

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 2021 - (Unaudited)

| | Individual Quarter | | Cumulative Period | |
|--|--|---|---|---|
| | Current year quarter ended 31/3/2021 RM'000 | Preceding year corresponding quarter ended 31/3/2020 RM'000 | Current year- to-date 31/3/2021 RM'000 | Preceding year- to-date 31/3/2020 RM'000 |
| Revenue | 107,283 | 95,925 | 107,283 | 95,925 |
| Operating expenses | (96,070) | (87,494) | (96,070) | (87,494) |
| Depreciation and amortisation | (8,249) | (10,742) | (8,249) | (10,742) |
| Other income | 741 | 771 | 741 | 771 |
| Results from operating activities | 3,705 | (1,540) | 3,705 | (1,540) |
| Finance costs | (2,006) | (3,105) | (2,006) | (3,105) |
| Finance income | 24 | 80 | 24 | 80 |
| Net finance costs | (1,982) | (3,025) | (1,982) | (3,025) |
| Share of profit of equity-accounted joint venture, net of tax | 355 | 409 | 355 | 409 |
| Profit/(Loss) before tax | 2,078 | (4,156) | 2,078 | (4,156) |
| Tax expense | (892) | (1,269) | (892) | (1,269) |
| Profit/(Loss) for the period | 1,186 | (5,425) | 1,186 | (5,425) |
| Total comprehensive income/(expense) for the period | 1,186 | (5,425) | 1,186 | (5,425) |
| Profit/(Loss) attributable to : | | | | |
| Owners of the Company | 1,186 | (5,425) | 1,186 | (5,425) |
| Non-controlling interests | - | - | - | - |
| Profit/(Loss) for the period | 1,186 | (5,425) | 1,186 | (5,425) |
| Total comprehensive income/(expense) attributable to : | | | | |
| Owners of the Company | 1,186 | (5,425) | 1,186 | (5,425) |
| Non-controlling interests | - | - | - | - |
| Total comprehensive income/(expense) for the period | 1,186 | (5,425) | 1,186 | (5,425) |
| Earnings/(Loss) per ordinary share (sen): | | | | |
| Basic | 0.75 | (3.42) | 0.75 | (3.42) |
| 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 2020 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 2021 - (Unaudited)

| | 31/3/2021 (Unaudited) RM'000 | 31/12/2020 (Audited) RM'000 |
|--|------------------------------------|-----------------------------------|
| Assets | | |
| Property, plant and equipment | 275,170 | 276,601 |
| Right-of-use assets | 1,873 | 2,178 |
| Investment properties | 14,417 | 14,417 |
| Investment in a joint venture | 727 | 372 |
| Intangible assets | 85,188 | 85,078 |
| Deferred tax assets | 5,056 | 5,056 |
| Total non-current assets | 382,431 | 383,702 |
| Inventories | 41,509 | 43,624 |
| Trade and other receivables | 66,536 | 69,529 |
| Current tax assets | 4,489 | 4,889 |
| Prepayments and other assets | 2,960 | 4,614 |
| Cash and cash equivalents | 25,413 | 29,711 |
| Total current assets | 140,907 | 152,367 |
| Total assets | 523,338 | 536,069 |
| Equity | | |
| Share capital | 180,029 | 180,029 |
| Reserves | 68,705 | 67,519 |
| Equity attributable to owners of the Company | 248,734 | 247,548 |
| Non-controlling interests | (252) | (252) |
| Total equity | 248,482 | 247,296 |
| Liabilities | | |
| Loan and borrowings | 24,053 | 27,323 |
| Lease liabilities | 673 | 859 |
| Deferred income | 2,340 | 2,387 |
| Deferred tax liabilities | 4,529 | 4,496 |
| Total non-current liabilities | 31,595 | 35,065 |
| Loan and borrowings | 160,938 | 155,210 |
| Lease liabilities | 1,292 | 1,456 |
| Deferred income | 189 | 189 |
| Current tax liabilities | 322 | 78 |
| Provision for warranties | 102 | 92 |
| Trade and other payables | 80,418 | 96,683 |
| Total current liabilities | 243,261 | 253,708 |
| Total liabilities | 274,856 | 288,773 |
| Total equity and liabilities | 523,338 | 536,069 |
| Net assets per share attributable to owners of the Company (RM) | 1.57 | 1.56 |

