

11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated as a private limited company under the name of EPB Group Sdn. Bhd. on 28 February 2022 in Malaysia under the Act. Our Company was converted to a public limited company under the name of EPB Group Berhad on 10 March 2023. Upon completion of the Pre-Listing Exercise, BW Engineering, BW Perkasa Labuan, EP Machinery, EP Machinery KL and EP Manufacturing become our wholly-owned subsidiaries (collectively, our “**Direct Subsidiaries**”); whilst BW Perkasa UAE, subsidiary of BW Engineering, become our indirect wholly-owned subsidiary.

The financial statements used in the preparation of our historical combined financial information for the Financial Years Under Review were prepared in accordance with the MFRS. All intra-group transactions and balances have been eliminated on combination. The following historical combined statements of profit or loss and other comprehensive income, historical combined statements of financial position and historical combined statements of cash flows should be read in conjunction with the Management’s Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 11.2 of this Prospectus and the Accountants’ Report as set out in Section 12 of this Prospectus.

11.1.1 Historical Combined Statements of Profit or Loss and Other Comprehensive Income

The historical combined statements of profit or loss and other comprehensive income for the Financial Years Under Review are summarised below: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM’000	RM’000	RM’000	RM’000
Revenue	61,689	75,717	89,114	122,116
COS	(41,135)	(50,163)	(58,655)	(81,758)
GP	20,554	25,554	30,459	40,358
Other income	1,104	1,211	2,576	1,217
Selling and distribution costs	(4,808)	(3,642)	(7,651)	(10,493)
Administrative expenses	(7,909)	(8,925)	(9,423)	(11,503)
Other expenses	(761)	(8)	(38)	(51)
Operating profit	8,180	14,190	15,923	19,528
Finance costs	(438)	(337)	(344)	(373)
PBT	7,742	13,853	15,579	19,155
Taxation	(1,444)	(1,927)	(3,297)	(4,897)
PAT attributable to owners of the parent	6,298	11,926	12,282	14,258
Other comprehensive (loss)/income: -				
Exchange differences on translation ⁽¹⁾	(83)	172	376	694
Total comprehensive income attributable to owners of the parent	6,215	12,098	12,658	14,952
EBITDA ⁽²⁾ (RM’000)	9,470	15,500	17,519	21,190
GP margin ⁽³⁾ (%)	33.32	33.75	34.18	33.05
PBT margin ⁽⁴⁾ (%)	12.55	18.30	17.48	15.69
PAT margin ⁽⁵⁾ (%)	10.21	15.75	13.78	11.68
Basic EPS ⁽⁶⁾ (sen)	2.10	3.97	4.09	4.75
Diluted EPS ⁽⁷⁾ (sen)	1.69	3.21	3.30	3.83
Effective tax rate ⁽⁸⁾ (%)	18.65	13.91	21.16	25.57

11. FINANCIAL INFORMATION (cont'd)Notes: -

- (1) Represent the exchange differences arising from translation of the financial statements of BW Perkasa Labuan and BW Perkasa UAE for the respective Financial Years Under Review, which were prepared and presented in USD.
- (2) EBITDA is computed as follows: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
PBT	7,742	13,853	15,579	19,155
<u>Add</u>				
Finance costs	438	337	344	373
Interest income	(27)	(46)	(9)	(53)
Depreciation and amortisation	1,317	1,356	1,605	1,715
EBITDA	9,470	15,500	17,519	21,190

- (3) GP margin is computed based on GP divided by revenue.
- (4) PBT margin is computed based on PBT divided by revenue.
- (5) PAT margin is computed based on PAT attributable to owners of the parent divided by revenue.
- (6) Basic EPS is computed based on PAT attributable to owners of the parent divided by the issued share capital of 300,430,002 Shares as at the LPD and before the IPO.
- (7) Diluted EPS is computed based on PAT attributable to owners of the parent divided by the enlarged issued share capital of 372,000,002 Shares after the IPO.
- (8) Effective tax rate is computed based on taxation divided by PBT.

11. FINANCIAL INFORMATION (cont'd)**11.1.2 Historical Combined Statements of Financial Position**

The historical combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are as follows: -

	Audited as at 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment ("PPE")	10,828	11,648	11,469	11,168
Right-of-use assets	6,735	5,184	5,685	4,967
Intangible assets	7	33	25	562
Total non-current assets	17,570	16,865	17,179	16,697
Current Assets				
Inventories	9,829	13,426	13,969	13,210
Trade receivables	11,877	11,720	9,121	10,271
Other receivables, deposits and prepayments	3,974	6,817	11,147	4,532
Tax recoverable	204	85	380	236
Fixed deposits with a licensed bank	-	5	456	467
Cash and bank balances	14,203	20,134	31,544	33,845
Total current assets	40,087	52,187	66,617	62,561
TOTAL ASSETS	57,657	69,052	83,796	79,258
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	-	-	*	*
Invested equity#	5,552	5,552	5,552	5,552
Foreign currency translation reserve	(121)	51	428	1,122
Retained profits	18,108	24,398	36,479	48,037
TOTAL EQUITY	23,539	30,001	42,459	54,711
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	767	895	2,458	2,499
Bank borrowings	3,065	2,055	3,209	2,152
Lease liabilities	710	306	809	425
Total non-current liabilities	4,542	3,256	6,476	5,076
Current liabilities				
Bank borrowings	1,065	2,107	1,421	1,076
Lease liabilities	846	325	489	319
Trade payables	3,662	4,119	3,522	6,109
Other payables, deposits and accrued liabilities	16,934	22,699	29,081	11,340
Amount owing to directors	3,259	3,206	6	-
Current tax liabilities	900	968	342	627
Dividend payable	2,910	2,371	-	-
Total current liabilities	29,576	35,795	34,861	19,471
TOTAL LIABILITIES	34,118	39,051	41,337	24,547
TOTAL EQUITY AND LIABILITIES	57,657	69,052	83,796	79,258

11. FINANCIAL INFORMATION (cont'd)Notes: -

* Represents RM2.00.

Represents the aggregate of the share capital of our Direct Subsidiaries.

11.1.3 Historical Combined Statements of Cash Flows

The historical combined statements of cash flows for the Financial Years Under Review are summarised below: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	8,649	13,117	14,688	7,090
Net cash used in investing activities	(2,069)	(376)	(820)	(879)
Net cash used in financing activities	(6,401)	(7,320)	(2,500)	(4,942)
Net increase in cash and cash equivalents	179	5,421	11,368	1,269
Effects of foreign exchange difference on cash and cash equivalents	(6)	515	493	1,043
Cash and cash equivalents at beginning of year	14,030	14,203	20,139	32,000
Cash and cash equivalents at end of year	14,203	20,139	32,000	34,312
Details of the cash and cash equivalents: -				
Fixed deposits with a licensed bank	-	5	456	467
Cash and bank balances	14,203	20,134	31,544	33,845
	14,203	20,139	32,000	34,312

[The rest of this page has been intentionally left blank]

11. FINANCIAL INFORMATION (cont'd)

11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis on our financial condition and results of operations for the Financial Years Under Review should be read in conjunction with the historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 12 of this Prospectus.

The discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those anticipated in the forward-looking statements, as a result of a number of factors including, but are not limited to, those discussed below and elsewhere in this Prospectus; particularly the risk factors as set out in Section 9 of this Prospectus.

11.2.1 Overview of Our Operations
(a) Principal activities

Our Group is primarily involved in the following: -

- (i) 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. For avoidance of doubt, industrial robots and related accessories are not separate products offered by our Group. The industrial robots and related accessories are integrated within the food processing and packaging machinery solutions to be offered to our customers. Similarly, laboratory equipment and its related accessories are not separate products offered by our Group. These are food processing and packaging machinery solutions to be offered to universities for laboratory use in relation to food science and technology research;
- (ii) trading of cellulose casings; and
- (iii) manufacturing and trading of flexible packaging materials.

For further details on our business overview, please refer to Section 7.2 of this Prospectus.

(b) Revenue

Our Group's revenue for the Financial Years Under Review were derived from the following business segments: -

(i) Provision of food processing and packaging machinery solutions

Under this business segment, we provide food processing and packaging machinery solutions targeting various food products; catering primarily to food manufacturing and processing companies. We integrate in-house and/or third-party food processing and/or packaging machinery and components to form large-scale automated processing and/or packaging lines; which are designed and customised based on our customers' needs.

Products/services supplied to our customers under this business segment consist of: -

- food processing and/or packaging lines, comprising in-house and/or third-party food processing and/or packaging machinery and components, which have been designed, customised and integrated based on our customers' needs;

11. FINANCIAL INFORMATION (cont'd)

- replacement parts and components for the food processing and/or packaging lines; and
- after-warranty period maintenance and repair services.

Our revenue is recognised upon delivery to and acceptance of our products and services by our customers. Our sales are primarily denominated in RM and USD. We do not practise any fixed pricing policy. The selling prices of our products and services are determined and negotiated on a case-by-case basis, and may vary according to various factors such as raw materials/inputs prices, our customers' specifications and requirements for the food processing and packaging machinery solutions, and delivery lead time amongst others.

Due to the nature of our business where our products are customised based on our customers' orders, our products vary in terms of design, specification, size, and raw materials/inputs required.

Our primary source of revenue is derived from this business segment, contributing 82.65%, 80.21%, 81.43% and 82.33% of our Group's total revenue respectively for the Financial Years Under Review.

We provide our food processing and packaging machinery solutions to both the local and overseas markets. For the Financial Years Under Review, local market contributed 44.12%, 49.65%, 53.59% and 32.35% of our revenue derived from this business segment; whilst overseas markets contributed 55.88%, 50.35%, 46.41% and 67.65% of our revenue derived from this business segment, primarily from our customers based in the Philippines (which include amongst others, our major customers namely, Customer A, Sandiwa 85 Cold Storage Corporation, Frabelle Cold Storage Corporation, Customer B and Customer C) and Indonesia (which include amongst others, our major customers namely, PT. Wonokoyo Jaya Corporindo, PT. Ciomas Adisatwa, PT. Kusuma Sarana Pangan, PT. Dagsap Endura Eatore, PT. Petra Sejahtera Abadi. PT. Macroprima Panganutama and Customer D). Please refer to Section 7.16 of this Prospectus for further details on our major customers.

(ii) Trading of cellulose casings

To complement our core business operation in the provision of food processing and packaging machinery solutions, we also ventured into the trading of cellulose casings; which are used mainly in the processing and manufacturing of a variety of frozen food products, predominantly in the production of sausage. Cellulose casings are consumables used by frozen food manufacturing and processing companies to shape and protect the meat during the production processes.

Our revenue is recognised upon delivery to and acceptance of our products by our customers. Our sales are primarily denominated in USD. We do not practise any fixed pricing policy, although the pricing for individual recurring customers may be maintained within a consistent range for a certain period. The selling prices of our products and services are determined and negotiated on a case-by-case basis, and may vary according to various factors such as raw materials/inputs prices, volume of order, and future prospects of recurring orders from our customers amongst others.

Revenue from this business segment contributed 11.11%, 12.86%, 13.36% and 11.92% of our Group's total revenue respectively for the Financial Years Under Review. We supply the cellulose casings primarily to overseas markets. For the Financial Years Under Review, overseas markets contributed 99.18%, 91.78%, 100.00% and 100.00% of our revenue derived from this business segment; primarily from our customers based in Indonesia namely PT.

11. FINANCIAL INFORMATION (cont'd)

Wonokoyo Jaya Corporindo and PT. Dagsap Endura Eatore. Please refer to Section 7.16 of this Prospectus for further details on our major customers.

(iii) Manufacturing and trading of flexible packaging materials

Revenue generated from this business segment primarily consist of supply of packaging films and packaging bags, which are generally targeted to food manufacturing and processing companies (accounting for approximately 97.30%, 95.39%, 88.78% and 58.98% of our revenue generated from this business segment for the Financial Years Under Review), personal care manufacturers (accounting for approximately 1.53%, 2.91%, 6.87% and 36.18% of our revenue generated from this business segment for the Financial Years Under Review) and pet food manufacturers (accounting for 3.10% and 4.05% of our revenue generated from this business segment for the FYE 2022 and FYE 2023 respectively).

Products sold to our customers under this business segment consist of the following: -

- packaging films and/or packaging bags manufactured in-house by our subsidiary, EP Manufacturing;
- packaging films and/or packaging bags sourced from external suppliers; and
- other miscellaneous items used in packaging such as oxygen absorber sourced from external suppliers.

Our revenue is recognised upon delivery to and acceptance of our products by our customers. Our sales are primarily denominated in RM. We do not practise any fixed pricing policy, although the pricing for individual recurring customers may be maintained within a consistent range for a certain period. The selling prices of our products and services are determined and negotiated on a case-by-case basis, and may vary according to various factors such as raw materials/inputs prices, volume of order, and future prospects of recurring orders from our customers amongst others.

Revenue from this business segment contributed 6.24%, 6.93%, 5.21% and 5.75% of our Group's total revenue respectively for the Financial Years Under Review. We supply the flexible packaging materials primarily to local market. For the Financial Years Under Review, local market contributed 97.95%, 96.29%, 97.46% and 64.62% of our revenue derived from this business segment.

