

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 2017 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/12/2017 RM'000	Preceding year corresponding quarter ended 31/12/2016 RM'000	Current year- to-date 31/12/2017 RM'000	Preceding year- to-date 31/12/2016 RM'000
Revenue	141,491	128,928	472,241	435,523
Operating expenses	(129,804)	(109,929)	(416,969)	(368,403)
Depreciation and amortisation	(17,188)	(19,990)	(65,614)	(72,713)
Other income	3,037	1,682	5,218	5,566
Results from operating activities	(2,464)	691	(5,124)	(27)
Finance costs	(3,504)	(3,583)	(13,355)	(14,056)
Finance income	171	157	321	363
Net finance costs	(3,333)	(3,426)	(13,034)	(13,693)
Share of profit of equity-accounted joint venture, net of tax	674	249	1,235	327
Loss before tax	(5,123)	(2,486)	(16,923)	(13,393)
Tax expense	(6,382)	(383)	(13,021)	(3,905)
Loss for the period	(11,505)	(2,869)	(29,944)	(17,298)
Other comprehensive expense, net of tax Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	-	(2)	-	(2)
Other comprehensive expense for the period net of tax	-	(2)	-	(2)
Total comprehensive expense for the period	(11,505)	(2,871)	(29,944)	(17,300)
Loss attributable to :				
Owners of the Company	(11,505)	(2,903)	(29,942)	(17,315)
Non-controlling interests	-	34	(2)	17
Loss for the period	(11,505)	(2,869)	(29,944)	(17,298)
Total comprehensive expense attributable to :				
Owners of the Company	(11,505)	(2,905)	(29,942)	(17,317)
Non-controlling interests	-	34	(2)	17
Total comprehensive expense for the period	(11,505)	(2,871)	(29,944)	(17,300)
Loss per ordinary share (sen):				
Basic	(7.23)	(1.82)	(18.82)	(10.88)
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.

EP MANUFACTURING BHD.

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Condensed Consolidated Statement of Financial Position

as at 31 December 2017

	31/12/2017 (Unaudited) RM'000	31/12/2016 (Audited) RM'000
Assets		
Property, plant and equipment	401,009	413,793
Investment property	14,417	-
Intangible assets	89,258	90,004
Investment in a joint venture	1,015	327
Deferred tax assets	2,094	2,365
Total non-current assets	507,793	506,489
Inventories	53,986	42,021
Trade and other receivables	110,397	96,825
Prepayments and other assets	3,488	5,152
Current tax assets	3,733	4,137
Other investments	1,363	3,889
Cash and cash equivalents	18,027	40,299
Total current assets	190,994	192,323
Total assets	698,787	698,812
Equity		
Share capital	180,029	165,960
Reserves	110,524	153,631
Total equity attributable to owners of the Company	290,553	319,591
Non-controlling interest	(504)	(502)
Total equity	290,049	319,089
Liabilities		
Loan and borrowings	89,603	82,134
Deferred income	2,951	3,141
Deferred tax liabilities	4,145	4,555
Total non-current liabilities	96,699	89,830
Loan and borrowings	187,386	198,661
Deferred income	330	541
Current tax liabilities	5,619	-
Provision for warranties	1,282	650
Trade and other payables	117,422	90,041
Total current liabilities	312,039	289,893
Total liabilities	408,738	379,723
Total equity and liabilities	698,787	698,812
Net assets per share attributable to owners of the Company (RM)	1.83	2.01

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.

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Condensed Consolidated Statement of Changes in Equity

for the financial year ended 31 December 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	-	985
Loss for the year	-	-	-	-	(29,942)	(29,942)	(2)	(29,944)
Total comprehensive expense for the year	-	-	985	-	(29,942)	(28,957)	(2)	(28,959)
Repurchase of own shares	-	-	-	(81)	-	(81)	-	(81)
Transition to no-par value regime on 31 January 2017 (Note a)	14,069	(14,069)	-	-	-	-	-	-
At 31 December 2017	180,029	-	-	(4,730)	115,254	290,553	(504)	290,049
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	-	-	(2)	-	-	(2)	-	(2)
Loss for the year	-	-	-	-	(17,315)	(17,315)	17	(17,298)
Total comprehensive (expense)/income for the year	-	-	(2)	-	(17,315)	(17,317)	17	(17,300)
Dividends to owners of the Company	-	-	-	-	(796)	(796)	-	(796)
Repurchase of own shares	-	-	-	(92)	-	(92)	-	(92)
At 31 December 2016	165,960	14,069	(985)	(4,649)	145,196	319,591	(502)	319,089

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 year, 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 year ended 31 December 2017 - (Unaudited)

