

EP MANUFACTURING BHD.

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

Condensed statements of profit or loss and other comprehensive income

for the financial period ended 30 September 2019 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/9/2019 RM'000	Preceding year corresponding quarter ended 30/9/2018 RM'000	Current year- to-date 30/9/2019 RM'000	Preceding year- to-date 30/9/2018 RM'000
Revenue	124,805	126,184	345,381	348,878
Operating expenses	(110,998)	(108,574)	(305,478)	(298,252)
Depreciation and amortisation	(12,724)	(15,294)	(39,151)	(44,924)
Other income	879	1,184	2,552	3,745
Results from operating activities	1,962	3,500	3,304	9,447
Finance costs	(3,579)	(3,618)	(10,376)	(10,942)
Finance income	81	33	170	98
Net finance costs	(3,498)	(3,585)	(10,206)	(10,844)
Share of profit of equity-accounted joint venture, net of tax	552	771	1,535	1,787
(Loss)/Profit before tax	(984)	686	(5,367)	390
Tax expense	(2,421)	(3,171)	(5,693)	(6,259)
Loss for the period	(3,405)	(2,485)	(11,060)	(5,869)
Total comprehensive expense for the period	(3,405)	(2,485)	(11,060)	(5,869)
Loss attributable to :				
Owners of the Company	(3,405)	(2,485)	(11,060)	(5,869)
Non-controlling interests	-	-	-	-
Loss for the period	(3,405)	(2,485)	(11,060)	(5,869)
Total comprehensive expense attributable to :				
Owners of the Company	(3,405)	(2,485)	(11,060)	(5,869)
Non-controlling interests	-	-	-	-
Total comprehensive expense for the period	(3,405)	(2,485)	(11,060)	(5,869)
Loss per ordinary share (sen):				
Basic	(2.15)	(1.56)	(6.97)	(3.69)
Diluted	-	-	-	-

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

EP MANUFACTURING BHD.

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

Condensed Consolidated Statements of Financial Position

as at 30 September 2019

	30/9/2019 (Unaudited) RM'000	31/12/2018 (Audited) RM'000
Assets		
Property, plant and equipment	310,411	342,790
Right-of-use assets	2,434	-
Investment properties	14,417	14,417
Investment in a joint venture	612	951
Intangible assets	85,726	86,766
Deferred tax assets	2,678	4,707
Total non-current assets	416,278	449,631
Inventories	55,857	64,606
Trade and other receivables	78,677	68,394
Current tax assets	2,974	3,061
Prepayments and other assets	6,595	2,392
Other investments	1,401	1,385
Cash and cash equivalents	29,655	28,278
Total current assets	175,159	168,116
Total assets	591,437	617,747
Equity		
Share capital	180,029	180,029
Reserves	87,006	98,159
Equity attributable to owners of the Company	267,035	278,188
Non-controlling interests	(504)	(504)
Total equity	266,531	277,684
Liabilities		
Loan and borrowings	38,312	56,072
Lease liabilities	1,026	-
Deferred income	2,623	2,764
Deferred tax liabilities	4,212	4,189
Total non-current liabilities	46,173	63,025
Loan and borrowings	190,321	190,425
Lease liabilities	1,449	-
Deferred income	188	188
Current tax liabilities	3,769	3,361
Provision for warranties	1,194	1,056
Trade and other payables	81,812	82,008
Total current liabilities	278,733	277,038
Total liabilities	324,906	340,063
Total equity and liabilities	591,437	617,747
Net assets per share attributable to owners of the Company (RM)	1.68	1.75

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 Changes in Equity

for the financial period ended 30 September 2019 - (Unaudited)

<----- Attributable to equity holders of the Company ----->
 <----- Non Distributable -----> Distributable

	Share Capital 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 2019	180,029	(4,853)	103,012	278,188	(504)	277,684
Loss for the period	-	-	(11,060)	(11,060)	-	(11,060)
Total comprehensive expense for the period	-	-	(11,060)	(11,060)	-	(11,060)
Repurchase of own shares	-	(93)	-	(93)	-	(93)
At 30 September 2019	180,029	(4,946)	91,952	267,035	(504)	266,531
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 period	-	-	(5,869)	(5,869)	-	(5,869)
Total comprehensive expense for the period	-	-	(5,869)	(5,869)	-	(5,869)
At 30 September 2018	180,029	(4,730)	109,038	284,337	(504)	283,833

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 2018 and the accompanying explanatory notes attached to the interim financial statements.

EP MANUFACTURING BHD.

