

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 2016 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/9/2016 RM'000	Preceding year corresponding quarter ended 30/9/2015 RM'000	Current year- to-date 30/9/2016 RM'000	Preceding year- to-date 30/9/2015 RM'000
Revenue	108,502	114,905	306,595	369,210
Operating expenses	(86,755)	(98,706)	(258,474)	(312,536)
Depreciation and amortisation	(26,622)	(13,013)	(52,723)	(45,849)
Other income	669	1,802	3,884	6,161
Results from operating activities	(4,206)	4,988	(718)	16,986
Finance costs	(3,484)	(3,165)	(10,473)	(9,690)
Finance income	67	112	206	486
Net finance costs	(3,417)	(3,053)	(10,267)	(9,204)
Share of profit of equity-accounted joint venture, net of tax	78	-	78	-
(Loss)/Profit before tax	(7,545)	1,935	(10,907)	7,782
Tax expense	(875)	(1,442)	(3,522)	(4,419)
(Loss)/Profit for the period	(8,420)	493	(14,429)	3,363
Other comprehensive expense, net of tax				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(4)	(5)	-	(5)
Other comprehensive expense for the period, net of tax	(4)	(5)	-	(5)
Total comprehensive (expense)/income for the period	(8,424)	488	(14,429)	3,358
(Loss)/Profit attributable to :				
Owners of the Company	(8,414)	595	(14,412)	3,676
Non-controlling interests	(6)	(102)	(17)	(313)
(Loss)/Profit for the period	(8,420)	493	(14,429)	3,363
Total comprehensive (expense)/income attributable to :				
Owners of the Company	(8,418)	590	(14,412)	3,671
Non-controlling interests	(6)	(102)	(17)	(313)
Total comprehensive (expense)/income for the period	(8,424)	488	(14,429)	3,358
(Loss)/Earnings per ordinary share (sen):				
Basic	(5.29)	0.37	(9.05)	2.31
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 2015 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 September 2016

	30/9/2016 (Unaudited) RM'000	31/12/2015 (Audited) RM'000
Assets		
Property, plant and equipment	407,440	391,725
Intangible assets	93,520	89,585
Investment in a joint venture	78	-
Deferred tax assets	1,828	1,597
Total non-current assets	502,866	482,907
Inventories	33,451	41,707
Trade and other receivables	103,877	113,552
Prepayments and other assets	2,065	2,759
Current tax assets	3,124	2,368
Other investments	3,799	3,118
Cash and cash equivalents	28,420	29,201
Total current assets	174,736	192,705
Total assets	677,602	675,612
Equity		
Share capital	165,960	165,960
Reserves	156,536	171,836
Total equity attributable to owners of the Company	322,496	337,796
Non-controlling interest	(536)	(519)
Total equity	321,960	337,277
Liabilities		
Loan and borrowings	95,200	71,241
Deferred income	3,188	3,329
Deferred tax liabilities	4,088	4,120
Total non-current liabilities	102,476	78,690
Loan and borrowings	194,936	174,396
Deferred income	189	189
Current tax liabilities	651	3,033
Provision for warranties	886	769
Trade and other payables	56,504	80,462
Dividend payable	-	796
Total current liabilities	253,166	259,645
Total liabilities	355,642	338,335
Total equity and liabilities	677,602	675,612
Net assets per share attributable to owners of the Company (RM)	2.03	2.12

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2016 - (Unaudited)

	Attributable to equity holders of the Company ----->		----->		----->		----->	
	Non Distributable		Distributable		Non-Controlling Interests		Total Equity	
	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 2016	165,960	14,069	(983)	(4,557)	163,307	337,796	(519)	337,277
Total comprehensive income for the period	-	-	-	-	(14,412)	(14,412)	(17)	(14,429)
Dividend to owners of the Company	-	-	-	-	(796)	(796)	-	(796)
Repurchase of own shares	-	-	-	(92)	-	(92)	-	(92)
At 30 September 2016	165,960	14,069	(983)	(4,649)	148,099	322,496	(536)	321,960
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

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 2015 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 2016 -(Unaudited)

	9 months Ended 30/9/2016 RM'000	9 months Ended 30/9/2015 RM'000
Cash flows from operating activities		
Profit before tax	(10,907)	7,782
Adjustments for:		
Non cash items	52,582	45,849
Non-operating items	15,134	8,972
Share of profit of equity-accounted joint venture, net of tax	(78)	-
Operation profit before changes in working capital	<u>56,731</u>	<u>62,603</u>
Changes in working capital:		
Decrease/(increase) in inventories	8,256	(2,396)
Decrease/(increase) in trade and other receivables	10,349	11,285
(Decrease)/increase in trade and other payables	(24,108)	(16,658)
(Decrease)/increase in provisions and deferred income	322	(2,083)
Cash generated from operations	<u>51,550</u>	<u>52,751</u>
Income tax paid	<u>(7,496)</u>	<u>(4,349)</u>
Net cash generated from operating activities	<u>44,054</u>	<u>48,402</u>
Cash flows from investing activities		
Interest received	206	486
Increase in pledged deposits with licensed banks	(731)	(67)
Increase in development costs	(5,008)	-
Purchase of property, plant & equipment	<u>(67,365)</u>	<u>(42,748)</u>
Net cash used in investing activities	<u>(72,898)</u>	<u>(42,329)</u>
Cash flows from financing activities		
Finance costs paid	(10,473)	(9,690)
Net drawdown/(repayment) of bank borrowings	12,504	(26,744)
Net drawdown/(repayment) of finance lease liabilities	18,029	712
Dividends paid to owners of the Company	(1,592)	(4,777)
Purchase of treasury shares	(92)	(5)
Net cash used in financing activities	<u>18,376</u>	<u>(40,504)</u>
Net increase/(decrease) in cash and cash equivalents	(10,468)	(34,431)
Cash and cash equivalents at beginning of period	<u>26,953</u>	<u>61,384</u>
Cash and cash equivalents at end of period	<u>16,485</u>	<u>26,953</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 2015 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 2016

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 2016 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 2015. 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 2015.

