
12. ACCOUNTANTS' REPORT

FOLKS DFK & CO. (AF0502)

**ACCOUNTANTS' REPORT ON
EPB GROUP BERHAD
202201007128 (1452825-U)
COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2020 THROUGH 31 DECEMBER 2022**

12. ACCOUNTANTS' REPORT (*cont'd*)

Folks DFK & Co (No. AF 0502)
Chartered Accountants



Date : **08 SEP 2023**

The Board of Directors
EPB GROUP BERHAD
PMT 1186, Jalan Perindustrian Bukit Minyak 18
Taman Perindustrian Bukit Minyak
Penang Science Park
14100 Simpang Ampat
Pulau Pinang

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF EPB GROUP BERHAD

Opinion

We have audited the accompanying combined financial statements of EPB GROUP BERHAD (the "Company") and its other combining entities as defined in Note 1 to the combined financial statements (collectively referred to as the "Group"), which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021 and 31 December 2022, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, and the notes to the aforesaid combined financial statements, including a summary of significant accounting policies as set out on pages 4 to 65.

The combined financial statements of the Group have been prepared for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the ACE Market of Bursa Malaysia Securities Berhad. This report is given for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the combined financial statements contained in the Accountants' Report give a true and fair view of the combined financial position of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022 and of their combined financial performance and combined cash flows for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

12. ACCOUNTANTS' REPORT (cont'd)*Independence and Other Ethical Responsibilities*

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Directors' Responsibilities for the Combined Financial Statements

The Directors of the Company ("Directors") are responsible for the preparation of the combined financial statements of the Group contained in the Accountants' Report so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :-

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

12. ACCOUNTANTS' REPORT (cont'd)



Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :- (Cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Distribution and Use

This report has been prepared for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the ACE Market of Bursa Malaysia Securities Berhad, and should not be used or relied upon for any other purposes without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

A handwritten signature in black ink, appearing to be 'Folks DFK & Co.', written in a cursive style.

FOLKS DFK & CO.
No. : AF 0502
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Leong Kok Tong', written in a cursive style.

LEONG KOK TONG
No. : 02973/11/2023 J
Chartered Accountant

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**Combined Statements of Financial Position**

	Note	2020 RM	2021 RM	2022 RM
Assets				
Non-current Assets				
Property, plant and equipment	4	10,828,567	11,648,585	11,469,045
Right-of-use assets	5	6,735,109	5,183,780	5,684,677
Intangible assets	6	6,802	32,718	25,122
		<u>17,570,478</u>	<u>16,865,083</u>	<u>17,178,844</u>
Current Assets				
Inventories	7	9,829,069	13,426,089	13,969,439
Trade receivables	8	11,876,796	11,720,168	9,121,128
Other receivables, deposits and prepayments	9	3,974,089	6,817,087	11,146,558
Tax recoverable		203,620	85,349	380,141
Fixed deposits with a licensed bank	10	-	5,013	455,561
Cash and bank balances	11	14,202,883	20,133,572	31,544,065
		<u>40,086,457</u>	<u>52,187,278</u>	<u>66,616,892</u>
Total Assets		<u>57,656,935</u>	<u>69,052,361</u>	<u>83,795,736</u>
Equity and Liabilities				
Equity Attributable to Owners of the Company				
Share capital	12.1	-	-	2
Invested equity	12.2	5,552,360	5,552,360	5,552,360
Foreign currency translation reserve		(120,707)	51,059	427,371
Retained profits		18,107,562	24,397,514	36,479,294
Total Equity		<u>23,539,215</u>	<u>30,000,933</u>	<u>42,459,027</u>
Non-current Liabilities				
Deferred tax liabilities	13	766,611	895,299	2,457,494
Bank borrowings	14	3,065,409	2,054,798	3,209,285
Lease liabilities	15	709,872	305,448	808,751
		<u>4,541,892</u>	<u>3,255,545</u>	<u>6,475,530</u>
Current Liabilities				
Bank borrowings	14	1,065,072	2,107,487	1,421,266
Lease liabilities	15	845,708	325,224	488,977
Trade payables	16	3,661,667	4,119,212	3,521,391
Other payables, deposits and accrued liabilities	17	16,934,333	22,699,266	29,081,274
Amount owing to directors	18	3,258,711	3,206,115	6,083
Current tax liabilities		900,137	968,079	342,188
Dividend payable		2,910,200	2,370,500	-
		<u>29,575,828</u>	<u>35,795,883</u>	<u>34,861,179</u>
Total Liabilities		<u>34,117,720</u>	<u>39,051,428</u>	<u>41,336,709</u>
Total Equity and Liabilities		<u>57,656,935</u>	<u>69,052,361</u>	<u>83,795,736</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**Combined Statements of Profit or Loss and Other Comprehensive Income**

	Note	2020 RM	2021 RM	2022 RM
Revenue	19	61,689,072	75,716,940	89,113,683
Cost of sales		(41,134,896)	(50,162,887)	(58,654,721)
Gross profit		20,554,176	25,554,053	30,458,962
Other income		1,103,715	1,211,579	2,576,048
Selling and distribution costs		(4,807,734)	(3,642,265)	(7,651,128)
Administrative expenses		(7,908,873)	(8,924,855)	(9,422,491)
Other expenses		(761,119)	(8,407)	(38,334)
Operating profit		8,180,165	14,190,105	15,923,057
Finance costs		(438,379)	(337,133)	(343,796)
Profit before taxation	20	7,741,786	13,852,972	15,579,261
Taxation	22	(1,443,749)	(1,926,520)	(3,297,481)
Profit for the year		6,298,037	11,926,452	12,281,780
Other comprehensive (loss) / income <i>Item that will be reclassified subsequently to profit or loss, net of tax effects :-</i>				
Exchange differences on translation		(82,820)	171,766	376,312
Total comprehensive income for the year		6,215,217	12,098,218	12,658,092
Profit for the year attributable to :-				
Owners of the Company		6,298,037	11,926,452	12,281,780
Total comprehensive income for the year attributable to :-				
Owners of the Company		6,215,217	12,098,218	12,658,092
Earnings per share attributable to equity holders of the Company				
Basic and diluted	23	0.02	0.03	0.03

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**Combined Statements of Changes in Equity**

	Non-distributable		Distributable		Total RM
	Share Capital RM	Invested equity RM	Foreign Currency Translation reserve RM	Retained profits RM	
2020					
Balance at 1 January 2020	-	5,552,360	(37,887)	14,830,185	20,344,658
Profit for the year	-	-	-	6,298,037	6,298,037
Other comprehensive loss for the year	-	-	(82,820)	-	(82,820)
Total comprehensive income for the year	-	-	(82,820)	6,298,037	6,215,217
Dividends (Note 24)	-	-	-	(3,020,660)	(3,020,660)
Balance at 31 December 2020	-	5,552,360	(120,707)	18,107,562	23,539,215
2021					
Balance at 1 January 2021	-	5,552,360	(120,707)	18,107,562	23,539,215
Profit for the year	-	-	-	11,926,452	11,926,452
Other comprehensive income for the year	-	-	171,766	-	171,766
Total comprehensive income for the year	-	-	171,766	11,926,452	12,098,218
Dividends (Note 24)	-	-	-	(5,636,500)	(5,636,500)
Balance at 31 December 2021	-	5,552,360	51,059	24,397,514	30,000,933
2022					
Balance at 1 January 2022	-	5,552,360	51,059	24,397,514	30,000,933
Issued during the year	2	-	-	-	2
Profit for the year	-	-	-	12,281,780	12,281,780
Other comprehensive income for the year	-	-	376,312	-	376,312
Total comprehensive income for the year	-	-	376,312	12,281,780	12,658,092
Dividends (Note 24)	-	-	-	(200,000)	(200,000)
Balance at 31 December 2022	2	5,552,360	427,371	36,479,294	42,459,027

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**Combined Statements of Cash Flows**

	2020 RM	2021 RM	2022 RM
Cash flows from operating activities			
Profit before taxation	7,741,786	13,852,972	15,579,261
Adjustments for :-			
Depreciation of property, plant and equipment	629,812	930,643	981,879
Depreciation of right-of-use assets	682,253	417,628	613,828
Amortisation of intangible assets	5,153	8,090	9,516
Deposits received forfeited	(5,200)	-	(879,627)
Gain on disposal of property, plant and equipment	(54,733)	(44,999)	(47,182)
Gain on derecognition of right-of-use assets	-	(1,868)	-
Impairment loss on property, plant and equipment	516,110	-	-
Property, plant and equipment written off	-	164	22,511
Addition of allowance for impairment loss - net	92,207	838,456	79,936
Interest expenses	438,379	337,133	343,796
Interest income	(27,016)	(46,483)	(8,736)
Unrealised gain on foreign exchange	(65,577)	(197,443)	(54,950)
Write-off of inventories	-	-	108,384
Write-down in value of inventories - net	170,653	41,147	172,061
Operating profit before working capital changes	10,123,827	16,135,440	16,920,677
Increase in inventories	(4,340,713)	(3,585,952)	(823,795)
Decrease / (Increase) in trade and other receivables	5,764,051	(3,297,264)	(1,788,225)
Increase / (Decrease) in amount owing to directors	3,111,209	(52,596)	(3,200,032)
(Decrease) / Increase in trade and other payables	(4,960,945)	5,894,917	6,585,793
Cash generated from operations	9,697,429	15,094,545	17,694,418
Interest paid	(438,379)	(337,133)	(343,796)
Tax paid	(609,658)	(1,654,676)	(2,662,147)
Tax refunded	-	14,400	-
Net cash from operating activities	8,649,392	13,117,136	14,688,475
Cash flows from investing activities			
Acquisition of property, plant and equipment	(2,159,257)	(454,101)	(665,142)
Addition of right-of-use assets	-	-	(215,167)
Acquisition of intangible assets	(3,900)	(34,006)	(1,920)
Proceeds received from disposal of property, plant and equipment	66,999	65,249	53,000
Interest received	27,016	46,483	8,736
Net cash used in investing activities	(2,069,142)	(376,375)	(820,493)

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**Combined Statements of Cash Flows (Cont'd)**

	2020 RM	2021 RM	2022 RM
Cash flows from financing activities			
Net (repayment) / drawdown of bank borrowings (Note 25.1)	(1,693,228)	31,804	468,266
Repayment of lease liabilities (Note 25.1)	(687,503)	(1,106,313)	(398,028)
Proceeds from issuance of ordinary shares	-	-	2
Dividend paid	(4,020,660)	(6,245,600)	(2,570,500)
Net cash used in financing activities	<u>(6,401,391)</u>	<u>(7,320,109)</u>	<u>(2,500,260)</u>
Net increase in cash and cash equivalents	178,859	5,420,652	11,367,722
Effect of foreign exchange difference on cash and cash equivalents	(6,258)	515,050	493,319
Cash and cash equivalents at beginning of year	14,030,282	14,202,883	20,138,585
Cash and cash equivalents at end of year	<u>14,202,883</u>	<u>20,138,585</u>	<u>31,999,626</u>
Cash and cash equivalents comprised :-			
Fixed deposits with a licensed bank	-	5,013	455,561
Cash and bank balances	14,202,883	20,133,572	31,544,065
	<u>14,202,883</u>	<u>20,138,585</u>	<u>31,999,626</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**Notes to the Combined Financial Statements****1. General Information**

EPB Group Berhad (the "Company") was incorporated in Malaysia under the Companies Act 2016 on 28 February 2022 as a private limited liability company under the name of EPB Group Sdn. Bhd. and is domiciled in Malaysia. On 10 March 2023, the Company was converted to a public limited liability company.

The Company was incorporated for the purpose of undertaking, among others, a restructuring and acquisition exercise that would result in the Company becoming the holding company of Easy Pack Machinery Sdn. Bhd., Easy Pack Machinery (KL) Sdn. Bhd., Easy Pack Manufacturing (M) Sdn. Bhd., Bestworld Perkasa Ltd./Labuan and Bestworld Engineering Sdn. Bhd. together with its subsidiary, namely Bestworld Perkasa Ltd./United Arab Emirates (collectively referred to as the "other combining entities"). The acquisitions of other combining entities by the Company are pending in the latest financial year required to be reported in this Accountants' Report. Accordingly, the Company has prepared the combined financial statements for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. Note 2.1 explains further the basis of preparation of the combined financial statements.

The registered office of the Company is located at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Pulau Pinang and its principal place of business is located at PMT 1186, Jalan Perindustrian Bukit Minyak 18, Taman Perindustrian Bukit Minyak, Penang Science Park, 14100 Simpang Ampat, Pulau Pinang.

The Company is principally engaged in investment holding, whilst the principal activities of the other combining entities are as follows :-

Name of combining entities	Country of incorporation	Principal activities
Easy Pack Machinery Sdn. Bhd.	Malaysia	Provision of food processing and packaging machinery solutions including industrial robots and related accessories for its customers primarily involved in the food industry and also as laboratory equipment and its related accessories for research purposes.*
Easy Pack Machinery (KL) Sdn. Bhd.	Malaysia	Dealing in all kinds of packaging machinery and trading in absorbent agents and packing materials.
Easy Pack Manufacturing (M) Sdn. Bhd.	Malaysia	Manufacturing and trading of packaging materials.
Bestworld Engineering Sdn. Bhd.	Malaysia	Manufacturing, assembly and trading of machinery and equipment.
Bestworld Perkasa Ltd.	Labuan, Malaysia	Agency and management service for refrigeration, cold chain, food processing equipment and ingredient.

* Easy Pack Machinery Sdn. Bhd. had updated its principal activities from "assembly, trading and servicing of packaging machines" to "provision of food processing and packaging machinery solutions including industrial robots and related accessories for its customers primarily involved in the food industry and also as laboratory equipment and its related accessories for research purposes" on 14 August 2023.

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)

1. General Information (Cont'd)

The Company is principally engaged in investment holding, whilst the principal activities of the other combining entities are as follows :- (Cont'd)

Subsidiary company of Bestworld Engineering Sdn. Bhd.

Bestworld Perkasa Ltd.	Ras Al Khaimah, United Arab Emirates	Installation of industrial machinery and equipment and wholesale trade.
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The Accountants' Report comprises the combined financial statements of the Company and the other combining entities (collectively referred to as the "EPB Group" or "Group") for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. The combined financial statements of the Group consist of the audited financial statements of the Company and the other combining entities and are prepared solely for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of its entire enlarged issued shares on the ACE Market of Bursa Malaysia Securities Berhad.

2. Basis of Preparation and Summary of Significant Accounting Policies

2.1 Basis of Preparation

The combined financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

The combined financial statements of the Group have also been prepared in accordance with the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants and on the assumption that the Group has been operating as a single economic entity throughout the financial years presented in these combined financial statements.

