

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 2022 - (Unaudited)

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/9/2022 RM'000	Preceding year corresponding quarter ended 30/9/2021 RM'000	Current year- to-date 30/9/2022 RM'000	Preceding year- to-date 30/9/2021 RM'000
Revenue	123,869	41,742	329,595	218,571
Operating expenses	(116,362)	(40,833)	(309,338)	(202,006)
Depreciation and amortisation	(6,741)	(6,896)	(19,775)	(22,753)
Other income	883	414	3,042	1,558
Results from operating activities	1,649	(5,573)	3,524	(4,630)
Finance costs	(2,160)	(1,452)	(5,763)	(5,367)
Finance income	17	24	43	69
Net finance costs	(2,143)	(1,428)	(5,720)	(5,298)
Share of profit of equity-accounted joint venture, net of tax	322	32	902	595
Loss before tax	(172)	(6,969)	(1,294)	(9,333)
Tax expense	(388)	(161)	(607)	(1,592)
Loss for the period	(560)	(7,130)	(1,901)	(10,925)
Total comprehensive expense for the period	(560)	(7,130)	(1,901)	(10,925)
Loss attributable to :				
Owners of the Company	(560)	(7,130)	(1,901)	(10,925)
Non-controlling interests	-	-	-	-
Loss for the period	(560)	(7,130)	(1,901)	(10,925)
Total comprehensive expense attributable to :				
Owners of the Company	(560)	(7,130)	(1,901)	(10,925)
Non-controlling interests	-	-	-	-
Total comprehensive expense for the period	(560)	(7,130)	(1,901)	(10,925)
Loss per ordinary share (sen):				
Basic	(0.28)	(4.13)	(0.93)	(6.32)
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 2021 and the accompanying explanatory notes attached to the interim financial statements.

EP MANUFACTURING BHD.

(Company No. 199601017765 (390116-T))
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Condensed Consolidated Statements of Financial Position

as at 30 September 2022 - (Unaudited)

	30/9/2022 (Unaudited) RM'000	31/12/2021 (Audited) RM'000
Assets		
Property, plant and equipment	210,248	227,367
Right-of-use assets	1,436	2,573
Investment properties	14,417	14,417
Investment in a joint venture	382	477
Intangible assets	85,683	85,555
Deferred tax assets	4,821	5,094
Total non-current assets	<u>316,987</u>	<u>335,483</u>
Inventories	35,940	47,225
Trade and other receivables	48,863	48,399
Current tax assets	4,810	4,642
Prepayments and other assets	28,218	15,618
Cash and cash equivalents	67,254	41,231
	<u>185,085</u>	<u>157,115</u>
Assets classified as held for sales	39,090	39,090
Total current assets	<u>224,175</u>	<u>196,205</u>
Total assets	<u>541,162</u>	<u>531,688</u>
Equity		
Share capital	217,402	197,346
Reserves	62,642	64,719
Equity attributable to owners of the Company	<u>280,044</u>	<u>262,065</u>
Non-controlling interests	(252)	(252)
Total equity	<u>279,792</u>	<u>261,813</u>
Liabilities		
Loan and borrowings	22,191	23,149
Lease liabilities	252	1,145
Deferred income	2,057	2,199
Deferred tax liabilities	4,670	4,670
Total non-current liabilities	<u>29,170</u>	<u>31,163</u>
Loan and borrowings	136,130	144,538
Lease liabilities	1,294	1,489
Deferred income	188	188
Current tax liabilities	5	9
Provision for warranties	179	212
Trade and other payables	94,404	92,276
Total current liabilities	<u>232,200</u>	<u>238,712</u>
Total liabilities	261,370	269,875
Total equity and liabilities	<u>541,162</u>	<u>531,688</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.38</u>	<u>1.52</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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 30 September 2022 - (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 2022	197,346	-	64,719	262,065	(252)	261,813
Loss for the period	-	-	(1,901)	(1,901)	-	(1,901)
Total comprehensive expense for the period	-	-	(1,901)	(1,901)	-	(1,901)
Ordinary shares issued pursuant to Private Placement	20,056	-	(176)	19,880	-	19,880
		-				
At 30 September 2022	217,402	-	62,642	280,044	(252)	279,792
At 1 January 2021	180,029	(5,063)	72,582	247,548	(252)	247,296
Loss for the period	-	-	(10,925)	(10,925)	-	(10,925)
Total comprehensive expense for the period	-	-	(10,925)	(10,925)	-	(10,925)
Ordinary shares issued pursuant to Private Placement	3,696	-	(135)	3,561	-	3,561
Disposal of own shares	-	5,063	603	5,666	-	5,666
At 30 September 2021	183,725	-	62,125	245,850	(252)	245,598

