

EP MANUFACTURING BHD.

(Company No. 199601017765 (390116-T))
(Incorporated in Malaysia)

Condensed statements of profit or loss and other comprehensive income

for the financial period ended 31 March 2020 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 31/3/2020 RM'000	Preceding year corresponding quarter ended 31/3/2019 RM'000	Current year- to-date 31/3/2020 RM'000	Preceding year- to-date 31/3/2019 RM'000
Revenue	95,925	111,969	95,925	111,969
Operating expenses	(87,494)	(95,967)	(87,494)	(95,967)
Depreciation and amortisation	(10,742)	(13,132)	(10,742)	(13,132)
Other income	771	1,098	771	1,098
Results from operating activities	(1,540)	3,968	(1,540)	3,968
Finance costs	(3,105)	(3,149)	(3,105)	(3,149)
Finance income	80	42	80	42
Net finance costs	(3,025)	(3,107)	(3,025)	(3,107)
Share of profit of equity-accounted joint venture, net of tax	409	552	409	552
(Loss)/Profit before tax	(4,156)	1,413	(4,156)	1,413
Tax expense	(1,269)	(1,311)	(1,269)	(1,311)
(Loss)/Profit for the period	(5,425)	102	(5,425)	102
Total comprehensive (expense)/income for the period	(5,425)	102	(5,425)	102
Loss attributable to :				
Owners of the Company	(5,425)	102	(5,425)	102
Non-controlling interests	-	-	-	-
(Loss)/Profit for the period	(5,425)	102	(5,425)	102
Total comprehensive (expense)/income attributable to :				
Owners of the Company	(5,425)	102	(5,425)	102
Non-controlling interests	-	-	-	-
Total comprehensive (expense)/income for the period	(5,425)	102	(5,425)	102
(Loss)/Profit per ordinary share (sen):				
Basic	(3.42)	0.06	(3.42)	0.06
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 2019 and the accompanying explanatory notes attached to the interim financial statements.

EP MANUFACTURING BHD.

(Company No. 199601017765 (390116-T))

(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position

as at 31 March 2020

	31/3/2020 (Unaudited) RM'000	31/12/2019 (Audited) RM'000
Assets		
Property, plant and equipment	294,909	304,648
Right-of-use assets	2,472	2,840
Investment properties	14,417	14,417
Investment in a joint venture	911	502
Intangible assets	85,510	85,748
Deferred tax assets	4,883	5,033
Total non-current assets	403,102	413,188
Inventories	52,929	55,307
Trade and other receivables	51,921	84,996
Current tax assets	3,314	3,068
Prepayments and other assets	2,469	3,068
Other investments	699	1,428
Cash and cash equivalents	34,681	24,415
Total current assets	146,013	172,282
Total assets	549,115	585,470
Equity		
Share capital	180,029	180,029
Reserves	77,276	82,787
Equity attributable to owners of the Company	257,305	262,816
Non-controlling interests	(504)	(504)
Total equity	256,801	262,312
Liabilities		
Loan and borrowings	31,364	31,945
Lease liabilities	1,180	1,503
Deferred income	2,529	2,576
Deferred tax liabilities	4,380	4,343
Total non-current liabilities	39,453	40,367
Loan and borrowings	164,222	189,157
Lease liabilities	1,395	1,419
Deferred income	188	189
Current tax liabilities	999	1,503
Provision for warranties	1,230	1,170
Trade and other payables	84,827	89,353
Total current liabilities	252,861	282,791
Total liabilities	292,314	323,158
Total equity and liabilities	549,115	585,470
Net assets per share attributable to owners of the Company (RM)	1.62	1.66

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Changes in Equity

for the financial period ended 31 March 2020 - (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 2020	180,029	(4,951)	87,738	262,816	(504)	262,312
Loss for the period	-	-	(5,425)	(5,425)	-	(5,425)
Total comprehensive expense for the period	-	-	(5,425)	(5,425)	-	(5,425)
Repurchase of own shares	-	(86)	-	(86)	-	(86)
At 31 March 2020	180,029	(5,037)	82,313	257,305	(504)	256,801
At 1 January 2019	180,029	(4,853)	103,012	278,188	(504)	277,684
Profit for the period	-	-	102	102	-	102
Total comprehensive income for the period	-	-	102	102	-	102
Repurchase of own shares	-	(16)	-	(16)	-	(16)
At 31 March 2019	180,029	(4,869)	103,114	278,274	(504)	277,770

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statements of Cash Flows

for the financial period ended 31 March 2020 - (Unaudited)