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the financial period ended 31 March 2021 - (Unaudited)

| | ← Attributable to equity holders of the Company → | | | | | Total Equity RM'000 |
|--|---|------------------------------|--------------------------------|-----------------|--|---------------------------|
| | Share Capital RM'000 | Treasury Shares RM'000 | Retained Earnings RM'000 | Total RM'000 | Non- Controlling Interests RM'000 | |
| At 1 January 2021 | 180,029 | (5,063) | 72,582 | 247,548 | (252) | 247,296 |
| Profit for the period | - | - | 1,186 | 1,186 | - | 1,186 |
| Total comprehensive income for the period | - | - | 1,186 | 1,186 | - | 1,186 |
| At 31 March 2021 | 180,029 | (5,063) | 73,768 | 248,734 | (252) | 248,482 |
| 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 |

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 2020 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 Cash Flows

for the financial period ended 31 March 2021 - (Unaudited)

| | 3 months Ended 31/3/2021 RM'000 | 3 months Ended 31/3/2020 RM'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit/(Loss) before tax | 2,078 | (4,156) |
| Adjustments for: | | |
| Non-cash items | 8,202 | 10,694 |
| Non-operating items | 1,803 | 3,001 |
| Share of profit of equity-accounted joint venture, net of tax | (355) | (409) |
| Operating profit before changes in working capital | <u>11,728</u> | <u>9,130</u> |
| Changes in working capital: | | |
| Inventories | 2,225 | 2,249 |
| Trade and other receivables, prepayments and other assets | 4,742 | 33,760 |
| Trade and other payables | (16,319) | (4,389) |
| Cash generated from operations | <u>2,376</u> | <u>40,750</u> |
| Interest paid | (1,470) | (2,263) |
| Tax paid | (215) | (1,832) |
| Warranties paid | (5) | (10) |
| Net cash from operating activities | <u>686</u> | <u>36,645</u> |
| Cash flows from investing activities | | |
| Acquisition of intangible assets | (183) | (37) |
| Acquisition of property, plant and equipment | (6,455) | (360) |
| Decrease in other investment | - | 729 |
| Increase in pledged deposits with licensed banks | (17) | (17) |
| Interest received | 24 | 80 |
| Proceeds from disposal of property, plant and equipment | 58 | - |
| Net cash (used in)/from investing activities | <u>(6,573)</u> | <u>395</u> |
| Cash flows from financing activities | | |
| Net drawdown/(repayment) of bankers' acceptances | 7,890 | (21,615) |
| Net repayment of term loans | (5,316) | (3,860) |
| Interest paid | (536) | (779) |
| Payment of lease liabilities | (350) | (410) |
| Net repayment of other bank facilities | (31) | (29) |
| Repurchase of treasury shares | - | (86) |
| Net cash from/(used) in financing activities | <u>1,657</u> | <u>(26,779)</u> |
| Net (decrease)/increase in cash and cash equivalents | (4,230) | 10,261 |
| Cash and cash equivalents at beginning of the year | 17,330 | 12,299 |
| Cash and cash equivalents at end of the period | <u>13,100</u> | <u>22,560</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 2020 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 | 2,592 | 2,534 |
| Cash and bank balances | 22,821 | 32,147 |
| Cash and cash equivalents in the statements of financial positions | <u>25,413</u> | <u>34,681</u> |
| Pledged deposits | (2,592) | (2,534) |
| Bank overdraft | (9,721) | (9,587) |
| Cash and cash equivalents in the statements of cash flows | <u>13,100</u> | <u>22,560</u> |

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(Company No. 199601017765 (390116-T))

Interim Financial Report for the First Quarter ended 31 March 2021

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 2021 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 2020. 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 2020.

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 2020 except for the adoption of the following MFRSs, interpretations and amendments effective for the financial year beginning on or after 1 January 2021:

- Amendments to MFRS 9, *Financial Instruments*
- MFRS 139, *Financial Instruments: Recognition and Measurement*
- MFRS 7, *Financial Instruments: Disclosures*
- MFRS 4, *Insurance Contracts*
- MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The adoption of the above accounting standards, interpretations and amendments do not have any material financial impact to the financial statements of the Group.