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 2021 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 2022 - (Unaudited)

	9 months Ended 30/9/2022 RM'000	9 months Ended 30/9/2021 RM'000
Cash flows from operating activities		
Loss before tax	(1,294)	(9,333)
Adjustments for:		
Non-cash items	19,647	22,612
Non-operating items	5,711	5,445
Share of profit of equity-accounted joint venture, net of tax	(902)	(595)
Operating profit before changes in working capital	23,162	18,129
Changes in working capital:		
Inventories	11,309	(7,315)
Trade and other receivables, prepayments and other assets	(13,027)	26,765
Trade and other payables	2,100	(27,513)
Cash generated from operations	23,544	10,066
Interest paid	(4,018)	(3,864)
Tax paid	(506)	(683)
Warranties paid	(71)	(38)
Net cash from operating activities	18,949	5,481
Cash flows from investing activities		
Acquisition of intangible assets	(117)	(249)
Acquisition of investment in a subsidiary	(250)	-
Acquisition of property, plant and equipment	(1,094)	(8,864)
Dividend received from a joint venture	997	667
Increase in pledged deposits with licensed banks	(12)	(51)
Interest received	43	69
Proceeds from disposal of property, plant and equipment	-	148
Net cash used in investing activities	(433)	(8,280)
Cash flows from financing activities		
Net (repayment)/drawdown of bankers' acceptances	(5,224)	8,702
Net repayment of term loans	(3,745)	(4,753)
Interest paid	(1,846)	(1,503)
Payment of lease liabilities	(1,173)	(1,057)
Net drawdown/(repayment) of other bank facilities	65	(94)
Proceeds from issuance of shares pursuant to Private Placement	19,880	3,561
Net proceeds from disposal of treasury shares	-	5,666
Net cash from financing activities	7,957	10,522
Net increase in cash and cash equivalents	26,473	7,723
Cash and cash equivalents at beginning of the year	28,987	17,330
Cash and cash equivalents at end of the year	55,460	25,053

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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	2,655	2,626
Cash and bank balances	64,599	34,661
Cash and cash equivalents in the statements of financial positions	67,254	37,287
Pledged deposits	(2,655)	(2,626)
Bank overdraft	(9,139)	(9,608)
Cash and cash equivalents in the statements of cash flows	55,460	25,053

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Interim Financial Report for the Third Quarter ended 30 September 2022

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 2022 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 2021. 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 2021.

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 2021 except for the adoption of the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) for annual periods beginning on or after 1 January 2022.

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*

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A2. Significant accounting policies (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022 (continued)

- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group.

The initial application of the abovementioned accounting standards, interpretations and amendments is not expected to have any material financial impact to the financial statements of the Group.

A3. Audit qualifications

The audited financial statements of the Group for the financial year ended 31 December 2021 was not subject to any qualification.

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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 significant estimates or changes in estimates that have had any material effect on the results of the financial period-to-date.

A6. Changes in the composition of the Group

Save for below, there were no major changes in the composition of the Group for the quarter under review and up to the date of this report.