	3 months Ended 31/3/2020 RM'000	3 months Ended 31/3/2019 RM'000
Cash flows from operating activities		
(Profit)/Loss before tax	(4,156)	1,413
Adjustments for:		
Non-cash items	10,694	13,085
Non-operating items	3,001	2,944
Share of profit of equity-accounted joint venture, net of tax	(409)	(552)
Operating profit before changes in working capital	<u>9,130</u>	<u>16,890</u>
Changes in working capital:		
Inventories	2,249	(1,958)
Trade and other receivables, prepayments and other assets	33,760	3,475
Trade and other payables	(4,389)	(10,569)
Cash generated from operations	<u>40,750</u>	<u>7,838</u>
Interest paid	(2,263)	(1,915)
Income taxes paid	(1,832)	(2,061)
Warranties paid	(10)	(42)
Net cash from operating activities	<u>36,645</u>	<u>3,820</u>
Cash flows from investing activities		
Acquisition of intangible assets	(37)	-
Acquisition of property, plant and equipment	(360)	(1,673)
Dividend received from a joint venture	-	891
Decrease/(Increase) in other investment	729	(5)
Increase in pledged deposits with licensed banks	(17)	(17)
Interest received	80	42
Net cash used in investing activities	<u>395</u>	<u>(762)</u>
Cash flows from financing activities		
Net (repayment)/drawdown of bankers' acceptances	(21,615)	3,551
Net repayment of term loans	(3,860)	(8,294)
Interest paid	(779)	(1,183)
Payment of lease liabilities	(410)	(2,050)
Repayment of other bank facilities	(29)	-
Repurchase of treasury shares	(86)	(16)
Net cash used in financing activities	<u>(26,779)</u>	<u>(7,992)</u>
Net increase/(decrease) in cash and cash equivalents	10,261	(4,934)
Cash and cash equivalents at beginning of the year	12,299	15,895
Cash and cash equivalents at end of the period	<u>22,560</u>	<u>10,961</u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 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	2,534	2,756
Cash and bank balances	32,147	20,406
Cash and cash equivalents in the statements of financial positions	<u>34,681</u>	<u>23,162</u>
Pledged deposits	(2,534)	(2,466)
Bank overdraft	(9,587)	(9,735)
Cash and cash equivalents in the statements of cash flows	<u>22,560</u>	<u>10,961</u>

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Interim Financial Report for the First Quarter ended 31 March 2020

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 2020 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 2019. 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 2019.

A2. Significant 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 2019. The following are accounting standards, interpretations and amendments of the Malaysian Financial Reporting Standards (“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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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

- MFRS 17, *Insurance Contracts*

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A2. Significant accounting policies (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022.

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.

A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2019 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.

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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 cyclicity of operations

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

A8. Segmental information

During the current reporting period, the Group operates under one main business segment which is Automotive. The information contains in the Condensed statement of profit or loss and other comprehensive income represent the Automotive segment.

A9. Valuation of property, plant and equipment

The valuations of certain property, plant and equipment have been brought forward without amendment from the latest audited annual financial statements.

A10. 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 31 March 2020 are as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>2,378</u>

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A12. Changes in contingent liabilities or contingent assets

The changes in contingent liabilities since 31 December 2019 are summarised as follows:-

	RM'000
Balance as at 31 December 2019	77,697
Movement in corporate guarantee issued to financial institutions for banking facilities granted to the subsidiaries	(20,919)
Balance as at 31 March 2020	<u>56,778</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 287,500 ordinary shares of RM1.00 each were repurchased in the open market for a total consideration of RM86,334.31 or at an average purchase cost of approximately RM0.30 per share. The shares bought back are held as treasury shares.

As at 31 March 2020, total shares bought back and held as treasury shares were 7,860,100 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 31 December 2019 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 (1 st quarter)		Changes		Cumulative period		Changes	
	Current year quarter ended 31/3/2020	Preceding year corresponding quarter ended 31/3/2019	Amount	%	Current year-to-date 31/3/2020	Preceding year-to- date 31/3/2019	Amount	%
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	
Revenue	95,925	111,969	(16,044)	(14.3)	95,925	111,969	(16,044)	(14.3)
Operating (loss)/ profit	(1,131)	4,520	(5,651)	(125.0)	(1,131)	4,520	(5,651)	(125.0)
(Loss)/Profit before tax	(4,156)	1,413	(5,569)	(394.1)	(4,156)	1,413	(5,569)	(394.1)
(Loss)/ Profit after tax	(5,425)	102	(5,527)	(5,418.6)	(5,425)	102	(5,527)	(5,418.6)
(Loss)/ Profit attributable to owners of the Company	(5,425)	102	(5,527)	(5,418.6)	(5,425)	102	(5,527)	(5,418.6)

The Group recorded lower revenue of RM95.9mil in the current quarter as compared to RM112.0mil in the preceding year corresponding quarter. Lower revenue mainly due to temporary closure of the Group's operations mandated by the government during the Movement Control Order ("MCO") period starting from 18th March 2020. The Total Industry Volume (TIV) has also dropped 25.6% compared to the same period last year.

