

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 31 March 2017 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/3/2017 RM'000	Preceding year corresponding quarter ended 31/3/2016 RM'000	Current year- to-date 31/3/2017 RM'000	Preceding year- to-date 31/3/2016 RM'000
Revenue	122,925	96,080	122,925	96,080
Operating expenses	(101,289)	(84,558)	(101,289)	(84,558)
Depreciation and amortisation	(17,250)	(12,213)	(17,250)	(12,213)
Other income	700	2,191	700	2,191
Results from operating activities	5,086	1,500	5,086	1,500
Finance costs	(3,469)	(3,474)	(3,469)	(3,474)
Finance income	59	66	59	66
Net finance costs	(3,410)	(3,408)	(3,410)	(3,408)
Share of profit of equity-accounted joint venture, net of tax	288	-	288	-
Profit/(Loss) before tax	1,964	(1,908)	1,964	(1,908)
Tax expense	(1,689)	(1,128)	(1,689)	(1,128)
Profit/(Loss) for the period	275	(3,036)	275	(3,036)
Other comprehensive expense, net of tax Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	-	3	-	3
Other comprehensive expense for the period, net of tax	-	3	-	3
Total comprehensive income/(expense) for the period	275	(3,033)	275	(3,033)
Profit/(Loss) attributable to :				
Owners of the Company	276	(3,031)	276	(3,031)
Non-controlling interests	(1)	(5)	(1)	(5)
Profit/(Loss) for the period	275	(3,036)	275	(3,036)
Total comprehensive income/(expense) attributable to :				
Owners of the Company	276	(3,028)	276	(3,028)
Non-controlling interests	(1)	(5)	(1)	(5)
Total comprehensive income/(expense) for the period	275	(3,033)	275	(3,033)
Earnings/(Loss) per ordinary share (sen):				
Basic	0.17	(1.90)	0.17	(1.90)
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 2016 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Financial Position

as at 31 March 2017

	31/3/2017 (Unaudited) RM'000	31/12/2016 (Audited) RM'000
Assets		
Property, plant and equipment	430,864	413,793
Intangible assets	90,842	90,004
Investment in a joint venture	615	327
Deferred tax assets	2,300	2,365
Total non-current assets	<u>524,621</u>	<u>506,489</u>
Inventories	44,102	42,021
Trade and other receivables	95,252	96,825
Prepayments and other assets	2,344	5,152
Current tax assets	3,657	4,137
Other investments	3,892	3,889
Cash and cash equivalents	25,603	40,299
Total current assets	<u>174,850</u>	<u>192,323</u>
Total assets	<u>699,471</u>	<u>698,812</u>
Equity		
Share capital	180,029	165,960
Reserves	139,830	153,631
Total equity attributable to owners of the Company	<u>319,859</u>	<u>319,591</u>
Non-controlling interest	(503)	(502)
Total equity	<u>319,356</u>	<u>319,089</u>
Liabilities		
Loan and borrowings	93,945	82,134
Deferred income	3,094	3,141
Deferred tax liabilities	4,097	4,555
Total non-current liabilities	<u>101,136</u>	<u>89,830</u>
Loan and borrowings	180,973	198,661
Deferred income	493	541
Current tax liabilities	166	-
Provision for warranties	650	650
Trade and other payables	96,697	90,041
Total current liabilities	<u>278,979</u>	<u>289,893</u>
Total liabilities	<u>380,115</u>	<u>379,723</u>
Total equity and liabilities	<u>699,471</u>	<u>698,812</u>
Net assets per share attributable to owners of the Company (RM)	<u>2.01</u>	<u>2.01</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the financial period ended 31 March 2017 - (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 2017	165,960	14,069	(985)	(4,649)	145,196	319,591	(502)	319,089
Deregistration of a subsidiary	-	-	985	-	(985)	-	-	-
Profit for the period	-	-	-	-	276	276	(1)	275
Total comprehensive income/(expense) for the period	-	-	985	-	(709)	276	(1)	275
Repurchase of own shares	-	-	-	(8)	-	(8)	-	(8)
Transition to no-par value regime on 31 January 2017 (Note a)	14,069	(14,069)	-	-	-	-	-	-
At 31 March 2017	180,029	-	-	(4,657)	144,487	319,859	(503)	319,356
At 1 January 2016	165,960	14,069	(983)	(4,557)	163,307	337,796	(519)	337,277
Foreign currency translation differences for foreign operations	-	-	3	-	-	3	-	3
Loss for the period	-	-	-	-	(3,031)	(3,031)	(5)	(3,036)
Total comprehensive (expense)/income for the period	-	-	3	-	(3,031)	(3,028)	(5)	(3,033)
Dividend to owners of the Company	-	-	-	-	(796)	(796)	-	(796)
Repurchase of own shares	-	-	-	(4)	-	(4)	-	(4)
At 31 March 2016	165,960	14,069	(980)	(4,561)	159,480	333,968	(524)	333,444