- i) On 6 July 2022, EP Equity Sdn. Bhd. had entered into a Share Sale Agreement (“SSA”) with Asia Equity (BVI) Limited for the acquisition of 2,000,000 ordinary shares in Q9 Capital Sdn. Bhd. (Q9SB), representing the entire equity interest in Q9SB for a purchase consideration of RM250,000. The principal activity of Q9SB is engaging in the licensed money lending business. Q9SB is in dormant state and has not carried out any form of business which includes providing any loan or entering into any money lending transaction.

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.

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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 2022 are as follows:

	RM'000
Property, plant and equipment	
Contracted but not provided for	<u>41,074</u>

A12. Changes in contingent liabilities or contingent assets

The changes in contingent liabilities since 31 December 2021 are summarised as follows:-

	RM'000
Balance as at 31 December 2021	40,179
Movement in corporate guarantee issued to financial institutions for banking facilities granted to the subsidiaries	<u>(3,586)</u>
Balance as at 30 September 2022	<u>36,593</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 debts and equity securities during the current quarter under review up to the date of this report except for the followings:-

- i) The Company had issued and allotted 22,722,930 new ordinary shares pursuant to the private placement exercise as set out in the table below:

Listing date	Issue price	Placement shares	Proceeds raised
	RM		RM
19 September 2022	0.945	21,222,930	20,055,669
9 November 2022	1.020	1,500,000	1,530,000
Total		22,722,930	21,585,669

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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

Save as disclosed in Note B6 of this report on the status of corporate proposals, there were no other material events subsequent to the end of the current quarter and financial period under review and up to the date of this report that have not been reflected in this interim financial report.

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 (3 rd quarter)		Changes		Cumulative period		Changes	
	Current year quarter ended 30/9/2022 RM'000	Preceding year corresponding quarter ended 30/9/2021 RM'000	Amount RM'000	%	Current year-to-date 30/9/2022 RM'000	Preceding year-to- date 30/9/2021 RM'000	Amount RM'000	%
Revenue	123,869	41,742	82,127	196.7	329,595	218,571	111,024	50.8
Operating profit/(loss)	1,971	(5,541)	7,512	135.6	4,426	(4,035)	8,461	209.7
Loss before tax	(172)	(6,969)	6,797	97.5	(1,294)	(9,333)	8,039	86.1
Loss after tax	(560)	(7,130)	6,570	92.1	(1,901)	(10,925)	9,024	82.6
Loss attributable to owners of the Company	(560)	(7,130)	6,570	92.1	(1,901)	(10,925)	9,024	82.6

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B1. Review of the performance (continued)

Revenue of the Group has increased by RM82.1mil, or 196.7% to RM123.9mil as compared to RM41.7mil in the preceding year corresponding quarter. Sales of vehicle increased in this quarter due to car companies fulfilling bookings received before the sales tax exemption ended on 30 June 2022. The lower revenue recorded in the preceding year corresponding quarter was mainly attributable to the temporary shutdown of operation of the Group under the Movement Control Order 3 ("MCO 3").

Loss after tax has reduced by RM6.5mil to RM0.6mil from RM7.1mil in the preceding year corresponding quarter mainly contributed by the increased in Group's revenue.

B2. Comparison with Immediate Preceding Quarter

	Current year quarter ended 30/9/2022	Immediate preceding quarter ended 30/6/2022	Changes	
			Amount	%
	RM'000	RM'000	RM'000	
Revenue	123,869	107,626	16,243	15.1
Operating profit	1,971	194	1,777	916.0
Loss before tax	(172)	(1,597)	1,425	89.2
Loss after tax	(560)	(1,727)	1,167	67.6
Loss attributable to owners of the Company	(560)	(1,727)	1,167	67.6

The Group reported higher revenue of RM123.9mil as compared to the preceding quarter which reported revenue of RM107.6mil. Revenue increased by RM16.2mil or 15.1% mainly due to sales increased as car makers hasten deliveries of vehicles to fulfil the outstanding bookings during sales tax exemption period.

In line with the increase in revenue, the Group recorded lower loss after tax of RM0.6mil compared to RM1.7mil in the preceding quarter.