The Group has not early adopted new or revised standards and amendments to standards that have been issued but not yet effective for the Group's accounting period beginning 1 January 2021. The initial application of the MFRSs, Amendments to MFRSs and IC Interpretations, which will be applied prospectively or which requires extended disclosures, is not expected to have any significant financial impacts to the current period and prior period financial statements of the Group upon their first adoption.

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A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2020 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.

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.

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A11. Capital commitments

Capital commitments not provided for in the financial statements as at 31 March 2021 are as follows:

| | RM'000 |
|--------------------------------------|--------------|
| Property, plant and equipment | |
| Contracted but not provided for | <u>3,903</u> |

A12. Changes in contingent liabilities or contingent assets

The changes in contingent liabilities since 31 December 2020 are summarised as follows:-

| | RM'000 |
|--|----------------|
| Balance as at 31 December 2020 | 60,115 |
| Movement in corporate guarantee issued to financial institutions for banking facilities granted to the subsidiaries | <u>(5,766)</u> |
| Balance as at 31 March 2021 | <u>54,349</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.

As at 31 March 2021, 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 2020 up to the date of this report.

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A16. Dividends Paid

There is no dividend paid during the quarter under review.

B. Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of the performance

Current Quarter

| | Individual quarter (1 st quarter) | | Changes | | Cumulative period | | Changes | |
|---|---|---|---------|-------|--------------------------------------|--|---------|-------|
| | Current year quarter ended 31/3/2021 | Preceding year corresponding quarter ended 31/3/2020 | Amount | % | Current year-to-date 31/3/2021 | Preceding year-to- date 31/3/2020 | Amount | % |
| | RM'000 | RM'000 | RM'000 | | RM'000 | RM'000 | RM'000 | |
| Revenue | 107,283 | 95,925 | 11,358 | 11.8 | 107,283 | 95,925 | 11,358 | 11.8 |
| Operating profit/(loss) | 4,060 | (1,131) | 5,191 | 459.0 | 4,060 | (1,131) | 5,191 | 459.0 |
| Profit/(Loss) before tax | 2,078 | (4,156) | 6,234 | 150.0 | 2,078 | (4,156) | 6,234 | 150.0 |
| Profit/(Loss) after tax | 1,186 | (5,425) | 6,611 | 121.9 | 1,186 | (5,425) | 6,611 | 121.9 |
| Profit/(Loss) attributable to owners of the Company | 1,186 | (5,425) | 6,611 | 121.9 | 1,186 | (5,425) | 6,611 | 121.9 |

The Group recorded higher revenue of RM107.3mil in the current quarter, an 11.8% increase compared to RM95.9mil in the preceding year corresponding quarter. Sales for the current quarter continued to be aided by the sales tax exemption that is in place until 30th June 2021.

The Group recorded profit after tax for the current quarter of RM1.2mil as compared to loss after tax of RM5.4mil in the preceding year corresponding quarter. Profit for the current quarter was attributable to the increase in revenue, lower depreciation and amortisation and lower finance cost.

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B2. Comparison with Immediate Preceding Quarter

| | Current year quarter ended 31/3/2021 | Immediate preceding quarter ended 31/12/2020 | Changes | |
|---|--------------------------------------|--|----------|---------|
| | | | Amount | % |
| | RM'000 | RM'000 | RM'000 | |
| Revenue | 107,283 | 134,172 | (26,889) | (20.0) |
| Operating profit | 4,060 | 2,489 | 1,571 | 63.1 |
| Profit before tax | 2,078 | 117 | 1,961 | 1,676.1 |
| Profit/(Loss) after tax | 1,186 | (624) | 1,810 | 290.1 |
| Profit/(Loss) attributable to owners of the Company | 1,186 | (876) | 2,062 | 235.4 |

Revenue of the Group dropped 20% to RM107.3mil in the current quarter compared to RM134.2mil in the preceding quarter even with the vehicle sales tax exemption in place. This is mainly due to sales for the current quarter was affected by the second Movement Control Order ("MCO") imposed by the Government in January 2021 and shut down of some parts suppliers' operations due to COVID-19 which left carmakers short on components.

Profit after tax for the current quarter was RM1.2mil as compared to loss after tax of RM0.9mil in the preceding quarter. Profit for the current quarter was attributable to lower depreciation and amortisation and lower finance cost.

