

## EP MANUFACTURING BHD

(Company No. 390116-T)

[Incorporated in Malaysia]

Question	The Company's Responses
<p>On the decline of 13% of Total Industry Volume (TIV) and decrease of revenue of 13.3% for 2016 and how the Company react</p>	<p>The dropped in revenue and profit recorded is mainly attributed to lower customer volumes in 2016. The Company is anticipated that the industry will continue to be challenging in 2017 and are trying to cope with the decreasing volume.</p> <p>Many vendors have been dropping their prices to remain in business. The Company is confident in achieving better performance with all new car models introduced in 2017 and foresee an increasing volume from Honda and Mazda.</p> <p>The Company will continue focused on enhancing efficiency and mitigating costs. Based on MAA's TIV projection this year, a slight increase in volume is anticipated. Industry expert have also reported an increase number of hire purchase loan applications in the past quarter this year, an indication that demand for new vehicles could see a gradual upward trend.</p>
<p>On cost control and efficiency with robotic</p>	<p>The Company always create operational opportunities to become better. The Company will continue to operate the manufacturing facilities at optimum capacity with the successful transfer of technologies from two international partners, namely Y-tec Corporation and Keylex Corporation for the production of body panels and chassis parts for Mazda and Perodua. The technologies will assist the Company in achieving greater scale, curb quality issues, less dependence on manpower and improve sustainability in the automotive industries.</p> <p>The new plant in Alor Gajah, Melaka would begin its operation in the fourth quarter 2017 in support Honda volume expansion. The Company is expected to have better cost savings in the logistic after moving to new plant.</p>
<p>On diversifying of business and moving forward strategy</p>	<p>The Company has formed strategic relationship with Japanese Tier-1 supplier in Thailand and Indonesia for technical reference and for purchase of component for Honda localisation in Malaysia. For Mazda, the Company also enhance the collaboration with Y-tec Corporation, Japan to ensure continued access new technology and equipment for enhanced quality and efficient production.</p> <p>Y-tec Corporation and Keylex Corporation are Mazda Tier-1 suppliers in Japan with their assembly technology being well received by</p>

	<p>Perodua. Revenue from Mazda are expected to contribute more significant to the Group's earning as Sungai Petani plant commenced operation since August 2016.</p>
On contribution of Group Revenue	<p>Honda was the highest contributor, recording 33% of total earning. Follow by Perodua with 30%, Proton with 29% and Mazda with 1.8%.</p>
On Group's total borrowing	<p>Total borrowings of the Group was RM280.8 million compared to last year of RM245.6 million due to finance capital expenditures for new projects include Perodua, Honda and Mazda projects. Loans were also taken to finance the acquisition of land at Pegoh, Alor Gajah, Melaka.</p>
On the recent Proton buy over by foreign entity affecting the business of Company	<p>The Company always prepare for any possibilities. With the experience working with foreign automotive players, it provides the exposure of working with any new partners on international level. The Company is in the position to work with Proton's new entity if the opportunity arises.</p> <p>The Company is prepared and will continue to improve the manufacturing competencies in responding to any changes in the future. By diversified customer base over the year, the Company would be able to serve the business well.</p>
On the new technology, software and services eg: Uber/Grabcar affecting the automotive industry	<p>The Company is mindful on the changes in technologies and services provided by Uber/Grabcar. However, the Company believes that there are still demands for cars in the market.</p>
On payment of dividend	<p>The Company will resume dividend payment trend upon achieving better results. On possibility of dividend for 2017, the Company will re-evaluate later this year.</p>