Our success is dependent on our ability to continually secure new orders from existing and new customers in relation to our three (3) business segments namely, food processing and packaging machinery solutions, trading of cellulose casings and manufacturing and trading of flexible packaging materials. Our products and services (after-sales maintenance and repair works), particularly in relation to our food processing and packaging machinery solutions business segment, are generally offered on a one-off basis customised in accordance with our customers' needs and specifications; whilst our sales for the manufacturing and trading of flexible packaging materials business segment are generally based on individual confirmed orders from our customers. For our trading of cellulose casings, although we have entered into supply contract with two of our major customers (namely, PT. Wonokoyo Jaya Corporindo and PT. Dagsap Endura Eatore), the actual sale delivery will still be subject to confirmation from the said customers. Please refer to Section 9.1.1 of this Prospectus for further details on the risk factor that our financial performance is dependent on our ability to continually secure new orders from existing and new customers.

11. FINANCIAL INFORMATION (cont'd)

(c) COS

Our COS consists of the following: -

(i) Raw materials/inputs costs

Raw materials/inputs costs represent our key cost component, accounting for 90.48%, 91.84%, 92.01% and 92.81% of our Group's total COS respectively for the Financial Years Under Review. Please refer to Section 7.18 of this Prospectus for further details of the raw materials/inputs consumed by us to be used in our business operations.

We source our raw materials/inputs from both local and foreign suppliers. We obtain quotations for the requisite raw materials/inputs from our suppliers before we submit our quotation to our customers. Actual purchases of raw materials/inputs will only be made upon confirmation of orders from our customers.

Due to the nature of our business where our products are customised according to our customers' orders, the raw materials/inputs consumed for each order vary in terms of type of machinery and components required by our customers. As such, the raw materials/inputs costs vary from one order to another depending on our customers' needs and requirements.

Food-safe metal is used for parts of machinery which has direct contact with food ingredients to be processed/packaged, whilst for other parts of machinery which are not exposed to food ingredients, the grade of metal to be used would be subject to customers' requirements and specifications and functionality.

(ii) Direct labour costs

Direct labour costs consist of payroll costs (such as salaries, wages, bonuses and statutory contributions) and other staff-related costs incurred in relation to our employees deployed in the production function (i.e. employees who are involved in the fabrication and assembly activities for the food processing and packaging machinery solutions business segment, as well as employees who are involved in the production for the manufacturing and trading of flexible packaging materials business segment). Direct labour costs accounting for 3.20%, 2.58%, 2.35% and 1.77% of our Group's total COS respectively for the Financial Years Under Review.

(iii) Overheads costs

Overheads costs mainly consist of payroll costs (such as salaries, wages, bonuses and statutory contributions) and other staff-related costs incurred in relation to our employees deployed in the ancillary/supporting functions for production activities (i.e. design and engineering, installation, warehouse, and logistics), depreciation of PPE used in the production activities, utilities costs, as well as upkeep and maintenance expenses amongst others.

(d) Other income

Other income mainly consists of foreign exchange gain, rental income, wage subsidy received from government, forfeiture of customer deposit and reversal of allowance for impairment losses on trade receivables.

11. FINANCIAL INFORMATION (cont'd)

(e) Selling and distribution costs

Selling and distribution costs mainly consist of payroll costs incurred in relation to employees deployed in the sales and marketing function, sales commission paid, travelling and accommodation expenses, as well as marketing and business development expenses.

(f) Administrative and other expenses

Administrative and other expenses mainly consist of payroll costs and other staff-related costs incurred in relation to employees deployed in the administrative and support functions (such as human resource and finance), depreciation and amortisation expenses, professional fees, allowances for impairment losses on trade receivables and PPE, as well as foreign exchange loss amongst others.

(g) Finance costs

Finance costs consist of interest expenses incurred on bank borrowings and credit facilities (comprising term loans, Tawarruq financing, revolving credit, bank overdraft and accepted bills), interest costs on lease liabilities, as well as bank charges and commitment fee.

(h) Recent developments

Save for the Pre-Listing Exercise, there were no other significant events subsequent to our Group's latest audited combined financial statements for the FYE 2023.

(i) Audit qualifications

Our audited combined financial statements for the Financial Years Under Review were not subjected to any audit qualifications.

(j) Accounting policies that are peculiar to our business

There are no accounting policies that are peculiar to our business as the nature of our business does not require any special accounting policies. Please refer to the Accountants' Report as set out in Section 12 of this Prospectus for further details on the accounting policies of our Group.

[The rest of this page has been intentionally left blank]

11. FINANCIAL INFORMATION (cont'd)**11.2.2 Results of Our Operations****(i) Revenue****Analysis of revenue by business segment**

The breakdown of our Group's revenue by business segment is as follows: -

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Food processing and packaging machinery solutions	50,985	82.65	60,731	80.21	72,569	81.43	100,537	82.33
Trading of cellulose casings	6,854	11.11	9,737	12.86	11,902	13.36	14,558	11.92
Manufacturing and trading of flexible packaging materials	3,850	6.24	5,249	6.93	4,643	5.21	7,021	5.75
Total	61,689	100.00	75,717	100.00	89,114	100.00	122,116	100.00

Analysis of revenue by geographical location

The breakdown of our Group's revenue by geographical location is as follows: -

	Food processing and packaging machinery solutions		Trading of cellulose casings		Manufacturing and trading of flexible packaging materials		Total Revenue	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
FYE 2020								
Malaysia	22,494	44.12	56	0.82	3,771	97.95	26,321	42.67
Foreign countries: -								
Indonesia	4,539	8.90	6,798	99.18	-	-	11,337	18.38
Philippines	17,465	34.26	-	-	-	-	17,465	28.31
USA	1,523	2.99	-	-	-	-	1,523	2.47
Myanmar	1,201	2.36	-	-	-	-	1,201	1.95
Others ⁽¹⁾	3,763	7.37	-	-	79	2.05	3,842	6.22
Subtotal	28,491	55.88	6,798	99.18	79	2.05	35,368	57.33
Total	50,985	100.00	6,854	100.00	3,850	100.00	61,689	100.00

11. FINANCIAL INFORMATION (cont'd)

	Food processing and packaging machinery solutions		Trading of cellulose casings		Manufacturing and trading of flexible packaging materials		Total Revenue	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
FYE 2021								
Malaysia	30,151	49.65	800	8.22	5,054	96.29	36,005	47.55
Foreign countries: -								
Indonesia	11,709	19.28	8,937	91.78	-	-	20,646	27.27
Philippines	12,131	19.97	-	-	-	-	12,131	16.02
USA	648	1.07	-	-	-	-	648	0.86
Myanmar	290	0.48	-	-	-	-	290	0.38
Others ⁽¹⁾	5,802	9.55	-	-	195	3.71	5,997	7.92
Subtotal	30,580	50.35	8,937	91.78	195	3.71	39,712	52.45
Total	60,731	100.00	9,737	100.00	5,249	100.00	75,717	100.00
FYE 2022								
Malaysia	38,892	53.59	-	-	4,525	97.46	43,417	48.72
Foreign countries: -								
Indonesia	20,428	28.15	11,902	100.00	-	-	32,330	36.28
Philippines	8,187	11.28	-	-	-	-	8,187	9.19
USA	138	0.19	-	-	-	-	138	0.15
Myanmar	12	0.02	-	-	96	2.07	108	0.12
Others ⁽¹⁾	4,912	6.77	-	-	22	0.47	4,934	5.54
Subtotal	33,677	46.41	11,902	100.00	118	2.54	45,697	51.28
Total	72,569	100.00	11,902	100.00	4,643	100.00	89,114	100.00
FYE 2023								
Malaysia	32,523	32.35	-	-	4,537	64.62	37,060	30.35
Foreign countries: -								
Indonesia	16,964	16.87	14,558	100.00	-	-	31,522	25.81
Philippines	43,681	43.45	-	-	-	-	43,681	35.77
USA	120	0.12	-	-	-	-	120	0.10
Algeria	-	-	-	-	2,040	29.06	2,040	1.67
Others ⁽¹⁾	7,249	7.21	-	-	444	6.32	7,693	6.30
Subtotal	68,014	67.65	14,558	100.00	2,484	35.38	85,056	69.65
Total	100,537	100.00	14,558	100.00	7,021	100.00	122,116	100.00

Note: -

(1) Others consist of Australia, Bahrain, Brunei, Burundi, Canada, Chile, China, Egypt, France, Germany, India, Italy, Kenya, Laos, Liberia, Malawi, Maldives, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Pakistan, Papua New Guinea, Portugal, Qatar, Saudi Arabia, Seychelles, Singapore, Slovakia, South Africa, Sri Lanka, Sweden, Taiwan, Tanzania, Thailand, United Arab Emirates, United Kingdom, Vietnam, Yemen and Zambia.

Comparison between FYE 2020 and FYE 2021

Our Group's revenue increased by RM14.03 million or 22.74% to RM75.72 million for the FYE 2021 (FYE 2020: RM61.69 million), contributed by the growth in revenue from all of our business segments, as elaborated further below.

Food processing and packaging machinery solutions business segment remained to

11. FINANCIAL INFORMATION (cont'd)

be our primary revenue contributor, generating RM60.73 million or 80.21% of our Group's total revenue for the FYE 2021 (FYE 2020: RM50.99 million or 82.65%), increased by RM9.74 million or 19.10% as compared to the FYE 2020. The increase was attributable to the following: -

- (i) increase in revenue derived from the local market amounting to RM7.66 million, primarily due to higher sales to food manufacturing and processing companies which were mainly driven by increased level of integration and automation as well as complexity of the specifications and requirements in relation to the food processing and packaging machinery solutions required by our customers, as there are growing demands for food manufacturing and processing companies to integrate and automate their production activities to reduce reliance on manual labour and enhance efficiency; and
- (ii) overall increase in revenue derived from the overseas market amounting to RM2.09 million, mainly due to higher sales to customers based in Indonesia, which was partially offset by lower sales to customers based in the Philippines. The aforementioned fluctuations in revenue were mainly due to increased level of integration and automation as well as complexity of the specifications and requirements in relation to the food processing and packaging machinery solutions required by our customers. Our machinery solutions are customised in accordance to the individual customers' specifications and requirements and hence, our selling prices are not fixed and would fluctuate depending on the level of integration and automation as well as complexity of the customers' specifications and requirements.

Our trading of cellulose casings business segment generated RM9.74 million or 12.86% of our Group's total revenue for the FYE 2021 (FYE 2020: RM6.85 million or 11.11%), increased by RM2.89 million or 42.19% as compared to the FYE 2020. The increase was attributable to the following: -

- (i) overall increase in revenue derived from the overseas market amounting to RM2.14 million, mainly due to higher sales volume recorded from two (2) of our major customers based in Indonesia (namely PT. Wonokoyo Jaya Corporindo and PT. Dagsap Endura Eatore); and
- (ii) overall increase in revenue derived from the local market amounting to RM0.75 million, mainly due to higher sales volume received from two (2) local food processing and manufacturing companies.

Our manufacturing and trading of flexible packaging materials business segment generated RM5.25 million or 6.93% of our Group's total revenue for the FYE 2021 (FYE 2020: RM3.85 million or 6.24%), increased by RM1.40 million or 36.36% as compared to the FYE 2020. The improvement was mainly attributable to higher demands from the local market for our flexible packaging materials, with revenue increased by RM1.28 million or 33.95% to RM5.05 million for the FYE 2021 (FYE 2020: RM3.77 million); in line with the increase in our customer base for this business segment from over 80 transacted customers for the FYE 2020 to over 100 transacted customers for the FYE 2021. There is an increasing amount of food products in Malaysia that are packaged in the manner that are convenient for their consumers to consume or prepare. The increase in demand for these types of packaged food products is expected to lead to higher needs for various types of packaging materials and products.

Comparison between FYE 2021 and FYE 2022

Our Group's revenue increased by RM13.39 million or 17.68% to RM89.11 million for the FYE 2022 (FYE 2021: RM75.72 million), mainly due to higher revenue recorded for our food processing and packaging machinery solutions business segment and trading of cellulose casings business segment as elaborated further below.

11. FINANCIAL INFORMATION (cont'd)

Food processing and packaging machinery solutions business segment remained to be our primary revenue contributor, generating RM72.57 million or 81.43% of our Group's total revenue for the FYE 2022 (FYE 2021: RM60.73 million or 80.21%), increased by RM11.84 million or 19.50% as compared to the FYE 2021. The increase was attributable to the following: -

- (i) increase in revenue derived from the local market amounting to RM8.74 million, primarily due to higher sales to food manufacturing and processing companies which were mainly driven by increased level of integration and automation as well as complexity of the specifications and requirements in relation to the food processing and packaging machinery solutions required by our customers, as there are growing demands for food manufacturing and processing companies to integrate and automate their production activities to reduce reliance on manual labour and enhance efficiency; and
- (ii) overall increase in revenue derived from the overseas market amounting to RM3.10 million, mainly due to higher sales to customers based in Indonesia, which was partially offset by lower sales to customers based in the Philippines. The aforementioned fluctuations in revenue were mainly due increased level of integration and automation as well as complexity of the specifications and requirements in relation to the food processing and packaging machinery solutions required by our customers. Our machinery solutions are customised in accordance to the individual customers' specifications and requirements and hence, our selling prices are not fixed and would fluctuate depending on the level of integration and automation as well as complexity of the customers' specifications and requirements.