Note a: In accordance with Section 74 of the Companies Act, 2016, the Company's shares no longer have a par or nominal value with effect from 31 January 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. In accordance with the transitional provisions set out in section 618 of the Companies Act, 2016, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have twenty-four months upon the commencement of Companies Act, 2016 to utilise the credit. During the financial period, the Company has utilised none of the credit of the share premium account which have now become part of the share capital.

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 2016 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 31 March 2017 -(Unaudited)

	3 months Ended 31/3/2017 RM'000	3 months Ended 31/3/2016 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax:	1,964	(1,908)
Adjustments for:		
Non cash items	17,250	12,213
Non-operating items	3,893	3,541
Share of profit of equity-accounted joint venture, net of tax	(288)	-
Operation profit before changes in working capital	<u>22,819</u>	<u>13,846</u>
Changes in working capital:		
Decrease/(increase) in inventories	(2,081)	3,281
Decrease/(increase) in trade and other receivables, prepayments and other assets	4,312	33,778
(Decrease)/increase in trade and other payables	6,814	(22,782)
(Decrease)/increase in deferred income	(95)	(46)
Cash generated from operations	<u>31,769</u>	<u>28,077</u>
Finance costs paid	(2,058)	(2,129)
Income tax paid	(1,527)	(2,382)
Warranties paid	(117)	(154)
Net cash generated from operating activities	<u>28,067</u>	<u>23,412</u>
Cash flows from investing activities		
Interest received	59	66
Increase in pledged deposits with licensed banks	(19)	(686)
Increase in development costs	(1,422)	(2,831)
Purchase of property, plant and equipment	(33,737)	(11,362)
Net cash used in investing activities	<u>(35,119)</u>	<u>(14,813)</u>
Cash flows from financing activities		
Finance costs paid	(1,411)	(1,345)
Net drawdown/(repayment) of bank borrowings	(177)	7,759
Net drawdown/(repayment) of finance lease liabilities	(6,258)	(127)
Dividends paid to owners of the Company	-	(1,592)
Purchase of treasury shares	(8)	(4)
Net cash used in financing activities	<u>(7,854)</u>	<u>4,691</u>
Net increase/(decrease) in cash and cash equivalents	(14,906)	13,290
Effect of change in exchange rate	-	3
Cash and cash equivalents at beginning of period	<u>28,289</u>	<u>26,953</u>
Cash and cash equivalents at end of period	<u>13,383</u>	<u>40,246</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 2016 and the accompanying explanatory notes attached to the interim financial statements.

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Interim Financial Report for the First Quarter ended 31 March 2017

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 first quarter ended 31 March 2017 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 2016. 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 2016.

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 2016 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 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

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A2. Changes in accounting policies (continued)

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017, except for Amendments to MFRS 12 which is not applicable to the Group.
- 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, except for Amendments for MFRS 1, Amendments for MFRS 2, Amendments for MFRS 4 and Amendments for MFRS 140 which are not applicable to the Group.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for the annual periods beginning on or after 1 January 2019.

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A2. Changes in accounting policies (continued)

The initial application of the accounting 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.

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2016 was not subject to any qualification.

