

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 September 2015 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/9/2015 RM'000	Preceding year corresponding quarter ended 30/9/2014 RM'000	Current year- to-date 30/9/2015 RM'000	Preceding year- to-date 30/9/2014 RM'000
Revenue	114,905	125,972	369,210	386,532
Operating expenses	(98,706)	(108,113)	(312,536)	(334,780)
Depreciation and amortisation	(13,013)	(11,531)	(45,849)	(31,681)
Other income	1,802	1,951	6,161	5,162
Results from operating activities	4,988	8,279	16,986	25,233
Finance costs	(3,165)	(2,961)	(9,690)	(8,558)
Finance income	112	222	486	741
Net finance costs	(3,053)	(2,739)	(9,204)	(7,817)
Profit before tax	1,935	5,540	7,782	17,416
Tax expense	(1,442)	(1,951)	(4,419)	(5,477)
Profit for the period	493	3,589	3,363	11,939
Other comprehensive expense, net of tax Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(5)	1	(5)	-
Other comprehensive expense for the period, net of tax	(5)	1	(5)	-
Total comprehensive income for the period	488	3,590	3,358	11,939
Profit attributable to :				
Owners of the Company	595	3,607	3,676	11,993
Non-controlling interests	(102)	(18)	(313)	(54)
Profit for the period	493	3,589	3,363	11,939
Total comprehensive income attributable to :				
Owners of the Company	590	3,608	3,671	11,993
Non-controlling interests	(102)	(18)	(313)	(54)
Total comprehensive income for the period	488	3,590	3,358	11,939
Earnings per ordinary share (sen):				
Basic	0.37	2.26	2.31	7.53
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 2014 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Financial Position

as at 30 September 2015

	30/9/2015 (Unaudited) RM'000	31/12/2014 (Audited) RM'000
Assets		
Property, plant and equipment	381,560	382,188
Intangible assets	87,977	89,478
Deferred tax assets	1,638	1,616
Total non-current assets	471,175	473,282
Inventories	40,342	37,946
Trade and other receivables	104,026	113,413
Prepayments and other assets	1,643	3,535
Current tax assets	2,938	1,718
Cash and cash equivalents	32,217	66,581
Total current assets	181,166	223,193
Total assets	652,341	696,475
Equity		
Share capital	165,960	165,960
Reserves	172,353	173,464
Total equity attributable to owners of the Company	338,313	339,424
Non-controlling interest	(441)	(128)
Total equity	337,872	339,296
Liabilities		
Loan and borrowings	76,024	95,390
Deferred income	3,376	3,518
Deferred tax liabilities	4,409	5,226
Total non-current liabilities	83,809	104,134
Loan and borrowings	166,836	173,502
Deferred income	188	189
Current tax liabilities	3,197	488
Provision for warranties	1,169	1,269
Trade and other payables	59,270	76,004
Dividend payable	-	1,593
Total current liabilities	230,660	253,045
Total liabilities	314,469	357,179
Total equity and liabilities	652,341	696,475
Net assets per share attributable to owners of the Company (RM)	2.12	2.13

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 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 2015 - (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 2015	165,960	14,069	(976)	(4,552)	164,923	339,424	(128)	339,296
Total comprehensive income for the period	-	-	(5)	-	3,676	3,671	(313)	3,358
Dividend to owners of the Company	-	-	-	-	(4,777)	(4,777)	-	(4,777)
Repurchase of own shares	-	-	-	(5)	-	(5)	-	(5)
At 30 September 2015	165,960	14,069	(981)	(4,557)	163,822	338,313	(441)	337,872
At 1 January 2014	165,960	14,069	(976)	(4,521)	152,616	327,148	(56)	327,092
Total comprehensive income for the period	-	-	-	-	11,993	11,993	(54)	11,939
Dividend to owners of the Company	-	-	-	-	(4,778)	(4,778)	-	(4,778)
Repurchase of own shares	-	-	-	(31)	-	(31)	-	(31)
At 30 September 2014	165,960	14,069	(976)	(4,552)	159,831	334,332	(110)	334,222

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 2014 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Cash Flows

for the financial period ended 30 September 2015 -(Unaudited)

	9 months Ended 30/9/2015 RM'000	9 months Ended 30/9/2014 RM'000
Cash flows from operating activities		
Profit before tax	7,782	17,416
Adjustments for:		
Non cash items	45,849	31,681
Non-operating items	8,972	7,330
Operation profit before working capital changes	62,603	56,427
Decrease/(increase) in inventories	(2,396)	(3,464)
Decrease/(increase) in trade and other receivables	11,285	(3,448)
(Decrease)/increase in trade and other payables	(16,658)	6,868
(Decrease)/increase in provisions and deferred income	(2,083)	(4,914)
Cash generated from operations	52,751	51,469
Income tax paid	(4,349)	(4,643)
Net cash from operating activities	48,402	46,826
Cash flows from investing activities		
Interest received	486	741
Withdrawal/(pledged) deposits with licensed banks	(67)	(52)
Proceeds from disposal of property, plant & equipment	-	66
Purchase of property, plant & equipment	(42,748)	(72,878)
Net cash used in investing activities	(42,329)	(72,123)
Cash flows from financing activities		
Finance cost paid	(9,690)	(8,558)
Net drawdown/(repayment) of bank borrowings	(26,744)	36,685
Net drawdown/(repayment) of finance lease liabilities	712	215
Dividends paid to owners of the Company	(4,777)	(4,778)
Proceeds from disposal of short term investment	-	14,867
Repurchase of shares	(5)	(31)
Net cash used in financing activities	(40,504)	38,400
Net increase/(decrease) in cash and cash equivalents	(34,431)	13,103
Cash and cash equivalents as at beginning	61,384	50,193
Cash and cash equivalents as at end	26,953	63,296