Throughout the financial years under review, the Company and the other combining entities are under the common control of Yeoh Chee Min being the major shareholder and promoter of the Company.

Entities under common control are entities which are ultimately controlled by the same parties for a reasonable period of time. Common control exists when the same parties have ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information as presented in the combined financial statements may not correspond to the consolidated financial statements of the Group had the relevant acquisitions to legally constitute the Group been incorporated for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial positions, results of operations and cash flows of the Group for those financial years.

The combined financial statements are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies below.

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)

2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)

2.2 Adoption of MFRSs, Amendments to MFRSs and IC Interpretation

2.2.1 New MFRSs, amendments to MFRSs and IC Interpretation adopted during the financial years

The Group has consistently applied its accounting policies throughout the reporting periods presented except for the changes in accounting policies on the application of the following new MFRSs issued by the Malaysian Accounting Standards Board ("MASB") :-

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3 – 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 : Disclosure
 - Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 June 2020

Amendments to MFRS 16 - Covid-19-Related Rent Concessions

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16
 - Interest Rate Benchmark Reform - Phase 2

Effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 3 - Reference to the Conceptual Framework
 Amendments to MFRS 16 - Covid-19 - Related Rent Concessions
 Amendments to MFRS 116 - Property, Plant and Equipment - Proceeds before Intended Use
 Amendments to MFRS 137 - Onerous Contracts - Cost of Fulfilling a Contract
 Amendments to MFRS classified as "Annual Improvements to MFRS Standards 2018 - 2020" cycle
 - Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
 - Subsidiary as a First-time Adopter
 - Amendments to MFRS 9 Financial Instruments - Fees in the '10 per cent' Test for Derecognition of
 Financial Liabilities
 - Amendments to Illustrative Examples accompanying MFRS 16 Leases - Lease Incentives
 - Amendments to MFRS 141 Agriculture - Taxation in Fair Value Measurements

The adoption of the amendments to MFRSs and IC Interpretation that are effective during the respective financial years did not have any significant impact on the Group's financial statements.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.3 New MFRS and Amendments to MFRSs That Are In Issue But Not Yet Effective**

The Group has not early adopted the following new MFRS and amendments to MFRSs that have been issued by the MASB but are not yet effective :-

Effective for annual periods beginning on or after 1 January 2023

MFRS 17, Insurance Contracts

Amendments to MFRS 17 - Initial Application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101 - Disclosure of Accounting Policies

Amendments to MFRS 108 - Definition of Accounting Estimates

Amendments to MFRS 112 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for annual periods beginning on or after 1 January 2024

Amendment to MFRS 16 - Lease Liability in a Sale and Leaseback

Amendment to MFRS 101 - Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current

Effective date deferred to a date to be determined

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The Group will apply the above new MFRS and amendments to MFRSs that are applicable once they become effective. The adoption of these new MFRS and amendments to MFRSs are not expected to have any significant financial impact on the Group's combined financial statements.

2.4 Basis of Combination

The combined financial statements of the Group comprise the financial statements of the Company and the other combining entities. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting dates. When necessary, adjustments are made to the financial statements of the Company and the other combining entities to ensure conformity with the Group's accounting policies.

In preparing the combined financial statements, the assets and liabilities of the Company and the other combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of retained profits and other equity of the combining entities are added to the same components within the Group's equity. Intra-group balances and transactions and the resulting unrealised profits are eliminated on combination. Unrealised losses are eliminated on combination and the relevant assets are assessed for impairment. The combined financial statements reflect external transactions and balances only.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.5 Property, Plant and Equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight-line basis so as to write off the cost of the assets to their residual values over their estimated useful lives. The annual depreciation rates are as follows :-

Buildings	2%
Plant and machinery	10%
Office equipment	10% - 20%
Furniture and fittings	10% - 20%
Tools and equipment	20%
Motor vehicles	14% - 20%
Computer	20% - 25%
Renovation	10%

The residual values and useful lives of assets are reviewed at each financial year end and adjusted prospectively, if appropriate, where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets as disclosed in Note 2.10.2.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

2.6 Intangible Assets***Computer software***

The costs of computer software are carried at costs less accumulated amortisation and any accumulated impairment losses. Costs include their purchase prices and any directly attributable costs of preparing the assets for their intended use. These costs are amortised on the straight-line basis over the period the assets are expected to generate economic benefits, at a rate of 25% per annum.

The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimates being accounted for on a prospective basis.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.7 Inventories**

Inventories are valued at the lower of cost (determined on the first-in-first-out basis) and net realisable value. Costs of raw materials and trading goods comprise purchase price and other costs directly attributable to the purchase of inventories. For finished goods and work-in-progress, cost consists of materials, direct labour and an appropriate proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

2.8 Financial Assets

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of asset within the time frame established generally by regulation or convention in the marketplace concerned. Trade date accounting refers to :-

- the recognition of an asset to be received and the liability to pay for it on the trade date i.e. the date the Group commits itself to purchase or sell an asset; and
- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment in the trade date.

2.8.1 Classification

The Group classifies its financial assets into the following measurement categories depending on the business models used for managing the financial assets and the contractual cash flow characteristics of the financial assets :-

- (a) at amortised cost;
- (b) fair value through other comprehensive income; and
- (c) fair value through profit or loss.

Financial assets are reclassified when and only when the Group changes its business model for managing the financial assets and the reclassification of all affected financial assets is applied prospectively from the reclassification date i.e. on the first day of the first reporting period following the change in business model.

2.8.2 Measurement

At initial recognition, trade receivables without a significant financing component are measured at their transaction price when they are originated.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.8 Financial Assets (Cont'd)****2.8.2 Measurement (Cont'd)**

Other financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial assets at fair value through profit or loss are expensed to profit or loss when incurred.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business models for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group's debt instruments are categorised into the following measurement categories :-

(i) Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met and it is not designated as at fair value through profit or loss at initial recognition :-

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are measured at amortised cost using the effective interest method less any impairment losses. Interest income, gains or losses on derecognition, foreign exchange gains or losses and impairment are recognised in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss and other comprehensive income.

(ii) Fair value through other comprehensive income ("FVOCI")

A financial asset is measured at FVOCI if both of the following conditions are met and it is not designated as FVTPL at initial recognition :-

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in fair value of these financial assets are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income calculated using the effective interest method, foreign exchange gains or losses and impairment are recognised in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss and other comprehensive income.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.8 Financial Assets (Cont'd)****2.8.2 Measurement (Cont'd)****(a) Debt instruments (Cont'd)****(iii) Fair value through profit or loss ("FVTPL")**

A financial asset is measured at FVTPL if it does not meet the criteria for amortised cost or FVOCI. This includes all derivative financial assets.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL that otherwise meets the criteria for amortised cost or FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair value of financial assets at FVTPL and interest or dividend income are recognised in profit or loss.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value.

For equity investments at FVTPL, changes in fair value are recognised in profit or loss. Where the Group has elected to present the changes in fair value in other comprehensive income, the amounts presented are not subsequently transferred to profit or loss when the equity investments are derecognised. The cumulative gains or losses is transferred to retained profits instead. The election is made on an instrument-by-instrument basis and it is irrevocable. The amount presented in other comprehensive income includes the related foreign exchange gains or losses.

Dividend income from equity investments at FVTPL and FVOCI is recognised in profit or loss as other income when the Group's right to receive payment has been established.

Changes in the fair value of equity investments at FVTPL are recognised in other income or expenses, as applicable, in the profit or loss. Impairment losses or reversal of impairment losses on equity instruments measured at FVOCI are recognised in other comprehensive income and are not reported separately from other changes in fair value.

2.8.3 Derecognition of financial assets

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset without retaining control or transfers substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the date of derecognition and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.9 Cash and Cash Equivalents**

Cash and cash equivalents include cash and bank balances, deposits with licensed bank and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statement of cash flows is prepared using the indirect method.

2.10 Impairment**2.10.1 Financial assets and contract assets**

The Group recognises loss allowance for expected credit losses ("ECLs") on :-

- financial assets measured at amortised cost;
- debt instruments measured at fair value through other comprehensive income ("FVOCI");
- contract assets;
- lease receivables; and
- financial guarantee contracts.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months i.e. a 12-month ECL. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default i.e. a lifetime ECL.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.10 Impairment (Cont'd)****2.10.1 Financial assets and contract assets (Cont'd)**

The Group considers a financial asset in default when contractual payments are 11 months past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flow in its entirety or a portion thereof.

An impairment loss in respect of financial assets measured at amortised cost and contract assets is recognised in profit or loss and the carrying amount of the assets is reduced through the use of an allowance account.

An impairment loss in respect of debt instruments measured at FVOCI is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

2.10.2 Non-financial assets

The carrying amounts of non-financial assets (other than inventories and deferred tax assets) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss in the period in which it arises.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.11 Share Capital**

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the end of the reporting period are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

2.12 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

2.12.1 Classification and measurement

Financial liabilities are initially measured at fair value minus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial liabilities at fair value through profit or loss are expensed to profit or loss when incurred.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

(a) Fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL upon initial recognition or derivatives that are liabilities.

A financial liability is classified as held for trading if :-

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial liabilities at FVTPL are measured at fair value with any gains or losses arising from changes in fair value recognised in profit or loss. If a financial liability is designated as at FVTPL, the change in fair value that is attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining change in fair value of the liability is presented in profit or loss. The net gains or losses recognised in profit or loss do not include any exchange differences or interest paid on the financial liability. Exchange differences and interest expense on financial liabilities at FVTPL are recognised separately in profit or loss as part of other income or other expenses.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.12 Financial Liabilities (Cont'd)****2.12.1 Classification and measurement (Cont'd)****(b) Amortised cost**

All financial liabilities, other than those categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

A gain or loss on other financial liabilities is recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

2.12.2 Derecognition of financial liabilities

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability are substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.13 Offsetting Financial Instruments

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.14 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are measured at the higher of (i) the amount determined in accordance with the expected credit loss model; and (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 Revenue from Contracts with Customers. The loss allowance on financial guarantee contracts, if any, is recognised as a provision and is reported under current liabilities.

2.15 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.16 Leases****The Group as a Lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Depreciation rates for right-of-use assets are as follows :-

Long term leasehold land	Amortised over remaining lease periods ranging between 51 and 60 years
Buildings	2 - 3 years
Plant and machinery	10%
Motor vehicles	14% - 20%

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise :-

- fixed lease payments (including in-substance fixed payments), less lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Variable lease payments that are not included in the measurement of the lease liability are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

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The lease liability is subsequently measured at amortised cost using the effective interest method and is remeasured when (a) there is a change in future lease payments arising from a change in an index or rate; (b) there is a change in the estimate of the amount expected to be payable under a residual value guarantee; (c) the Group changes its assessment of whether it will exercise a purchase, extension or termination option; or (d) there is change in lease payments. When the lease liability is remeasured, the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.17 Income Taxes

Tax expense is the aggregate amount of current and deferred taxes. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax is the expected tax payable on the taxable profit for the year and is calculated using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised, using the liability method, on temporary differences at end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which the temporary differences can be utilised and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.18 Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.19 Employee Benefits**2.19.1 Short-term employee benefits**

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense in profit or loss or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

2.19.2 Post-employment benefits**Defined contribution plan**

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in profit or loss in the period to which the contributions relate or included in the costs of assets, where applicable.

2.19.3 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits at the earlier of (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the Group recognises costs for a restructuring.

Termination benefits falling over more than twelve (12) months after the end of the reporting period are discounted to present value.

2.20 Revenue Recognition**2.20.1 Revenue from Contracts with Customers**

The Group recognises revenue from a contract with customer when it satisfies a performance obligation by transferring control of a promised good or service to the customer. Depending on the term of a contract with customer, control may transfer over time or at a point of time.

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Accountants' Report (Cont'd)

2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)

2.20 Revenue Recognition (Cont'd)

2.20.1 Revenue from Contracts with Customers (Cont'd)

Control of a good or service is transferred over time when one of the following criteria is met :-

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Where one of the above conditions is met, the Group recognises revenue over time. Otherwise, revenue is recognised at a point in time.

The following described the performance obligation of contracts with customers :-

(a) Sales of machinery and equipment

Revenue from sales of machinery and equipment is recognised at a point in time when control of the asset is transferred to the customer, generally on acceptance by customers.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of machinery and equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(b) Installation services

The Group provides installation services that are either sold separately or bundled together with the sale of machinery and equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the machinery and equipment.

The Group recognises revenue from installation services at point in time as the customer does not simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of the machinery and equipment are recognised at a point in time, generally upon delivery of the equipment.

(c) Provision of maintenance services

Revenue from maintenance services is recognised in the profit or loss upon rendering of such services.

(d) Sale of packaging films and packaging bags

Revenue from sales of packaging films and packaging bags are recognised at a point in time when control of the asset is transferred to the customer, generally on acceptance by customers.

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.20 Revenue Recognition (Cont'd)****2.20.2 Revenue from other sources and other income****(a) Interest**

Interest income is recognised on an accrual basis using the effective interest method.

(b) Rental income

Rental income is recognised on an accrual basis over the period of tenancy.

2.21 Foreign Currencies**2.21.1 Functional and presentation currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates i.e. the entity's functional currency. The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.21.2 Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entities' functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of foreign currency non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are recognised to other comprehensive income.

2.21.3 Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows :-

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.21 Foreign Currencies (Cont'd)****2.21.3 Foreign operations (Cont'd)**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows :-
(Cont'd)

- Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and are accumulated in foreign currency translation reserve within equity.

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in the functional currency of the Company or the foreign operation are recognised in profit or loss of the Company or of the foreign operation, as appropriate. In the Group's financial statements, such exchange differences are recognised initially in other comprehensive income and accumulated in equity under foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and taken to equity under foreign currency translation reserve will be reclassified to profit or loss.

2.22 Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, net of treasury shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, net of treasury shares held, for the effects of all dilutive potential ordinary shares.

2.23 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors that makes strategic decisions, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.24 Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and leasing transactions, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**2. Basis of Preparation and Summary of Significant Accounting Policies (Cont'd)****2.24 Fair Value Measurements (Cont'd)**

When measuring fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Fair value measurements are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows :-

- Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfer between level of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

3. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards requires management to exercise their judgements in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these estimates and assumptions are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Significant judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management are of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**3. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (Cont'd)****3.2 Key sources of estimation uncertainty (Cont'd)****3.2.1 Impairment losses of receivables**

The Group apply the MFRS 9 simplified approach to measure expected credit losses (ECLs) which uses a lifetime loss allowance for all trade receivables. The Group uses a provisional matrix to calculate the ECLs. The provision matrix is initially based on historically observed rates and adjusted with forward looking information.

