

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 30 September 2020 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/9/2020 RM'000	Preceding year corresponding quarter ended 30/9/2019 RM'000	Current year- to-date 30/9/2020 RM'000	Preceding year- to-date 30/9/2019 RM'000
Revenue	127,125	124,805	274,695	345,381
Operating expenses	(116,458)	(110,998)	(254,725)	(305,478)
Depreciation and amortisation	(9,953)	(12,724)	(28,990)	(39,151)
Other income	803	879	1,691	2,552
Results from operating activities	1,517	1,962	(7,329)	3,304
Finance costs	(1,944)	(3,579)	(6,984)	(10,376)
Finance income	53	81	226	170
Net finance costs	(1,891)	(3,498)	(6,758)	(10,206)
Share of profit of equity-accounted joint venture, net of tax	139	552	603	1,535
Loss before tax	(235)	(984)	(13,484)	(5,367)
Tax expense	2	(2,421)	(796)	(5,693)
Loss for the period	(233)	(3,405)	(14,280)	(11,060)
Total comprehensive expense for the period	(233)	(3,405)	(14,280)	(11,060)
Loss attributable to :				
Owners of the Company	(233)	(3,405)	(14,280)	(11,060)
Non-controlling interests	-	-	-	-
Loss for the period	(233)	(3,405)	(14,280)	(11,060)
Total comprehensive expense attributable to :				
Owners of the Company	(233)	(3,405)	(14,280)	(11,060)
Non-controlling interests	-	-	-	-
Total comprehensive expense for the period	(233)	(3,405)	(14,280)	(11,060)
Loss per ordinary share (sen):				
Basic	(0.15)	(2.15)	(9.03)	(6.97)
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.

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Condensed Consolidated Statements of Financial Position

for the financial period ended 30 September 2020 - (Unaudited)

	30/9/2020 (Unaudited) RM'000	31/12/2019 (Audited) RM'000
Assets		
Property, plant and equipment	281,240	304,648
Right-of-use assets	1,724	2,840
Investment properties	14,417	14,417
Investment in a joint venture	199	502
Intangible assets	85,217	85,748
Deferred tax assets	5,587	5,033
Total non-current assets	388,384	413,188
Inventories	44,369	55,307
Trade and other receivables	63,303	84,996
Current tax assets	4,350	3,068
Prepayments and other assets	2,746	3,068
Other investments	-	1,428
Cash and cash equivalents	30,574	24,415
Total current assets	145,342	172,282
Total assets	533,726	585,470
Equity		
Share capital	180,029	180,029
Reserves	68,395	82,787
Equity attributable to owners of the Company	248,424	262,816
Non-controlling interests	(504)	(504)
Total equity	247,920	262,312
Liabilities		
Loan and borrowings	30,718	31,945
Lease liabilities	808	1,503
Deferred income	2,435	2,576
Deferred tax liabilities	4,445	4,343
Total non-current liabilities	38,406	40,367
Loan and borrowings	155,850	189,157
Lease liabilities	993	1,419
Deferred income	188	189
Current tax liabilities	358	1,503
Provision for warranties	1,223	1,170
Trade and other payables	88,788	89,353
Total current liabilities	247,400	282,791
Total liabilities	285,806	323,158
Total equity and liabilities	533,726	585,470
Net assets per share attributable to owners of the Company (RM)	1.57	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.

Condensed Consolidated Statement of Changes in Equity

for the financial period ended 30 September 2020 - (Unaudited)

	<--- Attributable to equity holders of the Company --->					
	<-- Non Distributable -->	<-- Non Distributable -->	Distributable	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	-	-	(14,280)	(14,280)	-	(14,280)
Total comprehensive expense for the period	-	-	(14,280)	(14,280)	-	(14,280)
Repurchase of own shares	-	(112)	-	(112)	-	(112)
At 30 September 2020	180,029	(5,063)	73,458	248,424	(504)	247,920
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

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 30 September 2020 - (Unaudited)

