

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 2018 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/12/2018 RM'000	Preceding year corresponding quarter ended 31/12/2017 RM'000	Current year- to-date 31/12/2018 RM'000	Preceding year- to-date 31/12/2017 RM'000
Revenue	123,724	141,491	472,602	472,241
Operating expenses	(113,323)	(129,547)	(411,575)	(416,712)
Depreciation and amortisation	(14,820)	(17,190)	(59,744)	(65,616)
Other income	1,017	2,782	4,762	4,963
Results from operating activities	(3,402)	(2,464)	6,045	(5,124)
Finance costs	(3,798)	(3,504)	(14,740)	(13,355)
Finance income	40	171	138	321
Net finance costs	(3,758)	(3,333)	(14,602)	(13,034)
Share of profit of equity-accounted joint venture, net of tax	891	674	2,678	1,235
Loss before tax	(6,269)	(5,123)	(5,879)	(16,923)
Tax expense	243	(6,382)	(6,016)	(13,021)
Loss for the year	(6,026)	(11,505)	(11,895)	(29,944)
Total comprehensive expense for the year	(6,026)	(11,505)	(11,895)	(29,944)
Loss attributable to :				
Owners of the Company	(6,026)	(11,505)	(11,895)	(29,942)
Non-controlling interests	-	-	-	(2)
Loss for the year	(6,026)	(11,505)	(11,895)	(29,944)
Total comprehensive expense attributable to :				
Owners of the Company	(6,026)	(11,505)	(11,895)	(29,942)
Non-controlling interests	-	-	-	(2)
Total comprehensive expense for the year	(6,026)	(11,505)	(11,895)	(29,944)
Loss per ordinary share (sen):				
Basic	(3.79)	(7.24)	(7.49)	(18.83)
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 2017 and the accompanying explanatory notes attached to the interim financial statements.

EP MANUFACTURING BHD.

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

Condensed Consolidated Statement of Financial Position

as at 31 December 2018

	31/12/2018 (Unaudited) RM'000	31/12/2017 (Audited) RM'000
Assets		
Property, plant and equipment	342,790	401,009
Investment property	14,417	14,417
Intangible assets	86,766	89,258
Investment in a joint venture	951	1,015
Deferred tax assets	4,707	2,095
Total non-current assets	<u>449,631</u>	<u>507,794</u>
Inventories	64,606	53,985
Trade and other receivables	68,394	110,671
Prepayments and other assets	2,392	3,488
Current tax assets	3,061	3,733
Other investments	1,385	1,363
Cash and cash equivalents	28,278	18,027
Total current assets	<u>168,116</u>	<u>191,267</u>
Total assets	<u>617,747</u>	<u>699,061</u>
Equity		
Share capital	180,029	180,029
Reserves	98,159	110,524
Total equity attributable to owners of the Company	<u>278,188</u>	<u>290,553</u>
Non-controlling interest	(504)	(504)
Total equity	<u>277,684</u>	<u>290,049</u>
Liabilities		
Loan and borrowings	56,072	86,373
Deferred income	2,764	2,951
Deferred tax liabilities	4,189	4,145
Total non-current liabilities	<u>63,025</u>	<u>93,469</u>
Loan and borrowings	190,425	190,616
Deferred income	188	330
Current tax liabilities	3,361	5,619
Provision for warranties	1,056	1,282
Trade and other payables	82,008	117,696
Total current liabilities	<u>277,038</u>	<u>315,543</u>
Total liabilities	<u>340,063</u>	<u>409,012</u>
Total equity and liabilities	<u>617,747</u>	<u>699,061</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.75</u>	<u>1.83</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 2017 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 2018 - (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 2018, as previously reported	180,029	-	-	(4,730)	115,254	290,553	(504)	290,049
Adjustment on initial application of MFRS 9, net of tax	-	-	-	-	(347)	(347)	-	(347)
At 1 January 2018, restated	180,029	-	-	(4,730)	114,907	290,206	(504)	289,702
Loss for the year	-	-	-	-	(11,895)	(11,895)	-	(11,895)
Total comprehensive expense for the year	-	-	-	-	(11,895)	(11,895)	-	(11,895)
Repurchase of own shares	-	-	-	(123)	-	(123)	-	(123)
At 31 December 2018	180,029	-	-	(4,853)	103,012	278,188	(504)	277,684
At 1 January 2017	165,960	14,069	(985)	(4,649)	145,196	319,591	(502)	319,089
Loss for the year	-	-	-	-	(29,942)	(29,942)	(2)	(29,944)
Total comprehensive expense for the year	-	-	-	-	(29,942)	(29,942)	(2)	(29,944)
Realisation of translation reserve on deregistration of a subsidiary	-	-	985	-	-	985	-	985
Repurchase of own shares	-	-	-	(81)	-	(81)	-	(81)
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note a)	14,069	(14,069)	-	-	-	-	-	-
At 31 December 2017	180,029	-	-	(4,730)	115,254	290,553	(504)	290,049