The assessment of the correlation between historical observed default rates, forward looking information and ECLs is a significant estimate. Where the actual outcome is different from the estimates, the difference will impact the carrying amount of the receivables.

3.2.2 Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the estimation of the provision for income taxes is made and which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

3.2.3 Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the availability of future taxable profits.

3.2.4 Depreciation

Property, plant and equipment are depreciated on a straight-line basis over its estimated useful lives. The carrying amounts of the Group's property, plant and equipment are stated in Note 4 to the financial statements. Changes in the expected level of usage and technological development could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised.

3.2.5 Net realisable value of inventories

Review is made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**4. Property, Plant and Equipment**

2020

	At beginning of year RM	Additions RM	Disposals RM	At end of year RM
Costs				
Buildings	9,173,390	-	-	9,173,390
Plant and machinery	320,305	1,386,040	-	1,706,345
Office equipment	806,681	163,956	(3,123)	967,514
Furniture and fittings	900,623	98,974	(722)	998,875
Motor vehicles	681,729	146,254	(106,037)	721,946
Tools and equipment	74,979	37,300	-	112,279
Computers	105,845	9,049	(2,314)	112,580
Renovation	1,299,620	317,684	-	1,617,304
	13,363,172	2,159,257	(112,196)	15,410,233
	At beginning of year RM	Charge for the year RM	Disposals RM	At end of year RM
Accumulated depreciation				
Buildings	821,031	183,468	-	1,004,499
Plant and machinery	118,907	161,101	-	280,008
Office equipment	634,429	71,669	(3,123)	702,975
Furniture and fittings	560,133	66,095	(722)	625,506
Motor vehicles	664,351	18,453	(93,772)	589,032
Tools and equipment	51,536	10,993	-	62,529
Computers	81,209	10,793	(2,314)	89,688
Renovation	604,079	107,240	-	711,319
	3,535,675	629,812	(99,931)	4,065,556
Accumulated impairment losses				
Plant and machinery	-	516,110	-	516,110

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

4. Property, Plant and Equipment (Cont'd)

2021

	At beginning of year RM	Additions RM	Disposals / Written off RM	Transfers RM	At end of year RM
Costs					
Buildings	9,173,390	-	-	-	9,173,390
Plant and machinery	1,706,345	-	(584,000)	2,138,625	3,260,970
Office equipment	967,514	153,013	(407,562)	-	712,965
Furniture and fittings	998,875	35,574	(306,335)	-	728,114
Motor vehicles	721,946	214,305	(236,805)	552,239	1,251,685
Tools and equipment	112,279	5,760	-	-	118,039
Computers	112,580	45,449	(25,028)	-	133,001
Renovation	1,617,304	-	(297,921)	-	1,319,383
	<u>15,410,233</u>	<u>454,101</u>	<u>(1,857,651)</u>	<u>2,690,864</u>	<u>16,697,547</u>
	At beginning of year RM	Charge for the year RM	Disposals / Written off RM	Transfers RM	At end of year RM
Accumulated depreciation					
Buildings	1,004,499	183,468	-	-	1,187,967
Plant and machinery	280,008	361,974	(68,133)	821,651	1,395,500
Office equipment	702,975	88,815	(390,127)	-	401,663
Furniture and fittings	625,506	68,381	(303,301)	-	390,586
Motor vehicles	589,032	61,851	(236,806)	552,239	966,316
Tools and equipment	62,529	16,362	-	-	78,891
Computers	89,688	17,857	(24,864)	-	82,681
Renovation	711,319	131,935	(297,896)	-	545,358
	<u>4,065,556</u>	<u>930,643</u>	<u>(1,321,127)</u>	<u>1,373,890</u>	<u>5,048,962</u>
Accumulated impairment losses					
Plant and machinery	516,110	-	(516,110)	-	-

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**4. Property, Plant and Equipment (Cont'd)**

2022

	At beginning of year RM	Additions RM	Disposals / Written off RM	Transfers RM	At end of year RM
Costs					
Buildings	9,173,390	-	-	-	9,173,390
Plant and machinery	3,260,970	126,882	(88,893)	181,440	3,480,399
Office equipment	712,965	368,420	(7,758)	-	1,073,627
Furniture and fittings	728,114	12,172	-	-	740,286
Motor vehicles	1,251,685	19,000	(70,353)	267,428	1,467,760
Tools and equipment	118,039	-	-	-	118,039
Computers	133,001	29,965	(3,000)	-	159,966
Renovation	1,319,383	108,703	(4,660)	-	1,423,426
	<u>16,697,547</u>	<u>665,142</u>	<u>(174,664)</u>	<u>448,868</u>	<u>17,636,893</u>

	At beginning of year RM	Charge for the year RM	Disposals / Written off RM	Transfers RM	At end of year RM
Accumulated depreciation					
Buildings	1,187,967	183,468	-	-	1,371,435
Plant and machinery	1,395,500	327,884	(68,892)	58,968	1,713,460
Office equipment	401,663	151,523	(1,940)	-	551,246
Furniture and fittings	390,586	66,488	-	-	457,074
Motor vehicles	966,316	79,527	(70,353)	224,374	1,199,864
Tools and equipment	78,891	12,946	-	-	91,837
Computers	82,681	19,682	(3,000)	-	99,363
Renovation	545,358	140,361	(2,150)	-	683,569
	<u>5,048,962</u>	<u>981,879</u>	<u>(146,335)</u>	<u>283,342</u>	<u>6,167,848</u>

	Carrying amounts as at		
	2020 RM	2021 RM	2022 RM
Buildings	8,168,891	7,985,423	7,801,955
Plant and machinery	910,227	1,865,470	1,766,939
Office equipment	264,539	311,302	522,381
Furniture and fittings	373,369	337,528	283,212
Motor vehicles	132,914	285,369	267,896
Tools and equipment	49,750	39,148	26,202
Computers	22,892	50,320	60,603
Renovation	905,985	774,025	739,857
	<u>10,828,567</u>	<u>11,648,585</u>	<u>11,469,045</u>

The carrying amounts of property, plant and equipment of the Group which have been charged to the financial institutions in consideration for credit facilities granted as disclosed in Note 14 are as follows :-

	2020 RM	2021 RM	2022 RM
Buildings	<u>5,290,034</u>	<u>5,172,566</u>	<u>7,801,955</u>

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

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Accountants' Report (Cont'd)

5. Right-of-Use Assets

2020

	At beginning of year RM	Additions RM	At end of year RM
Costs			
Long term leasehold land	5,050,283	-	5,050,283
Buildings	171,361	193,890	365,251
Plant and machinery	2,320,065	-	2,320,065
Motor vehicles	1,665,027	-	1,665,027
	<u>9,206,736</u>	<u>193,890</u>	<u>9,400,626</u>
	At beginning of year RM	Charge for the year RM	At end of year RM
Accumulated depreciation			
Long term leasehold land	546,617	90,643	637,260
Buildings	57,120	84,049	141,169
Plant and machinery	613,837	232,006	845,843
Motor vehicles	765,690	275,555	1,041,245
	<u>1,983,264</u>	<u>682,253</u>	<u>2,665,517</u>

2021

	At beginning of year RM	Additions RM	Derecogni- tion RM	Transfers RM	At end of year RM
Costs					
Long term leasehold land	5,050,283	-	-	-	5,050,283
Buildings	365,251	68,544	(171,361)	-	262,434
Plant and machinery	2,320,065	-	-	(2,138,625)	181,440
Motor vehicles	1,665,027	171,850	-	(552,239)	1,284,638
	<u>9,400,626</u>	<u>240,394</u>	<u>(171,361)</u>	<u>(2,690,864)</u>	<u>6,778,795</u>
	At beginning of year RM	Charge for the year RM	Derecogni- tion RM	Transfers RM	At end of year RM
Accumulated depreciation					
Long term leasehold land	637,260	90,643	-	-	727,903
Buildings	141,169	87,478	(114,240)	-	114,407
Plant and machinery	845,843	18,144	-	(821,651)	42,336
Motor vehicles	1,041,245	221,363	-	(552,239)	710,369
	<u>2,665,517</u>	<u>417,628</u>	<u>(114,240)</u>	<u>(1,373,890)</u>	<u>1,595,015</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

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Accountants' Report (Cont'd)

5. Right-of-Use Assets (Cont'd)

2022

	At beginning of year RM	Additions RM	Transfers RM	At end of year RM
Costs				
Long term leasehold land	5,050,283	-	-	5,050,283
Buildings	262,434	176,084	-	438,518
Plant and machinery	181,440	-	(181,440)	-
Motor vehicles	1,284,638	1,104,167	(267,428)	2,121,377
	<u>6,778,795</u>	<u>1,280,251</u>	<u>(448,868)</u>	<u>7,610,178</u>

	At beginning of year RM	Charge for the year RM	Transfers RM	At end of year RM
Accumulated depreciation				
Long term leasehold land	727,903	90,642	-	818,545
Buildings	114,407	132,491	-	246,898
Plant and machinery	42,336	16,632	(58,968)	-
Motor vehicles	710,369	374,063	(224,374)	860,058
	<u>1,595,015</u>	<u>613,828</u>	<u>(283,342)</u>	<u>1,925,501</u>

Carrying amounts as at

	2020 RM	2021 RM	2022 RM
Long term leasehold land	4,413,023	4,322,380	4,231,738
Buildings	224,082	148,027	191,620
Plant and machinery	1,474,222	139,104	-
Motor vehicles	623,782	574,269	1,261,319
	<u>6,735,109</u>	<u>5,183,780</u>	<u>5,684,677</u>

The carrying amounts of right-of-use assets of the Group which have been charged to the financial institutions in consideration for credit facilities granted as disclosed in Note 14 are as follows :-

	2020 RM	2021 RM	2022 RM
Long term leasehold land	<u>2,471,848</u>	<u>2,424,343</u>	<u>4,231,738</u>

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

6. Intangible Assets**Computer software**

	2020 RM	2021 RM	2022 RM
Cost			
At beginning of year	150,451	154,351	188,357
Additions	3,900	34,006	1,920
At end of year	<u>154,351</u>	<u>188,357</u>	<u>190,277</u>
Accumulated amortisation			
At beginning of year	142,396	147,549	155,639
Charge for the year	5,153	8,090	9,516
At end of year	<u>147,549</u>	<u>155,639</u>	<u>165,155</u>
Net carrying amount	<u>6,802</u>	<u>32,718</u>	<u>25,122</u>

7. Inventories

	2020 RM	2021 RM	2022 RM
Raw materials	4,120,415	6,981,797	6,038,277
Work-in-progress	2,864,742	4,412,020	4,024,970
Finished goods	2,445,819	1,047,566	798,210
Trading goods	398,093	984,706	3,107,982
	<u>9,829,069</u>	<u>13,426,089</u>	<u>13,969,439</u>
	2020 RM	2021 RM	2022 RM
Recognised in profit or loss			
Inventories recognised as an expense	<u>33,537,651</u>	<u>39,611,287</u>	<u>50,311,336</u>

Inventories which are stated at their net realisable values as at 31 December 2022 amounted to RM408,218 (2021 : RM306,922, 2020 : RM247,148).

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**8. Trade Receivables**

	2020 RM	2021 RM	2022 RM
Trade receivables	13,430,890	14,122,646	11,625,639
Less: Allowance for impairment losses	(1,554,094)	(2,402,478)	(2,504,511)
	<u>11,876,796</u>	<u>11,720,168</u>	<u>9,121,128</u>

(a) The Group's normal credit periods of trade receivables throughout the financial years presented range from 0 to 180 days. Other credit periods are assessed and approved on a case by case basis.

(b) The Group's trade receivables are denominated in the following currencies :-

	2020 RM	2021 RM	2022 RM
Ringgit Malaysia	7,925,123	7,434,586	6,263,705
United States Dollar	3,951,673	4,285,582	2,857,423
	<u>11,876,796</u>	<u>11,720,168</u>	<u>9,121,128</u>

9. Other Receivables, Deposits and Prepayments

	2020 RM	2021 RM	2022 RM
Other receivables	576,534	171,082	130,296
Deposits	3,368,974	6,566,063	10,829,777
Less : Allowance for impairment losses	(81,280)	(81,280)	(87,900)
	3,287,694	6,484,783	10,741,877
Prepayments	109,861	161,222	274,385
	<u>3,974,089</u>	<u>6,817,087</u>	<u>11,146,558</u>

(a) The Group's other receivables, deposits and prepayments are denominated in the following currencies :-

	2020 RM	2021 RM	2022 RM
Ringgit Malaysia	1,786,811	2,074,781	2,380,058
United States Dollar	2,168,430	4,484,822	5,769,717
Chinese Renminbi	-	82,691	2,367,423
Euro	18,848	174,793	486,246
Others	-	-	143,114
	<u>3,974,089</u>	<u>6,817,087</u>	<u>11,146,558</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**10. Fixed Deposits with a Licensed Bank**

	2020 RM	2021 RM	2022 RM
Fixed deposits with a licensed bank	-	5,013	455,561
	2020 % per annum	2021 % per annum	2022 % per annum
Effective interest rates as at end of reporting period	-	1.5	1.8

As at 31 December 2022, fixed deposit held as security for accepted bills facility granted to the Group as disclosed in Note 14 amounted to RM450,458 (2021 : NIL, 2020 : NIL).

11. Cash and Bank Balances

(a) The Group's cash and bank balances are denominated in the following currencies :-

	2020 RM	2021 RM	2022 RM
Ringgit Malaysia	7,850,510	7,777,158	7,169,312
United States Dollar	6,137,119	11,822,397	24,044,722
Euro	30,847	72,825	235,828
Singapore Dollar	70,204	309,679	22,666
Philippine Peso	78,067	64,270	17,163
Indonesia Rupiah	34,639	86,083	53,340
Myanmar Kyat	1,497	1,160	1,034
	<u>14,202,883</u>	<u>20,133,572</u>	<u>31,544,065</u>

(b) Cash at banks held as security as at 31 December 2022 for the accepted bills facility granted to the Group as disclosed in Note 14 amounted to RM21,000 (2021 : NIL, 2020 : NIL).

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**12. Share Capital and Invested Equity****12.1 Share Capital**

The movements in share capital during the financial years presented in this report are as follows :-

	Ordinary shares with no par value		
	2020	2021	2022
Number of shares			
At beginning of year	-	-	-
At date of incorporation	-	-	2
At end of year	-	-	2
Value (RM)			
At beginning of year	-	-	-
At date of incorporation	-	-	2
At end of year	-	-	2

12.2 Invested Equity

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of Easy Pack Machinery Sdn. Bhd., Easy Pack Manufacturing (M) Sdn. Bhd., Easy Pack Machinery (KL) Sdn. Bhd., Bestworld Engineering Sdn. Bhd., and Bestworld Perkasa Ltd./Labuan.