B3. Prospects for the financial year

Automotive industry is expecting a stronger recovery in this year on the back of an effective roll-out of the Covid-19 vaccination programme couple with the extension of vehicle sales tax exemption until 30th June 2021.

The Board of Directors nevertheless still cautious and expects the automotive sector to remain challenging this year and performance of the Group will be dependent on the customers' demand and economic conditions.

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 31/3/2021 RM'000 | Preceding year corresponding quarter ended 31/3/2020 RM'000 | Current year- to-date 31/3/2021 RM'000 | Preceding year-to- date 31/3/2020 RM'000 |
| Income tax: | | | | |
| -Current year | 859 | 1,082 | 859 | 1,082 |
| | 859 | 1,082 | 859 | 1,082 |
| Deferred tax: | | | | |
| -Current year | 33 | 187 | 33 | 187 |
| | 33 | 187 | 33 | 187 |
| | 892 | 1,269 | 892 | 1,269 |

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

On 7 May 2021, on behalf of the Board of Directors, Hong Leong Investment Bank Berhad had announced that the Company proposes to undertake the Proposed Private Placement of up to 31,600,000 new ordinary shares in EP Manufacturing Bhd ("EPMB"), representing up to approximately 20% of the total number of issued shares of EPMB. The Placement Shares will be placed out to third party investor(s) to be identified later.

There were no other corporate proposals that have been announced by the Group as at the date of this report.

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B7. Loans and borrowings

| | As at 31/3/2021 RM'000 | As at 31/3/2020 RM'000 |
|-----------------------------------|------------------------------|------------------------------|
| Non- Current | | |
| Term loans | 23,788 | 31,096 |
| Other bank facilities | 265 | 268 |
| Total | 24,053 | 31,364 |
| Current | | |
| Term loans | 18,411 | 19,204 |
| Banker's acceptance | 107,680 | 110,336 |
| Revolving credit | 25,000 | 25,000 |
| Bank overdraft | 9,721 | 9,587 |
| Other bank facilities | 126 | 95 |
| Total | 160,938 | 164,222 |
| Total loans and borrowings | 184,991 | 195,586 |

The above borrowings are secured and denominated in Ringgit Malaysia.

The Group's total borrowings decreased by 5.4% to RM185.0mil as at 31 March 2021 from RM195.6mil as at 31 March 2020 mainly due to repayment of term loans and lower Banker's Acceptance.

The weighted average interest rate of borrowings is 3.73% and the proportion of debt that is based on fixed and floating interest rates are as follows:

| | As at 31/3/2021 RM'000 | As at 31/3/2020 RM'000 |
|-----------------------------------|------------------------------|------------------------------|
| Fixed interest rate borrowings | 126,530 | 127,471 |
| Floating interest rate borrowings | 58,461 | 68,115 |
| Total loans and borrowings | 184,991 | 195,586 |

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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 2021.

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. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit/(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 31/3/2021 | Preceding year corresponding quarter ended 31/3/2020 | Current year-to-date 31/3/2021 | Preceding year-to-date 31/3/2020 |
| Profit/(Loss) for the period attributable to owners of the Company (RM'000) | 1,186 | (5,425) | 1,186 | (5,425) |
| Weighted average number of ordinary shares ('000) | 158,179 | 158,398 | 158,179 | 158,398 |
| Basic profit/(loss) per share (sen) | 0.75 | (3.42) | 0.75 | (3.42) |
| Diluted profit/(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 31/3/2021 RM'000 | Preceding year corresponding quarter ended 31/3/2020 RM'000 | Current year-to-date 31/3/2021 RM'000 | Preceding year-to-date 31/3/2020 RM'000 |
| Interest income | 24 | 80 | 24 | 80 |
| Other income | 741 | 771 | 741 | 771 |
| Interest expense | (2,006) | (3,105) | (2,006) | (3,105) |
| Depreciation and amortisation | (8,249) | (10,742) | (8,249) | (10,742) |
| Reversal of Inventories written down | (110) | (129) | (110) | (129) |
| Foreign exchange gain/(loss) | (19) | 246 | (19) | 246 |
| Gain on disposal of property, plant and equipment | 58 | - | 58 | - |

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 May 2021