Our trading of cellulose casings business segment generated RM11.90 million or 13.36% of our Group's total revenue for the FYE 2022 (FYE 2021: RM9.74 million or 12.86%), increased by RM2.16 million or 22.18% as compared to the FYE 2021. The increase was attributable to overall increase in revenue derived from the overseas market amounting to RM2.96 million, mainly due to higher sales recorded from two (2) of our major customers based in Indonesia (namely PT. Wonokoyo Jaya Corporindo and PT. Dagsap Endura Eatore) which were driven by increase in sales volume and increase in average selling prices and additional sales to a new customer based in Indonesia (namely, PT. Rama Putra). The improvement was, however, partially offset by the decrease in revenue from local market amounting to RM0.80 million; as a result of no recurring orders received from our local customers for the supply of cellulose casings.

Our manufacturing and trading of flexible packaging materials business segment generated RM4.64 million or 5.21% of our Group's total revenue for the FYE 2022 (FYE 2021: RM5.25 million or 6.93%), decreased by RM0.61 million or 11.62% as compared to the FYE 2021. The decrease was mainly due to lower orders received from the local market for our flexible packaging materials, with revenue reduced by RM0.52 million or 10.30% to RM4.53 million for the FYE 2022 (FYE 2021: RM5.05 million); in line with the decrease in our customer base for this business segment from over 100 transacted customers for the FYE 2021 to over 80 transacted customers for the FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our Group's revenue increased by RM33.01 million or 37.04% to RM122.12 million for the FYE 2023 (FYE 2022: RM89.11 million), contributed by the growth in revenue from all of our business segments, as elaborated further below.

Our food processing and packaging machinery solutions business segment remained as our primary revenue contributor, generating RM100.54 million or 82.33% of our Group's total revenue for the FYE 2023 (FYE 2022: RM72.57 million or 81.43%), increased by RM27.97 million or 38.54% as compared to the FYE 2022. The increase was attributable to the overall increase in revenue derived from the overseas market amounting to RM34.34 million, mainly due to higher sales recorded from customers based in the Philippines. The aforementioned fluctuations in revenue were mainly

11. FINANCIAL INFORMATION (cont'd)

driven by increased level of integration and automation as well as complexity of the specifications and requirements in relation to the food processing and packaging machinery solutions required by our overseas customers, and higher sales of RM27.28 million to our major customer, Customer B who previously sourced goods from our Group through Customer A prior to the FYE 2023. The increase was, however, partially offset by lower sales derived from the local market amounting to RM6.37 million; mainly due to an overall decrease in complexity of customers' specifications and requirements in relation to the food processing and packaging machinery solutions sold to our local customers.

Our trading of cellulose casings business segment generated RM14.56 million or 11.92% of our Group's total revenue for the FYE 2023 (FYE 2022: RM11.90 million or 13.36%), increased by RM2.66 million or 22.35% as compared to the FYE 2022. The increase was mainly attributable to higher sales volume recorded from two (2) of our major customers based in Indonesia (namely, PT. Wonokoyo Jaya Corporindo and PT. Dagsap Endura Eatore) and a revision of the selling price for sales to PT. Dagsap Endura Eatore.

Our manufacturing and trading of flexible packaging materials business segment generated RM7.02 million or 5.75% of our Group's total revenue for the FYE 2023 (FYE 2022: RM4.64 million or 5.21%), increased by RM2.38 million or 51.29% as compared to the FYE 2022; mainly attributable to additional sales of RM2.04 million secured from a new customer based in Algeria (namely, Sarl Driouche Cosmetiques) during the FYE 2023.

(ii) COS, GP and GP margin**Analysis of COS by business segment**

The breakdown of our COS by business segment is as follows: -

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Food processing and packaging machinery solutions	33,972	82.59	39,455	78.65	46,467	79.22	67,095	82.07
Trading of cellulose casings	4,734	11.51	7,216	14.39	9,005	15.35	10,236	12.52
Manufacturing and trading of flexible packaging materials	2,429	5.90	3,492	6.96	3,183	5.43	4,427	5.41
Total	41,135	100.00	50,163	100.00	58,655	100.00	81,758	100.00

11. FINANCIAL INFORMATION (cont'd)**Analysis of COS by cost component**

The breakdown of our COS by cost component is as follows: -

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Raw materials/inputs costs	37,219	90.48	46,068	91.84	53,966	92.01	75,880	92.81
Direct labour costs	1,315	3.20	1,292	2.58	1,379	2.35	1,448	1.77
Overheads costs	2,601	6.32	2,803	5.58	3,310	5.64	4,430	5.42
Total	41,135	100.00	50,163	100.00	58,655	100.00	81,758	100.00

Analysis of GP and GP margin by business segment

GP	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Food processing and packaging machinery solutions	17,013	82.77	21,276	83.25	26,102	85.70	33,442	82.86
Trading of cellulose casings	2,120	10.32	2,521	9.87	2,897	9.51	4,322	10.71
Manufacturing and trading of flexible packaging materials	1,421	6.91	1,757	6.88	1,460	4.79	2,594	6.43
Total	20,554	100.00	25,554	100.00	30,459	100.00	40,358	100.00

GP margin	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	%	%	%	%
Food processing and packaging machinery solutions	33.37	35.03	35.97	33.26
Trading of cellulose casings	30.93	25.89	24.34	29.69
Manufacturing and trading of flexible packaging materials	36.91	33.47	31.45	36.95
Overall	33.32	33.75	34.18	33.05

Comparison between FYE 2020 and FYE 2021

Our Group's total COS increased by RM9.02 million or 21.93% to RM50.16 million for the FYE 2021 (FYE 2020: RM41.14 million), in line with the revenue growth from all of our business segments during the FYE 2021, mainly due to higher raw materials/input costs incurred amounting to RM8.85 million in order to fulfil the increase in customers' orders for all of our business segments during the FYE 2021.

Our Group's total GP increased by RM5.00 million or 24.33% to RM25.55 million for the FYE 2021 (FYE 2020: RM20.55 million); mainly in line with the revenue growth from all of our business segments for the aforesaid financial years.

11. FINANCIAL INFORMATION (cont'd)

Our Group's overall GP margin improved from 33.32% for the FYE 2020 to 33.75% for the FYE 2021, mainly due to better GP margin recorded by our food processing and packaging machinery solutions business segment. The selling prices and GP margin of our products and services are determined and negotiated on a case-by-case basis, and may vary according to various factors such as raw materials/inputs prices, our customers' specifications and requirements for the food processing and packaging machinery solutions, our customers' budget for capital expenditure, and delivery lead time amongst others. Our food processing and packaging machinery solutions business segment enjoyed improved GP margin for the FYE 2021, mainly due to better selling prices in line with our customers' expectations for higher automation and integration for their food processing and packaging production lines.

The better GP margin from our food processing and packaging machinery solutions business segment was, however, partially offset by lower GP margin from both our trading of cellulose casings business segment and manufacturing and trading of flexible packaging materials business segment mainly due to the following: -

- (a) overall increase in the raw materials/inputs costs of cellulose casings and flexible packaging films, of which we could not immediately and fully pass-on to our recurring customers, as we have entered into agreements with two of our major customers (namely, PT. Dagsap Endura Eatore and PT. Wonokoyo Jaya Corporindo) to supply cellulose casings at agreed selling prices; and
- (b) overall increase in the raw materials/inputs costs of flexible packaging films, of which we could not immediately and fully pass-on to our recurring customers in order to maintain a good business relationship. Any price revision would be negotiated with the recurring customers before implementation, to ensure our pricing remains competitive.

Comparison between FYE 2021 and FYE 2022

Our Group's total COS increased by RM8.50 million or 16.95% to RM58.66 million for the FYE 2022 (FYE 2021: RM50.16 million), in line with the revenue growth from our food processing and packaging machinery solutions business segment and trading of cellulose casings business segment for the FYE 2022, primarily attributable to the following: -

- (a) higher raw materials/inputs costs incurred amounting to RM7.90 million, in order to fulfil the increase in customers' orders for our food processing and packaging machinery solutions business segment and trading of cellulose casing business segment during the FYE 2022; and
- (b) higher overheads costs incurred amounting to RM0.51 million, mainly due to overall increase in staff costs resulting from additional employees deployed in the ancillary/supporting functions for production activities (such as design and engineering, installation, warehouse, and logistics) particularly for our food processing and packaging machinery solutions business segment.

Our Group's total GP increased by RM4.91 million or 19.22% to RM30.46 million for the FYE 2022 (FYE 2021: RM25.55 million); mainly in line with the revenue growth from our food processing and packaging machinery solutions business segment and trading of cellulose casings business segment for the FYE 2022.

Our Group's overall GP margin improved from 33.75% for the FYE 2021 to 34.18% for the FYE 2022, mainly due to better GP margin recorded by our food processing and packaging machinery solutions business segment in line with our customers' expectations for higher automation and integration for their food processing and packaging production lines, where we were able to command better selling prices.

11. FINANCIAL INFORMATION (cont'd)

The better GP margin from our food processing and packaging machinery solutions business segment was, however, partially offset by lower GP margin from both of our trading of cellulose casings business segment and manufacturing and trading of flexible packaging materials business segment mainly due to the following: -

- (a) overall increase in the raw materials/inputs costs of cellulose casings, of which we could not immediately and fully pass-on to our recurring customers, as we have entered into agreements with two of our major customers (namely, PT. Dagsap Endura Eatore and PT. Wonokoyo Jaya Corporindo) to supply cellulose casings at agreed selling prices; and
- (b) overall increase in the raw materials/inputs costs of flexible packaging films, of which we could not immediately and fully pass-on to our recurring customers in order to maintain a good business relationship. Any price revision would be negotiated with the recurring customers before implementation, to ensure our pricing remains competitive.

Comparison between FYE 2022 and FYE 2023

Our Group's total COS increased by RM23.10 million or 39.38% to RM81.76 million for the FYE 2023 (FYE 2022: RM58.66 million), in line with the revenue growth from all our business segments during the FYE 2023. The increase was mainly due to higher raw materials/input costs incurred amounting to RM21.91 million, required to fulfil the increase in orders for all our business segments during the FYE 2023.

Our Group's total GP increased by RM9.90 million or 32.50% to RM40.36 million for the FYE 2023 (FYE 2022: RM30.46 million); mainly in line with the revenue growth from all our business segments for the FYE 2023.

Our Group's overall GP margin decreased from 34.18% for the FYE 2022 to 33.05% for the FYE 2023, mainly due to lower GP margin recorded by our food processing and packaging machinery solutions business segment. This was caused by the overall increase in raw materials/inputs cost which was disproportionate to the overall increase in revenue as we could not immediately pass-on the increase in raw materials/inputs cost to our customers in order to maintain good business relationship and meet customers' cost budget. The selling prices and GP margin of our products and services from our food processing and packaging machinery solutions business segment are determined and negotiated on a case-by-case basis, and may vary according to various factors such as raw materials/inputs prices, our customers' specifications and requirements for the food processing and packaging machinery solutions, and delivery lead time amongst others. The decrease in GP margin from our food processing and packaging machinery solutions business segment was, nonetheless, partially offset by the following: -

- (a) better GP margin recorded by our trading of cellulose casings business segment, mainly due to increase in average selling price; and
- (b) better GP margin recorded by our manufacturing and trading of flexible packaging materials business segment, mainly contributed by higher selling price imposed for our export sales to the new customer based in Algeria (namely, Sarl Driouche Cosmetiques).

11. FINANCIAL INFORMATION (cont'd)**(iii) Other income**

The breakdown of our Group's other income is as follows: -

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Forfeiture of customers' deposits ⁽¹⁾	-	-	-	-	906	35.17	171	14.05
Foreign exchange gain	339	30.71	242	19.97	391	15.18	506	41.58
Gain on disposal of PPE	55	4.98	45	3.71	47	1.82	31	2.55
Rental income ⁽²⁾	251	22.74	287	23.68	196	7.61	27	2.22
Reversal of accruals ⁽³⁾	-	-	-	-	233	9.05	-	-
Reversal of allowance for impairment losses on trade receivables	15	1.36	73	6.02	525	20.38	295	24.24
Reversal of write-down of inventories	10	0.91	93	7.67	6	0.23	14	1.15
Scrap income ⁽⁴⁾	57	5.16	25	2.06	28	1.09	47	3.86
Government wage subsidies ⁽⁵⁾	297	26.90	290	23.93	93	3.61	-	-
Others ⁽⁶⁾	80	7.24	157	12.96	151	5.86	126	10.35
Total	1,104	100.00	1,212	100.00	2,576	100.00	1,217	100.00

Notes: -

- (1) Consist of deposits from customers forfeited upon cancellation of sales.
- (2) Consist of rental income derived from sub-lease of PPEs, factory and warehouse spaces, as well as office spaces.
- (3) Represents reversal of excess costs accrued in prior year.
- (4) Consist of proceeds from disposal of scrap metals.
- (5) Represents a temporary financial assistance programme by the Government introduced to assist small and medium enterprises as a result of COVID-19 pandemic.
- (6) Mainly consist of commission received from our supplier, insurance claims, interest income, reimbursement of transportation charges and out-of-pocket expenses, as well as incentives/grants from Malaysia External Trade Development Corporation.

11. FINANCIAL INFORMATION (cont'd)**Comparison between FYE 2020 and FYE 2021**

Our Group's other income increased by RM0.11 million or 10.00% to RM1.21 million for the FYE 2021 (FYE 2020: RM1.10 million), mainly attributable to the following: -

- (i) increase in reversal of allowance for impairment losses on receivables amounting to RM0.06 million during the financial year; and
- (ii) increase in reversal of write-down of inventories amounting to RM0.08 million during the financial year, as some of the idle inventories (comprising stand-alone machines and components) previously written down have been utilised and sold at higher values during the financial year.