The movements of the invested equity during the financial years presented in this report are as follows :-

	Ordinary shares with no par value		
	2020	2021	2022
Number of shares			
At beginning / end of year	5,521,000	5,521,000	5,521,000
Value (RM)			
At beginning / end of year	5,552,360	5,552,360	5,552,360

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**13. Deferred Tax Liabilities**

	2020 RM	2021 RM	2022 RM
At beginning of year	714,127	766,611	895,299
Recognised in profit or loss (Note 22)	52,484	128,688	1,562,195
At end of year	<u>766,611</u>	<u>895,299</u>	<u>2,457,494</u>

13.1 The components and movements of deferred tax assets and liabilities, prior to offsetting, during the financial years presented in this report are as follows :-

2020

	As at 01.01.2020 RM	Recognised in profit or loss RM	As at 31.12.2020 RM
Deferred tax liabilities			
Excess of capital allowances over depreciation	916,714	35,494	952,208
Other taxable temporary differences	814	42,457	43,271
	<u>917,528</u>	<u>77,951</u>	<u>995,479</u>
Deferred tax assets			
Other deductible temporary differences	(175,535)	(39,176)	(214,711)
Lease liabilities	(27,866)	13,709	(14,157)
	<u>(203,401)</u>	<u>(25,467)</u>	<u>(228,868)</u>
	<u>714,127</u>	<u>52,484</u>	<u>766,611</u>

2021

	As at 01.01.2021 RM	Recognised in profit or loss RM	As at 31.12.2021 RM
Deferred tax liabilities			
Excess of capital allowances over depreciation	952,208	215,716	1,167,924
Other taxable temporary differences	43,271	(42)	43,229
	<u>995,479</u>	<u>215,674</u>	<u>1,211,153</u>
Deferred tax assets			
Other deductible temporary differences	(214,711)	(89,996)	(304,707)
Lease liabilities	(14,157)	3,010	(11,147)
	<u>(228,868)</u>	<u>(86,986)</u>	<u>(315,854)</u>
	<u>766,611</u>	<u>128,688</u>	<u>895,299</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**13. Deferred Tax Liabilities (Cont'd)**

13.1 The components and movements of deferred tax assets and liabilities, prior to offsetting, during the financial years presented in this report are as follows :- (Cont'd)

2022

	As at 01.01.2022 RM	Recognised in profit or loss RM	As at 31.12.2022 RM
Deferred tax liabilities			
Excess of capital allowances over depreciation	1,167,924	(51,558)	1,116,366
Undistributed profits of foreign subsidiary	-	1,867,492	1,867,492
Other taxable temporary differences	43,229	302	43,531
	<u>1,211,153</u>	<u>1,816,236</u>	<u>3,027,389</u>
Deferred tax assets			
Other deductible temporary differences	(304,707)	(259,525)	(564,232)
Lease liabilities	(11,147)	5,484	(5,663)
	<u>(315,854)</u>	<u>(254,041)</u>	<u>(569,895)</u>
	<u>895,299</u>	<u>1,562,195</u>	<u>2,457,494</u>

13.2 As at the end of the respective financial years, the amounts of unutilised other deductible temporary differences (stated at gross amounts) for which deferred tax assets have not been recognised in the financial statements presented are as follows :-

	2020 RM	2021 RM	2022 RM
Other deductible temporary differences	<u>745,714</u>	<u>949,372</u>	<u>998,764</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**14. Bank Borrowings****2020**

	Non-current RM	Current RM	Total RM
<u>Secured</u>			
Term loan 1	1,646,826	555,252	2,202,078
Term loan 2	971,975	249,717	1,221,692
	<u>2,618,801</u>	<u>804,969</u>	<u>3,423,770</u>
<u>Unsecured</u>			
Term loan 3	446,608	260,103	706,711
	<u>3,065,409</u>	<u>1,065,072</u>	<u>4,130,481</u>

2021

	Non-current RM	Current RM	Total RM
<u>Secured</u>			
Term loan 1	1,080,855	574,418	1,655,273
Term loan 2	703,769	262,262	966,031
	<u>1,784,624</u>	<u>836,680</u>	<u>2,621,304</u>
<u>Unsecured</u>			
Term loan 3	270,174	270,807	540,981
Revolving credit	-	1,000,000	1,000,000
	<u>270,174</u>	<u>1,270,807</u>	<u>1,540,981</u>
	<u>2,054,798</u>	<u>2,107,487</u>	<u>4,162,285</u>

2022

	Non-current RM	Current RM	Total RM
<u>Secured</u>			
Term loan 1	738,334	468,221	1,206,555
Term loan 2	659,728	157,181	816,909
Tawarruq financing	1,423,659	363,978	1,787,637
Accepted bills	-	367,834	367,834
	<u>2,821,721</u>	<u>1,357,214</u>	<u>4,178,935</u>
<u>Unsecured</u>			
Term loan 4	387,564	64,052	451,616
	<u>3,209,285</u>	<u>1,421,266</u>	<u>4,630,551</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**14. Bank Borrowings (Cont'd)****14.1** The repayment terms of the bank borrowings are as follows :-

- Term loan 1 of RM4,000,000 is repayable by 120 monthly instalments commencing from January 2017.
- Term loan 2 of RM1,600,000 is repayable by 120 monthly instalments commencing from January 2018.
- Term loan 3 was repayable by 96 monthly instalments of RM16,678 each commencing from July 2017. It was fully settled during year 2022.
- Term loan 4 is repayable by 84 monthly instalments of RM7,068 each commencing from March 2022.
- Tawarruq financing is repayable by 60 monthly instalments of RM36,330 each commencing from June 2022.

14.2 The bank borrowings are secured or guaranteed by the following :-

- Term loan 1 and Term loan 2 are secured as follows :-
 - Legal charge over the long term leasehold land and building of the Group; and
 - Joint and several guarantee by certain Directors of the Group.
- Term loan 3, Term loan 4 and revolving credit are guaranteed as follows :-
 - Joint and several guarantee by certain directors of the Group; and
 - Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPPB") guarantee under the Automation and Digital Guarantee Scheme for 80% of the principal and interest outstanding.
- Tawarruq financing is secured as follows :-
 - Legal charge over the Group long term leasehold land and building; and
 - Joint and several guarantee by directors of the Group.

Accepted bills is secured as follows :-

- Open all monies first party charge over cash deposit and letter of set-off;
- Placement of first party Islamic term deposit-i of RM450,000 held on lien with the bank;
- Collection of monthly sinking fund for RM3,000 commencing from June 2022;
- Joint and several guarantee for RM3,200,000 by certain directors of the Group; and
- SJPPB guarantee under the Working Capital Guarantee Scheme 2 in favour of the bank to secure the guarantee coverage of 70% of the facility limit.

14.3 The effective interest rates for the bank borrowings at the end of each reporting periods are as follows :-

	2020	2021	2022
	% per annum	% per annum	% per annum
Effective interest rates	<u>3.45 - 5.60</u>	<u>3.45 - 5.60</u>	<u>3.45 - 5.00</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**15. Lease Liabilities**

	2020 RM	2021 RM	2022 RM
Lease liabilities (non-current)	709,872	305,448	808,751
Lease liabilities (current)	845,708	325,224	488,977
	<u>1,555,580</u>	<u>630,672</u>	<u>1,297,728</u>
The changes in lease obligations are as follows :-			
At beginning of year	2,049,193	1,555,580	630,672
Lease payment			
- Principal amount	(687,503)	(1,106,313)	(398,028)
- Interest amount	(92,585)	(59,300)	(63,147)
Derecognition	-	(58,989)	-
Addition	193,890	240,394	1,065,084
Finance cost	92,585	59,300	63,147
At end of year	<u>1,555,580</u>	<u>630,672</u>	<u>1,297,728</u>

16. Trade Payables

- (a) The normal credit periods of the Group's trade payables for the respective financial years presented are as follows :-

	2020	2021	2022
Credit periods of trade payables	<u>0 to 120 days</u>	<u>0 to 120 days</u>	<u>0 to 120 days</u>

- (b) The Group's trade payables are denominated in the following currencies :-

	2020 RM	2021 RM	2022 RM
Ringgit Malaysia	1,516,152	1,598,640	1,630,450
United States Dollar	1,208,532	1,040,191	1,219,860
Chinese Renminbi	46,132	-	-
New Taiwan Dollar	860,040	1,250,223	661,142
Indonesia Rupiah	9,412	157,920	2,586
Philippine Peso	21,399	70,892	7,353
Euro	-	1,346	-
	<u>3,661,667</u>	<u>4,119,212</u>	<u>3,521,391</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

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Accountants' Report (Cont'd)**17. Other payables, Deposits and Accrued Liabilities**

	2020 RM	2021 RM	2022 RM
Other payables	2,251,329	545,056	495,840
Accrued liabilities	3,507,878	3,728,201	2,966,657
Customer deposits (Note 17(a))	11,175,126	18,426,009	25,618,777
	<u>16,934,333</u>	<u>22,699,266</u>	<u>29,081,274</u>

(a) Customer deposits relate to deposits made by customers for the purchases of machineries and related parts which were partially delivered or have yet to be delivered by the Group at the reporting date. The Group applies the practical expedient in MFRS 15 "Revenue from Contract with Customers" on not disclosing the aggregate amount of the revenue expected to be recognised in the future as the performance obligation is part of a contract that has an original expected duration of less than one year.

(b) The Group's other payables are denominated in the following currencies :-

	2020 RM	2021 RM	2022 RM
Ringgit Malaysia	9,747,941	12,151,493	8,233,195
United States Dollar	7,186,392	10,431,799	20,508,375
Singapore Dollar	-	97,735	103,486
Philippine Peso	-	-	32,082
Euro	-	18,239	204,136
	<u>16,934,333</u>	<u>22,699,266</u>	<u>29,081,274</u>

18. Amount Owing to Directors

Amount owing to directors represent advances which are interest-free, unsecured and repayable on demand. Settlement is expected to be in cash.

19. Revenue

The Group's revenue is derived from the following business activities :-

	2020 RM	2021 RM	2022 RM
Provision of food processing and packaging machinery solutions	50,984,934	60,731,368	72,568,962
Trading of cellulose casings	6,854,020	9,736,557	11,901,663
Manufacturing and trading of flexible packaging materials	3,850,118	5,249,015	4,643,058
	<u>61,689,072</u>	<u>75,716,940</u>	<u>89,113,683</u>

Revenue is recognised at a point in time.

Disaggregation of revenue by geographical locations is disclosed in Note 27.2.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**20. Profit before Taxation**

	2020 RM	2021 RM	2022 RM
Profit before taxation is stated after charging/(crediting) :-			
Auditors' remuneration			
- Current year	54,674	80,062	114,735
- Under / (Over) provision in prior year	1,004	3,051	(14,709)
Allowances for impairment losses on receivables	237,379	936,119	605,184
Amortisation of intangible assets	5,153	8,090	9,516
Depreciation of :-			
- Plant, property and equipment	629,812	930,643	981,879
- Right-of-use assets	682,253	417,628	613,828
Directors' salaries and allowances	1,321,981	1,480,193	1,805,162
Expenses relating to short-term and low value leases :-			
- Rental of premises	140,328	115,215	121,806
- Rental of equipment	1,954	481	2,246
- Rental of motor vehicle	30,483	-	2,142
- Rental of plant and equipment	4,250	6,119	11,380
Interest expenses	438,379	337,133	343,796
Impairment loss on property, plant and equipment	516,110	-	-
Loss on foreign exchange :-			
- Realised	195,280	192,251	24,468
- Unrealised	114,733	18,455	126,428
Property, plant and equipment written off	-	164	22,511
Write-down in value of inventories	180,541	133,903	178,548
Write-off of inventories	-	-	108,384
Gain on disposal of property, plant and equipment	(54,733)	(44,999)	(47,182)
Gain on derecognition of right-of-use asset	-	(1,868)	-
Gain on foreign exchange :-			
- Realised	(74,944)	(8,037)	(135,930)
- Unrealised	(180,310)	(215,898)	(181,378)
Interest income	(27,016)	(46,483)	(8,736)
Rental income	(118,640)	(121,296)	(66,511)
Reversal of allowance for impairment loss on trade receivables	(145,172)	(97,663)	(525,248)
Reversal of write-down of inventories	(9,888)	(92,756)	(6,487)

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**21. Staff Costs and Employees Information**

	2020 RM	2021 RM	2022 RM
Staff costs comprise :-			
Salaries, allowances and bonuses	7,550,054	8,196,816	8,731,055
Contribution to defined contribution plan :-			
- Employees Provident Fund (EPF)	642,158	845,259	868,710
Others	510,528	484,950	708,619
	<u>8,702,740</u>	<u>9,527,025</u>	<u>10,308,384</u>

22. Taxation

	2020 RM	2021 RM	2022 RM
Current year Malaysian income tax	1,326,313	2,395,287	2,206,323
Deferred tax expense resulting from origination and reversal of temporary differences	94,694	113,560	1,749,915
	<u>1,421,007</u>	<u>2,508,847</u>	<u>3,956,238</u>
Under / (Over) provided in prior year :-			
- Income tax	64,952	(597,455)	(471,037)
- Deferred tax	(42,210)	15,128	(187,720)
	<u>1,443,749</u>	<u>1,926,520</u>	<u>3,297,481</u>

22.1 The general income tax rate in Malaysia throughout the financial years under review is 24% of taxable income. In respect of companies with paid-up capital of RM2,500,000 and below at the beginning of the year, the income tax rates are as follows :-

Year of assessment	Chargeable income	Rate of income tax
2020 to 2022	On the first chargeable income of RM600,000 and having gross income from business sources of not more than RM50,000,000	17%
	On subsequent chargeable income	24%

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**22. Taxation (Cont'd)**

22.2 A reconciliation of tax expense applicable to the profit before taxation at the applicable statutory tax rate to the tax expense at the effective tax rate of the Group is as follows :-

	2020 RM	2021 RM	2022 RM
Profit before taxation	7,741,786	13,852,972	15,579,261
Taxation at the statutory tax rate of 24%	1,858,030	3,324,714	3,739,023
Tax savings on profit taxable at reduced rate	(152,095)	(168,000)	(148,647)
	1,705,935	3,156,714	3,590,376
Tax effects in respect of :-			
Expenses not deductible for tax purposes	314,563	355,192	393,331
Double deduction of expenses	(2,278)	(7,274)	(8,774)
Utilisation of tax incentive	(425,093)	(64,310)	-
Utilisation of deferred tax assets previously not recognised	(127,356)	(18,827)	-
Income not subject to tax	(44,764)	(912,648)	(18,695)
Taxation under / (over) provided in prior year :-			
- Income tax	64,952	(597,455)	(471,037)
- Deferred tax	(42,210)	15,128	(187,720)
Total tax expense	1,443,749	1,926,520	3,297,481

23. Earnings Per Share**23.1 Basic**

The basic earnings per share is calculated based on the Group's profit for the financial years attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial years as show below :-

	2020	2021	2022
Profit for the year attributable to ordinary equity holders of the parent entity (RM)	6,298,037	11,926,452	12,281,780
Weighted average number of ordinary shares outstanding during the financial year (units)	372,000,002 ⁽¹⁾	372,000,002 ⁽¹⁾	372,000,002 ⁽¹⁾
Earnings per share (RM)	0.02	0.03	0.03

(1) The weighted average number of ordinary shares is based on the enlarged share capital of the Company upon proposed listing on the ACE Market of Bursa Malaysia Securities Berhad. For the purpose of calculating the earnings per share for the financial years ended 31 December 2020 to 31 December 2022, the same weighted average number of ordinary shares has been used as if the entire enlarged share capital of the Company has been in existence since the beginning of the earliest period presented.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**23. Earnings Per Share (Cont'd)****23.2 Diluted**

The diluted earnings per share is equal to the basic earnings per share as there are no dilutive potential ordinary shares outstanding as at 31 December 2020, 31 December 2021 and 31 December 2022.