Note a: In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company had twenty four (24) months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016). As at the date of issuance of the interim financial statements, the Company did not utilise the share premium amounting to RM14,069,000.

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 2017 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 2018 - (Unaudited)

	12 months Ended 31/12/2018 RM'000	12 months Ended 31/12/2017 RM'000
Cash flows from operating activities		
Loss before tax:	(5,879)	(16,923)
Adjustments for:		
Non cash items	59,413	65,215
Non-operating items	24,633	23,239
Share of profit of equity-accounted joint venture, net of tax	(2,678)	(1,235)
Operation profit before changes in working capital	<u>75,489</u>	<u>70,296</u>
Changes in working capital:		
Decrease/(increase) in inventories	(11,687)	(21,677)
Decrease/(increase) in trade and other receivables, prepayments and other assets	42,935	(12,224)
(Decrease)/increase in trade and other payables	(36,046)	28,307
Cash generated from operations	<u>70,691</u>	<u>64,702</u>
Interest paid	(7,727)	(7,911)
Income taxes paid	(10,152)	(7,138)
Warranties paid	(155)	(1,062)
Net cash generated from operating activities	<u>52,657</u>	<u>48,591</u>
Cash flows from investing activities		
Reversal/(Acquisition) of intangible assets	389	(1,327)
Acquisition of property, plant and equipment	(7,894)	(65,176)
Dividend received from a joint venture	2,742	607
Increase in pledged deposits with licensed banks	(68)	(66)
Increase in other investment	(22)	2,526
Increase in investment in a joint venture	-	(60)
Interest received	138	321
Proceeds from disposal of property, plant and equipment	215	-
Net cash used in investing activities	<u>(4,500)</u>	<u>(63,175)</u>
Cash flows from financing activities		
Interest paid	(7,013)	(5,444)
Net (repayment)/drawdown of bank borrowings	(24,093)	9,119
Net repayment of finance lease liabilities	(6,578)	(11,754)
Repurchase of treasury shares	(123)	(81)
Net cash used in financing activities	<u>(37,807)</u>	<u>(8,160)</u>
Net increase/(decrease) in cash and cash equivalents	10,350	(22,744)
Cash and cash equivalents at beginning of the year	5,545	28,289
Cash and cash equivalents at end of the year	<u>15,895</u>	<u>5,545</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 2017 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	2,737	2,900
Cash and bank balances	25,541	15,127
Cash and cash equivalents in the statements of financial positions	<u>28,278</u>	<u>18,027</u>
Pledged deposits	(2,449)	(2,381)
Bank overdraft	(9,934)	(10,101)
Cash and cash equivalents in the statements of cash flows	<u>15,895</u>	<u>5,545</u>

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Interim Financial Report for the Fourth Quarter ended 31 December 2018

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 2018 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 2017. 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 2017.

