-controlling interest	(128)	(56)
Total equity	339,298	327,092
Liabilities		
Loan and borrowings	97,614	74,429
Deferred income	3,518	-
Deferred tax liabilities	5,226	3,424
Total non-current liabilities	106,358	77,853
Loan and borrowings	171,277	160,223
Current tax liabilities	488	2,195
Provision for warranties	1,269	3,617
Trade and other payables	75,320	82,022
Dividend payable	1,593	1,593
Total current liabilities	249,947	249,650
Total liabilities	356,305	327,503
Total equity and liabilities	695,603	654,595
Net assets per share attributable to owners of the Company (RM)	2.13	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.

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Condensed Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2014 - (Unaudited)

	Attributable to equity holders of the Company ----->		Non-Distributable ----->		Distributable ----->			
	Share Capital RM'000	Share Premium RM'000	Translation 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	-	-	2	-	18,678	18,680	(72)	18,608
Dividend to owners of the Company	-	-	-	-	(6,371)	(6,371)	-	(6,371)
Repurchase of own shares	-	-	-	(31)	-	(31)	-	(31)
At 31 December 2014	165,960	14,069	(974)	(4,552)	164,923	339,426	(128)	339,298
At 1 January 2013	165,960	14,069	(984)	(4,498)	142,576	317,123	29	317,152
Total comprehensive income for the period	-	-	8	-	16,412	16,420	(85)	16,335
Dividend to owners of the Company	-	-	-	-	(6,372)	(6,372)	-	(6,372)
Repurchase of own shares	-	-	-	(23)	-	(23)	-	(23)
At 31 December 2013	165,960	14,069	(976)	(4,521)	152,616	327,148	(56)	327,092

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.

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Condensed Consolidated Statement of Cash Flows

for the financial year ended 31 December 2014 -(Unaudited)

	12 months Ended 31/12/2014 RM'000	12 months Ended 31/12/2013 RM'000
Cash flows from operating activities		
Profit before tax	26,979	20,591
Adjustments for:		
Non cash items	54,341	32,633
Non-operating items	11,468	13,716
Operation profit before working capital changes	<u>92,788</u>	<u>66,940</u>
Decrease/(increase) in inventories	(4,946)	817
Decrease/(increase) in trade and other receivables	(10,282)	(10,652)
(Decrease)/increase in trade and other payables	(6,984)	(1,533)
(Decrease)/increase in provisions and deferred income	(3,005)	(286)
Cash generated from operations	<u>67,571</u>	<u>55,286</u>
Income tax paid	(6,670)	(2,829)
Net cash from operating activities	<u>60,901</u>	<u>52,457</u>
Cash flows from investing activities		
Interest received	1,017	949
Withdrawal/(pledged) deposits with licensed banks	(72)	17,368
Increase in development costs	-	(294)
Proceeds from disposal of property, plant & equipment	129	40
Purchase of property, plant & equipment	(78,775)	(73,671)
Net cash used in investing activities	<u>(77,701)</u>	<u>(55,608)</u>
Cash flows from financing activities		
Finance cost paid	(11,690)	(12,374)
Net drawdown/(repayment) of bank borrowings	34,119	51,847
Net drawdown/(repayment) of finance lease liabilities	120	(365)
Dividends paid to owners of the Company	(6,371)	(6,372)
Proceeds from disposal of short term investment	14,867	-
Repurchase of shares	(31)	(23)
Net cash used in financing activities	<u>31,014</u>	<u>32,713</u>
Net increase/(decrease) in cash and cash equivalents	14,214	29,562
Cash and cash equivalents as at beginning	<u>50,193</u>	<u>20,631</u>
Cash and cash equivalents as at end	<u>64,407</u>	<u>50,193</u>

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.

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Interim Financial Report for the Fourth Quarter ended 31 December 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 fourth quarter ended 31 December 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)*

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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, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptance Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018¹

- MFRS 9, *Financial Instruments (2014)²*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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.

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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 year-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 year or changes in estimates of amounts reported in prior financial years that have a material effect in the financial year-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.

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Interim Financial Report for the Fourth Quarter ended 31 December 2014

A10. Capital commitments

Capital commitments not provided for in the financial statements as at 31 December 2014 are as follows:

	RM'000
Property, plant and equipment	
Authorized but not contracted for and payable	106
Contracted but not provided for and payable	1,240
	<u>1,346</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	34,118
Balance as at 31 December 2014	<u>267,921</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 31 December 2014, total shares bought back and held as treasury shares were 6,707,700 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.