Comparison between FYE 2021 and FYE 2022

Our Group's other income increased by RM1.37 million or 113.22% to RM2.58 million for the FYE 2022 (FYE 2021: RM1.21 million), mainly attributable to the following: -

- (i) forfeiture of customers' deposits amounting to RM0.91 million upon cancellation of sales recorded during the financial year;
- (ii) additional reversal of excess costs accrued in prior years amounting to RM0.23 million, mainly due to over-estimation of staff incentives in prior years of which the actual sums awarded and paid were lower where the differential sum was being reversed during the financial year; and
- (iii) increase in reversal of allowance for impairment losses on receivables amounting to RM0.45 million during the financial year, upon collection of past due balances from our trade receivables.

The above increases were, however, partially offset by the decrease in government wage subsidies received amounting to RM0.20 million, as the temporary financial assistance programme by the Government introduced to assist small and medium enterprises as a result of COVID-19 pandemic was gradually phased-out.

Comparison between FYE 2022 and FYE 2023

Our Group's other income decreased by RM1.36 million or 52.71% to RM1.22 million for the FYE 2023 (FYE 2022: RM2.58 million), mainly attributable to the following: -

- (i) decrease in forfeiture of customers' deposits amounting to RM0.74 million;
- (ii) decrease in reversal of allowance for impairment losses on receivables amounting to RM0.23 million;
- (iii) non-recurrence of reversal of accruals (FYE 2022: RM0.23 million) and government wage subsidies (FYE 2022: RM0.09 million) during the FYE 2023; and
- (iv) decrease in rental income amounting to RM0.17 million, mainly due to the cessation of sub-lease of machineries as the machineries were disposed of to an external customer during the FYE 2023; as well as the cessation of sub-lease of factory and warehouse during the FYE 2023, so that the factory and warehouse spaces can be utilised internally by our Group in line with the growth of our Group's operations.

11. FINANCIAL INFORMATION (cont'd)**(iv) Selling and distribution costs**

The breakdown of our Group's selling and distribution costs is as follows: -

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Marketing and promotional costs ⁽¹⁾	11	0.23	40	1.10	970	12.68	1,338	12.75
Sales commission ⁽²⁾	2,603	54.14	1,263	34.68	2,594	33.90	4,318	41.15
Staff costs	1,554	32.32	1,629	44.73	2,635	34.44	2,813	26.81
Transport and forwarding charges	111	2.31	89	2.44	199	2.60	67	0.64
Travelling and accommodation costs	269	5.59	357	9.80	725	9.48	1,128	10.75
Others ⁽³⁾	260	5.41	264	7.25	528	6.90	829	7.90
Total	4,808	100.00	3,642	100.00	7,651	100.00	10,493	100.00

Notes: -

- (1) Mainly consist of costs incurred for participation in exhibitions and trade fairs and fees paid to PT Bestworld Perkasa to promote and market our food processing and packaging manufacturing solutions in Indonesia.
- (2) Consist of sales commission paid to our staff and business associates who referred customers and sales to our Group.
- (3) Mainly consist of insurance and road tax, staff welfare, as well as upkeep and maintenance expenses.

Comparison between FYE 2020 and FYE 2021

Our Group's selling and distribution costs decreased by RM1.17 million or 24.32% to RM3.64 million for the FYE 2021 (FYE 2020: RM4.81 million). The decrease was mainly due to drop in sales commission amounting to RM1.34 million, as a result of over-accrual of sales commission in prior years being reversed during the financial year. The accrued sales commissions were mainly in relation to customers and sales referred to our Group by Easypreneur Dev Sdn. Bhd., which were pending finalisation and payment. As Easypreneur Dev Sdn. Bhd. has resolved to cease its business operations, our Group and Easypreneur Dev Sdn. Bhd. have mutually agreed that the accrued sales commissions shall no longer be applicable and payable and accordingly, a reversal was accounted for during FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our Group's selling and distribution costs increased by RM4.01 million or 110.16% to RM7.65 million for the FYE 2022 (FYE 2021: RM3.64 million). The increase was mainly attributable to the following: -

- (i) higher sales commission of RM1.33 million, mainly due to non-recurrence of one-off reversal of over-accrued sales commission accounted for in prior year;
- (ii) higher staff costs of RM1.01 million, mainly due to increase in eight (8) newly recruited personnel including one of our Key Senior Management (namely, Goh Toh Sin), annual salary increments granted to our staff as well as higher bonus granted to our staff in line with the improved financial performance of our Group;
- (iii) higher marketing and promotional costs of RM0.93 million, mainly due to increased advertising activities and participation in exhibitions and trade fairs

11. FINANCIAL INFORMATION (cont'd)

during the financial year under review as well as additional fees paid to PT Bestworld Perkasa to promote and market our food processing and packaging machinery solutions in Indonesia;

- (iv) higher travelling and accommodation costs of RM0.37 million as a result of increase in business trips by our employees for sales and marketing purposes, in line with the uplifting of movement control and re-opening of countries' borders following the gradual transition of COVID-19 pandemic into endemic phase; and
- (v) higher other costs of RM0.26 million, mainly due to higher expenses incurred for food and beverages and entertainment in line with the increase in business trips by our employees for sales and marketing purposes, higher insurance expenses mainly on motor vehicles, as well as additional depreciation charges in relation to motor vehicles.

Comparison between FYE 2022 and FYE 2023

Our Group's selling and distribution costs increased by RM2.84 million or 37.12% to RM10.49 million for the FYE 2023 (FYE 2022: RM7.65 million). The increase was mainly attributable to the following: -

- (i) higher sales commission of RM1.72 million, in line with the revenue growth during the FYE 2023;
- (ii) higher travelling and accommodation costs of RM0.40 million as a result of increase in business trips by our employees for sales and marketing purposes, in line with our improved revenue and increased participation in exhibitions and trade fairs during the FYE 2023;
- (iii) higher marketing and promotional costs of RM0.37 million, mainly due to increased advertising activities and participation in exhibitions and trade fairs during the FYE 2023 and fees paid to PT Bestworld Perkasa and Radaire Mechanical and Electrical Engineering Services to promote and market our food processing and packaging machinery solutions in Indonesia and the Philippines respectively; and
- (iv) higher other costs of RM0.30 million, mainly due to higher expenses incurred for food and beverages and entertainment in line with the increase in business trips by our employees for sales and marketing purposes and additional expenses incurred for sales support services in relation to the Philippines market provided by external service provider, namely Xiaojin Engineering Enterprise.

11. FINANCIAL INFORMATION (cont'd)**(v) Administrative and other expenses**

The breakdown of our Group's administrative and other expenses is as follows: -

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation and amortisation ⁽¹⁾	983	11.34	995	11.14	1,176	12.43	1,026	8.88
Foreign exchange loss	371	4.28	227	2.54	225	2.38	600	5.19
Impairment losses on:								
- Receivables ⁽²⁾	125	1.44	939	10.51	605	6.39	660	5.71
- PPE ⁽³⁾	516	5.95	-	-	-	-	-	-
Professional fees	273	3.15	233	2.61	750	7.93	962	8.33
Road tax and insurance	254	2.93	205	2.29	199	2.10	257	2.22
Staff costs	4,701	54.22	4,799	53.72	4,726	49.95	6,113	52.91
Travelling and accommodation costs	229	2.64	92	1.03	141	1.49	297	2.57
Upkeep and maintenance expenses	240	2.77	251	2.81	403	4.26	411	3.56
Utilities costs	335	3.86	321	3.59	343	3.63	384	3.32
Others ⁽⁴⁾	643	7.42	872	9.76	893	9.44	844	7.31
Total	8,670	100.00	8,934	100.00	9,461	100.00	11,554	100.00

Notes: -

- (1) Consist of depreciation and amortisation of PPE, right-of-use assets and intangible assets used in the administrative and support functions.
- (2) We assess the collectability of trade receivables on an individual customer basis and provide for impairment loss on receivables in the following manner: -
- (i) simplified approach using a provisional matrix to estimate lifetime expected credit loss in accordance with MFRS 9 *Financial Instruments*; and
- (ii) specific allowance for impairment on overdue balances where recoverability is ascertained to be uncertain based on our dealings with the customer.
- (3) Represents impairment loss on damaged machinery in our PPE.
- (4) Mainly consist of gifts and donations, staff welfare, and office expenses.

Comparison between FYE 2020 and FYE 2021

Our Group's administrative and other expenses increased by RM0.26 million or 3.00% to RM8.93 million for the FYE 2021 (FYE 2020: RM8.67 million). The increase was mainly due to additional allowance for impairment loss on receivables of RM0.81 million accounted for in accordance with MFRS 9 *Financial Instruments*, which was partially offset by non-recurrence of impairment loss on PPE during the financial year (FYE 2020: RM0.52 million).

Comparison between FYE 2021 and FYE 2022

Our Group's administrative and other expenses increased by RM0.53 million or 5.94% to RM9.46 million for the FYE 2022 (FYE 2021: RM8.93 million). The increase was mainly attributable to the following: -

11. FINANCIAL INFORMATION (cont'd)

- (i) higher professional fees of RM0.52 million, primarily due to expenses in relation to our Listing;
- (ii) higher depreciation and amortisation of RM0.18 million, in line with new additions of office and computer equipment during the financial year; and
- (iii) higher upkeep and maintenance expenses of RM0.15 million, primarily for our office buildings and office equipment.

The above increases were partially offset by lower allowance for impairment loss on receivables amounting to RM0.33 million during the financial year.

Comparison between FYE 2022 and FYE 2023

Our Group's administrative and other expenses increased by RM2.09 million or 22.09% to RM11.55 million for the FYE 2023 (FYE 2022: RM9.46 million). The increase was mainly attributable to the following: -

- (i) higher staff costs of RM1.39 million, mainly due to annual salary increment granted to our staff and cost increase due to newly recruited personnel;
- (ii) higher foreign exchange loss of RM0.38 million; and
- (iii) higher professional fees of RM0.21 million, primarily due to expenses in relation to our Listing.

(vi) Finance costs

The breakdown of our Group's finance costs is as follows: -

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:								
- accepted bills	-	-	-	-	8	2.33	18	4.83
- bank overdraft	1	0.23	*	#	4	1.16	7	1.88
- lease liabilities	93	21.23	59	17.51	63	18.31	61	16.35
- revolving credit	32	7.31	28	8.31	9	2.62	-	-
- term loans (inclusive of Tawarruq financing)	197	44.98	137	40.65	155	45.05	172	46.11
Bank charges and commitment fee	115	26.25	113	33.53	105	30.53	115	30.83
Total	438	100.00	337	100.00	344	100.00	373	100.00

Notes: -

* Less than RM1,000.

Negligible.

Comparison between FYE 2020 and FYE 2021

Our Group's finance costs decreased by RM0.10 million or 22.73% to RM0.34 million in the FYE 2021 (FYE 2020: RM0.44 million), mainly due to lower interest expense on term loans and lease liabilities as a result of repayments made during the financial year.

11. FINANCIAL INFORMATION (cont'd)**Comparison between FYE 2021 and FYE 2022**

Our Group's finance costs stood at RM0.34 million for the FYE 2022, remained relatively constant as compared to the FYE 2021. Higher interest expenses on term loans were recorded during the financial year, in line with the new drawdown of Tawarruq financing. The increase was, however, partially offset by reduced interest expenses on short-term credit facilities (comprising accepted bills, bank overdrafts and revolving credit).

Comparison between FYE 2022 and FYE 2023

Our Group's finance costs increased by RM0.03 million or 8.82% to RM0.37 million for the FYE 2023 (FYE 2022: RM0.34 million). The increase was mainly attributable to the higher interest expenses paid for our bank borrowings as a result of revision to interest rates during the FYE 2023 and the additional interest expenses on drawdown of Tawarruq financing during FYE 2022.

(vii) Profit and taxation**PBT and PBT margin**

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	7,742	13,853	15,579	19,155
PBT margin (%)	12.55	18.30	17.48	15.69

Taxation and effective tax rate

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- current year income tax	1,326	2,395	2,206	4,854
- under/(over) provision in prior year	65	(597)	(471)	1
	1,391	1,798	1,735	4,855
Deferred tax:				
- origination of temporary differences	95	114	1,750	65
- (over)/under provision in prior year	(42)	15	(188)	(23)
	53	129	1,562	42
Total tax expenses	1,444	1,927	3,297	4,897
Effective tax rate (%)	18.65	13.91	21.16	25.57
Statutory tax rate (%)				
• on the first RM600,000 of chargeable income ⁽¹⁾	17.00	17.00	17.00	N/A
• on the first RM150,000 of chargeable income ⁽¹⁾	N/A	N/A	N/A	15.00
• on the subsequent RM450,000 of chargeable income ⁽¹⁾	N/A	N/A	N/A	17.00
• balance of chargeable income	24.00	24.00	24.00	24.00

11. FINANCIAL INFORMATION (cont'd)Note: -

- (1) *Applicable to company with paid-up capital not more than RM2.50 million. Upon completion of the Pre-Listing Exercise, our Group will no longer enjoy this preferential tax rate and our chargeable income will be subjected to the prevailing statutory tax rate of 24% (or such applicable tax rate as determined and announced by the Government) effective from year of assessment 2025.*

PAT and PAT margin

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
PAT (RM'000)	6,298	11,926	12,282	14,258
PAT margin (%)	10.21	15.75	13.78	11.68

Comparison between FYE 2020 and FYE 2021

Our Group's PBT increased by RM6.11 million or 78.94% to RM13.85 million for the FYE 2021 (FYE 2020: RM7.74 million), mainly attributable to the growth in our GP and decrease in selling and distribution costs as explained in Sections 11.2.2(ii) and 11.2.2(iv) of this Prospectus respectively.