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B3. Prospects for the financial year

Despite continuing macro uncertainties, Malaysia vehicle sales growth is experiencing encouraging momentum. The growth is expected to drive sales for the remaining of the financial year.

Malaysian Automotive Association (“MAA”) has reported that the Total Industry Volume (“TIV”) for the third quarter (Q3 2022) was 183,195 units, an increase of 163.0% compared to the same period last year, bringing year-to-date TIV to 516,798 units. Automotive industry could see its annual total industry volume (TIV) hit a record high in 2022, should delivery momentum be sustained throughout the last quarter of this year.

However, the automotive sector has experienced rising operating costs due to inflationary pressure following hikes in interest rate, material price increase as well as the new minimum wage policy introduced in Malaysia during the year.

The Board of Directors nevertheless still cautious and anticipate the performance of the Group for the current financial year to be challenging and will stay focus on its long-term strategies of further cost control and new market opportunities.

Barring unforeseen circumstances, the Group targets to roll-out our new Electric Bike (E Bike) Blueshark R1 to the local Malaysia market by the fourth quarter of this year, which expect to contribute positively to our bottom line by 2023.

B4. Profit forecast or profit guarantee

There were no profit forecast or profit guarantee issued by the Group.

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B5. Tax expense

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30/9/2022 RM'000	Preceding year corresponding quarter ended 30/9/2021 RM'000	Current year- to-date 30/9/2022 RM'000	Preceding year-to- date 30/9/2021 RM'000
Income tax:				
-Current year	68	150	216	1,510
-Prior years	118	(30)	118	(30)
	<u>186</u>	<u>120</u>	<u>334</u>	<u>1,480</u>
Deferred tax:				
-Current year	202	41	273	112
-Prior years	-	-	-	-
	<u>202</u>	<u>41</u>	<u>273</u>	<u>112</u>
	388	161	607	1,592

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.

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B6. Status of corporate proposals

There were no corporate proposals announced as at the date of this announcement save for the following:

- i) Proposed acquisition of 5,000,000 ordinary shares in Kensington Development Sdn. Bhd. ("Kensington Development")

The Company had on 19 July 2021, entered into a Share Sale Agreement ("SSA") with Bestempire Limited ("Bestempire") for the proposed acquisition of 5,000,000 ordinary shares in Kensington Development, representing the entire equity interest in Kensington Development, from Bestempire for a purchase consideration of RM45.6 million to be satisfied.

Based on the audited financial statements of Kensington Development for the financial year ended December 2020, Kensington Development would not contribute to 25% or more of the Group's net profit and/or result in a diversion of 25% or more of the Group's net assets.

Nevertheless, the Company expects the profit of Kensington Development in the future to potentially contribute to 25% or more of the Group's net profits. Pursuant thereto, the Company had sought shareholders' approval in the Extraordinary General Meeting ("EGM") on 31 May 2022 for the proposed diversification of the Group's business to include property development, construction, project management and its related activities pursuant to Paragraph 10.13(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

All conditions precedent to the SSA have been fulfilled and accordingly, the SSA has become unconditional on 18 October 2021.

The Company and Bestempire had on 31 March 2022 mutually agreed to extend the Completion Date for a further period of 6 months to 18 October 2022.

On 17 October 2022, the Company announced that Company and Bestempire had on 14 October 2022 mutually agreed to extend the Completion Date for 3 months to 18 January 2023, subject to the Company paying an interest of 8% per annum starting from 18 October 2022 until the date of full payment of the balance purchase consideration.

- ii) Memorandum Of Understanding

On 10 November 2021, the Board of Directors announced that the Company had entered into a Memorandum of Understanding ("MOU") with Malaysia Automotive Robotics and IoT Institute ("MARii") to collaborate and venture into a Super Delivery Ecosystem and Electric Vehicles ("EV").