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Interim Financial Report for the Fourth Quarter ended 31 December 2014

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

There were no material events subsequent to the current quarter ended 31 December 2014 up to the date of this report.

A15. Dividends Paid

In respect of financial year ended 31 December 2014, a first single tier interim dividend of 1 sen per share amounted to RM1,592,523 was paid on 22 January 2015.

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 19.7% higher than the preceding year corresponding quarter, contributed from higher sales from automotive. Accordingly, the Group registered a higher profit by RM3.1mil for current quarter compared to preceding year corresponding quarter.

B2. Comparison with Immediate Preceding Quarter

The Group revenue was 5% higher than the preceding quarter arose from higher sales from automotive and accordingly, it registered a higher profit by RM3.1mil.

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 year.

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Interim Financial Report for the Fourth Quarter ended 31 December 2014

B5. Tax expense

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/12/2014 RM'000	Preceding year corresponding quarter ended 31/12/2013 RM'000	Current year- to-date 31/12/2014 RM'000	Preceding year-to-date 31/12/2013 RM'000
Income tax:				
-Current year	(764)	1,935	4,045	5,600
-Prior years	-	89	-	89
	<u>(764)</u>	<u>2,024</u>	<u>4,045</u>	<u>5,689</u>
Deferred tax:				
-Current year	3,660	(3,346)	4,328	(1,085)
-Prior years	-	(340)	-	(340)
	<u>3,660</u>	<u>(3,686)</u>	<u>4,328</u>	<u>(1,425)</u>
	2,896	(1,662)	8,373	4,264

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

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B7. Group borrowings and debt securities

The group borrowings as at 31 December 2014 are as follows:

	RM'000
Non-current	
- Finance lease liabilities	690
- Bai Bithaman Ajil facilities	15,776
- Term loans	81,148
	<u>97,614</u>
Current	
- Finance lease liabilities	280
- Bankers' acceptance	137,107
- Bai Bithaman Ajil facilities	10,152
- Term loans	23,738
	<u>171,277</u>
Total	<u>268,891</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 has declared a second single tier interim dividend of 1 sen per share for the financial year ended 31 December 2014 to be paid on 27 March 2015 to the Depositors registered in the Record of Depositors at the close of business on 13 March 2015.

A total single tier dividend of 2 sen per ordinary share has been declared for the financial year ended 31 December 2014.

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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 31/12/2014	Preceding year corresponding quarter ended 31/12/2013	Current year-to-date 31/12/2014	Preceding year-to-date 31/12/2013
Profit for the period attributable to owners of the Company (RM'000)	6,685	3,582	18,678	16,412
Weighted average number of ordinary shares ('000)	159,276	159,302	159,276	159,302
Basic earnings per share (sen)	4.20	2.25	11.73	10.30
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.

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Interim Financial Report for the Fourth Quarter ended 31 December 2014

B11. Notes to the Statement of Comprehensive Income

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/12/2014 RM'000	Preceding year corresponding quarter ended 31/12/2013 RM'000	Current year-to-date 31/12/2014 RM'000	Preceding year-to-date 31/12/2013 RM'000
Interest income	276	206	1,017	949
Other income	2,005	2,268	7,167	8,113
Interest expense	(3,132)	(3,343)	(11,690)	(12,374)
Depreciation and amortisation	(22,660)	(9,127)	(54,341)	(32,633)
Provision for and write off of receivables	(136)	-	(136)	-
Provision for and write off of inventories	(753)	(172)	(753)	(617)
Impairment of assets	(120)	-	(120)	-
Foreign exchange gain/(loss)	266	(147)	210	(1,042)

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.

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B12. Realized and Unrealized Profits

The breakdown of the retained profits of the Group as at 31 December 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 financial year ended 31/12/2014 RM'000	As at end of 31/12/2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	158,956	144,350
- Unrealized	12,008	17,761
	<hr/>	<hr/>
	170,964	162,111
Less: Consolidation adjustments	(6,041)	(9,495)
Total retained earnings as per statement of financial positions	<hr/>	<hr/>
	164,923	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 February 2015