24. Dividends

	2020 RM	2021 RM	2022 RM
Dividends declared by :-			
Easy Pack Machinery Sdn. Bhd.			
- Single tier interim dividend of RM0.9238 per share in respect of the financial year ended 31 December 2021	-	2,000,000	-
Easy Pack Machinery (KL) Sdn. Bhd.			
- Single tier interim dividend of RM0.8576 per share in respect of the financial year ended 31 December 2020	500,000	-	-
- Single tier interim dividend of RM0.6355 per share in respect of the financial year ended 31 December 2021	-	370,500	-
Bestworld Engineering Sdn. Bhd.			
- Single tier interim dividend of RM2.0000 per share in respect of the financial year ended 31 December 2021	-	1,600,000	-
Bestworld Perkasa Ltd./Labuan			
- Interim dividend of USD60 per share in respect of the financial year ended 31 December 2020	2,520,660	-	-
- Interim dividend of USD40 per share in respect of the financial year ended 31 December 2021	-	1,666,000	-
Easy Pack Manufacturing (M) Sdn. Bhd.			
- Single tier interim dividend of RM0.1019 per share in respect of the financial year ended 31 December 2022	-	-	200,000
	<u>3,020,660</u>	<u>5,636,500</u>	<u>200,000</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**25. Notes to Combined Statements of Cash Flows****25.1 Liabilities arising from financing activities**

Changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes, during the financial years presented in the combined statements of cash flows are analysed in the tables below.

2020

	Bank borrowings RM	Lease liabilities RM	Total RM
Balance at 1 January 2020	5,823,709	2,049,193	7,872,902
Acquisition of right-of-use assets	-	193,890	193,890
Net cash flow	<u>(1,693,228)</u>	<u>(687,503)</u>	<u>(2,380,731)</u>
Balance at 31 December 2020	<u>4,130,481</u>	<u>1,555,580</u>	<u>5,686,061</u>

2021

	Bank borrowings RM	Lease liabilities RM	Total RM
Balance at 1 January 2021	4,130,481	1,555,580	5,686,061
Acquisition of right-of-use assets	-	240,394	240,394
Derecognition	-	(58,989)	(58,989)
Net cash flow	<u>31,804</u>	<u>(1,106,313)</u>	<u>(1,074,509)</u>
Balance at 31 December 2021	<u>4,162,285</u>	<u>630,672</u>	<u>4,792,957</u>

2022

	Bank borrowings RM	Lease liabilities RM	Total RM
Balance at 1 January 2022	4,162,285	630,672	4,792,957
Acquisition of right-of-use assets	-	1,065,084	1,065,084
Net cash flow	<u>468,266</u>	<u>(398,028)</u>	<u>70,238</u>
Balance at 31 December 2022	<u>4,630,551</u>	<u>1,297,728</u>	<u>5,928,279</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**25. Notes to Combined Statements of Cash Flows (Cont'd)**

25.2 Total cash outflows for leases for the financial years are as follows :-

	2020 RM	2021 RM	2022 RM
Payments of lease liabilities	687,503	1,106,313	398,028
Interest paid in relation to lease liabilities	92,585	59,300	63,147
Payments relating to short-term leases	177,015	121,815	137,574
Total cash outflows for leases	<u>957,103</u>	<u>1,287,428</u>	<u>598,749</u>

25.3 Addition of right-of-use assets

Right-of-use assets of the Group are acquired by the following means :-

	2020 RM	2021 RM	2022 RM
Cash payments	-	-	215,167
Lease financing	193,890	240,394	1,065,084
	<u>193,890</u>	<u>240,394</u>	<u>1,280,251</u>

26. Related Party Relationships And Transactions

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than those already disclosed elsewhere in these financial statements, the transactions carried out with related parties during the financial years presented in this report and balances at end of the respective financial years are disclosed below.

26.1 The transactions with related parties

	2020 RM	2021 RM	2022 RM
Transactions with companies in which certain Directors of the Group have substantial financial interests :-			
<u>Income / (Expenses)</u>			
Sales to related parties	2,564,589	1,404,931	-
Purchases from related parties	(2,724,727)	(493,904)	(22)
Rental charged to related parties	118,640	112,511	-
Rental charged by a related party	-	(17,860)	-
Other expenses charged by related parties	(51,353)	(18,520)	(533,261)
Disposal of property, plant and equipment to a related party	1,000	-	-
Acquisition of property, plant and equipment from related parties	(1,297,563)	(170,315)	(319,000)
Sales commission charged by related parties	<u>(523,383)</u>	<u>(358,727)</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**26. Related Party Relationships And Transactions (Cont'd)****26.1 The transactions with related parties (Cont'd)**

	2020 RM	2021 RM	2022 RM
Expenses paid on behalf of the related parties by the Group	243,347	206,668	790
Transactions with Directors :-			
Rental expenses	(132,400)	(108,600)	(110,000)

26.2 Year-end outstanding balances with corporations in which certain directors of the Group have substantial financial interests

	2020 RM	2021 RM	2022 RM
Amount owing by / (to) :-			
Included in trade receivables	1,778,972	1,404,935	-
Included in other receivables	813,737	102,528	-
Included in trade payables	(210,916)	(19,674)	(36,391)
Included in other payables	(1,439,541)	(131,730)	-

No specific impairment losses have been recognised on amounts receivable from related parties.

26.3 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel of the Company are the Directors of the Group and their remuneration for the financial years are disclosed in Note 20.

27. Segmental Information**27.1 Reportable segment**

The Group's operations comprise mainly of provision of food processing and packaging machinery solutions, trading of cellulose casing as well as manufacturing and trading of flexible packaging materials, collectively considered as one business segment. Accordingly, the operating revenue and results of this segment are reflected in the Group's combined statements of profit or loss and other comprehensive income. The segment assets and liabilities are as presented in the Group's combined statements of financial position.

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

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Accountants' Report (Cont'd)

27. Segmental Information (Cont'd)

27.2 Geographical information

In determining geographical segments of the Group, "Revenue" is based on the geographical location of customers and "Non-current Assets" are based on the geographical location of the assets.

	2020 RM	2021 RM	2022 RM
Revenue from :-			
- Malaysian customers	26,320,958	36,005,222	43,417,166
- Overseas customers	35,368,114	39,711,718	45,696,517
	<u>61,689,072</u>	<u>75,716,940</u>	<u>89,113,683</u>
	2020 RM	2021 RM	2022 RM
Non-current assets located in Malaysia	<u>17,570,478</u>	<u>16,865,083</u>	<u>17,178,844</u>

27.3 Major customers

The following are major customers with revenue equal or more than ten (10) percent of the Group's revenue :-

	2020 RM	2021 RM	2022 RM
Customer A	11,280,835	*	*
Customer B	*	*	<u>9,663,054</u>

* Less than 10%

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**28. Financial Instruments and Financial Risk Management****28.1 Categories of Financial Instruments**

The Group's financial instruments as at the end of the financial years are categorised as follows :-

	Carrying Amounts RM	Amortised Cost RM
2020		
Financial assets		
Trade receivables	11,876,796	11,876,796
Other receivables and deposits [^]	3,864,228	3,864,228
Cash and bank balances	14,202,883	14,202,883
	<u>29,943,907</u>	<u>29,943,907</u>
Financial liabilities		
Trade payables	3,661,667	3,661,667
Other payables, deposits and accrued liabilities	16,934,333	16,934,333
Amount owing to directors	3,258,711	3,258,711
Bank borrowings	4,130,481	4,130,481
Lease liabilities	1,555,580	1,555,580
	<u>29,540,772</u>	<u>29,540,772</u>
	Carrying Amounts RM	Amortised Cost RM
2021		
Financial assets		
Trade receivables	11,720,168	11,720,168
Other receivables and deposits [^]	6,655,865	6,655,865
Fixed deposits with a licensed bank	5,013	5,013
Cash and bank balances	20,133,572	20,133,572
	<u>38,514,618</u>	<u>38,514,618</u>
Financial liabilities		
Trade payables	4,119,212	4,119,212
Other payables, deposits and accrued liabilities	22,699,266	22,699,266
Amount owing to directors	3,206,115	3,206,115
Bank borrowings	4,162,285	4,162,285
Lease liabilities	630,672	630,672
	<u>34,817,550</u>	<u>34,817,550</u>

[^] Exclude prepayments

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**28. Financial Instruments and Financial Risk Management (Cont'd)****28.1 Categories of Financial Instruments (Cont'd)**

The Group's financial instruments as at the end of the financial years are categorised as follows :- (Cont'd)

2022	Carrying Amounts RM	Amortised Cost RM
Financial assets		
Trade receivables	9,121,128	9,121,128
Other receivables and deposits [^]	10,872,173	10,872,173
Fixed deposits with a licensed bank	455,561	455,561
Cash and bank balances	31,544,065	31,544,065
	<u>51,992,927</u>	<u>51,992,927</u>
Financial liabilities		
Trade payables	3,521,391	3,521,391
Other payables, deposits and accrued liabilities	29,081,274	29,081,274
Amount owing to directors	6,083	6,083
Bank borrowings	4,630,551	4,630,551
Lease liabilities	1,297,728	1,297,728
	<u>38,537,027</u>	<u>38,537,027</u>

[^] Exclude prepayments

28.2 Financial Risk Management

The Group's overall financial risk management objective is to seek to address and control the risks to which the Group is exposed and to minimise or avoid the incidence of loss that may result from its exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate. Various risk management actions are taken depending on the assessment of the impact and likelihood of the risk.

(a) Credit risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade and other receivables, refundable deposits, cash and bank balances.

Credit risk is addressed by the application of credit evaluation and close monitoring procedures by the management. New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)

28. Financial Instruments and Financial Risk Management (Cont'd)

28.2 Financial Risk Management (Cont'd)

(a) Credit risk (Cont'd)

It is inherent in the Group's business to make individually large sales to its customers that may lead to a significant concentration of credit risks. Such risks are managed by ensuring that transactions are only carried out with customers with a reliable financial profile.

The Group's maximum exposure to credit risk as at the end of each reporting period is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

As at the end of the reporting period, the Group has significant concentration of credit risk arising from exposure to debts owing by 1 (2021 : 1, 2020 : Nil) major customer representing approximately 13% (2021 : 14%, 2020 : Nil) of the total trade receivables. The amount due and repayment from these customers are closely monitored by the management to ensure that the credit limits and terms agreed with the customers are complied with.

The Group's short-term deposits and bank balances are only placed with licensed banks and the management consider the risk of material loss in the event of non-performance by the financial counterparty to be unlikely.

Recognition and measurement of impairment loss

(i) Trade receivables

The Group uses an allowance matrix to measure Expected Credit Losses (ECL) on trade receivables. Loss rates are calculated using "roll rate" method based on probability of a receivables progressing through successive stages of delinquency to 11 months past due.

Loss rate are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to 11 months past due. Loss rate are based on actual credit loss experience over the past three years. The Company also considers forward looking macroeconomic factors that is affecting the customer's ability to settle the amount outstanding.

Trade receivables are written off when there is no reasonable expectation of recovery.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**28. Financial Instruments and Financial Risk Management (Cont'd)****28.2 Financial Risk Management (Cont'd)****(a) Credit risk (Cont'd)**Recognition and measurement of impairment loss (Cont'd)**(i) Trade receivables (Cont'd)**

The following contain analyses of the credit risk exposure of trade receivables for which an ECL allowance is recognised.

	Gross carrying amount RM	Allowance for impairment loss RM	Net carrying amount RM
2020			
Not past due	3,865,055	374,826	3,490,229
1 - 30 days past due	3,441,792	119,714	3,322,078
31 - 60 days past due	651,165	12,817	638,348
More than 60 days past due	5,472,878	1,046,737	4,426,141
	<u>13,430,890</u>	<u>1,554,094</u>	<u>11,876,796</u>
2021			
Not past due	8,809,497	171,272	8,638,225
1 - 30 days past due	990,480	54,704	935,776
31 - 60 days past due	736,814	102,793	634,021
More than 60 days past due	3,585,855	2,073,709	1,512,146
	<u>14,122,646</u>	<u>2,402,478</u>	<u>11,720,168</u>
2022			
Not past due	5,065,178	154,193	4,910,985
1 - 30 days past due	2,184,992	81,341	2,103,651
31 - 60 days past due	520,088	44,253	475,835
More than 60 days past due	3,855,381	2,224,724	1,630,657
	<u>11,625,639</u>	<u>2,504,511</u>	<u>9,121,128</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**28. Financial Instruments and Financial Risk Management (Cont'd)****28.2 Financial Risk Management (Cont'd)****(a) Credit risk (Cont'd)**Recognition and measurement of impairment loss (Cont'd)**(i) Trade receivables (Cont'd)**

Movements in allowance for impairment loss on trade receivables during the financial years under review :-

	2020 RM	2021 RM	2022 RM
At beginning of financial year	1,474,404	1,554,094	2,402,478
Additional allowance for impairment loss	237,379	936,119	605,184
Reversal of allowance for impairment loss	(145,172)	(97,663)	(531,868)
Bad debts written off	-	(4,501)	-
Exchange differences	(12,517)	14,429	28,717
At end of financial year	<u>1,554,094</u>	<u>2,402,478</u>	<u>2,504,511</u>

(ii) Other receivables

Impairment of other receivables is recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of impairment is based on whether has been a significant increase in credit risk since initial recognition of the financial assets.