Hence, the Group recorded higher loss of RM5.4mil as compared to profit of RM0.1mil in the preceding year corresponding quarter.

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B2. Comparison with Immediate Preceding Quarter

	Current year quarter ended 31/3/2020 RM'000	Immediate preceding quarter ended 31/12/2019 RM'000	Changes	
			Amount	%
			RM'000	
Revenue	95,925	139,269	(43,344)	(31.1)
Operating loss	(1,131)	(3,586)	2,455	68.5
Loss before tax	(4,156)	(6,879)	2,723	39.6
Loss after tax	(5,425)	(4,214)	(1,211)	(28.7)
Loss attributable to owners of the Company	(5,425)	(4,214)	(1,211)	(28.7)

Revenue of the Group for the current quarter was 31.1% lower than the preceding quarter due to lower revenue during MCO period. Loss after tax was higher at RM5.4mil as compared to RM4.2mil in the preceding quarter.

B3. Prospects for coming financial year

The coronavirus (COVID-19) pandemic has resulted in disruptions to businesses and various macro-economic impacts including the automotive industry in which the Group operates. The Total Industry Volume ("TIV") for 2020 is expected to decline due to uncertainties caused by COVID-19 pandemic.

The Government of Malaysia had implemented Movement Control Order ("MCO") on 18 March 2020. The Group has lower sales since the MCO and only resumed its operations in mid of May. The business has been slow and the Group has taken steps aggressively to cut cost to conserve cash flows. The Group has also obtained approval from relevant banks to defer the repayment of loans and short term borrowings up to six months.

The Board anticipated the performance of the Group for current financial year ended 31 December 2020 is likely to be affected, subject to customers' demand.

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 31/3/2020 RM'000	Preceding year corresponding quarter ended 31/3/2019 RM'000	Current year- to-date 31/3/2020 RM'000	Preceding year-to- date 31/3/2019 RM'000
Income tax:				
-Current year	1,082	976	1,082	976
-Prior years	-	-	-	-
	<u>1,082</u>	<u>976</u>	<u>1,082</u>	<u>976</u>
Deferred tax:				
-Current year	187	335	187	335
-Prior years	-	-	-	-
	<u>187</u>	<u>335</u>	<u>187</u>	<u>335</u>
	<u>1,269</u>	<u>1,311</u>	<u>1,269</u>	<u>1,311</u>

The effective tax rate of the Group for the current year 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.

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B7. Loans and borrowings

	As at 31/3/2020 RM'000	As at 31/3/2019 RM'000
Non- Current		
Term loans	31,096	42,786
Other bank facilities	268	157
Finance lease liabilities	-	4,225
Total	31,364	47,168
Current		
Term loans	19,204	37,498
Banker's acceptance	110,336	113,732
Revolving credit	25,000	25,000
Bank overdraft	9,587	9,735
Other bank facilities	95	270
Finance lease liabilities	-	6,529
Total	164,222	192,764
Total loans and borrowings	195,586	239,932

The Group's total borrowings decreased by 18.5% to RM195.6mil as at 31 March 2020 from RM239.9mil as at 31 March 2019 mainly due to repayment of term loans, finance lease liabilities and lower Banker's acceptance.

The weighted average interest rate of borrowings is 5.34% and the proportion of debt that is based on fixed and floating interest rates are as follows:

	As at 31/3/2020 RM'000	As at 31/3/2019 RM'000
Fixed interest rate borrowings	127,471	146,358
Floating interest rate borrowings	68,115	93,574
Total loans and borrowings	195,586	239,932

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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 March 2020.

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.

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 31/3/2020	Preceding year corresponding quarter ended 31/3/2019	Current year-to-date 31/3/2020	Preceding year-to-date 31/3/2019
(Loss)/Profit for the period attributable to owners of the Company (RM'000)	(5,425)	102	(5,425)	102
Weighted average number of ordinary shares ('000)	158,398	158,825	158,398	158,825
Basic (loss)/earnings per share (sen)	(3.42)	0.06	(3.42)	0.06
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 31/3/2020 RM'000	Preceding year corresponding quarter ended 31/3/2019 RM'000	Current year-to-date 31/3/2020 RM'000	Preceding year-to-date 31/3/2019 RM'000
Interest income	80	42	80	42
Other income	771	1,098	771	1,098
Interest expense	(3,105)	(3,149)	(3,105)	(3,149)
Depreciation and amortisation	(10,742)	(13,132)	(10,742)	(13,132)
(Provision)/ Reversal of inventories write-down	(129)	45	(129)	45
Foreign exchange gain	246	153	246	153

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: 25 June 2020