The Company and MARii agree to explore the establishment of a Production and Localisation plan to assemble 2-wheel and 4-wheel EVs. This will include a Marketing infrastructure to sell these EVs in the local Malaysian market, together with a charging network to support them.

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B6. Status of corporate proposals (continued)

ii) Memorandum Of Understanding (continued)

As the first application, both parties also agree to establish a Super Delivery Ecosystem, and to incorporate this with an Electronic Payment system. There will be a redefinition of the present delivery infrastructure, and a consolidation to take it to the next level. This will give rise to a Structured Integrated Platform to better serve all involved.

The MOU shall remain in effect for a period of two years commencing from 10 November 2021.

On 26 August 2022, the Company announced that there is no material development pertaining to the MOU. Any material and significant development will be updated accordingly.

iii) Multiple proposals i) Proposed disposal and leaseback; ii) Proposed private placement; iii) Proposed ESOS; and iv) Proposed diversification (collectively the "Proposals")

On 29 November 2021, the Board of Directors announced that the Company had entered into a conditional sale and purchase agreement with Precious Vision Sdn. Bhd. ("Precious Vision") and EP Properties (M) Sdn. Bhd. for the proposed disposal of the Glenmarie Properties for a total cash consideration of RM53.5 million ("SPA"). Simultaneously with the execution of the SPA, the Company has entered into a conditional lease agreement with Precious Vision to lease part of the Glenmarie Properties ("Lease Agreement"), which is currently used by the Group as its manufacturing plant and office premise, for a lease term of 5 years commencing from the unconditional date of the Lease Agreement ("Proposed Disposal and Leaseback").

The Company also proposed to undertake the followings:

- i) Proposed private placement of up to 30% of the total number of issued ordinary shares of the Company to third party investors to be identified later ("Proposed private placement");
- ii) Proposed establishment of an employee's share option scheme ("ESOS") of up to 15% of Company's total number of issued ordinary shares, excluding treasury shares, if any, at any point in time over the duration of the ESOS for the eligible Directors and employees of the Group ("Proposed ESOS"); and
- iii) Proposed diversification of the Group's principal activities to include the undertaking of property development, construction, project management and related activities ("Proposed diversification").

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B6. Status of corporate proposals (continued)

- iii) Multiple proposals i) Proposed disposal and leaseback; ii) Proposed private placement; iii) Proposed ESOS; and iv) Proposed diversification (collectively the "Proposals") (continued)

Bursa Securities had on 22 April 2022 approved the Proposals.

The proposals were also approved by the shareholders of the Company at the Extraordinary General Meeting held on 31 May 2022.

On 26 May 2022, the Company announced that the Company and the Purchaser had on 26 May 2022 mutually agreed to extend the conditional period of the SPA for an additional 1 month to 28 June 2022 as well as the conditional period of the Lease Agreement for an additional 4 months to 28 September 2022.

On 20 June 2022, the Company announced that all conditions precedent to the SPA have been fulfilled and accordingly, the SPA has become unconditional on 20 June 2022.

On 9 September 2022, the Company announced that the Company and the Purchaser had mutually agreed to extend the completion period of the SPA (pursuant to clause 4.2 of the SPA) for an additional 3 months to 19 December 2022 as well as the conditional period of the Lease Agreement for an additional 3 months to 28 December 2022.

On 19 September 2022 and 9 November 2022, the Company had issued and listed 21,222,930 and 1,500,000 new ordinary shares respectively pursuant to the Private Placement.