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 2017 except for the adoption of the following accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*

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A2. Changes in accounting policies (continued)

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

- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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, interpretations and amendments from the annual period beginning on 1 January 2019 for those accounting standards, interpretation and amendments that are effective for annual periods beginning on or after 1 January 2019.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group.

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

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*.

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A2. Changes in accounting policies (continued)

MFRS 16, Leases (continued)

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance of operating 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 2017 was not subject to any qualification.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual in nature, size or incidence during this financial year-to-date.

A5. Material changes in estimates

There were no changes in nature and amount of changes in estimates of amounts reported in current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the financial year-to-date.

A6. Changes in the composition of the Group

There were no changes in the composition of the Group for the quarter under review.

A7. Seasonality or cyclicity of operations

The business operations of the Group were not materially affected by any seasonal or cyclical factors.

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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.

A11. Capital commitments

Capital commitments not provided for in the financial statements as at 31 December 2018 are as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>1,545</u>

A12. Changes in contingent liabilities or contingent assets

The changes in contingent liabilities since 31 December 2017 are summarised as follows:-

	RM'000
Balance as at 31 December 2017	137,797
Movement in corporate guarantee issued to financial institutions for banking facilities granted to the subsidiaries	<u>(26,629)</u>
Balance as at 31 December 2018	<u>111,168</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.

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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 275,700 ordinary shares of RM1.00 each were repurchased in the open market for a total consideration of RM122,525.92 or at an average purchase cost of approximately RM0.44 per share. The shares bought back are held as treasury shares.

As at 31 December 2018, total shares bought back and held as treasury shares were 7,311,000 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.

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

There were no material events subsequent to the current quarter ended 31 December 2018 up to the date of this report.

A16. Dividends Paid

There is no dividend paid during the quarter under review.

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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 31/12/2018	Preceding year corresponding quarter ended 31/12/2017	Amount	%	Current year- to-date 31/12/2018	Preceding year-to- date 31/12/2017	Amount	%
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	
Revenue	123,724	141,491	(17,767)	(12.6)	472,602	472,241	361	0.1
Operating (loss)/profit	(2,511)	(1,790)	(721)	(40.3)	8,723	(3,889)	12,612	342.3
Loss before tax	(6,269)	(5,123)	(1,146)	(22.4)	(5,879)	(16,923)	11,044	65.3
Loss after tax	(6,026)	(11,505)	5,479	47.6	(11,895)	(29,944)	18,049	60.3
Loss attributable to owners of the Company	(6,026)	(11,505)	5,479	47.6	(11,895)	(29,942)	18,047	60.3

Revenue of the Group for the current quarter was 12.6% lower than the preceding year corresponding quarter mainly due to decline in sales of vehicles with the reintroduction of the Sales and Services Tax (SST) on September 1.

The Group recorded lower net loss after tax of RM6.0mil in the current quarter as compared to RM11.5mil in the preceding year corresponding quarter. Loss for the current quarter was mainly due to lower sales has affected the economy of scale in production.

The Group has recorded marginal increase in revenue for the current financial year and recorded lower loss for the year. There was improvement in operating profit mainly attributed to cost reduction activity, improvement in quality control and deliveries to customers.

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B2. Comparison with Immediate Preceding Quarter

	Current year quarter ended 31/12/2018	Immediate preceding quarter ended 30/9/2018	Changes	
			Amount	%
	RM'000	RM'000	RM'000	
Revenue	123,724	126,184	(2,460)	(1.9)
Operating (loss)/profit	(2,511)	4,271	(6,782)	(158.8)
(Loss)/Profit before tax	(6,269)	686	(6,955)	(1,013.8)
Loss after tax	(6,026)	(2,485)	(3,541)	(142.5)
Loss attributable to owners of the Company	(6,026)	(2,485)	(3,541)	(142.5)

Revenue of the Group for the current quarter was 1.9% lower than the preceding quarter due to decline in vehicle sales. The lower sales was mainly due to much of the sales for vehicles being concluded during the three months zero-rated goods and services tax (GST) period and market naturalises in current quarter with the reintroduction of the Sales and Services Tax (SST) in September.