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 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 2015

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 third quarter ended 30 September 2015 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 2014. 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 2014.

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 2014 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 2014 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 year 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.

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Interim Financial Report for the Third Quarter ended 30 September 2015

A10. Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2015 are as follows:

	RM'000
Property, plant and equipment	
Authorized but not contracted for	30,863
Contracted but not provided for	72,254
	<u>103,117</u>

A11. Changes in contingent liabilities or contingent assets

The changes in contingent liabilities since 31 December 2014 are summarised as follows:-

	RM'000
Balance as at 31 December 2014	139,644
Movement in corporate guarantee issued to financial institutions for banking facilities granted to the subsidiaries	(20,891)
Balance as at 30 September 2015	<u>118,753</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 except for 2,000 ordinary shares of RM1.00 each were repurchased in the open market for a total consideration of RM1,300.00 or at an average purchase cost of approximately RM0.65 per share. The shares bought back are held as treasury shares.

As at 30 September 2015, total shares bought back and held as treasury shares were 6,714,700 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 Third Quarter ended 30 September 2015

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

There were no material events subsequent to the current quarter ended 30 September 2015 up to the date of this report.

A15. Dividends Paid

In respect of financial year ended 31 December 2014, a final single tier dividend of 2 sen per share amounted to RM3,184,946 was paid on 15 July 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 8.8% lower than the preceding year corresponding quarter due to lower sales from automotive and consequentially, it registered a lower profit by RM3.1mil

B2. Comparison with Immediate Preceding Quarter

The Group revenue was 3.8% lower than the preceding quarter due to lower sales from automotive.

The Group registered profit of RM0.5mil for current quarter compared to RM0.4mil in the 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 year.

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Interim Financial Report for the Third Quarter ended 30 September 2015

B5. Tax expense

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/09/2015 RM'000	Preceding year corresponding quarter ended 30/09/2014 RM'000	Current year- to-date 30/09/2015 RM'000	Preceding year-to-date 30/09/2014 RM'000
Income tax:				
-Current year	1,688	1,358	5,258	4,809
-Prior years	-	-	-	-
	1,688	1,358	5,258	4,809
Deferred tax:				
-Current year	(246)	593	(839)	668
-Prior years	-	-	-	-
	(246)	593	(839)	668
	1,442	1,951	4,419	5,477

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 30 September 2015 are as follows:

	RM'000
Non-current	
- Finance lease liabilities	1,209
- Bai Bithaman Ajil facilities	8,153
- Term loans	66,662
	<u>76,024</u>
Current	
- Finance lease liabilities	500
- Bankers' acceptance	133,769
- Bai Bithaman Ajil facilities	10,152
- Term loans	22,415
	<u>166,836</u>
Total	<u>242,860</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 first single tier interim dividend of 0.5 sen per share for the financial year ending 31 December 2015 to be paid on 22 January 2016 to the Depositors registered in the Record of Depositors at the close of business on 8 January 2016.

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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 30/09/2015	Preceding year corresponding quarter ended 30/09/2014	Current year-to-date 30/09/2015	Preceding year-to-date 30/09/2014
Profit for the period attributable to owners of the Company (RM'000)	595	3,607	3,676	11,993
Weighted average number of ordinary shares ('000)	159,250	159,285	159,250	159,285
Basic earnings per share (sen)	0.37	2.26	2.31	7.53
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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B11. Notes to the Statement of Comprehensive Income

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/09/2015 RM'000	Preceding year corresponding quarter ended 30/09/2014 RM'000	Current year-to-date 30/09/2015 RM'000	Preceding year-to-date 30/09/2014 RM'000
Interest income	112	222	486	741
Other income	1,802	1,951	6,161	5,162
Interest expense	(3,165)	(2,961)	(9,690)	(8,558)
Depreciation and amortisation	(13,013)	(11,531)	(45,849)	(31,681)
Foreign exchange gain/(loss)	(406)	360	(407)	(56)

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 30 September 2015 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 30/09/2015 RM'000	As at end of 31/12/2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	176,693	176,570
- Unrealized	14,247	15,823
	<hr/> 190,940	<hr/> 192,393
Less: Consolidation adjustments	(27,118)	(27,470)
Total retained earnings as per statement of financial positions	<hr/> 163,822	<hr/> 164,923

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: 26 November 2015