The detail of share issuance are as follows:-

Listing date	No of shares	Issue price (RM)	Total proceeds (RM)
19 September 2022	21,222,930	0.945	20,055,669
9 November 2022	1,500,000	1.020	1,530,000
Total	22,722,930		21,585,669

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B6. Status of corporate proposals (continued)

- iii) Multiple proposals i) Proposed disposal and leaseback; ii) Proposed private placement; iii) Proposed ESOS; and iv) Proposed diversification (collectively the "Proposals") (continued)

The status of utilisation of proceeds raised from the Placement Shares were as follows:

Details of utilisation	Estimated (1) proceeds from and the proposed utilisation of private placement	Actual (2) proceeds from and the proposed utilisation of private placement	Estimated timeframe of utilisation after completion	Actual utilisation as at 30 September 2022	Balance to be utilised
	RM'000	RM'000		RM'000	RM'000
Automotive Business	50,000	20,169	Within 12 months	7,000	13,169
Property Development Business	4,896	-	Within 24 months	-	-
Estimated expenses for the Proposed Private Placement	1,408	1,417	Immediate	175	1,242
Total	56,304	21,586		7,175	14,411

Note (1): The estimated proceeds from and proposed utilisation of Private Placement is based on 59,268,000 shares at an indicative price of RM0.95.

Note (2): The actual proceeds are based on actual payment received from 21,222,930 and 1,500,000 Placement Shares at the issue price of RM0.945 and RM1.020 respectively per share.

On 13 October 2022, on behalf of the Board of Directors, Mercury Securities had announced that Bursa Securities had, vide its letter dated 13 October 2022, approved the Company's application for an extension of time of 6 months up to 21 April 2023 to complete the implementation of the Proposed Private Placement.

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B6. Status of corporate proposals (continued)

iv) Memorandum of Agreement between EP Manufacturing Bhd, CIS Pride Silver Rock Fund ("CIS") and Sharkgulf Technologies Group Limited ("Sharkgulf")

On 8 March 2022, the Board of Directors announced that the Company has entered into a Memorandum of Agreement ("MOA") with CIS and Sharkgulf for the establishment and development of a production and localisation plan with the objective of assembling, manufacturing and distributing 2-wheel Electronic Vehicles ("EVs") and other related products in Malaysia and such other countries in Southeast Asia.

On 31 May 2022, the Board of Directors announced that the Company is in the process of applying for the vehicle type approval ("VTA") and homologation of 2-wheel EVs with Malaysia's Road Transport Department ("JPJ"). The Company had also submitted the application for the manufacturing license with Malaysian Investment Development Authority ("MIDA") for assembly of 2-wheel EVs.

On 25 July 2022, EP Blueshark Sdn Bhd ("EPBS"), a wholly owned subsidiary of the Company, had received conditional/interim approval from the Ministry of International Trade and Industry ("MITI") on EPBS application dated 4 July 2022 for the assembly of electric bike under the Industrial Co-ordination Act 1975 [Act 156] subject to the conditions to be fulfilled by EPBS within six (6) months from the Letter of Approval ("Conditional/Interim Approval")

On 5 September 2022, the Board of Directors announced that the National Committee for Vehicle Type Approval ("VTA") and Homologation, Road Transport Department of Malaysia ("RTD") had approved the VTA for Blueshark SG3000DT model, or referred as "Blueshark R1" under the Malaysia Road Transport Act 1987 on 30 August 2022. Certificate for the VTA has been issued to EPBS.

The VTA Approval allows the electric bike "Blueshark R1" to be road registered and licensed by RTD. This endeavour will create a new chapter to the Group to diversify complementing its present business.

On 16 September 2022 the Board of Directors announced that the Company had entered into two (2) Investment Agreements ("IA"). The first IA were entered between CIS Pride Fund SPC ("CPFS"), Sharkgulf Technologies Group Limited ("Sharkgulf"), Blueshark Holding Limited ("Blueshark") and the Company, whilst the second IA were entered between Siraj Holding LLC ("SHLLC"), Siraj Holding Sdn Bhd ("SHSB"), Sharkgulf and the Company.

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B6. Status of corporate proposals (continued)

- iv) Memorandum of Agreement between EP Manufacturing Bhd, CIS Pride Silver Rock Fund ("CIS") and Sharkgulf Technologies Group Limited ("Sharkgulf") (continued)

Under the first IA, CPFS being the investor will invest in the super delivery ecosystem project ("Project") by procuring and purchasing Battery Swapping Stations and lithium batteries from the Company/Sharkgulf and will appoint Blueshark as the manager to oversee and manage the delivery of the Project. The total minimum investment amount for the first IA will be USD 50 million.