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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 cyclical nature 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 contained 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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A10. Capital commitments

Capital commitments not provided for in the financial statements as at 31 March 2017 are as follows:

	RM'000
Property, plant and equipment	
Authorized but not contracted for	6,383
Contracted but not provided for	46,834
	<u>53,217</u>

A11. Changes in contingent liabilities or contingent assets

The changes in contingent liabilities since 31 December 2016 are summarised as follows:-

	RM'000
Balance as at 31 December 2016	129,624
Movement in corporate guarantee issued to financial institutions for banking facilities granted to the subsidiaries	357
Balance as at 31 March 2017	<u>129,981</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 March 2017, total shares bought back and held as treasury shares were 6,889,000 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.

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Interim Financial Report for the First Quarter ended 31 March 2017

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

There were no material events subsequent to the current quarter ended 31 March 2017 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 27.9% higher than the preceding year corresponding quarter contributed from higher automotive sales. Accordingly, the Group registered net profit of RM0.3mil compared to net loss of RM3.0mil in the preceding year corresponding quarter

B2. Comparison with Immediate Preceding Quarter

Revenue of the Group for the current quarter was 4.7% lower than the preceding quarter due to slower demand in vehicles.

The Group registered net profit of RM0.3mil for current quarter compared to net loss of RM2.9mil in the preceding quarter.

B3. Prospects for coming financial year

The operating environment continues to be challenging due to weaker demand for motor vehicles. However the Board remains confident that the Group will continue to improve the efficiency and source new customer base to remain competitive in the automotive industry.

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B4. Profit forecast or profit guarantee

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

B5. Tax expense

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/3/2017 RM'000	Preceding year corresponding quarter ended 31/3/2016 RM'000	Current year- to-date 31/3/2017 RM'000	Preceding year-to- date 31/3/2016 RM'000
<u>Income tax:</u>				
-Current year	2,082	1,466	2,082	1,466
-Prior years	-	-	-	-
	<hr/> 2,082	<hr/> 1,466	<hr/> 2,082	<hr/> 1,466
<u>Deferred tax:</u>				
-Current year	(393)	(322)	(393)	(322)
-Prior years	-	(16)	-	(16)
	<hr/> (393)	<hr/> (338)	<hr/> (393)	<hr/> (338)
	<hr/> 1,689	<hr/> 1,128	<hr/> 1,689	<hr/> 1,128

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 31 March 2017 are as follows:

	Denominated in	Foreign currency amount JPY'000	Total RM'000
Non-current			
- Finance lease liabilities	JPY	465,908	18,170
- Finance lease liabilities	RM	-	573
- Term loans	RM	-	75,202
			<u>93,945</u>
Current			
- Finance lease liabilities	JPY	187,306	7,305
- Finance lease liabilities	RM	-	426
- Banker's acceptance	RM	-	136,254
- Bank overdraft	RM	-	9,889
- Term loans	RM	-	27,099
			<u>180,973</u>
Total			<u>274,918</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 31/3/2017	Preceding year corresponding quarter ended 31/3/2016	Current year- to-date 31/3/2017	Preceding year-to-date 31/3/2016
Profit/(Loss) for the period attributable to owners of the Company (RM'000)	276	(3,031)	276	(3,031)
Weighted average number of ordinary shares ('000)	159,114	159,246	159,114	159,246
Basic earnings/(loss) per share (sen)	0.17	(1.90)	0.17	(1.90)
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 31/3/2017 RM'000	Preceding year corresponding quarter ended 31/3/2016 RM'000	Current year-to-date 31/3/2017 RM'000	Preceding year-to-date 31/3/2016 RM'000
Interest income	59	66	59	66
Other income	700	2,191	700	2,191
Interest expense	(3,469)	(3,474)	(3,469)	(3,474)
Depreciation and amortisation	(17,250)	(12,213)	(17,250)	(12,213)
Foreign exchange gain/(loss)	(626)	145	(626)	145

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 31 March 2017 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 31/3/2017 RM'000	As at end of 31/12/2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	157,166	160,297
- Unrealized	17,850	15,721
	<hr/> 175,016	<hr/> 176,018
Less: Consolidation adjustments	(30,529)	(30,822)
Total retained earnings as per statement of financial positions	<hr/> 144,487	<hr/> 145,196

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: 26 May 2017