	12 months Ended 31/12/2017 RM'000	12 months Ended 31/12/2016 RM'000
Cash flows from operating activities		
Loss before tax:	(16,923)	(13,393)
Adjustments for:		
Non cash items	65,213	72,713
Non-operating items	15,436	20,767
Share of profit of equity-accounted joint venture, net of tax	(688)	(327)
Operation profit before changes in working capital	<u>63,038</u>	<u>79,760</u>
Changes in working capital:		
Decrease/(increase) in inventories	(11,965)	(2,662)
Decrease/(increase) in trade and other receivables, prepayments and other assets	(12,363)	14,752
(Decrease)/increase in trade and other payables	27,567	9,043
(Decrease)/increase in deferred income	-	1,806
Cash generated from operations	<u>66,277</u>	<u>102,699</u>
Finance costs paid	(7,911)	(8,304)
Income tax paid	(7,323)	(9,040)
Warranties paid	(1,388)	(1,001)
Net cash generated from operating activities	<u>49,655</u>	<u>84,354</u>
Cash flows from investing activities		
Interest received	321	363
Increase in pledged deposits with licensed banks	2,459	(838)
Increase in development costs	(1,370)	(2,284)
Proceeds from disposal of property, plant and equipment	-	39
Purchase of property, plant and equipment	(65,131)	(77,825)
Net cash used in investing activities	<u>(63,721)</u>	<u>(80,545)</u>
Cash flows from financing activities		
Finance costs paid	(5,444)	(5,752)
Net drawdown/(repayment) of bank borrowings	9,118	5,948
Net drawdown/(repayment) of finance lease liabilities	(12,271)	(983)
Dividends paid to owners of the Company	-	(1,592)
Purchase of treasury shares	(81)	(92)
Net cash used in financing activities	<u>(8,678)</u>	<u>(2,471)</u>
Net increase/(decrease) in cash and cash equivalents	(22,744)	1,338
Effect of change in exchange rate	-	(2)
Cash and cash equivalents at beginning of period	28,289	26,953
Cash and cash equivalents at end of period	<u>5,545</u>	<u>28,289</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.

Cash and cash equivalents in the statement of cash flows comprise the following:

Deposit placed with licensed banks	2,900	5,551
Cash and bank balances	15,127	34,748
	<u>18,027</u>	<u>40,299</u>
Less : Pledged deposits	(2,381)	(2,315)
Bank overdraft	(10,101)	(9,695)
	<u>5,545</u>	<u>28,289</u>

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

A10. Material impairment of assets

There was no material impairment of assets during the quarter under review and financial year-to-date.

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A11. Capital commitments

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

	RM'000
Property, plant and equipment	
Authorized but not contracted for	2,844
Contracted but not provided for	18,944
	<u>21,788</u>

A12. 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	8,173
Balance as at 31 December 2017	<u>137,797</u>

The contingent liabilities were in respect of financial guarantees to banks for banking facilities granted to certain subsidiaries. There was no indication that any subsidiary would default on repayment.

A13. 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 106,400 ordinary shares of RM1.00 each were repurchased in the open market for a total consideration of RM51,910.00 or at an average purchase cost of approximately RM0.49 per share. The shares bought back are held as treasury shares.

As at 31 December 2017, total shares bought back and held as treasury shares were 7,035,300 shares.

A14. 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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A15. Material events subsequent to the end of the financial year

There were no material events subsequent to the current quarter ended 31 December 2017 up to the date of this report.

A16. 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

	Individual quarter (4 th quarter)		Changes		Cumulative period		Changes	
	Current year quarter ended 31/12/2017	Preceding year corresponding quarter ended 31/12/2016	Amount	%	Current year- to-date 31/12/2017	Preceding year-to- date 31/12/2016	Amount	%
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	
Revenue	141,491	128,928	12,563	9.7	472,241	435,523	36,718	8.4
Operating (loss)/profit	(1,790)	940	(2,730)	290.4	(3,889)	300	(4,189)	1,396.3
Loss before tax	(5,123)	(2,486)	(2,637)	106.1	(16,923)	(13,393)	(3,530)	26.4
Loss after tax	(11,505)	(2,869)	(8,636)	301.0	(29,944)	(17,298)	(12,646)	73.1
Loss attributable to owners of the Company	(11,505)	(2,903)	(8,602)	296.3	(29,942)	(17,315)	(12,627)	72.9

Revenue of the Group for the current quarter was 9.7% higher than the preceding year corresponding quarter mainly contributed by higher sales for Honda localisation parts for the new models introduced in December 2016 and June 2017. In addition, introduction of the new Mazda model also contributed to higher Group's revenue.

However, the Group recorded higher loss after tax of RM11.5mil mainly due to drop in Proton sales and fixed overhead costs.