	9 months Ended 30/9/2020 RM'000	9 months Ended 30/9/2019 RM'000
Cash flows from operating activities		
Loss before tax	(13,484)	(5,367)
Adjustments for:		
Non-cash items	28,848	39,011
Non-operating items	6,611	10,454
Share of profit of equity-accounted joint venture, net of tax	(603)	(1,535)
Operating profit before changes in working capital	<u>21,372</u>	<u>42,563</u>
Changes in working capital:		
Inventories	11,039	9,292
Trade and other receivables, prepayments and other assets	22,120	(14,472)
Trade and other payables	(415)	(242)
Cash generated from operations	<u>54,116</u>	<u>37,141</u>
Interest paid	(5,304)	(6,599)
Income taxes paid	(3,675)	(3,146)
Warranties paid	(77)	(280)
Net cash from operating activities	<u>45,060</u>	<u>27,116</u>
Cash flows from investing activities		
Acquisition of intangible assets	(45)	(440)
Acquisition of property, plant and equipment	(3,918)	(9,492)
Dividend received from a joint venture	906	1,874
Decrease/(Increase) in other investment	1,428	(16)
Increase in pledged deposits with licensed banks	(51)	(51)
Interest received	226	170
Proceeds from disposal of property, plant and equipment	-	5,412
Net cash used in investing activities	<u>(1,454)</u>	<u>(2,543)</u>
Cash flows from financing activities		
Net (repayment)/drawdown of bankers' acceptances	(24,953)	9,728
Net repayment of term loans	(5,300)	(23,693)
Interest paid	(1,680)	(3,626)
Payment of lease liabilities	(989)	(5,715)
Repayment of other bank facilities	(121)	385
Repurchase of treasury shares	(112)	(93)
Net cash used in financing activities	<u>(33,155)</u>	<u>(23,014)</u>
Net increase in cash and cash equivalents	10,451	1,559
Cash and cash equivalents at beginning of the year	<u>12,299</u>	<u>15,895</u>
Cash and cash equivalents at end of the period	<u>22,750</u>	<u>17,454</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	2,568	4,794
Cash and bank balances	<u>28,006</u>	<u>24,861</u>
Cash and cash equivalents in the statements of financial positions	30,574	29,655
Pledged deposits	(2,568)	(2,500)
Bank overdraft	(5,256)	(9,701)
Cash and cash equivalents in the statements of cash flows	<u>22,750</u>	<u>17,454</u>

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Interim Financial Report for the Third Quarter ended 30 September 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 third quarter ended 30 September 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 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 2020 are as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>6,260</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	<u>(15,574)</u>
Balance as at 30 September 2020	<u>62,123</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 was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review except for 14,200 ordinary shares of RM1.00 each were repurchased in the open market for a total consideration of RM4,219.50 or at an average purchase cost of approximately RM0.30 per share. The shares bought back are held as treasury shares.

As at 30 September 2020, total shares bought back and held as treasury shares were 7,958,800 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 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 (3 rd quarter)		Changes		Cumulative period		Changes	
	Current year quarter ended 30/9/2020 RM'000	Preceding year corresponding quarter ended 30/9/2019 RM'000	Amount RM'000	%	Current year-to-date 30/9/2020 RM'000	Preceding year-to- date 30/9/2019 RM'000	Amount RM'000	%
Revenue	127,125	124,805	2,320	1.9	274,695	345,381	(70,686)	(20.5)
Operating profit/(loss)	1,656	2,514	(858)	(34.1)	(6,726)	4,839	(11,565)	(239.0)
Loss before tax	(235)	(984)	749	76.1	(13,484)	(5,367)	(8,117)	(151.2)
Loss after tax	(233)	(3,405)	3,172	93.2	(14,280)	(11,060)	(3,220)	(29.1)
Loss attributable to owners of the Company	(233)	(3,405)	3,172	93.2	(14,280)	(11,060)	(3,220)	(29.1)

The Group recorded higher revenue of RM127.1mil in the current quarter as compared to RM124.8mil in the preceding year corresponding quarter. Revenue was higher by 1.9% mainly due to automotive sales have seen an encouraging rise buoyed by the vehicle sales tax exemption in place from 15th June until 31st December 2020. Aside from the sales tax exemption, the Malaysian Automotive Association (MAA) also attributes the increase in sales to on-going promotional campaigns by car companies.

Loss for the current quarter was lower at RM0.2mil as compared to RM3.4mil in the preceding year corresponding quarter.