Our PBT margin improved to 18.30% for the FYE 2021 (FYE 2020: 12.55%), mainly contributed by the following: -

- (i) improved GP margin for the FYE 2021;
- (ii) decrease in selling and distribution costs for the FYE 2021; and
- (iii) no significant fluctuations recorded for other income, administrative and other expenses, as well as finance costs for the FYE 2021; notwithstanding the overall growth in our revenue.

Our Group's total tax expenses increased by RM0.49 million or 34.03% to RM1.93 million for the FYE 2021 (FYE 2020: RM1.44 million), mainly due to higher provision of current year income tax in line with the higher PBT recorded by our Group's subsidiaries incorporated and domiciled in Malaysia. The increase was, however, partially offset by the over-provision of income tax in prior year adjusted for during the FYE 2021; mainly due to the actual tax rate applicable to one of our subsidiaries (namely, BW Perkasa Labuan) was lower than the tax estimation made in prior year based on statutory tax rate of 24.00%.

Our Group's effective tax rate stood at 13.91% for the FYE 2021, lower as compared to 18.65% in the FYE 2020 and statutory tax rate, mainly attributable to the following: -

- (i) PBT generated by our indirect subsidiary, BW Perkasa UAE was not subject to income tax within the jurisdiction of UAE pursuant to the tax exemption provided under the Ras Al-Khaimah International Corporate Centre Business Companies Regulations 2018;
- (ii) PBT generated by our subsidiary, BW Perkasa Labuan was subject to income tax at 3.00% under the Labuan Business Activity Tax Act 1990; and
- (iii) over-provision of income tax in prior year adjusted for during the FYE 2021.

Our Group's PAT increased by RM5.63 million or 89.37% to RM11.93 million for the FYE 2021 (FYE 2020: RM6.30 million), in line with the growth in PBT (which was mainly due to growth in GP and decrease in selling and distribution costs).

11. FINANCIAL INFORMATION (cont'd)

Our PAT margin improved to 15.75% for the FYE 2021 (FYE 2020: 10.21%), in line with the following: -

- (i) improved PBT margin, mainly due to improved GP margin, decrease in selling and distribution costs, and there were no significant fluctuations recorded for other income, administrative and other expenses as well as finance costs notwithstanding the overall growth in revenue; and
- (ii) lower effective tax rate, mainly due to tax exemption applicable to BW Perkasa UAE, lower tax rate applicable to BW Perkasa Labuan, and over-provision of income tax in prior year.

Comparison between FYE 2021 and FYE 2022

Our Group's PBT increased by RM1.73 million or 12.49% to RM15.58 million for the FYE 2022 (FYE 2021: RM13.85 million), mainly attributable to the growth in our GP and increase in other income as explained in Sections 11.2.2(ii) and 11.2.2(iii) of this Prospectus respectively. The aforementioned increases were, however, partially offset by the overall increase in selling and distribution costs as well as administrative and other expenses as elaborated in Sections 11.2.2(iv) and 11.2.2(v) of this Prospectus respectively.

Our PBT margin decreased to 17.48% for the FYE 2022 (FYE 2021: 18.30%), mainly due to overall increase in selling and distribution costs as well as administrative and other expenses; which was partially offset by the improvement in GP margin and increase in other income during the financial year.

Our Group's total tax expenses increased by RM1.37 million or 70.98% to RM3.30 million for the FYE 2022 (FYE 2021: RM1.93 million), mainly due to additional provision of deferred tax in relation to the undistributed profits of our indirect subsidiary, BW Perkasa UAE; which upon distribution and repatriation of funds into Malaysia, will be subject to prevailing income tax as foreign source dividend income pursuant to tax ruling that came into effect on 1 January 2022. The aforementioned increase was, however, partially offset by the over-provision of income tax and deferred tax in prior year adjusted for during the FYE 2022.

Our Group's effective tax rate stood at 21.16% for the FYE 2022, higher as compared to 13.91% in the FYE 2021; mainly due to higher provision of deferred tax arising from additional provision of deferred tax in relation to the undistributed profits of our indirect subsidiary, BW Perkasa UAE. Our Group's effective tax rate for the FYE 2022 was lower as compared to the statutory tax rate, mainly due to over-provision of income tax and deferred tax in prior year adjusted for during the FYE 2022.

Our Group's PAT increased by RM0.35 million or 2.93% to RM12.28 million for the FYE 2022 (FYE 2021: RM11.93 million), in line with the growth in PBT (which was mainly due to growth in our GP and increase in other income, partially offset by the overall increase in selling and distribution costs as well as administrative and other expenses).

Our PAT margin decreased to 13.78% for the FYE 2022 (FYE 2021: 15.75%), as a result of: -

- (i) lower PBT margin, mainly due to overall increase in selling and distribution costs as well as administrative and other expenses; which was partially offset by the improvement in GP margin and increase in other income during the financial year; and
- (ii) higher effective tax rate, mainly due to higher provision of deferred tax.

11. FINANCIAL INFORMATION (cont'd)

Comparison between FYE 2022 and FYE 2023

Our Group's PBT increased by RM3.58 million or 22.98% to RM19.16 million for the FYE 2023 (FYE 2022: RM15.58 million), mainly attributable to the growth in our GP as explained in Section 11.2.2(ii) of this Prospectus.

Our PBT margin decreased to 15.69% for the FYE 2023 (FYE 2022: 17.48%); mainly due to the following: -

- (i) lower GP margin as explained in Section 11.2.2(ii) of this Prospectus;
- (ii) lower other income recorded as explained in Section 11.2.2(iii) of this Prospectus;
- (iii) overall increase in selling and distribution costs as explained in Section 11.2.2(iv) of this Prospectus; and
- (iv) overall increase in administrative and other expenses, as explained in Section 11.2.2(v) of this Prospectus.

Our Group's total tax expenses increased by RM1.60 million or 48.48% to RM4.90 million for the FYE 2023 (FYE 2022: RM3.30 million), whilst our Group's effective tax rate stood at 25.57% for the FYE 2023, higher as compared to 21.16% for the FYE 2022 and statutory tax rate; mainly attributable to the following: -

- (i) non-allowable expenses added back in the estimation of income tax expenses for the FYE 2023, particularly in relation to additional allowance for impairment loss on receivables provided in accordance with MFRS 9 *Financial Instruments*; and
- (ii) no group relief was accounted for in the estimation of income tax expenses for the FYE 2023, in relation to expenses incurred by our Company.

Our Group's PAT increased by RM1.98 million or 16.12% to RM14.26 million for the FYE 2023 (FYE 2022: RM12.28 million), in line with the growth in PBT (which was mainly due to the growth in our GP).

Our PAT margin decreased to 11.68% for the FYE 2023 (FYE 2022: 13.78%), as a result of: -

- (i) lower PBT margin, mainly due to decrease in other income and overall increase in selling and distribution costs as well as administrative and other expenses; and
- (ii) higher effective tax rate, mainly due to higher provision of current income tax as a result of non-allowable expenses added back as well as no group relief was accounted for expenses incurred by our Company in the estimation of income tax expenses for the FYE 2023.

[The rest of this page has been intentionally left blank]

11. FINANCIAL INFORMATION (cont'd)**11.2.3 Review of Financial Positions****(i) Assets**

Our Group's assets are as follows: -

	Audited			
	As at 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
PPE	10,828	11,648	11,469	11,168
Right-of-use assets	6,735	5,184	5,685	4,967
Intangible assets	7	33	25	562
	17,570	16,865	17,179	16,697
Current assets				
Inventories	9,829	13,426	13,969	13,210
Trade receivables	11,877	11,720	9,121	10,271
Other receivables	3,974	6,817	11,147	4,532
Tax recoverable	204	85	380	236
Fixed deposits with a licensed bank	-	5	456	467
Cash and bank balances	14,203	20,134	31,544	33,845
	40,087	52,187	66,617	62,561
Total assets	57,657	69,052	83,796	79,258

Comparison between 31 December 2020 and 31 December 2021

Our Group's total assets increased by RM11.39 million or 19.75% to RM69.05 million as at 31 December 2021 (31 December 2020: RM57.66 million), mainly due to higher current assets which was attributable to the following: -

- (i) increase in inventories of RM3.60 million, primarily due to purchases made for orders delivered/fulfilled subsequent to the year-end;
- (ii) increase in other receivables of RM2.85 million, primarily due to higher advance payments made to suppliers in respect of future purchases of machines and parts to be used for fabrication, assembly and integration of our food processing and packaging machinery solutions; to cater for customers' orders received and to be fulfilled subsequent to the financial year-end;
- (iii) increase in cash and bank balances of RM5.93 million, in line with our improved financial performance and cash inflows from operating activities during the FYE 2021; and
- (iv) increase in in intangible assets of RM0.03 million due to purchases of computer software.

Comparison between 31 December 2021 and 31 December 2022

Our Group's total assets increased by RM14.75 million or 21.36% to RM83.80 million as at 31 December 2022 (31 December 2021: RM69.05 million), mainly attributable to the following: -

- (i) increase in other receivables of RM4.33 million, primarily due to higher advance payments made to suppliers in respect of future purchases of machines and parts to be used for fabrication, assembly and integration of our food processing and packaging machinery solutions as well as cellulose

11. FINANCIAL INFORMATION (cont'd)

casings; to cater for customers' orders received and to be fulfilled subsequent to the financial year-end; and

- (ii) increase in cash and bank balances of RM11.41 million, in line with our improved financial performance and cash inflows from operating activities during the FYE 2022, which was partially offset by the decrease in intangible assets of RM0.01 million due to the amortisation charge in relation to computer software.

The abovementioned Increases in current assets were partially offset by the decrease in trade receivables of RM2.60 million, mainly due to good collection from customers and increased sum of deposits received from customers for our food processing and packaging machinery solutions business segment.

Comparison between 31 December 2022 and 31 December 2023

Our Group's total assets decreased by RM4.54 million or 5.42% to RM79.26 million as at 31 December 2023 (31 December 2022: RM83.80 million), mainly attributable to the following: -

- (i) decrease in other receivables of RM6.62 million, primarily due to lower sum of advance payments to suppliers as at end of the FYE 2023 in respect of future purchases;
- (ii) overall decrease in PPE and right-of-use assets aggregating to RM1.02 million, primarily due to depreciation charges during the FYE 2023; and
- (iii) decrease in inventory of RM0.76 million, primarily due to higher sales orders delivered/fulfilled during the last quarter of the FYE 2023.

The abovementioned decrease was, however, partially offset by the following: -

- (i) increase in cash and bank balances of RM2.30 million, in line with our improved financial performance and cash inflows from operating activities during the FYE 2023;
- (ii) increase in trade receivables of RM1.15 million, in line with the improved revenue for the FYE 2023; and
- (iii) increase in intangible assets of RM0.54 million, primarily due to the addition of computer software (namely, Epicor Kinetic ERP solution) during the FYE 2023 to be used for our business operations.

[The rest of this page has been intentionally left blank]

11. FINANCIAL INFORMATION (cont'd)**(ii) Liabilities**

Our Group's liabilities are as follows: -

	Audited			
	As at 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Non-current liabilities				
Deferred tax liabilities	767	895	2,458	2,499
Bank borrowings	3,065	2,055	3,209	2,152
Lease liabilities	710	306	809	425
	4,542	3,256	6,476	5,076
Current liabilities				
Bank borrowings	1,065	2,107	1,421	1,076
Lease liabilities	846	325	489	319
Trade payables	3,662	4,119	3,522	6,109
Other payables, deposits and accrued liabilities	16,934	22,699	29,081	11,340
Amount owing to directors ⁽¹⁾	3,259	3,206	6	-
Current tax liabilities	900	968	342	627
Dividend payable	2,910	2,371	-	-
	29,576	35,795	34,861	19,471
Total liabilities	34,118	39,051	41,337	24,547

Note: -

(1) As at the LPD, amount owing to directors have been fully settled.

Comparison between 31 December 2020 and 31 December 2021

Our Group's total liabilities increased by RM4.93 million or 14.45% to RM39.05 million as at 31 December 2021 (31 December 2020: RM34.12 million), mainly due to increase in other payables, deposits and accrued liabilities of RM5.77 million resulting from higher sum of deposits received from customers for our food processing and packaging machinery solutions business segment.

The abovementioned increase was, however, partially offset by the following: -

- (i) overall decrease in bank borrowings and lease liabilities aggregating to RM0.89 million as a result of repayments made during the FYE 2021; and
- (ii) overall decrease in dividend payable of RM0.54 million, in line with higher amount of dividends paid during the FYE 2021.