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 2015 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, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*

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A2. Changes in accounting policies (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for the MFRS 14, Amendments to MFRS 5, Amendments to MFRS 11, Amendments to MFRS 128 and Amendments to MFRS 141.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

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A2. Changes in accounting policies (continued)

The initial application of the above standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements for the Group except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2015 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.

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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 contains 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.

A10. Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2016 are as follows:

	RM'000
Property, plant and equipment	
Authorized but not contracted for	11,700
Contracted but not provided for	91,557
	<u>103,257</u>

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A11. Changes in contingent liabilities or contingent assets

The changes in contingent liabilities since 31 December 2015 are summarised as follows:-

	RM'000
Balance as at 31 December 2015	117,476
Movement in corporate guarantee issued to financial institutions for banking facilities granted to the subsidiaries	<u>18,398</u>
Balance as at 30 September 2016	<u>135,874</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 32,000 ordinary shares of RM1.00 each were repurchased in the open market for a total consideration of RM18,305.00 or at an average purchase cost of approximately RM0.57 per share. The shares bought back are held as treasury shares.

As at 30 September 2016, total shares bought back and held as treasury shares were 6,874,000 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.

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

There were no material events subsequent to the current quarter ended 30 September 2016 up to the date of this report.

A15. Dividends Paid

There is no dividend paid during the quarter under review.

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Interim Financial Report for the Third Quarter ended 30 September 2016

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 5.6% lower than the preceding year corresponding quarter due to drop in sales from automotive in line with weaker demand for motor vehicles. Consequentially, the Group registered net loss of RM8.4mil compared to net profit of RM0.5mil in the preceding year corresponding quarter due to drop in sales and unrealized foreign exchange loss.

B2. Comparison with Immediate Preceding Quarter

Revenue of the Group for the current quarter was 6.4% higher than the preceding quarter, contributed from higher sales from automotive.

The Group registered net loss of RM8.4mil for current quarter compared to RM3.0mil in the preceding quarter due to changes in sales mixed and unrealized foreign exchange loss.

B3. Prospects for coming financial year

The operating environment continues to be challenging due to weaker demand for motor vehicles and uncertainty in foreign exchange. However the Board remains confident that the Group will continue to reinvent to improve efficiency and secure new customer base.

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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B5. Tax expense

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/9/2016 RM'000	Preceding year corresponding quarter ended 30/9/2015 RM'000	Current year- to-date 30/9/2016 RM'000	Preceding year-to- date 30/9/2015 RM'000
Income tax:				
-Current year	974	1,688	3,850	5,258
-Prior years	(66)	-	(66)	-
	<u>908</u>	<u>1,688</u>	<u>3,784</u>	<u>5,258</u>
Deferred tax:				
-Current year	(33)	(246)	(246)	(839)
-Prior years	-	-	(16)	-
	<u>(33)</u>	<u>(246)</u>	<u>(262)</u>	<u>(839)</u>
	<u>875</u>	<u>1,442</u>	<u>3,522</u>	<u>4,419</u>

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 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 2016 are as follows:

	Denominated in	Foreign currency amount JPY'000	Total RM'000
Non-current			
- Finance lease liabilities	JPY	825,980	33,972
- Finance lease liabilities	RM	-	787
- Term loans	RM	-	60,441
			<u>95,200</u>
Current			
- Finance lease liabilities	RM	-	452
- Bankers' acceptance	RM	-	150,887
- Overdraft	RM	-	9,637
- Bai Bithaman Ajil facilities	RM	-	7,398
- Term loans	RM	-	26,562
			<u>194,936</u>
Total			<u>290,136</u>

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.

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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 30/9/2016	Preceding year corresponding quarter ended 30/9/2015	Current year-to-date 30/9/2016	Preceding year-to-date 30/9/2015
(Loss)/Profit for the period attributable to owners of the Company (RM'000)	(8,414)	595	(14,412)	3,676
Weighted average number of ordinary shares ('000)	159,185	159,250	159,185	159,250
Basic (loss)/earnings per share (sen)	(5.29)	0.37	(9.05)	2.31
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 30/9/2016 RM'000	Preceding year corresponding quarter ended 30/9/2015 RM'000	Current year-to-date 30/9/2016 RM'000	Preceding year-to-date 30/9/2015 RM'000
Interest income	67	112	206	486
Other income	669	1,802	3,884	6,161
Interest expense	(3,484)	(3,165)	(10,473)	(9,690)
Depreciation and amortisation	(26,622)	(13,013)	(52,723)	(45,849)
Foreign exchange gain/(loss)	(4,283)	(406)	(4,373)	(407)

The above disclosure is prepared in accordance with the paragraph 16 of Appendix 9B of the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad. Except for the above, the rest of the items required for disclosures pursuant to Paragraph 16 of MMLR 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 2016 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 30/9/2016 RM'000	As at end of 31/12/2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	149,759	169,464
- Unrealized	21,779	17,298
	<hr/>	<hr/>
	171,538	186,762
Less: Consolidation adjustments	(23,439)	(23,455)
	<hr/>	<hr/>
Total retained earnings as per statement of financial positions	148,099	163,307

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.

Teo Wei Theng
Company Secretary
Shah Alam
Date: 24 November 2016