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B2. Comparison with Immediate Preceding Quarter

	Current year quarter ended 31/12/2017	Immediate preceding quarter ended 30/9/2017	Changes	
			Amount	%
	RM'000	RM'000	RM'000	
Revenue	141,491	119,197	22,294	18.7
Operating loss	(1,790)	(5,007)	3,217	64.3
Loss before tax	(5,123)	(8,124)	3,001	36.9
Loss after tax	(11,505)	(12,355)	850	6.9
Loss attributable to owners of the Company	(11,505)	(12,354)	849	6.9

Revenue of the Group for the current quarter was 18.7% higher than the preceding quarter due to introduction of the new Mazda model in this quarter has contributed to higher sales to Mazda, improve in Proton sales and a slight increase in export sales to Middle East.

The Group registered lower loss after tax of RM11.5mil for current quarter compared to RM12.4mil in the preceding quarter.

B3. Prospects for coming financial year

The operating environment continues to be challenging, however the Board remains confident that the Group will continue to increase productivity and efficiency and to source new customer base to remain competitive in the automotive industry.

The Group is optimistic that the total sales would likely improve after launches of major new models by Honda, Mazda and Perodua.

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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 31/12/2017 RM'000	Preceding year corresponding quarter ended 31/12/2016 RM'000	Current year- to-date 31/12/2017 RM'000	Preceding year-to- date 31/12/2016 RM'000
Income tax:				
-Current year	355	386	4,454	4,236
-Prior years	109	68	8,707	2
	<u>464</u>	<u>454</u>	<u>13,161</u>	<u>4,238</u>
Deferred tax:				
-Current year	2,804	(716)	2,490	(962)
-Prior years	3,114	645	(2,630)	629
	<u>5,918</u>	<u>(71)</u>	<u>(140)</u>	<u>(333)</u>
	6,382	383	13,021	3,905

Included in the prior years income tax is the additional tax assessment for previous years.

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. Borrowings

	As at 31/12/2017		As at 31/12/2016	
	JPY'000	RM'000 Equivalent	JPY'000	RM'000 Equivalent
Non- Current Secured				
Finance lease liabilities	336,780	12,157	615,552	23,794
Finance lease liabilities	-	304	-	693
Term loans	-	77,142	-	57,647
Total	336,780	89,603	615,552	82,134
Current Secured				
Finance lease liabilities	171,542	6,192	194,234	7,460
Finance lease liabilities	-	386	-	421
Banker's acceptance	-	143,548	-	146,303
Bank overdraft	-	10,101	-	9,695
Bai Bithaman Ajil facilities	-	-	-	4,542
Term loans	-	27,159	-	30,240
Total	171,542	187,386	194,234	198,661
Total borrowings	508,322	276,989	809,786	280,795

The Group reduced its total borrowings by 1.4% from RM280.795mil as at 31 December 2016 to RM276.989mil as at 31 December 2017 due to repayment of Japanese Yen ("JPY") finance lease liabilities and lower utilisation of banker's acceptance.

The Group is exposed to foreign currency risk on borrowings that are denominated in JPY. However, the Group does not transact in any derivatives instruments or hedge their current exposure due to JPY shows less volatility trend this year and it will be more expensive after hedging cost.

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B7. Borrowings (cont'd)

The weighted average interest rate of borrowings is 4.82% and the proportion of debt that is based on fixed and floating interest rate are as follows:

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
Fixed interest rate borrowings	174,204	177,005
Floating interest rate borrowings	102,785	103,790
Total borrowings	<u>276,989</u>	<u>280,795</u>

B8. Disclosure of derivatives

The Group did not enter into any derivative contract and accordingly there were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 December 2017.

B9. Changes in material litigation

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

B10. Dividend

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

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Interim Financial Report for the Fourth Quarter ended 31 December 2017

B11.Loss per share

The calculation of basic loss per share is based on the net loss 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 31/12/2017	Preceding year corresponding quarter ended 31/12/2016	Current year- to-date 31/12/2017	Preceding year-to-date 31/12/2016
Loss for the period attributable to owners of the Company (RM'000)	(11,505)	(2,903)	(29,942)	(17,315)
Weighted average number of ordinary shares ('000)	159,062	159,161	159,062	159,161
Basic loss per share (sen)	(7.23)	(1.82)	(18.82)	(10.88)
Diluted loss 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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B12. Notes to the Statement of Comprehensive Income

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/12/2017 RM'000	Preceding year corresponding quarter ended 31/12/2016 RM'000	Current year-to-date 31/12/2017 RM'000	Preceding year-to-date 31/12/2016 RM'000
Interest income	171	157	321	363
Other income	3,037	1,682	5,218	5,566
Interest expense	(3,504)	(3,583)	(13,355)	(14,056)
Depreciation and amortisation	(17,188)	(19,990)	(65,614)	(72,713)
Foreign exchange gain/(loss)	1,465	2,234	1,143	(2,139)

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.

By order of The Board
EP Manufacturing Bhd.

Teo Wei Theng
Company Secretary
Shah Alam
Date: 27 February 2018