For those in which the credit risk has not increase significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross internet income are recognised. For those in which the credit risk has increase significantly, lifetime expected credit losses along with the gross internet income are recognised.

Movements in allowance for impairment loss on other receivables during the financial years under review :-

	2020 RM	2021 RM	2022 RM
At beginning of financial year	81,280	81,280	81,280
Additional allowance for impairment loss	-	-	6,620
At end of financial year	<u>81,280</u>	<u>81,280</u>	<u>87,900</u>

(iii) Cash and bank balances

Cash and bank balances have low credit risk as they are placed with reputable financial institutions with strong credit rating and has no history of default. Consequently, the Directors are of the opinion that loss allowance is insignificant.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**28. Financial Instruments and Financial Risk Management (Cont'd)****28.2 Financial Risk Management (Cont'd)****(b) Liquidity and cash flow risks**

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

Liquidity and cash flow risks are addressed by annual and continuous review and forward planning of cash flow in relation to business plans to ensure a balanced and prudent portfolio of cash and other liquid assets and credit facilities is maintained. The proper management of currency, interest rate and credit risks have the effect of further minimising the incidence and effects of liquidity and cash flow risks.

Maturity analysis

The maturity profile of the Group's financial liabilities as at the end of each reporting period based on contractual undiscounted cash flows is as follows :-

	Maturity Profile			Total RM	Effective interest rate %
	Within 1 year RM	Between 1 year to 5 years RM	More than 5 years RM		
2020					
Trade payables	3,661,667	-	-	3,661,667	-
Other payables, deposits accrued liabilities	16,934,333	-	-	16,934,333	-
Amount owing to directors	3,258,711	-	-	3,258,711	-
Bank borrowings	1,125,468	3,366,552	-	4,492,020	3.45 to 5.60
Lease liabilities	907,368	741,729	-	1,649,097	4.31 to 6.18
	25,887,547	4,108,281	-	29,995,828	

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**28. Financial Instruments and Financial Risk Management (Cont'd)****28.2 Financial Risk Management (Cont'd)****(b) Liquidity and cash flow risks (Cont'd)****Maturity analysis (Cont'd)**

The maturity profile of the Group's financial liabilities as at the end of each reporting period based on contractual undiscounted cash flows is as follows :- (Cont'd)

	Maturity Profile			Total RM	Effective interest rate %
	Within 1 year RM	Between 1 year to 5 years RM	More than 5 years RM		
2021					
Trade payables	4,119,212	-	-	4,119,212	-
Other payables, deposits accrued liabilities	22,699,266	-	-	22,699,266	-
Amount owing to directors	3,206,115	-	-	3,206,115	-
Bank borrowings	2,125,468	2,241,663	-	4,367,131	3.45 to 5.60
Lease liabilities	349,808	319,095	-	668,903	4.31 to 6.18
	32,499,869	2,560,758	-	35,060,627	
	Maturity Profile			Total RM	Effective interest rate %
	Within 1 year RM	Between 1 year to 5 years RM	More than 5 years RM		
2022					
Trade payables	3,521,391	-	-	3,521,391	-
Other payables, deposits accrued liabilities	29,081,274	-	-	29,081,274	-
Amount owing to directors	6,083	-	-	6,083	-
Bank borrowings	1,573,942	3,344,347	99,589	5,017,878	3.45 to 5.00
Lease liabilities	543,252	862,239	-	1,405,491	3.87 to 6.35
	34,725,942	4,206,586	99,589	39,032,117	

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**28. Financial Instruments and Financial Risk Management (Cont'd)****28.2 Financial Risk Management (Cont'd)****(c) Currency risk**

The Group is exposed to foreign currency risk arising from transactions denominated in currencies other than the functional currency of the Group, i.e. Ringgit Malaysia ("RM"). The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. The foreign currencies giving rise to this risk are primarily United States Dollar ("USD"), European Union Euro ("EUR"), Chinese Renminbi ("RMB") and New Taiwan Dollar ("NTD"). Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is maintained at an acceptable level.

The Group does not speculate in foreign currency derivatives.

Exposure to currency risk

The carrying amounts Group's monetary assets and monetary liabilities that are denominated in a foreign currency that is not the functional currency are as follows :-

	2020 RM	2021 RM	2022 RM
(Functional currency : RM)			
USD			
Included in :-			
- Trade receivables	252,791	259,347	371,607
- Other receivables and deposits	522,838	2,868,935	2,576,738
- Cash and bank balances	1,685,399	2,630,738	4,270,577
- Trade payables	(108,088)	(513,751)	(395,836)
- Other payables and deposits	-	(1,850,593)	(5,075,657)
	<u>2,352,940</u>	<u>3,394,676</u>	<u>1,747,429</u>
EUR			
Included in :-			
- Other receivables and deposits	18,848	174,793	128,997
- Cash and bank balances	25,902	68,110	231,144
- Trade payables	-	(1,346)	-
- Other payables and deposits	-	(18,239)	(204,136)
	<u>44,750</u>	<u>223,318</u>	<u>156,005</u>
RMB			
Included in :-			
- Other receivables and deposits	-	82,691	582,651
- Trade payables	(46,132)	-	-
	<u>(46,132)</u>	<u>82,691</u>	<u>582,651</u>
NTD			
Included in :-			
- Trade payables	(860,040)	(1,250,223)	(661,142)

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Incorporated in Malaysia

Accountants' Report (Cont'd)**28. Financial Instruments and Financial Risk Management (Cont'd)****28.2 Financial Risk Management (Cont'd)****(c) Currency risk (Cont'd)*****Exposure to currency risk (Cont'd)***

The carrying amounts Group's monetary assets and monetary liabilities that are denominated in a foreign currency that is not the functional currency are as follows :- (Cont'd)

	2020 RM	2021 RM	2022 RM
(Functional currency : USD)			
<u>EUR</u>			
Included in :-			
- Other receivables and deposits	-	-	357,249
- Cash and bank balances	4,945	4,715	4,684
	<u>4,945</u>	<u>4,715</u>	<u>361,933</u>
 <u>RMB</u>			
Included in :-			
- Other receivables and deposits	-	-	1,784,772
	<u>-</u>	<u>-</u>	<u>1,784,772</u>

Currency risk sensitivity analysis

A 10 percent strengthening of the foreign currencies against Ringgit Malaysia at the end of each reporting period would have increased or decreased the Group's profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2020 RM	2021 RM	2022 RM
(Functional currency : RM)			
USD	235,294	339,468	174,743
EUR	4,475	22,332	15,601
RMB	(4,613)	8,269	58,265
NTD	(86,004)	(125,022)	(66,114)
	<u>149,152</u>	<u>245,047</u>	<u>182,495</u>
(Functional currency : USD)			
EUR	495	472	36,193
RMB	-	-	178,477
	<u>495</u>	<u>472</u>	<u>214,670</u>
Increase in profit before tax	<u>149,647</u>	<u>245,519</u>	<u>397,165</u>

A 10 per cent weakening of the foreign currencies against Ringgit Malaysia would have had equal but opposite effect on the Group's profit or loss by the amounts shown above, on the basis that all other variables remain constant.

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

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Incorporated in Malaysia

Accountants' Report (Cont'd)

28. Financial Instruments and Financial Risk Management (Cont'd)**28.2 Financial Risk Management (Cont'd)****(d) Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes of total borrowings - term loans, Tawarruq financing, revolving credit, accepted bills and lease liabilities.

The Group's total borrowings - revolving credit, accepted bills, lease liabilities and certain term loans are subject to interest based on fixed rates while the remaining term loans and Tawarruq financing are subject to interest based on floating rates.

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments at the end of the reporting periods is as follows :-

	2020 RM	2021 RM	2022 RM
<u>Fixed rate instruments</u>			
Term loan	-	-	451,616
Revolving credit	-	1,000,000	-
Accepted bills	-	-	367,834
Lease liabilities	1,555,580	630,672	1,297,728
	<u>1,555,580</u>	<u>1,630,672</u>	<u>2,117,178</u>
<u>Floating rate instruments</u>			
Term loan	4,130,481	3,162,285	2,023,464
Tawarruq financing	-	-	1,787,637
	<u>4,130,481</u>	<u>3,162,285</u>	<u>3,811,101</u>

Interest rate risk sensitivity analysis

As the Group's total borrowings - revolving credit, accepted bills, lease liabilities and certain term loans are based on fixed rates, a change in interest rates at the end of the reporting periods presented would not affect profit or loss or equity.

In respect of the floating rate term loans and Tawarruq financing, a change in interest rate by +/- 10 basis points ("bps") at the end of the respective financial years presented would have the following impact on the Group's profit or loss :-

	2020 RM	2021 RM	2022 RM
+10 bps	(4,130)	(3,162)	(3,811)
-10 bps	4,130	3,162	3,811

28.3 Fair Value of Financial Instruments

The carrying amounts of the Group's financial assets and financial liabilities are reasonable approximation of their fair values due to their short-term nature or insignificant impact of discounting or that they are floating rate instruments that are priced to market interest rates.

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**29. Capital Commitments**

	2020 RM	2021 RM	2022 RM
Approved and contracted for :-			
Acquisition of property, plant and equipment	-	696,293	-
Acquisition of Enterprise Resource Planning (ERP) software license	-	-	418,902
	<u>-</u>	<u>696,293</u>	<u>418,902</u>

30. Capital Management

The Group's objectives in managing capital are to maintain and safeguard the Group's ability to continue as a going concern so as to provide for returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. In order to maintain optimal capital structure, the Group may, from time to time, adjust dividend payment to shareholder, return capital to shareholders, issue new shares, obtain new financing facilities or dispose assets to reduce borrowings. Other than the capping of payment of dividend at 30% of annual net profit after tax imposed by one of the financial institutions on Easy Pack Machinery Sdn Bhd, the Group is not subject to any form of externally imposed capital requirements.

There were no changes in the Group's approach to capital management throughout the financial years under review.

In the management of capital risk, management takes into consideration the net debt equity ratio as well as the Group's working requirements as follows :-

	2020 RM	2021 RM	2022 RM
Trade payables	3,661,667	4,119,212	3,521,391
Other payables, deposits and accrued liabilities	16,934,333	22,699,266	29,081,274
Amount owing to directors	3,258,711	3,206,115	6,083
Bank borrowings	4,130,481	4,162,285	4,630,551
Lease liabilities	1,555,580	630,672	1,297,728
	<u>29,540,772</u>	<u>34,817,550</u>	<u>38,537,027</u>
Less: Fixed deposits with a licensed bank and Cash and bank balance	<u>(14,202,883)</u>	<u>(20,138,585)</u>	<u>(31,999,626)</u>
Net debt	<u>15,337,889</u>	<u>14,678,965</u>	<u>6,537,401</u>
Total equity	<u>23,539,215</u>	<u>30,000,933</u>	<u>42,459,027</u>
Net debt against equity ratio	<u>0.65</u>	<u>0.49</u>	<u>0.15</u>

12. ACCOUNTANTS' REPORT (cont'd)**EPB GROUP BERHAD**

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Accountants' Report (Cont'd)**31. Significant Event**

In connection with a proposed scheme ("the Scheme") for the listing of share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company has entered into five (5) separate Share Sale Agreement ("SSA") on 9 December 2022 for the purpose of acquisition of companies ("the Acquisitions") as summarised below :-

(i) Acquisition of Bestworld Engineering Sdn. Bhd. ("BW Engineering")

The Company has entered into a SSA with Yeoh Chee Min and Liew Meng Hooi to acquire the entire equity interest in BW Engineering comprising 800,000 ordinary shares in BW Engineering for a purchase consideration of RM3,455,000 to be satisfied through the issuance of 34,550,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

(ii) Acquisition of Bestworld Perkasa Ltd./Labuan ("BW Perkasa Labuan")

The Company has entered into a SSA with Yeoh Chee Min and Liew Meng Hooi to acquire the entire equity interest in BW Perkasa Labuan comprising 10,000 ordinary shares in BW Perkasa Labuan for a purchase consideration of RM6,592,000 to be satisfied through the issuance of 65,920,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

(iii) Acquisition of Easy Pack Machinery Sdn. Bhd. ("EP Machinery")

The Company has entered into a SSA with Yeoh Chee Min and Ooi Kim Kew to acquire the entire equity interest in EP Machinery comprising 2,165,000 ordinary shares in EP Machinery for a purchase consideration of RM15,468,000 to be satisfied through the issuance of 154,680,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

(iv) Acquisition of Easy Pack Machinery (KL) Sdn. Bhd. ("EP Machinery KL")

The Company entered into a SSA with Yeoh Chee Min and Teoh Joo Han to acquire the entire equity interest in EP Machinery KL comprising 583,000 ordinary shares in EP Machinery KL for a purchase consideration of RM2,129,000 to be satisfied through the issuance of 21,290,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

(v) Acquisition of Easy Pack Manufacturing (M) Sdn. Bhd. ("EP Manufacturing")

The Company entered into a SSA with Yeoh Chee Min and Ooi Kim Kew to acquire the entire equity interest in EP Manufacturing comprising 1,963,000 ordinary shares in EP Manufacturing for a purchase consideration of RM2,399,000 to be satisfied through the issuance of 23,990,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

In addition to the Acquisitions, the Scheme include :-

(i) The issuance of 71,570,000 new ordinary shares by the Company comprising :-

- public balloting of 19,570,000 new ordinary shares;
- pink form (for directors, key senior management, employees and business associates who have contributed to the success of the Group) of 21,196,000 new ordinary shares; and
- placement of 30,804,000 new ordinary shares.

(ii) An offer for sale by Yeoh Chee Min of 40,000,000 ordinary shares in the Company to the public.

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

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Accountants' Report (Cont'd)

31. Significant Event (Cont'd)

In addition to the Acquisitions, the Scheme include :- (Cont'd)

- (iii) The listing and quotation of the entire issued and paid-up share capital of the Company comprising 372,000,002 shares on the ACE Market of Bursa Securities.

The completion of the Acquisitions is subject to the following conditions precedent :-

- (i) The approval of Bursa Securities of the Scheme including the listing and quotation of all the issued shares of the Company on the Bursa Securities which approval shall be applied for by the Company;
- (ii) The approval of Ministry of Investment, Trade and Industry (MITI) of the Scheme including the sale and purchase of the shares and allocation of shares in the Company to approved Bumiputra investors;
- (iii) The approval of Securities Commission Malaysia's Equity Compliance Unit of the Scheme including the resultant equity structure of the Company under the Bumiputra equity requirement for public listed companies which approval shall be applied for by the Company;
- (iv) The approval of the shareholders of the Company in general meeting of the Scheme including the purchase of shares upon the terms and conditions herein set out and the issue of the consideration shares certified as fully paid up;
- (v) The approval of such other relevant authorities as are necessary for the implementation of the Scheme; and
- (vi) The simultaneous completion of the Acquisitions.