11. FINANCIAL INFORMATION (cont'd)**Comparison between 31 December 2021 and 31 December 2022**

Our Group's total liabilities increased by RM2.29 million or 5.86% to RM41.34 million as at 31 December 2022 (31 December 2021: RM39.05 million), mainly attributable to the following: -

- (i) increase in deferred tax liabilities of RM1.56 million, as a result of additional provision of deferred tax in relation to the undistributed profits of our indirect subsidiary, BW Perkasa UAE as explained above in Section 11.2.2(vii) of this Prospectus;
- (ii) overall increase in bank borrowings and lease liabilities aggregating to RM1.14 million, as a result of new drawdown of Tawarruq financing and additional hire purchases entered into during the FYE 2022; and
- (iii) increase in other payables, deposits and accrued liabilities of RM6.38 million resulting from higher sum of deposits received from customers for our food processing and packaging machinery solutions business segment after offsetting the forfeiture of customers' deposits amounting to RM0.91 million during the FYE 2022.

The abovementioned increases were, however, partially offset by the following: -

- (i) decrease in amount owing to directors of RM3.20 million, as a result of repayments made during the FYE 2022; and
- (ii) decrease in dividend payable of RM2.37 million, as the outstanding dividend payable from prior year was settled during the FYE 2022 and the lower dividend declared during the FYE 2022 was fully settled within the same year.

Comparison between 31 December 2022 and 31 December 2023

Our Group's total liabilities decreased by RM16.79 million or 40.61% to RM24.55 million as at 31 December 2023 (31 December 2022: RM41.34 million), mainly attributable to the following: -

- (i) decrease in other payables, deposits and accrued liabilities of RM17.74 million mainly due to lower sum of deposits received from customers as at end of the FYE 2023 in respect of future sales; and
- (ii) overall decrease in bank borrowings and lease liabilities aggregating to RM1.96 million as a result of repayments made during the FYE 2023.

The abovementioned decrease was, however, partially offset by the following: -

- (i) increase in trade payables of RM2.59 million, in line with higher purchases made to cater for the increased sales during the FYE 2023; and
- (ii) increase in current tax liabilities and deferred tax liabilities aggregating to RM0.33 million, in line with our improved financial performance during the FYE 2023.

[The rest of this page has been intentionally left blank]

11. FINANCIAL INFORMATION (cont'd)**11.2.4 Review of Cash Flows**

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	8,649	13,117	14,688	7,090
Net cash used in investing activities	(2,069)	(376)	(820)	(879)
Net cash used in financing activities	(6,401)	(7,320)	(2,500)	(4,942)
Net increase in cash and cash equivalents	179	5,421	11,368	1,269
Effects of foreign exchange difference on cash and cash equivalents	(6)	515	493	1,043
Cash and cash equivalents at beginning of year	14,030	14,203	20,139	32,000
Cash and cash equivalents at end of year	14,203	20,139	32,000	34,312
Details of the cash and cash equivalents:				
Fixed deposits with a licensed bank	-	5	456	467
Cash and bank balances	14,203	20,134	31,544	33,845
	14,203	20,139	32,000	34,312

(a) Net cash from operating activities**FYE 2020**

For the FYE 2020, our net cash generated from operating activities of RM8.65 million was attributable to the following: -

- Cash inflows
 - (i) operating profit before working capital changes of RM10.13 million which was derived from PBT of RM7.74 million and after adjusting for the following: -
 - (aa) non-cash items such as depreciation of PPE and right-of-use assets, amortisation of intangible assets, deposits received forfeited, gain on disposal of PPE, impairment loss on PPE, net addition of allowance for impairment loss, unrealised gain on foreign exchange and net write-down in value of inventories; which in aggregate, rounding to RM1.98 million; and
 - (bb) net interest expenses of RM0.41 million (being interest expenses less interest income);
 - (ii) decrease in trade and other receivables amounting to RM5.76 million, mainly due to collections received from our customers and lower sum of advance payments to suppliers as at end of the FYE 2020 in respect of future purchases; and
 - (iii) increase in amount owing to directors amounting to RM3.11 million due to advances from directors for working capital purposes.
- Cash outflows
 - (i) increase in inventories amounting to RM4.34 million in order to cater for sales orders to be delivered/fulfilled subsequent to the year-end;
 - (ii) decrease in trade and other payables amounting to RM4.96 million, mainly due to payments made to our suppliers and lower sum of

11. FINANCIAL INFORMATION (cont'd)

deposits received from customers as at end of the FYE 2020 in respect of future sales; and

- (iii) interest and tax paid amounting RM0.44 million and RM0.61 million respectively during the FYE 2020.

FYE 2021

For the FYE 2021, our net cash generated from operating activities of RM13.12 million was attributable to the following: -

- Cash inflows
 - (i) operating profit before working capital changes of RM16.14 million which was derived from PBT of RM13.85 million and after adjusting for the following: -
 - (aa) non-cash items such as depreciation of PPE and right-of-use assets, amortisation of intangible assets, gain on disposal of PPE, gain on derecognition of right-of-use assets, PPE written off, net addition of allowance for impairment loss, unrealised gain on foreign exchange and net write-down in value of inventories; which in aggregate, rounding to RM2.00 million; and
 - (bb) net interest expenses of RM0.29 million (being interest expenses less interest income); and
 - (ii) increase in trade and other payables amounting to RM5.89 million, mainly due to higher sum of deposits received from our customers as at end of the FYE 2021 in respect of future sales.
- Cash outflows
 - (i) increase in inventories amounting to RM3.58 million in order to cater for sales orders to be delivered/fulfilled subsequent to the year-end;
 - (ii) increase in trade and other receivables amounting to RM3.30 million, mainly due to higher sum of advance payments to our suppliers as at end of the FYE 2021 in respect of future purchases of machines and parts to be used for fabrication, assembly and integration of our food processing and packaging machinery solutions; to cater for customers' orders received and to be fulfilled subsequent to the financial year-end;
 - (iii) decrease in amount owing to directors amounting to RM0.05 million due to partial repayment made; and
 - (iv) interest and net tax paid amounting to RM0.34 million and RM1.64 million respectively during the FYE 2021.

FYE 2022

For the FYE 2022, our net cash generated from operating activities of RM14.69 million was attributable to the following: -

- Cash inflows
 - (i) operating profit before working capital changes of RM16.92 million which was derived from PBT of RM15.58 million and after adjusting for the following: -

11. FINANCIAL INFORMATION (*cont'd*)

- (aa) non-cash items such as depreciation of PPE and right-of-use assets, amortisation of intangible assets, deposits received forfeited, gain on disposal of PPE, PPE written off, net addition of allowance for impairment loss, unrealised gain on foreign exchange, write-off of inventories, and net write-down in value of inventories; which in aggregate, rounding to RM1.00 million; and
 - (bb) net interest expenses of RM0.34 million (being interest expenses less interest income); and
 - (ii) increase in trade and other payables amounting to RM6.58 million, mainly due to higher sum of deposits received from our customers as at end of the FYE 2022 in respect of future sales after offsetting the forfeiture of customers' deposits amounting to RM0.91 million during the FYE 2022.
- Cash outflows
 - (i) increase in inventories amounting to RM0.82 million in order to cater for sales orders to be delivered/fulfilled subsequent to the year-end;
 - (ii) increase in trade and other receivables amounting to RM1.79 million, mainly due to higher sum of advance payments to our suppliers as at end of the FYE 2022 in respect of future purchases of machines and parts to be used for fabrication, assembly and integration of our food processing and packaging machinery solutions as well as cellulose casings; to cater for customers' orders received and to be fulfilled subsequent to the financial year-end;
 - (iii) decrease in amount owing to directors amounting to RM3.20 million due to repayments made to directors; and
 - (iv) interest and tax paid amounting to RM0.34 million and RM2.66 million respectively during the FYE 2022.

FYE 2023

For the FYE 2023, our net cash generated from operating activities of RM7.09 million was mainly attributable to the following: -

- Cash inflows
 - (i) operating profit before working capital changes of RM21.64 million which was derived from PBT of RM19.16 million and after adjusting for the following: -
 - (aa) non-cash items such as depreciation of PPE and right-of-use assets, amortisation of intangible assets, deposits received forfeited, deposits paid forfeited, gain on disposal of PPE, PPE written off, gain on derecognition of right-of-use asset, net addition of allowance for impairment loss, unrealised loss on foreign exchange and net write-down in value of inventories; which in aggregate, rounding to RM2.16 million; and
 - (bb) net interest expenses of RM0.32 million (being interest expenses less interest income);
 - (ii) decrease in trade and other receivables amounting to RM5.07 million, primarily due to lower sum of advance payments to suppliers as at end of the FYE 2023 in respect of future purchases; and

11. FINANCIAL INFORMATION (cont'd)

- (iii) decrease in inventories amounting to RM0.57 primarily due to higher sales orders delivered/fulfilled during the last quarter of the FYE 2023.
- Cash outflows
 - (i) decrease in trade and other payables amounting to RM15.39 million, mainly due lower sum of deposits received from customers as at end of the FYE 2023 in respect of future sales; and
 - (ii) interest and net tax paid amounting to RM0.37 million and RM4.43 million respectively during the FYE 2023.

Despite the increase in PBT during the FYE 2023, our net cash generated from operating activities of RM7.09 million for the FYE 2023 was lower by RM7.60 million as compared to the FYE 2022 (stood at RM14.69 million), primarily as a result of following: -

- (i) higher cash outflows from changes in trade and other payables of RM21.97 million, mainly due to lower sum of deposits received from customers as at end of the FYE 2023 in respect of future sales as compared to the FYE 2022; and
- (ii) higher cash outflows for net tax paid of RM1.77 million during the FYE 2023 as compared to the FYE 2022, in line with the increase in PBT during the FYE 2023 as well as additional tax paid during FYE 2023 in relation to the dividend income received from BW Perkasa UAE by BW Engineering;

which was partially offset by the following: -

- (i) higher cash inflows from operating profit before working capital changes of RM4.72 million during the FYE 2023 as compared to the FYE 2022, mainly backed by the increase in PBT during the FYE 2023;
- (ii) higher cash inflows from changes in trade and other receivables of RM6.86 million during the FYE 2023 as compared to the FYE 2022, mainly due to lower sum of advance payments to suppliers as at end of the FYE 2023 in respect of future purchases;
- (iii) non-recurrence of cash outflows amounting to RM3.20 million for the repayments made to directors during the FYE 2023, as the amount owing to directors was mostly settled during the FYE 2022; and
- (iv) higher cash inflows from changes in inventories of RM1.39 million, mainly due to decrease in inventories during the FYE 2023 in line with higher sales orders delivered/fulfilled during the last quarter of the FYE 2023.

(b) Net cash used in investing activities**FYE 2020**

For the FYE 2020, our net cash used in investing activities of RM2.07 million was mainly attributable to payments for purchases of PPE and intangible assets (namely, computer software) aggregating to RM2.16 million, primarily in relation to additions of machinery and equipment to be used for our fabrication and assembly activities. Higher additions of PPE for the FYE 2020 were mainly due to one-off acquisition of machinery and equipment aggregating to RM1.28 million from EC Trading System Sdn. Bhd. (formerly known as Easy Pack Technology Sdn. Bhd.) by EP Machinery. Please refer to Section 10.1.1, Note (2) of this Prospectus for further details.

The abovementioned cash outflows were partially offset by the following: -

- (i) proceeds received from the disposal of motor vehicles amounting to RM0.06

11. FINANCIAL INFORMATION (cont'd)

million; and

- (ii) interest received of RM0.03 million.

FYE 2021

For the FYE 2021, our net cash used in investing activities of RM0.38 million was mainly attributable to payments for purchases of PPE and intangible assets (namely, computer software) aggregating to RM0.49 million, primarily in relation to additions of office equipment, motor vehicles and computer software to be used for our business operations.

The abovementioned cash outflows were partially offset by the following: -

- (i) proceeds received from the disposal of motor vehicles and machinery aggregating to RM0.06 million; and
- (ii) interest received of RM0.05 million.

FYE 2022

For the FYE 2022, our net cash used in investing activities of RM0.82 million was mainly attributable to payments for purchases of PPE, right-of-use assets and intangible assets (namely, computer software) aggregating to RM0.88 million, primarily in relation to additions of machinery and equipment to be used for our fabrication and assembly activities, motor vehicle, office equipment and computer software to be used for our business operations, as well as renovation cost for our factory and office premises.

The abovementioned cash outflows were partially offset by the following: -

- (i) proceeds received from the disposal of motor vehicles and office equipment aggregating to RM0.05 million; and
- (ii) interest received of RM0.01 million.

FYE 2023

For the FYE 2023, our net cash used in investing activities of RM0.88 million was mainly attributable to payments for purchases of PPE and intangible asset aggregating to RM0.97 million, primarily in relation to additions of machineries, tools and equipment to be used for our fabrication and assembly activities, office equipment and computer software (namely, Epicor Kinetic ERP solution) to be used for our business operations, as well as renovation cost for our factory and office premises.

The abovementioned cash outflows were partially offset by the following: -

- (i) proceeds received from the disposal of machinery amounting to RM0.04 million; and
- (ii) interest received of RM0.05 million.

(c) Net cash used in financing activities

FYE 2020

For the FYE 2020, our net cash used in financing activities of RM6.40 million was attributable to the following: -

- (i) net repayment of bank borrowings amounting to RM1.69 million;

11. FINANCIAL INFORMATION (cont'd)

- (ii) net repayment of lease liabilities amounting to RM0.69 million mainly for the repayment of hire purchase; and
- (iii) dividends paid to shareholders of our Group during the year amounting to RM4.02 million.

FYE 2021

For the FYE 2021, our net cash used in financing activities of RM7.32 million was mainly attributable to the following: -

- (i) net repayment of lease liabilities amounting to RM1.10 million mainly for the repayment of hire purchase; and
- (ii) dividends paid to shareholders of our Group during the year amounting to RM6.25 million.