The Group recorded higher net loss after tax of RM6.0mil for current quarter as compared to RM2.5mil in the immediate 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 employ proactive measures that are concentrated on improving production efficiency and mitigating costs.

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 31/12/2018 RM'000	Preceding year corresponding quarter ended 31/12/2017 RM'000	Current year- to-date 31/12/2018 RM'000	Preceding year-to- date 31/12/2017 RM'000
Income tax:				
-Current year	1,661	355	8,042	4,454
-Prior years	(38)	109	525	8,707
	<u>1,623</u>	<u>464</u>	<u>8,567</u>	<u>13,161</u>
Deferred tax:				
-Current year	(254)	(4,722)	(939)	(5,036)
-Prior years	(1,612)	10,640	(1,612)	4,896
	<u>(1,866)</u>	<u>5,918</u>	<u>(2,551)</u>	<u>(140)</u>
	<u>(243)</u>	<u>6,382</u>	<u>6,016</u>	<u>13,021</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.

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 31/12/2018		As at 31/12/2017	
	JPY'000	RM'000 Equivalent	JPY'000	RM'000 Equivalent
Non- Current Secured				
Finance lease liabilities	160,127	5,950	336,780	12,157
Finance lease liabilities	-	58	-	323
Term loans	-	50,064	-	73,893
Total	160,127	56,072	336,780	86,373
Current Secured				
Finance lease liabilities	176,653	6,565	171,542	6,192
Finance lease liabilities	-	231	-	365
Banker's acceptance	-	110,181	-	118,548
Revolving credit	-	25,000	-	25,000
Bank overdraft	-	9,934	-	10,101
Term loans	-	38,514	-	30,410
Total	176,653	190,425	171,542	190,616
Total borrowings	336,780	246,497	508,322	276,989

The Group's total borrowings decreased by 11.0% to RM246.497mil as at 31 December 2018 from RM276.989mil as at 31 December 2017 mainly due to lower utilisation of banker's acceptance and repayment of term loan.

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 6.00% and the proportion of debt that is based on fixed and floating interest rate are as follows:

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Fixed interest rate borrowings	146,078	164,562
Floating interest rate borrowings	100,419	112,427
Total borrowings	246,497	276,989

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 2018.

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 2018

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 31/12/2018	Preceding year corresponding quarter ended 31/12/2017	Current year- to- date 31/12/2018	Preceding year-to-date 31/12/2017
Loss for the period attributable to owners of the Company (RM'000)	(6,026)	(11,505)	(11,895)	(29,942)
Weighted average number of ordinary shares ('000)	158,860	159,014	158,860	159,014
Basic loss per share (sen)	(3.79)	(7.24)	(7.49)	(18.83)
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

No diluted EPS is disclosed in these condensed consolidated interim financial statements as there are no dilutive potential ordinary shares.

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Interim Financial Report for the Fourth Quarter ended 31 December 2018

B12. Notes to the Statement of Comprehensive Income

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/12/2018 RM'000	Preceding year corresponding quarter ended 31/12/2017 RM'000	Current year-to-date 31/12/2018 RM'000	Preceding year-to-date 31/12/2017 RM'000
Interest income	40	171	138	321
Other income	1,017	2,782	4,762	4,963
Interest expense	(3,798)	(3,504)	(14,740)	(13,355)
Depreciation and amortisation	(14,820)	(17,190)	(59,744)	(65,616)
Impairment loss on trade receivables	(194)	(30)	(194)	(42)
Provision for and write off of inventories	(563)	(10,108)	(1,075)	(10,108)
Foreign exchange (loss)/gain	(261)	1,464	(110)	1,142

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: 28 February 2019