Whereas under the second IA, SHLLC being the investor will invest in the Company for the purpose of procuring and purchasing the 2-wheel electric vehicles from the Company/Sharkgulf which will be sold and distributed in the Southeast Asia. SHSB will be appointed as the manager by SHLLC to oversee and manage the delivery of the Project. The total minimum investment amount for the second IA will be USD 125 million. A bank guarantee and/or corporate guarantee will also be provided by the SHLLC for an investment amount of USD 50 million.

On 3 October 2022 the Board of Directors announced that the Ministry of International Trade and Industry ("MITI") has granted EPBS Manufacturing License dated 26 September 2022 pursuant to Industrial Co-ordination Act 1975 to undertake the activity of assembly of electric bike.

The Manufacturing License is subject to, amongst others, the condition that the manufacturing and assembly activities shall take place at No. 8 & 10, Jalan Jurutera U1/23, Seksyen U1, Kawasan Perindustrian Hicom Glenmarie, 40150, Shah Alam, Selangor.

EPBS plans to import two-wheel Electric Vehicle components in Semi Knocked Down ("SKD") and/or Completely Knocked Down ("CKD") form and assembly, manufacture, and localisation of certain components in Malaysia for distribution in the local and ASEAN region.

- v) Memorandum of Agreement between EP 4Wheeler Sdn. Bhd. ("EP4W") and Cahaya Bumi Sdn. Bhd. ("CB")

On 17 August 2022, the Board of Directors announced that a wholly owned subsidiary of the Company, EP4W had entered into a Memorandum of Understanding ("MOU") with CB to collaborate and venture into the business of new and used imported car distribution in particular Electric Vehicles ("EVs") and its localisation activity ("Collaborative Project").

The MOU is intended to enable EP4W and CB to obtain the local exclusive distribution agent or franchise holder for the country and assembly of EVs from a reputable EVs manufacturer in the form of completely built-up ("CBU") and completely knocked-down ("CKD"), and to establish a production and localisation plan to assemble the EVs in Malaysia. There will be a redefinition of the present EVs market in Malaysia, and help in the innovation and the establishment of EVs industry in Malaysia by bringing in the technology know-how of EVs.

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B6. Status of corporate proposals (continued)

- v) Memorandum of Agreement between EP 4Wheeler Sdn. Bhd. (“EP4W”) and Cahaya Bumi Sdn. Bhd. (“CB”) (continued)

The MOU shall remain in effect for a period of 6 months from 17 August 2022 and the Company will make further announcements on the progress of the MOU when appropriate.

- vi) Memorandum of Understanding between EP Manufacturing Bhd with SJQ Investments LLC (“SJQ”), CVI Kildsen Sdn Bhd (“CK”) and Sharkgulf Technologies Group Limited (“Sharkgulf”)

On 19 September 2022 the Board of Directors announced that the Company had on 15 September 2022 entered into a Memorandum of Understanding (“MOU”) with SJQ, CK and Sharkgulf to form a strategic cooperation with one another for the expansion and development of 2-Wheel EVs and other related products in the Middle East market (hereinafter referred to as the “Strategic Cooperation”).

- vii) Memorandum of Cooperation (“MOC”) with Malaysian Green Technology and Climate Change Corporation (“MGTC”), EP Blueshark Sdn Bhd (“EPBS”) and Blueshark Ecosystem Sdn Bhd (“BESB”)

On 12 October 2022, the Board of Directors announced that its sub-subsidiary, EPBS [Registration No. 202201011875 (1457572-U)] had entered into a Memorandum of Cooperation (“MOC”) with MGTC [Registration No. 199801006110 (462237-T)] and BESB [Registration No. 202201024329 (1470026-X)] to form a working relationship and cooperate closely with each other to carry out common initiatives formalising a basic understanding, and to explore and evaluate possibilities for collaboration in the activities and projects of mutual interest that EPBS, MGTC and BESB (“the Parties”) jointly identify and agree upon for cooperation and participation by the Parties. (“the Project”).