The abovementioned cash outflows were partially offset by net drawdown of bank borrowings amounting to RM0.03 million.

FYE 2022

For the FYE 2022, our net cash used in financing activities of RM2.50 million was mainly attributable to the following: -

- (i) net repayment of lease liabilities amounting to RM0.40 million mainly for the repayment of hire purchase; and
- (ii) dividends paid to shareholders of our Group during the year amounting to RM2.57 million.

The abovementioned cash outflows were partially offset by net drawdown of bank borrowings amounting to RM0.47 million.

FYE 2023

For the FYE 2023, our net cash used in financing activities of RM4.94 million was mainly attributable to the following: -

- (i) dividends paid to shareholders of our Group during the FYE 2023 aggregating to RM2.70 million;
- (ii) net repayment of bank borrowings amounting to RM1.40 million; and
- (iii) net repayment of lease liabilities amounting to RM0.84 million mainly for the repayment of hire purchase.

There is no legal, financial or economic restriction on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances.

[The rest of this page has been intentionally left blank]

11. FINANCIAL INFORMATION (cont'd)**11.3 CAPITALISATION AND INDEBTEDNESS**

The following table summarises our pro forma capitalisation and indebtedness as at 30 April 2024 based on our unaudited consolidated statements of financial position as at 30 April 2024 and after adjusting for the effects of the Pre-Listing Exercise and the effects of the Public Issue and utilisation of proceeds: -

	Unaudited as at 30 April 2024	Pro Forma I	Pro Forma II	Pro Forma III
		After the Pre-Listing Exercise	After Pro Forma I and Public Issue	After Pro Forma II and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Indebtedness				
Current				
Secured and guaranteed: -				
Term loans	-	710	710	-
Tawarruq financing	-	383	383	-
Lease liabilities	-	247	247	247
	-	1,340	1,340	247
Unsecured and unguaranteed: -				
Lease liabilities	-	96	96	96
	-	96	96	96
Non-current				
Secured and guaranteed: -				
Term loans	-	862	862	-
Tawarruq financing	-	919	919	-
Lease liabilities	-	469	469	469
	-	2,250	2,250	469
Unsecured and unguaranteed: -				
Lease liabilities	-	92	92	92
	-	92	92	92
Total indebtedness	-	3,778	3,778	904
Shareholders' equity/ Total capitalisation	28,209	56,146	96,225	93,302
Total capitalisation and indebtedness	28,209	59,924	100,003	94,206
Gearing ratio⁽¹⁾ (times)	N/A	0.07	0.04	0.01

Note: -

(1) Calculated based on the total indebtedness divided by shareholders' equity/total capitalisation.

11. FINANCIAL INFORMATION (cont'd)

11.4 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS

Section 9 of this Prospectus details the risk factors relating to our business and the industry in which we operate. Our financial position and results of operations have been, and are expected to be, affected by the following significant factors: -

(i) Dependency on our ability to continually secure new orders from existing and new customers

Our success is dependent on our ability to continually secure new orders from existing and new customers. Our products and services (after-sales maintenance and repair works), particularly in relation to our food processing and packaging machinery solutions business segment, are generally offered on a one-off basis customised in accordance with our customers' needs and specifications. Our contract with customer, if any, is generally for a short period of up to two (2) years; where the actual sale delivery will still be subject to confirmed order from our customer.

Notwithstanding that we have enjoyed favourable growth in revenue during the Financial Years Under Review, there can be no assurance that we will be able to sustain the revenue size and/or rate of growth in the future. In the event we are unable to continually secure adequate new orders from existing and new customers, our financial performance and financial position may be adversely affected.

Please refer to Section 9.1.1 of this Prospectus for further details on this risk factor.

(ii) Dependency on one of our major suppliers

For the Financial Years Under Review, we were dependent on Shandong Vicel of China for the supply of cellulose casings. Purchases from Shandong Vicel accounted for 12.99%, 16.30%, 17.84% and 12.85% of our total purchase value respectively for the Financial Years Under Review. Shandong Vicel is the sole supplier for cellulose casings to our Group for the Financial Years Under Review, save for a one-off repurchase of cellulose casings amounting to RM0.07 million from one of our Group's customers to cater for an urgent need of another customer in the FYE 2020 (as disclosed under Section 7.18, Note (2) of this Prospectus). We are a distributor of its Vicel Speedy Peel Cellulose Casings in Indonesia for another two (2) years commencing from 1 January 2024 based on the renewed and latest distribution agreement.

Revenue from trading of cellulose casings contributed 11.11%, 12.86%, 13.36% and 11.92% of our Group's total revenue respectively for the Financial Years Under Review. In the event of sudden cessation or disruption to the supply of cellulose casings from Shandong Vicel and we are unable to deliver to our customers within their required timeframe, revenue from trading of cellulose casings will be affected which in turn, may adversely affect our operations and financial performance.

Please refer to Section 9.1.2 of this Prospectus for further details on this risk factor.

(iii) Credit risks based on the credit periods granted to our customers

We are subject to credit risks associated with our customers and our profitability and cash flows may be affected if our customers fail to make timely payments for the outstanding trade balances owing to us.

Whilst our finance team monitors collections from our customers regularly and follows up on any overdue amounts, there can be no assurance that the outstanding debts owing by our customers will be fully collected. Any default by our trade receivables to fulfil their debt obligations in the future may adversely affect our financial performance and financial position.

11. FINANCIAL INFORMATION (*cont'd*)

Please refer to Section 9.1.5 of this Prospectus for further details on this risk factor.

(iv) Impact of foreign exchange rate fluctuations

We are exposed to foreign currency risk because some portion of our sales and purchases are transacted in foreign currencies namely the USD, EUR, SGD, TWD, IDR, RMB and PHP. As such, we are exposed to fluctuations in foreign exchange rates and any adverse movements in the foreign exchange markets may have a negative impact on our financial performance and operating results.

Please refer to Section 9.1.7 of this Prospectus for further details on this risk factor.

11.5 LIQUIDITY AND CAPITAL RESOURCES

11.5.1 Working Capital

We finance our operations with cash generated from our operations, credit extended by trade payables, financing facilities from financial institutions which consist of term loans, Tawarruq financing, bank overdraft and trade lines (comprising accepted bills, bankers' acceptance, bank guarantee, letter of credit, invoice financing, revolving credit and trust receipt), finance lease liabilities as well as our existing cash and bank balances.

Our decision to use either the internally-generated funds or the external borrowings for our business operations is subject to various factors such as our prevailing cash and bank balances, expected cash inflows, future capital expenditure requirements, future working capital requirements and the prevailing interest rates on external borrowings amongst others.

We will carefully consider our cash position and ability to obtain further financing before making any significant capital commitments.

Our Board is confident that our working capital will be sufficient for our existing and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus, after taking into consideration the following: -

- (i) our cash and cash equivalents of RM38.92 million as at 30 April 2024;
- (ii) credit facilities obtained from financial institutions with a total limit of RM18.64 million, of which the outstanding balances for credit facilities utilised as at 30 April 2024 amounting to RM2.87 million;
- (iii) our pro forma gearing level of 0.01 times, based on our pro forma consolidated statement of financial position as at 30 April 2024 after the Pre-Listing Exercise, Public Issue and utilisation of proceeds; and
- (iv) our expected future cash flows from operations.

[The rest of this page has been intentionally left blank]

11. FINANCIAL INFORMATION (cont'd)**11.5.2 Borrowings**

As at 31 December 2023, our Group's total outstanding borrowings consist of the following: -

Type	Purpose	Tenure	Interest/ profit rate per annum	As at 31 December 2023		
				Payable within 12 months	Payable after 12 months	Total
				RM'000	RM'000	RM'000
Term loans	To part finance construction cost of factory and office building	120 months	BLR - 2.00%	477	271	748
	To part finance construction cost of factory and office building	120 months	BLR - 2.00%	155	513	668
	For working capital requirements	84 months	5.00%	67	319	386
Tawarruq financing	For working capital requirements	60 months	IFR - 2.20%	377	1,049	1,426
Lease liabilities	In relation to right-of-use assets	24 - 84 months	4.14% to 6.85%	319	425	744
				1,395	2,577	3,972
Pro forma gearing ratio (times):						
- After the Pre-Listing Exercise and before the Public Issue ⁽¹⁾						0.07
- After the Public Issue and utilisation of proceeds ⁽²⁾						0.01

Notes: -

(1) Computed based on the pro forma total equity of RM54.71 million after the Pre-Listing Exercise and before the Public Issue, and pro forma total borrowings (comprising bank borrowings and lease liabilities) of RM3.97 million, as disclosed in Reporting Accountants' Letter on the Pro Forma Combined Statements of Financial Position set out in Section 13 of this Prospectus.

(2) Computed based on the pro forma total equity of RM91.67 million after the Public Issue and utilisation of proceeds, and pro forma total borrowings (comprising bank borrowings and lease liabilities) of RM0.97 million, as disclosed in Reporting Accountants' Letter on the Pro Forma Combined Statements of Financial Position set out in Section 13 of this Prospectus.

As at the LPD, all of our Group's outstanding borrowings are denominated in RM.

11. FINANCIAL INFORMATION (cont'd)

Our Group's outstanding borrowings carry the following effective interest rates for the Financial Years Under Review: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	% per annum			
Floating rates				
Term loans	3.45 – 5.60	3.45 – 5.60	3.45	4.70
Tawarruq financing	-	-	4.44	4.69
Fixed rates				
Term loan	-	-	5.00	5.00
Accepted bills	-	-	4.05	-
Revolving credit	-	5.60	-	-
Lease liabilities	4.31 – 6.18	4.31 – 6.18	3.87 – 6.35	4.14 – 6.85

As at the LPD, there are no other material restrictions on our committed banking facilities. We do not encounter any seasonality in our borrowings.

As at the LPD, we do not have any borrowings which are non-interest bearing and/or denominated in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the Financial Years Under Review and up to the LPD.

Throughout the Financial Years Under Review and up to the LPD, we have not experienced any clawback or reduction in the facilities' limit granted to us by our lenders due to default on payments of principal sums and/or interests.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank borrowings, which can materially affect our financial position and results or business operations or the investments by the holders of our Shares.

11.6 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, save for borrowings as disclosed in Section 11.5.2 of this Prospectus, we have not used any other financial instruments including for hedging purpose.

For clarity purposes, our financial instruments which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, trade and other receivables, as well as financial liabilities such as borrowings and trade and other payables.

Our main treasury objectives are to maintain sufficient working capital to finance our operations, and to possess adequate credit facilities to meet the estimated commitments arising from our operational expenditures, capital expenditures and financial liabilities. We have been funding our operations with cash generated from our operations, credit extended by trade payables, financing facilities from financial institutions which consist of term loans, Tawarruq financing, bank overdraft and trade lines (comprising accepted bills, bankers' acceptance, bank guarantee, letter of credit, invoice financing and trust receipt), finance lease liabilities as well as our existing cash and bank balances.

In our ordinary course of business, we deal with customers and suppliers from both the local market and overseas market, where transactions are denominated in both RM as well as foreign currencies. We maintain multicurrency bank accounts, so that collections in foreign currencies can be used to settle payments of the same currency where possible. This provides a natural hedge against fluctuations in the foreign exchange and mitigates our exposure to foreign exchange risks. We may consider other hedging instruments such as derivative

11. FINANCIAL INFORMATION (cont'd)

contracts available in the financial markets to hedge against foreign exchange risks should the need arise.

Our operations were not subject to any material impact arising from interest rate fluctuations throughout the Financial Years Under Review. As such, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate. We manage our exposure to interest rate fluctuations by maintaining a combination of fixed-rate and floating-rate borrowings.

11.7 MATERIAL CAPITAL COMMITMENTS, LITIGATION AND CONTINGENT LIABILITY**11.7.1 Material Capital Commitment for Capital Expenditures**

As at the LPD, save for the planned capital expenditures in relation to the utilisation of proceeds from the Public Issue as set out in Section 4.8 of this Prospectus and capital expenditure to be incurred pursuant to Statement of Work for Epicor Implementation of EPB as disclosed in Section 6.6(x) of this Prospectus which will be financed by our internally-generated funds, our Directors confirm that there are no other material capital commitments incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material adverse impact on our Group's operations, financial results and/or financial position.

11.7.2 Governmental, Legal or Arbitration Proceedings

As at the LPD and in the twelve (12) months immediately preceding the date of this Prospectus, neither our Company nor our subsidiaries are involved in any material governmental, legal or arbitration proceedings either as plaintiff or defendant. We are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our Group's operations, financial results and/or financial position.

11.7.3 Contingent Liability

As at the LPD, our Directors confirm that there is no contingent liability incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material adverse impact on our Group's operations, financial results and/or financial position.

11.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the Financial Years Under Review are as follows: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Trade receivables turnover period ⁽¹⁾ (days)	66	57	43	29
Trade payables turnover period ⁽²⁾ (days)	31	28	24	22
Inventories turnover period ⁽³⁾ (days)	69	85	85	61
Current ratio ⁽⁴⁾ (times)	1.36	1.46	1.91	3.21
Gearing ratio ⁽⁵⁾ (times)	0.24	0.16	0.14	0.07

Notes: -

- (1) Computed based on the average trade receivables (net of allowance for impairment losses) over revenue for each of the FYE multiplied by 365 days.
- (2) Computed based on the average trade payables over COS for each of the FYE multiplied by 365 days.
- (3) Computed based on the average inventories over COS for each of the FYE multiplied by 365 days.
- (4) Computed based on current assets over current liabilities as at each of the FYE.