As at the date of this report, the Acquisitions, issuance of new ordinary shares and the listing and quotation of the Company's share capital on Bursa Securities are yet to be completed.

32. Subsequent Events

32.1 Payments of dividend

(a) BW Engineering

- (i) On 5 April 2023, the directors of BW Engineering declared an interim single tier tax-exempt dividend of RM0.3125 per ordinary share amounting to RM250,000 in respect of financial year ending 31 December 2023. This dividend was paid to its existing shareholders on 10 April 2023.
- (ii) On 11 May 2023, the directors of BW Engineering declared a second interim single tier tax-exempt dividend of RM2.3125 per ordinary share amounting to RM1,850,000 in respect of financial year ending 31 December 2023. This dividend was paid to its existing shareholders on 31 May 2023.

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)

32. Subsequent Events (Cont'd)

32.1 Payments of dividend (Cont'd)

(b) EP Machinery

On 25 May 2023, the directors of EP Machinery declared an interim single tier tax-exempt dividend of RM0.2309 per ordinary share amounting to RM500,000 in respect of financial year ending 31 December 2023. This dividend was paid to its existing shareholders on 31 May 2023.

(c) EP Machinery KL

On 25 May 2023, the directors of EP Machinery KL declared an interim single tier tax-exempt dividend of RM0.1715 per ordinary share amounting to RM100,000 in respect of financial year ending 31 December 2023. This dividend was paid to its existing shareholders on 31 May 2023.

32.2 Acquisition of Enterprise Resource Planning (ERP) software system

On 31 July 2023, the Group has entered into an agreement with a supplier for the acquisition of an ERP software system for a total consideration of RM891,542.

33. Approval of Combined Financial Statements

The combined financial statements have been approved for issue in accordance with a resolution of the Boards of Directors on 8 September 2023.

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)

Statement By Directors

We, YEOH CHEE MIN and LIEW MENG HOOI, being two of the Directors of EPB GROUP BERHAD, state that, in the opinion of the Directors, the accompanying combined financial statements of the Group as set out on pages 4 to 65 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Equity as issued by the Securities Commission Malaysia, so as to give a true and fair view of the combined financial positions of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and of their combined financial performances and combined cash flows for the financial years ended on those dates.

Sign in accordance with a resolution of the Board of Directors,



YEOH CHEE MIN
Director



LIEW MENG HOOI
Director

Pulau Pinang

Date : **08 SEP 2023**

13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

Folks DFK & Co (No. AF 0502)
Chartered Accountants



Date: **08 SEP 2023**

The Board of Directors
EPB GROUP BERHAD
PMT 1186, Jalan Perindustrian Bukit Minyak 18
Taman Perindustrian Bukit Minyak
Penang Science Park
14100 Simpang Ampat
Pulau Pinang

Dear Sirs,

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF EPB GROUP BERHAD AS AT 31 DECEMBER 2022

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of EPB Group Berhad ("EPB" or the "Company") and its proposed subsidiaries, namely Easy Pack Machinery Sdn. Bhd., Easy Pack Machinery (KL) Sdn. Bhd., Easy Pack Manufacturing (M) Sdn. Bhd., Bestworld Perkasa Ltd./Labuan and Bestworld Engineering Sdn. Bhd. together with its subsidiary, namely Bestworld Perkasa Ltd./United Arab Emirates (collectively referred to as the "Group") as at 31 December 2022 (the "Pro Forma Combined Statements of Financial Position"). The Pro Forma Combined Statements of Financial Position and the accompanying notes (the "Notes") which are set out in Attachment A (for which we have stamped for identification purposes) have been compiled by the Board of Directors of the Company (the "Directors") for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Combined Statements of Financial Position are specified in Chapter 9, Part II Division 1 : Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and are described in the Notes in Attachment A.

The Pro Forma Combined Statements of Financial Position have been compiled by the Directors to illustrate the impact of events or transactions as set out in the Notes in Attachment A on the Group's financial position as at 31 December 2022, as if such events or transactions had taken place on 31 December 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the audited financial statements of the Company and its respective proposed subsidiaries for the financial year ended 31 December 2022, on which audit reports have been issued without any qualification.

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis specified in the Prospectus Guidelines and as described in the Notes in Attachment A.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (cont'd)



Reporting Accountants' Independence and Quality Control (Cont'd)

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines about whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis specified in the Prospectus Guidelines and as described in the Notes in Attachment A.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis specified in the Prospectus Guidelines and as described in the Notes in Attachment A.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose of the Pro Forma Combined Statements of Financial Position for inclusion in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if such events had occurred or such transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of such events or transactions at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis specified in the Prospectus Guidelines and as described in the Notes in Attachment A involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether :-

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Combined Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (cont'd)



Opinion

In our opinion, the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis specified in the Prospectus Guidelines and as described in the Notes in Attachment A.

Other Matters

This report has been prepared solely to comply with the Prospectus Guidelines and for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the ACE Market of Bursa Malaysia Securities Berhad, and should not be used or relied upon for any other purposes. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to be "John H...", written over a horizontal line.

FOLKS DFK & CO.
No. : AF 0502
Chartered Accountants

A handwritten signature in black ink, appearing to be "Leong Kok Tong", written over a horizontal line.

LEONG KOK TONG
No. : 02973/11/2023 J
Chartered Accountant

13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*cont'd*)

EPB Group Berhad

Attachment A

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position

1. Introduction

The pro forma combined statements of financial position of EPB Group Berhad ("EPB" or the "Company"), Easy Pack Machinery Sdn. Bhd. ("EP Machinery"), Easy Pack Machinery (KL) Sdn. Bhd. ("EP Machinery KL"), Easy Pack Manufacturing (M) Sdn. Bhd. ("EP Manufacturing"), Bestworld Perkasa Ltd./Labuan ("BW Perkasa Labuan"), Bestworld Engineering Sdn. Bhd. ("BW Engineering") and Bestworld Perkasa Ltd./United Arab Emirates ("BW Perkasa UAE") as at 31 December 2022 (the "Pro Forma Combined Statements of Financial Position") and the notes thereon, for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only and for inclusion in the Prospectus of the Company in connection with the initial public offering and the listing and quotation of the entire enlarged issued shares of the Company on the ACE Market of Bursa Malaysia Securities Berhad (the "Listing").

The Pro Forma Combined Statements of Financial Position have been prepared based on the assumption that the Pre-Listing Transactions and the Listing Scheme as described in Notes 2 and 3 respectively, were effected on 31 December 2022. The Pro Forma Combined Statements of Financial Position may not, because of their nature, give a true picture of the Group's actual financial position. Further, such financial information does not purport to predict the future financial position of the Group.

2. Pre-Listing Transactions

Prior to the Listing exercise, the Company and the Group will undertake the following transactions :-

2.1 Payments of Dividend

(a) BW Engineering

- (i) On 5 April 2023, the directors of BW Engineering declared an interim single tier tax-exempt dividend of RM0.3125 per ordinary share amounting to RM250,000 in respect of financial year ending 31 December 2023. This dividend was paid to its existing shareholders on 10 April 2023.
- (ii) On 11 May 2023, the directors of BW Engineering declared a second interim single tier tax-exempt dividend of RM2.3125 per ordinary share amounting to RM1,850,000 in respect of financial year ending 31 December 2023. This dividend was paid to its existing shareholders on 31 May 2023.

(b) EP Machinery

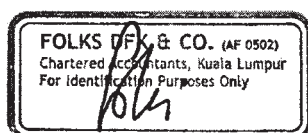
On 25 May 2023, the directors of EP Machinery declared an interim single tier tax-exempt dividend of RM0.2309 per ordinary share amounting to RM500,000 in respect of financial year ending 31 December 2023. This dividend was paid to its existing shareholders on 31 May 2023.

(c) EP Machinery KL

On 25 May 2023, the directors of EP Machinery KL declared an interim single tier tax-exempt dividend of RM0.1715 per ordinary share amounting to RM100,000 in respect of financial year ending 31 December 2023. This dividend was paid to its existing shareholders on 31 May 2023.

(d) BW Perkasa UAE

On 10 April 2023, the directors of BW Perkasa UAE declared to BW Engineering an interim dividend of USD5.3333 per ordinary share amounting to USD400,000 in respect of financial year ending 31 December 2023. This dividend was paid on 19 April 2023.



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (cont'd)

EPB Group Berhad

Attachment A

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position

2. Pre-Listing Transactions (Cont'd)

2.2 Pre-Listing Restructuring

To facilitate the Listing, the Company will undertake the following acquisitions :-

(a) Acquisition of the entire equity interest in EP Machinery

On 9 December 2022, the Company entered into a conditional share sale agreement ("SSA") with Yeoh Chee Min and Ooi Kim Kew to acquire the entire equity interest in EP Machinery comprising 2,165,000 ordinary shares in EP Machinery for a purchase consideration of RM15,468,000 to be satisfied through the issuance of 154,680,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

The purchase consideration of RM15,468,000 for the acquisition of EP Machinery was arrived at on a "willing-buyer, willing-seller" basis, after taking into consideration the audited net assets of EP Machinery as at 31 December 2021 of approximately RM15,468,000.

(b) Acquisition of the entire equity interest in EP Machinery KL

On 9 December 2022, the Company entered into a conditional SSA with Yeoh Chee Min and Teoh Joo Han to acquire the entire equity interest in EP Machinery KL comprising 583,000 ordinary shares in EP Machinery KL for a purchase consideration of RM2,129,000 to be satisfied through the issuance of 21,290,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

The purchase consideration of RM2,129,000 for the acquisition of EP Machinery KL was arrived at on a "willing-buyer, willing-seller" basis, after taking into consideration the audited net assets of EP Machinery KL as at 31 December 2021 of approximately RM2,129,000.

(c) Acquisition of the entire equity interest in EP Manufacturing

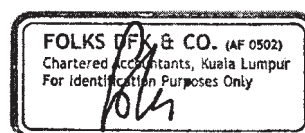
On 9 December 2022, the Company entered into a conditional SSA with Yeoh Chee Min and Ooi Kim Kew to acquire the entire equity interest in EP Manufacturing comprising 1,963,000 ordinary shares in EP Manufacturing for a purchase consideration of RM2,399,000 to be satisfied through the issuance of 23,990,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

The purchase consideration of RM2,399,000 for the acquisition of EP Manufacturing was arrived at on a "willing-buyer, willing-seller" basis, after taking into consideration the audited net assets of EP Manufacturing as at 31 December 2021 of approximately RM2,399,000.

(d) Acquisition of the entire equity interest in BW Engineering

On 9 December 2022, the Company entered into a conditional SSA with Yeoh Chee Min and Liew Meng Hooi to acquire the entire equity interest in BW Engineering comprising 800,000 ordinary shares in BW Engineering for a purchase consideration of RM3,455,000 to be satisfied through the issuance of 34,550,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

The purchase consideration of RM3,455,000 for the acquisition of BW Engineering was arrived at on a "willing-buyer, willing-seller" basis, after taking into consideration the audited consolidated net assets of BW Engineering and its subsidiary, namely BW Perkasa UAE as at 31 December 2021 of approximately RM3,455,000.



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (cont'd)

EPB Group Berhad

Attachment A

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position

2. Pre-Listing Transactions (Cont'd)

2.2 Pre-Listing Restructuring (Cont'd)

To facilitate the Listing, the Company will undertake the following acquisitions :- (Cont'd)

(e) Acquisition of the entire equity interest in BW Perkasa Labuan

On 9 December 2022, the Company entered into a conditional SSA with Yeoh Chee Min and Liew Meng Hooi to acquire the entire equity interest in BW Perkasa Labuan comprising 10,000 ordinary shares in BW Perkasa Labuan for a purchase consideration of RM6,592,000 to be satisfied through the issuance of 65,920,000 new ordinary shares of the Company at an issue price of RM0.10 per share.

The purchase consideration of RM6,592,000 for the acquisition of BW Perkasa Labuan was arrived at on a "willing-buyer, willing-seller" basis, after taking into consideration the audited net assets of BW Perkasa Labuan as at 31 December 2021 of approximately RM6,592,000.

(Collectively hereinafter referred to as the "Acquisitions")

3. Listing Scheme

The Listing of the Company involves the following :-

3.1 Initial Public Offering ("IPO")

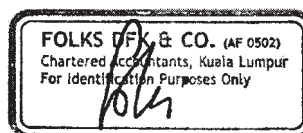
(a) Public Issue

Public issue of 71,570,000 new Shares ("Issue Shares") representing approximately 19.24% of the enlarged issued shares of the Company at an issue price of RM[●] per Issue Share. The Issue Shares will be offered in the following manner :-

- (i) 19,570,000 Issue Shares will be made available for application by the Malaysian public;
- (ii) 21,196,000 Issue Shares will be made available for application by the Directors of the Company, key senior management personnel, eligible employees and persons who have contributed to the success of the Group; and
- (iii) 30,804,000 Issue Shares will be made available for application by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry ("MITI").

(Collectively hereinafter referred to as the "Public Issue")

The proceeds to be raised from the Public Issue of RM[●] would be used for the Group's capital expenditure, working capital, repayment of bank borrowings and listing expenses as detailed in Note 5.4.



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*cont'd*)

EPB Group Berhad

Attachment A

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position

3. Listing Scheme (Cont'd)

3.1 Initial Public Offering ("IPO") (Cont'd)

(b) Offer for Sale

Offer for sale of 40,000,000 existing Shares representing approximately 10.75% of the enlarged issued shares of the Company at an issue price of RM[●] per Share. The Shares will be offered in the following manner :-

- (i) 15,696,000 Shares by way of private placement to Bumiputera investors approved by the MITI; and
- (ii) 24,304,000 Shares by way of private placement to selected investors.

(Collectively hereinafter referred to as the "Offer for Sale")

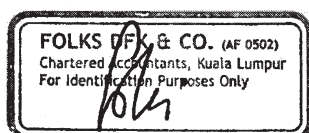
3.2 Listing and Quotation on the ACE Market of Bursa Malaysia Securities Berhad

The admission of EPB to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing and quotation of its entire enlarged issued shares comprising 372,000,002 Shares on the ACE Market of Bursa Securities.