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

Condensed Consolidated Statements of Cash Flows

for the financial period ended 30 September 2019 - (Unaudited)

	9 months Ended 30/9/2019 RM'000	9 months Ended 30/9/2018 RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(5,367)	390
Adjustments for:		
Non-cash items	39,011	44,924
Non-operating items	10,454	11,740
Share of profit of equity-accounted joint venture, net of tax	(1,535)	(1,787)
Operating profit before changes in working capital	42,563	55,267
Changes in working capital:		
Inventories	9,292	(9,818)
Trade and other receivables, prepayments and other assets	(14,472)	33,022
Trade and other payables	(242)	(22,721)
Cash generated from operations	37,141	55,750
Interest paid	(6,599)	(5,669)
Income taxes paid	(3,146)	(5,094)
Warranties paid	(280)	(89)
Net cash from operating activities	27,116	44,898
Cash flows from investing activities		
Acquisition of intangible assets	(440)	(121)
Acquisition of property, plant and equipment	(9,492)	(4,774)
Dividend received from a joint venture	1,874	1,971
Increase in other investment	(16)	(15)
Increase in pledged deposits with licensed banks	(51)	(51)
Interest received	170	98
Proceeds from disposal of intangible assets	-	510
Proceeds from disposal of property, plant and equipment	5,412	-
Net cash used in investing activities	(2,543)	(2,382)
Cash flows from financing activities		
Net drawdown/(repayment) of bankers' acceptances	9,728	(19,280)
Net repayment of term loans	(23,693)	(4,487)
Interest paid	(3,626)	(5,273)
Payment of lease liabilities	(1,150)	-
Repayment of finance lease liabilities	(4,180)	(4,937)
Repurchase of treasury shares	(93)	-
Net cash used in financing activities	(23,014)	(33,977)
Net (decrease)/increase in cash and cash equivalents	1,559	8,539
Cash and cash equivalents at beginning of the year	15,895	5,545
Cash and cash equivalents at end of the period	17,454	14,084

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

Deposits placed with licensed banks	4,794	2,718
Cash and bank balances	24,861	23,993
Cash and cash equivalents in the statements of financial positions	29,655	26,711
Pledged deposits	(2,500)	(2,432)
Bank overdraft	(9,701)	(10,195)
Cash and cash equivalents in the statements of cash flows	17,454	14,084

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

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 2019 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 2018. 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 2018.

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 2018 except for the adoption of the following accounting standards, interpretations and amendments during the current financial period:

- 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)*
- 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*

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

A2. Changes in accounting policies (continued)

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 2018 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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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 plan to apply the abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

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:

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

A2. Changes in accounting policies (continued)

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*.

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 has applied MFRS 16 with effect from 1 January 2019, using the modified retrospective approach, with no restatement of comparative information. At 1 January 2019, the Group recognised lease liabilities of RM3,473,000 with a corresponding additional right-of-use assets of RM3,473,000. There is no significant impact on the Group's finance leases.

A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2018 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.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

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.

A10. Material impairment of assets

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

A11. Capital commitments

Capital commitments not provided for in the financial statements as at 30 September 2019 are as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>4,754</u>

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

A12. Changes in contingent liabilities or contingent assets

The changes in contingent liabilities since 31 December 2018 are summarised as follows:-

	RM'000
Balance as at 31 December 2018	111,184
Movement in corporate guarantee issued to financial institutions for banking facilities granted to the subsidiaries	<u>(17,034)</u>
Balance as at 30 September 2019	<u>94,150</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 103,300 ordinary shares of RM1.00 each were repurchased in the open market for a total consideration of RM35,899.00 or at an average purchase cost of approximately RM0.35 per share. The shares bought back are held as treasury shares.

As at 30 September 2019, total shares bought back and held as treasury shares were 7,558,600 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 was no material events subsequent to the current quarter ended 30 September 2019 up to the date of this report.

A16. Dividends Paid

There is no dividend paid during the quarter under review.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

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 (3 rd quarter)		Changes		Cumulative period		Changes	
	Current year quarter ended 30/9/2019	Preceding year corresponding quarter ended 30/9/2018	Amount	%	Current year- to-date 30/9/2019	Preceding year-to- date 30/9/2018	Amount	%
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	
Revenue	124,805	126,184	(1,379)	(1.1)	345,381	348,878	(3,497)	(1.0)
Operating profit	2,514	4,271	(1,757)	(41.1)	4,839	11,234	(6,395)	(56.9)
(Loss)/Profit before tax	(984)	686	(1,670)	(243.4)	(5,367)	390	(5,757)	(1,476.2)
Loss after tax	(3,405)	(2,485)	(920)	(37.0)	(11,060)	(5,869)	(5,191)	(88.4)
Loss attributable to owners of the Company	(3,405)	(2,485)	(920)	(37.0)	(11,060)	(5,869)	(5,191)	(88.4)

The Group recorded lower revenue of RM124.8mil in the current quarter as compared to RM126.2mil in the preceding year corresponding quarter. It was 1.1% lower given that vehicle sales surged last year during the three-month tax holiday from June to August.