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B2. Comparison with Immediate Preceding Quarter

	Current year quarter ended 30/9/2020	Immediate preceding quarter ended 30/6/2020	Changes	
			Amount	%
	RM'000	RM'000	RM'000	
Revenue	127,125	51,645	75,480	146.2
Operating profit/(loss)	1,656	(7,251)	8,907	122.8
Loss before tax	(235)	(9,093)	8,858	97.4
Loss after tax	(233)	(8,622)	8,389	97.3
Loss attributable to owners of the Company	(233)	(8,622)	8,389	97.3

Revenue of the Group rebounded in the current quarter as Malaysia entering the recovery phase of the Movement Control Order (MCO) which is called the Recovery Movement Control Order (RMCO). Vehicles sales has increased in this quarter with the sales tax exemption and the promotional campaigns by automotive players.

The Group recorded higher revenue by 146.2% to RM127.1mil in the current quarter compared to RM51.6mil in the preceding year corresponding quarter. Loss after tax was lower at RM0.2mil as compared to RM8.6mil in the preceding quarter.

B3. Prospects for current financial year

The COVID-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts including the automotive industry in which the Group operates. The Malaysian Government has introduced the vehicle sales tax exemption to revitalize demand and spur the automotive industry in the country. Following the sales tax exemption implemented by the government, the Malaysian Automotive Association ("MAA") had revised upwards its forecast of the Total Industry Volume ("TIV") for 2020 from 400,000 units to 470,000 units. The Group is nevertheless still cautious of the COVID-19 pandemic impacts and expects the automotive sector to remain challenging.

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 30/9/2020 RM'000	Preceding year corresponding quarter ended 30/9/2019 RM'000	Current year- to-date 30/9/2020 RM'000	Preceding year-to- date 30/9/2019 RM'000
<u>Income tax:</u>				
-Current year	78	1,463	1,252	3,513
-Prior years	(3)	125	(3)	128
	<u>75</u>	<u>1,588</u>	<u>1,249</u>	<u>3,641</u>
<u>Deferred tax:</u>				
-Current year	(77)	833	(453)	2,052
-Prior years	-	-	-	-
	<u>(77)</u>	<u>833</u>	<u>(453)</u>	<u>2,052</u>
	<u>(2)</u>	<u>2,421</u>	<u>796</u>	<u>5,693</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 30/9/2020 RM'000	As at 30/9/2019 RM'000
Non- Current		
Term loans	30,390	37,091
Other bank facilities	328	320
Finance lease liabilities	-	901
Total	30,718	38,312
Current		
Term loans	18,470	27,633
Banker's acceptance	106,998	119,909
Revolving credit	25,000	25,000
Bank overdraft	5,256	9,701
Other bank facilities	126	96
Finance lease liabilities	-	7,982
Total	155,850	190,321
Total loans and borrowings	186,568	228,633

The Group's total borrowings decreased by 18.4% to RM186.6mil as at 30 September 2020 from RM228.6mil as at 30 September 2019 mainly due to repayment of term loans, finance lease liabilities and lower Banker's acceptance.

The weighted average interest rate of borrowings is 4.26% and the proportion of debt that is based on fixed and floating interest rates are as follows:

	As at 30/9/2020 RM'000	As at 30/9/2019 RM'000
Fixed interest rate borrowings	125,136	147,895
Floating interest rate borrowings	61,432	80,738
Total loans and borrowings	186,568	228,633

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Interim Financial Report for the Third Quarter ended 30 September 2020

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 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 30/9/2020	Preceding year corresponding quarter ended 30/9/2019	Current year-to-date 30/9/2020	Preceding year-to-date 30/9/2019
Loss for the period attributable to owners of the Company (RM'000)	(233)	(3,405)	(14,280)	(11,060)
Weighted average number of ordinary shares ('000)	158,205	158,573	158,205	158,573
Basic loss per share (sen)	(0.15)	(2.15)	(9.03)	(6.97)
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 30/9/2020 RM'000	Preceding year corresponding quarter ended 30/9/2019 RM'000	Current year-to-date 30/9/2020 RM'000	Preceding year-to-date 30/9/2019 RM'000
Interest income	53	81	226	170
Other income	803	879	1,691	2,552
Interest expense	(1,944)	(3,579)	(6,984)	(10,376)
Depreciation and amortisation	(9,953)	(12,724)	(28,990)	(39,151)
(Provision)/ Reversal of inventories write-down	579	367	101	543
Foreign exchange gain/(loss)	177	(216)	66	(637)

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 November 2020