4. Pro Forma Combined Statements of Financial Position as at 31 December 2022

The Pro Forma Combined Statements of Financial Position of the Group as at 31 December 2022 as set out below have been prepared for illustrative purposes only to show the effects on the combined statement of financial position of the Group as at 31 December 2022 had the transactions described in Notes 2 and 3 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Statement of Financial Position of the Company as at 31.12.2022 RM	Pro Forma I	Pro Forma II	Pro Forma III
		(Note 5.2)	(Note 5.3)	(Note 5.4)
		Pre-Listing Transactions RM	After Pro Forma I, Public Issue and Offer for Sale RM	After Pro Forma II and the Utilisation of Proceeds RM
Assets				
Non-Current Assets				
Property, plant and equipment	-	11,469,045	11,469,045	11,469,045
Right-of-use asset	-	5,684,677	5,684,677	5,684,677
Intangible assets	-	25,122	25,122	25,122
	-	17,178,844	17,178,844	17,178,844
Current Assets				
Inventories	-	13,969,439	13,969,439	13,969,439
Trade receivables	-	9,121,128	9,121,128	9,121,128
Other receivables, deposits and prepayments	-	11,146,558	11,146,558	11,146,558
Tax recoverable	-	380,141	380,141	380,141
Fixed deposits with a licensed bank	-	455,561	455,561	455,561
Cash and bank balances	1,960	28,844,065	[●]	[●]
	1,960	63,916,892	[●]	[●]
Total Assets	1,960	81,095,736	[●]	[●]



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*cont'd*)

EPB Group Berhad

Attachment A

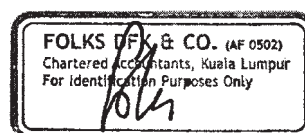
Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position

4. Pro Forma Combined Statements of Financial Position as at 31 December 2022 (Cont'd)

Audited Statement of Financial Position of the Company as at 31.12.2022 RM	Pro Forma I (Note 5.2)	Pro Forma II (Note 5.3)	Pro Forma III (Note 5.4)
	Pre-Listing Transactions RM	After Pro Forma I, Public Issue and Offer for Sale RM	After Pro Forma II and the Utilisation of Proceeds RM
Equity and Liabilities			
Equity Attributable to Owners of the Company			
Share capital	2 30,043,002	[•]	[•]
Merger deficit	- (24,490,640)	(24,490,640)	(24,490,640)
Translation reserve	- 427,371	427,371	427,371
(Accumulated losses)/Retained profits	(253,359) 33,779,294	33,779,294	[•]
Total Equity	(253,357) 39,759,027	[•]	[•]
Non-Current Liabilities			
Deferred tax liabilities	- 2,036,054	2,036,054	2,036,054
Bank borrowings	- 3,209,285	3,209,285	[•]
Lease liabilities	- 808,751	808,751	808,751
	- 6,054,090	6,054,090	[•]
Current Liabilities			
Bank borrowings	- 1,421,266	1,421,266	[•]
Lease liabilities	- 488,977	488,977	488,977
Trade payables	- 3,521,391	3,521,391	3,521,391
Other payables, deposits and accrued liabilities	253,317 29,081,274	29,081,274	29,081,274
Amount owing to directors	2,000 6,083	6,083	6,083
Tax payable	- 763,628	763,628	763,628
	255,317 35,282,619	35,282,619	[•]
Total Liabilities	255,317 41,336,709	41,336,709	[•]
Total Equity and Liabilities	1,960 81,095,736	[•]	[•]
Number of ordinary shares in issue	2 300,430,002	372,000,002	372,000,002
(Net liabilities) ("NL")/Net assets ("NA")	(253,357) 39,759,027	[•]	[•]
(NL)/NA per ordinary share in issue (RM)	(126,678.50) 0.13	[•]	[•]



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (cont'd)**EPB Group Berhad****Attachment A**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position**5. Notes to the Pro Forma Combined Statements of Financial Position as at 31 December 2022****5.1 Basis of Preparation**

The Pro Forma Combined Statements of Financial Position as at 31 December 2022 have been compiled by the Directors of the Company based on the audited financial statements of the Company as well as EP Machinery, EP Machinery KL, EP Manufacturing, BW Perkasa Labuan, BW Engineering and BW Perkasa UAE (collectively the "proposed subsidiaries") for the financial year ended 31 December 2022, which were prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the audited financial statements and accounting policies adopted by the Company and the proposed subsidiaries.

The audit reports on the audited financial statements of the Company and its proposed subsidiaries for the financial year ended 31 December 2022 used in the preparation of the Pro Forma Combined Statements of Financial Position as at 31 December 2022 were not subject to any qualification.

Subsidiaries arising from common control combinations are consolidated using the principles of merger accounting. The common control combinations are business combinations in which all the combining entities are ultimately controlled by the same parties before and after such combinations, and that control is not transitory. Under the principles of merger accounting, the assets and liabilities of the combining entities are consolidated using the existing book values from the controlling parties' perspective and the results of each of the combining entity are presented as if the combination had been effected throughout the current and previous comparative periods presented. On consolidation, the cost of investment is matched against the nominal value of ordinary shares of acquired subsidiaries and any difference is taken to equity as merger reserve or merger deficit.

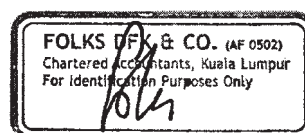
5.2 Pro Forma I

Pro Forma I incorporates the effects of payments of dividend as detailed in Notes 2.1(a) to (d) and the effects of the Acquisitions as detailed in Notes 2.2(a) to (e).

(a) Effects of payments of dividend**(i) Payments by BW Engineering, EP Machinery and EP Machinery KL (Notes 2.1(a) to (c))**

The effects of payments of dividend amounting to RM2,700,000 as at 31 December 2022 are stated as follows :-

	Cash and bank balances RM	Retained profits RM
Aggregate amount of the Company and its proposed subsidiaries	31,544,065	36,479,294
Payments of dividend		
- BW Engineering (Note 2.1(a)(i))	(250,000)	(250,000)
- BW Engineering (Note 2.1(a)(ii))	(1,850,000)	(1,850,000)
- EP Machinery (Note 2.1(b))	(500,000)	(500,000)
- EP Machinery KL (Note 2.1(c))	(100,000)	(100,000)
Pro Forma I	28,844,065	33,779,294



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (cont'd)

EPB Group Berhad

Attachment A

Registration No. : 202201007128 (1452825-U)

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Pro Forma Combined Statements of Financial Position**5. Notes to the Pro Forma Combined Statements of Financial Position as at 31 December 2022 (Cont'd)****5.2 Pro Forma I (Cont'd)****(a) Effects of payments of dividend (Cont'd)****(ii) Payment by BW Perkasa UAE to BW Engineering (Note 2.1(d))**

Deferred tax liability of RM1,867,492 associated with the undistributed profits of BW Perkasa UAE had been recognised in the consolidated financial statements of BW Engineering. In accordance with Schedule 6 Paragraph 28 of the Income Tax Act 1967, income derived from sources outside Malaysia and received in Malaysia by a resident in Malaysia shall be subjected to prevailing income tax with effect from 1 January 2022.

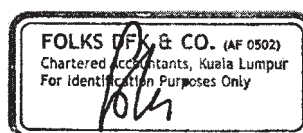
Upon payment of dividend from BW Perkasa UAE to BW Engineering, the deferred tax liability provided on undistributed profits will be reversed and current tax payable will be provided. The effects of deferred tax liability and current tax payable are as follows :-

	Deferred tax liability RM	Tax Payable RM
Aggregate amount of the Company and its proposed subsidiaries	2,457,494	342,188
Effects on dividend paid by BW Perkasa UAE to BW Engineering	(421,440)	421,440
Pro Forma I	<u>2,036,054</u>	<u>763,628</u>

(b) Effects of the Acquisitions

The Acquisitions are accounted for using the principles of merger accounting as the Company and the proposed subsidiaries are ultimately controlled by the same parties before and after the Acquisitions. The difference between the purchase consideration on the Acquisitions and the issued share capital of the proposed subsidiaries, are accounted for as a merger deficit as shown below :-

	RM
Purchase consideration for the Acquisitions of the proposed subsidiaries (Notes 2.2(a) to (e))	30,043,000
Less : Issued share capital of the proposed subsidiaries as at 31 December 2022	<u>(5,552,360)</u>
Merger deficit	<u>24,490,640</u>



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*cont'd*)

EPB Group Berhad

Attachment A

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Incorporated in Malaysia

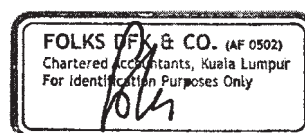
Pro Forma Combined Statements of Financial Position

5. Notes to the Pro Forma Combined Statements of Financial Position as at 31 December 2022 (Cont'd)

5.2 Pro Forma I (Cont'd)

The effects of payments of dividend and the Acquisitions on the Pro Forma Combined Statement of Financial Position as at 31 December 2022 are as follows :-

	Audited Statement of Financial Position of the Company as at 31.12.2022 RM	Effects of Payments of Dividend and Acquisitions RM	Proforma I RM
Property, plant and equipment	-	11,469,045	11,469,045
Right-of use assets	-	5,684,677	5,684,677
Intangible assets	-	25,122	25,122
Inventories	-	13,969,439	13,969,439
Trade receivables	-	9,121,128	9,121,128
Other receivables, deposits and prepayments	-	11,146,558	11,146,558
Tax recoverable	-	380,141	380,141
Fixed deposits with a licensed bank	-	455,561	455,561
Cash and bank balances	1,960	28,842,105	28,844,065
Share capital	2	30,043,000	30,043,002
Merger deficit	-	(24,490,640)	(24,490,640)
Translation reserve	-	427,371	427,371
(Accumulated losses)/Retained profits	(253,359)	34,032,653	33,779,294
Deferred tax liabilities	-	2,036,054	2,036,054
Bank borrowings :-			
- Non-current	-	3,209,285	3,209,285
- Current	-	1,421,266	1,421,266
Lease liabilities :-			
- Non-current	-	808,751	808,751
- Current	-	488,977	488,977
Trade payables	-	3,521,391	3,521,391
Other payables, deposits and accrued liabilities	253,317	28,827,957	29,081,274
Amount owing to directors	2,000	4,083	6,083
Tax payable	-	763,628	763,628



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*cont'd*)

EPB Group Berhad

Attachment A

Registration No. : 202201007128 (1452825-U)

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Pro Forma Combined Statements of Financial Position

5. Notes to the Pro Forma Combined Statements of Financial Position as at 31 December 2022 (Cont'd)

5.3 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I, Public Issue and Offer for Sale as detailed in Notes 3.1(a) and (b) respectively.

The Offer for Sale has no financial impact on the Group. The effects of Public Issue on the affected line items of the Pro Forma Combined Statement of Financial Position as at 31 December 2022 are as follows :-

	Cash and bank balances RM	Share capital RM
Balance as per Pro Forma I (Note 5.2)	28,844,065	30,043,002
Public Issue of 71,570,000 new Shares at an issue price of RM[●] per Issue Share	[●]	[●]
Pro Forma II	<u>[●]</u>	<u>[●]</u>

Thereafter, the entire enlarged issued Shares comprising 372,000,002 Shares will be listed on the ACE Market of Bursa Securities.

5.4 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the effects of utilisation of proceeds from the Public Issue.

The proceeds of RM[●] are intended to be used as follows :-

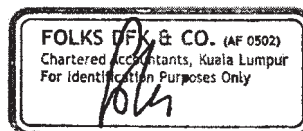
	RM
Capital expenditure (Note 5.4(a))	[●]
Working capital	[●]
Repayment of bank borrowings (Note 5.4(b))	[●]
Listing expenses (Note 5.4(c))	[●]
	<u>[●]</u>

(a) Capital expenditure

The estimated capital expenditure comprise the following :-

	RM
Acquisition of land	[●]
Construction of new factory and storage	[●]
Acquisition of new machinery	[●]
	<u>[●]</u>

As at 15 August 2023, being the latest practicable date prior to the date of the Prospectus ("LPD"), the RM[●] earmarked for the acquisition of land and new machinery and construction of a new factory. As at the LPD, the Group has yet to issue any purchase order or enter into sales and purchase agreement or any other contractual binding arrangement. Accordingly, the utilisation of proceeds for the acquisition of land and new machinery and construction of a new factory are not reflected in the Pro Forma Combined Statements of Financial Position.



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (cont'd)

EPB Group Berhad

Attachment A

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position

5. Notes to the Pro Forma Combined Statements of Financial Position as at 31 December 2022 (Cont'd)

5.4 Pro Forma III (Cont'd)

(b) Repayment of bank borrowings

As at the LPD, the total outstanding amount of the Group's bank borrowings is approximately RM4,960,000. While the Group has allocated proceeds of up to RM[●] to repay these liabilities, these liabilities are subject to prevailing interest rates, drawdowns and repayments from time to time. As such, the outstanding amount of these liabilities at the point of repayment may differ from the current amount as at the LPD.

(c) Listing expenses

The estimated listing expenses comprise the following :-

	RM
Professional fees	[●]
Fees to authorities	[●]
Underwriting, placement and brokerage fees	[●]
Other fees and expenses such as printing and advertising expenses incurred in connection with the Public Issue	[●]
Total	[●]

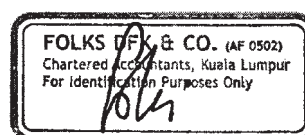
As at 31 December 2022, an aggregate amount of RM324,000 out of the total estimated listing expenses of RM[●] had already been charged to the retained profits.

Upon the completion of the IPO, listing expenses attributable to the new issuance of shares estimated at RM[●] will be deducted from the share capital of the Company and the remaining estimated listing expenses of RM[●] will be charged to the profit or loss of the Group.

(d) Summary of effects

The effects of the utilisation of proceeds from the Public Issue on the affected line items of the Pro Forma Combined Statement of Financial Position as at 31 December 2022 are as follows :-

	Bank borrowings RM	Cash and bank balances RM	Share capital RM	Retained profits RM
Balance as per Pro Forma II (Note 5.3)	4,630,551	[●]	[●]	33,779,294
Repayment of bank borrowings (Note 5.4(b)) :-				
- non-current	[●]	[●]	[●]	[●]
- current	[●]	[●]	[●]	[●]
Estimated listing expenses (Note 5.4(c)) :-				
- deducted from share capital	[●]	[●]	[●]	[●]
- charged to profit or loss	[●]	[●]	[●]	[●]
Pro Forma III	[●]	[●]	[●]	[●]



13. REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (cont'd)

EPB Group Berhad

Attachment A

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position

6. Approval by the Board of Directors

Approved and adopted by the Board of Directors of EPB Group Berhad in accordance with a resolution dated

08 SEP 2023

On behalf of the Board of Directors,



YEOH CHEE MIN
Director



LIEW MENG HOOI
Director