Consequently, the Group recorded higher loss after tax of RM3.4mil in the current quarter as compared to RM2.5mil in the preceding year corresponding quarter. Higher loss for the current quarter was mainly due to lower sales and higher operating cost.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

B2. Comparison with Immediate Preceding Quarter

	Current year quarter ended 30/9/2019	Immediate preceding quarter ended 30/6/2019	Changes	
			Amount	%
	RM'000	RM'000	RM'000	
Revenue	124,805	108,607	16,198	14.9
Operating profit/(loss)	2,514	(2,195)	4,709	214.5
Loss before tax	(984)	(5,796)	4,812	83.0
Loss after tax	(3,405)	(7,757)	4,352	56.1
Loss attributable to owners of the Company	(3,405)	(7,757)	4,352	56.1

Revenue of the Group for the current quarter was 14.9% higher than the preceding quarter. Accordingly, the Group recorded lower loss after tax of RM3.4mil as compared to RM7.8mil in the immediate preceding quarter. The loss was mainly due to unfavourable sales mix and high operating cost.

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.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

B5. Tax expense

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/9/2019 RM'000	Preceding year corresponding quarter ended 30/9/2018 RM'000	Current year- to-date 30/9/2019 RM'000	Preceding year-to- date 30/9/2018 RM'000
Income tax:				
-Current year	1,463	2,911	3,513	6,382
-Prior years	125	563	128	562
	<u>1,588</u>	<u>3,474</u>	<u>3,641</u>	<u>6,944</u>
Deferred tax:				
-Current year	833	(303)	2,052	(685)
-Prior years	-	-	-	-
	<u>833</u>	<u>(303)</u>	<u>2,052</u>	<u>(685)</u>
	<u>2,421</u>	<u>3,171</u>	<u>5,693</u>	<u>6,259</u>

The effective tax rate of the Group for the current quarter was higher than the statutory tax rate mainly due to certain expenses which are not tax deductible.

B6. Status of corporate proposals

There were no corporate proposals announced which have not been completed as at the date of this report.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

B7. Borrowings

	As at 30/9/2019		As at 30/9/2018	
	JPY'000	RM'000 Equivalent	JPY'000	RM'000 Equivalent
Non- Current Secured				
Finance lease liabilities	24,191	942	204,778	7,666
Finance lease liabilities	-	279	-	48
Term loans	-	37,091	-	75,152
Total	24,191	38,312	204,778	82,866
Current Secured				
Finance lease liabilities	201,585	7,851	175,361	6,366
Finance lease liabilities	-	227	-	320
Banker's acceptance	-	119,909	-	99,268
Revolving credit	-	25,000	-	25,000
Bank overdraft	-	9,701	-	10,195
Term loans	-	27,633	-	24,664
Total	201,585	190,321	175,361	165,813
Total borrowings	225,776	228,633	380,139	248,679

The Group's total borrowings decreased by 8.1% to RM228.6mil as at 30 September 2019 from RM248.7mil as at 30 September 2018 mainly due to repayment of term loan and finance lease liabilities.

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.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

B7. Borrowings (cont'd)

The weighted average interest rate of borrowings is 5.64% and the proportion of debt that is based on fixed and floating interest rate are as follows:

	As at 30/9/2019 RM'000	As at 30/9/2018 RM'000
Fixed interest rate borrowings	147,895	142,328
Floating interest rate borrowings	80,738	106,351
Total borrowings	<u>228,633</u>	<u>248,679</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 30 September 2019.

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 period-to-date.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

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 30/9/2019	Preceding year corresponding quarter ended 30/9/2018	Current year-to-date 30/9/2019	Preceding year-to-date 30/9/2018
Loss for the period attributable to owners of the Company (RM'000)	(3,405)	(2,485)	(11,060)	(5,869)
Weighted average number of ordinary shares ('000)	158,573	158,951	158,573	158,951
Basic loss per share (sen)	(2.15)	(1.56)	(6.97)	(3.69)
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.

EP MANUFACTURING BHD.

(Company No. 390116-T)

Interim Financial Report for the Third Quarter ended 30 September 2019

B12. Notes to the Statement of Comprehensive Income

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/9/2019 RM'000	Preceding year corresponding quarter ended 30/9/2018 RM'000	Current year-to-date 30/9/2019 RM'000	Preceding year-to-date 30/9/2018 RM'000
Interest income	81	33	170	98
Other income	879	1,184	2,552	3,745
Interest expense	(3,579)	(3,618)	(10,376)	(10,942)
Depreciation and amortisation	(12,724)	(15,294)	(39,151)	(44,924)
Reversal of inventories write-down	367	-	543	-
Foreign exchange gain/(loss)	(216)	(309)	(637)	151

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 November 2019