- viii) Memorandum of Agreement (“MOA”) between EP Manufacturing Bhd and SAEAN Group Inc. (“SGI”)

On 17 October 2022 the Board of Directors announced that the Company had entered into a Memorandum of Agreement (“MOA”) with SAEAN Group Inc. (“SGI”) or (“the Parties”) for the establishment of strategic alliance to mass-produce electric Vehicles (“EV”: A segment and/or small SUV class, and construction equipment) to be supplied to the Malaysian and Southeast Asian Markets, and make mutual efforts to meet the eco-friendly demands of the market.

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B6. Status of corporate proposals (continued)

- ix) Memorandum of understanding (“MOU”) with Petronas Dagangan Berhad (“PDB”), EP Blueshark Sdn Bhd (“EPBS”) and Blueshark Holding Limited (“BHL”)

On 7 November 2022 the Board of Directors announced that EPBSB [Company No. 202201011875 (1457572-U)] had entered into a MOU with PDB [Company No. 198201008499 (88222-D)] and BHL [Company No. CR-391886] to engage in discussions to jointly collaborate for the mutual benefit of the Parties primarily in respect of the electric mobility space in Malaysia (hereinafter referred to as the “Collaboration”).

Save for the above, there was no other corporate proposals that have been announced by the Group as at the date of this report.

B7. Loans and borrowings

	As at 30/9/2022 RM'000	As at 30/9/2021 RM'000
Non- Current		
Term loans	21,991	26,833
Other bank facilities	200	202
Total	22,191	27,035
Current		
Term loans	14,442	15,929
Banker's acceptance	87,387	108,492
Revolving credit	25,000	25,000
Bank overdraft	9,139	9,608
Other bank facilities	162	126
Total	136,130	159,155
Total loans and borrowings	158,321	186,190

Borrowings are secured and denominated in Ringgit Malaysia.

Borrowings of the Group have reduced to RM158.3mil as at 30 September 2022 from RM186.2mil as at 30 September 2021. Loans and borrowings have decreased mainly due to lower utilisation of bankers' acceptances and repayment of term loans.

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B7. Loans and borrowings (continued)

The weighted average interest rate of borrowings is 4.20% and the proportion of debt that is based on fixed and floating interest rates are as follows:

	As at 30/9/2022 RM'000	As at 30/9/2021 RM'000
Fixed interest rate borrowings	113,090	131,870
Floating interest rate borrowings	45,231	54,320
Total loans and borrowings	<u>158,321</u>	<u>186,190</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 2022.

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 current quarter ended 30 September 2022.

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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 30/9/2022	Preceding year corresponding quarter ended 30/9/2021	Current year-to-date 30/9/2022	Preceding year-to-date 30/9/2021
Loss for the period attributable to owners of the Company (RM'000)	(560)	(7,130)	(1,901)	(10,925)
Weighted average number of ordinary shares ('000)	203,607	172,794	203,607	172,794
Basic loss per share (sen)	(0.28)	(4.13)	(0.93)	(6.32)
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 30/9/2022 RM'000	Preceding year corresponding quarter ended 30/9/2021 RM'000	Current year-to-date 30/9/2022 RM'000	Preceding year-to-date 30/9/2021 RM'000
Finance income	17	24	43	69
Other income	883	414	3,042	1,558
Finance costs	(2,160)	(1,452)	(5,763)	(5,367)
Depreciation and amortisation	(6,741)	(6,896)	(19,775)	(22,753)
Reversal of inventories written down/(Inventories written off)	(28)	(96)	24	(280)
Foreign exchange gain/(loss)	142	70	503	(114)
Gain on disposal of property, plant and equipment	-	90	-	148

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.

Lim Seck Wah
Company Secretary
Shah Alam
Date: 29 November 2022