11. FINANCIAL INFORMATION (cont'd)

(5) Computed based on total borrowings (consist of bank borrowings and lease liabilities) over total equity as at each of the FYE.

11.8.1 Trade Receivables Turnover Period

The summary of our trade receivables is as follows: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Trade receivables at beginning of the financial year	10,570	11,877	11,720	9,121
Trade receivables at end of the financial year	11,877	11,720	9,121	10,271
Average trade receivables	11,224	11,799	10,421	9,696
Revenue for the financial year	61,689	75,717	89,114	122,116
Trade receivables turnover period (days)	66	57	43	29

The normal credit periods granted by our Group to customers ranging from 0 day (i.e. cash terms) to 180 days. The credit term for each customer may vary depending on various factors including the length of business relationship, their payment track record, creditworthiness and credit limit. In addition, taking into consideration the foreign currency exposure and the geographical distance, a shorter credit term is granted to overseas customers as compared to local customers.

Our Group established policies on credit control involving appropriate credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history, and regular review of customers' outstanding balances and payment trends. Our Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.

Our trade receivables turnover period for the Financial Years Under Review stood at 66 days, 57 days, 43 days and 29 days respectively, which is within the normal credit periods granted to our customers ranging from 0 day (i.e. cash terms) to 180 days, mainly due to shorter credit terms being granted to overseas customers as compared to local customers and higher advance deposits of up to 50% are collected from our customers for larger size orders in relation to the sales from our food processing and packaging machinery solutions business segment.

Our trade receivables turnover period decreased from 66 days for the FYE 2020 to 57 days for the FYE 2021, and subsequently to 43 days and 29 days for FYE 2022 and FYE 2023 respectively; mainly due to good collection from customers and increased sum of deposits received from customers for our food processing and packaging machinery solutions business segment.

[The rest of this page has been intentionally left blank]

11. FINANCIAL INFORMATION (cont'd)

The ageing analysis of our trade receivables as at 31 December 2023 is as follows: -

	Within credit period	Exceeding credit period				Total
		Not more than 30 days overdue	Between 31 to 60 days overdue	Between 61 to 90 days overdue	More than 90 days overdue	
As at 31 December 2023						
Trade receivables (RM'000)	3,639	3,487	289	2,126	3,547	13,088
<u>Less</u>						
Allowance for impairment loss (RM'000)	(107)	(117)	(25)	(412)	(2,156)	(2,817)
Trade receivables, net of allowance for impairment loss (RM'000)	3,532	3,370	264	1,714	1,391	10,271
% of trade receivables, net of allowance for impairment	34.39	32.81	2.57	16.69	13.54	100.00
Subsequent collections as at the LPD (RM'000)	3,076	3,356	285	1,971	1,612	10,300
Balance outstanding trade receivables as at the LPD (RM'000)	563	131	4	155	1,935	2,788

Our Group's total trade receivables, net of allowance for impairment loss, stood at RM10.27 million as at 31 December 2023; of which RM6.74 million or 65.63% exceeded the normal credit period.

As at the LPD, we have collected RM10.30 million or 78.69% of our Group's total trade receivables which were outstanding as at 31 December 2023. Balance outstanding trade receivables as at the LPD, net of allowance for impairment loss, is as follows: -

	RM'000
Balance outstanding trade receivables as at the LPD	2,788
Allowance for impairment loss as at 31 December 2023	<u>(2,817)</u>
Balance outstanding trade receivables as at the LPD, net of allowance for impairment loss	<u>N/A</u>

We have not experienced any significant bad debts or major disputes with our trade receivables for the Financial Years Under Review. We assess the collectability of trade receivables on an individual customer basis and provide for impairment loss on receivables in the following manner: -

- (i) simplified approach using a provisional matrix to estimate lifetime expected credit loss in accordance with MFRS 9 *Financial Instruments*; and
- (ii) specific allowance for impairment on overdue balances where recoverability is ascertained to be uncertain based on our dealings with the customer.

11. FINANCIAL INFORMATION (cont'd)

The balance outstanding trade receivables as at the LPD are attributable to the following: -

- (i) outstanding balances of RM0.19 million owed by one (1) Philippines customer (namely, Customer B) and RM0.40 million owed by one (1) UAE customer (namely, SIS Middle East Investment LLC) under the food processing and packaging machinery solutions business segment, the collections of which are expected to take place in the foreseeable future pending the completion of some modifications/enhancements required by our customers upon testing and commissioning; and
- (ii) outstanding balances aggregating to RM2.20 million comprising trade debts due from over 80 customers, the collections of which are closely monitored and followed up by our Group.

Our Board is of the opinion that the remaining outstanding trade receivables are recoverable, after taking into consideration our historical collection trend where some customers may take longer than the normal credit period to make payment due to the lead time for them to secure the release of financing sum from financial institution and/or government grant.

11.8.2 Trade Payables Turnover Period

The summary of our trade payables is as follows: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Trade payables at beginning of the financial year	3,271	3,662	4,119	3,522
Trade payables at end of the financial year	3,662	4,119	3,522	6,109
Average trade payables	3,467	3,891	3,821	4,816
COS for the financial year	41,135	50,163	58,655	81,758
Trade payables turnover period (days)	31	28	24	22

The normal credit terms granted to our Group by our suppliers ranging from 0 day (i.e. cash terms) to 120 days, which are dependent on the mix of suppliers as well as type of supplies or services procured. A shorter credit term is granted to our Group by overseas suppliers as compared to local suppliers.

Our trade payables turnover period for the Financial Years Under Review stood at 31 days, 28 days, 24 days and 22 days respectively, which is within the normal credit terms granted to our Group; as it is our Group's practice to pay our suppliers promptly to maintain good business relationships.

11. FINANCIAL INFORMATION (cont'd)

The ageing analysis of our trade payables as at 31 December 2023 is as follows: -

	Within credit period	Exceeding credit term				Total
		Not more than 30 days overdue	Between 31 to 60 days overdue	Between 61 to 90 days overdue	More than 90 days overdue	
As at 31 December 2023						
Trade payables (RM'000)	3,248	847	173	163	1,678	6,109
% of trade payables	53.17	13.86	2.83	2.67	27.47	100.00
Subsequent payments as at the LPD (RM'000)	1,870	841	173	129	1,600	4,613
Balance outstanding trade payables as at the LPD (RM'000)	1,378	6	-	34	78	1,496

Our Group's total trade payables stood at RM6.11 million as at 31 December 2023; of which RM2.86 million or 46.81% exceeded the normal credit term.

As at the LPD, we have settled RM4.61 million or 75.45% of our Group's total trade payables which were outstanding as at 31 December 2023. The balance outstanding trade payables of RM1.50 million which has yet to be settled was mainly due to certain payments to our suppliers are being withheld to be released only upon final testing and commissioning. There is no legal action initiated by our suppliers to demand for payment as at the LPD.

11.8.3 Inventories Turnover Period

The summary of our inventories is as follows: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Inventories at beginning of the financial year	5,728	9,829	13,426	13,969
Inventories at end of the financial year	9,829	13,426	13,969	13,210
Average inventories	7,779	11,628	13,698	13,590
COS for the financial year	41,135	50,163	58,655	81,758
Inventories turnover period (days)	69	85	85	61

Our operations are primarily on "supply-to-order" basis, particularly in relation to our food processing and packaging machinery solutions business segment; where our products are subject to confirmed order from our customers and customised in accordance with our customers' specifications and needs.

Our inventories turnover period increased from 69 days for the FYE 2020 to 85 days for the FYE 2021, remained consistent at 85 days for the FYE 2022, and subsequently decreased to 61 days for the FYE 2023; primarily due to purchases made for orders delivered/fulfilled subsequent to the year-end.

11. FINANCIAL INFORMATION (cont'd)

Our Board is of the opinion that there are no material slow-moving/obsolete inventories which are not written down/off as at the LPD in view of the following: -

- (i) our raw materials/inputs are primarily metal-based, which are non-perishable and long-lasting in nature;
- (ii) our work-in-progress and finished goods primarily consist of products that are supported by confirmed order; and
- (iii) we review our slow-moving/long outstanding inventory items periodically during the physical inventory count, and where necessary, appropriate allowance for impairment loss is made on damaged and/or obsolete inventory items to write down the carrying values of those inventory items to their net realisable values based on prevailing market conditions.

11.8.4 Current Ratio

Our Group's current ratio for the Financial Years Under Review is as follows: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Current assets at end of the financial year	40,087	52,187	66,617	62,561
Current liabilities at end of the financial year	29,576	35,795	34,861	19,471
Current ratio (times)	1.36	1.46	1.91	3.21

For the FYE 2021, our Group's current ratio stood at 1.46 times, which was relatively consistent as compared to 1.36 times for the FYE 2020.

For the FYE 2022, our Group's current ratio increased to 1.91 times from 1.46 times for the FYE 2021; mainly due to overall increase in our Group's cash and bank balances line with our improved financial performance.

For the FYE 2023, our Group's current ratio increased to 3.21 times from 1.91 times for the FYE 2022; mainly due to overall decrease in our Group's other payables, deposits and accrued liabilities as explained in Section 11.2.3(ii) of this Prospectus.

Our Group's current ratio indicates that our Group is able to satisfy our short-term obligations as and when they fall due, as our current assets are more than of current liabilities.

11.8.5 Gearing Ratio

Our Group's gearing ratio for the Financial Years Under Review is as follows: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Total borrowings at end of the financial year	5,686	4,793	5,928	3,972
Total equity at end of the financial year	23,539	30,001	42,459	54,711
Gearing ratio (times)	0.24	0.16	0.14	0.07

Our gearing ratio has remained relatively low throughout the Financial Years Under Review, ranging from 0.07 times to 0.24 times. Our Group is not heavily reliant on borrowings as we maintained a net cash position throughout the Financial Years Under Review.

11. FINANCIAL INFORMATION (cont'd)

For the FYE 2021, our Group's gearing ratio decreased to 0.16 times as compared to 0.24 times in the FYE 2020. This was mainly due to the decrease in total borrowings as at 31 December 2021 as a result of repayments, and increase in total equity in line with our improved financial performance for the FYE 2021.

For the FYE 2022, our Group's gearing ratio stood at 0.14 times, which was relatively consistent as compared to 0.16 times in the FYE 2021. This was mainly due to the increase in total borrowings as at 31 December 2022 was offset by the increase in total equity in line with our improved financial performance for the FYE 2022.

For the FYE 2023, our Group's gearing ratio decreased to 0.07 times as compared to 0.14 times in the FYE 2022. This was mainly due to the decrease in total borrowings as at 31 December 2023 as a result of repayments, and increase in total equity in line with our positive financial performance for the FYE 2023.

11.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

We are subject to the risks relating to government, economic, fiscal or monetary policies as set out in Section 9.2.2 of this Prospectus. Any unfavourable changes and/or developments in government, economic, fiscal or monetary policies may materially affect our business operations and financial performance and the prospect of the industry in which we operate.

For the Financial Years Under Review, we have not experienced any adverse government, economic, fiscal or monetary policies and regulatory changes which have materially affected our operations and financial performance. However, there can be no assurance that any adverse changes to government, economic, fiscal or monetary policies in the future will not unfavourably and materially affect our Group's operations, financial results and financial position.

11.10 IMPACT OF INFLATION

Our financial performance and operating results for the Financial Years Under Review were not materially affected by the impact of inflation. However, we believe that we would not be able to fully pass on all future increases in costs of materials and services of our operations to our customers. As such, there can be no assurance that future inflation would not have an impact on our Group's operations, financial results and financial position.

[The rest of this page has been intentionally left blank]

11. FINANCIAL INFORMATION (cont'd)**11.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES****(i) Impact of foreign exchange rates**

We are exposed to foreign currency risk because some portion of our sales and purchases are transacted in foreign currencies namely the USD, EUR, SGD, NTD, IDR, PHP and RMB. As such, we are exposed to fluctuations in foreign exchange rates and any adverse movement in the foreign exchange markets may have a negative impact on our financial performance and operating results. For the Financial Years Under Review, our sales and purchases transactions denominated in local and foreign currencies are as follows: -

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales denominated								
- RM (local currency)	27,551	44.66	36,508	48.22	36,026	40.43	36,951	30.26
- USD	34,018	55.15	38,846	51.30	53,067	59.54	79,745	65.30
- EUR	15	0.02	147	0.19	16	0.02	809	0.66
- IDR	38	0.06	-	-	-	-	-	-
- SGD	67	0.11	216	0.29	5	0.01	4,611	3.78
	61,689	100.00	75,717	100.00	89,114	100.00	122,116	100.00
Purchases denominated								
- RM (local currency)	14,432	38.31	15,647	36.34	23,063	45.43	18,595	27.20
- USD	19,679	52.23	25,319	58.80	26,881	52.94	39,063	57.14
- EUR	1,358	3.60	325	0.75	45	0.09	1,402	2.05
- NTD	1,474	3.91	1,527	3.55	774	1.52	587	0.86
- PHP	-	-	4	0.01	8	0.02	-	-
- RMB	354	0.94	240	0.55	-	-	8,715	12.75
- IDR	379	1.01	-	-	-	-	-	-
Total	37,676	100.00	43,062	100.00	50,771	100.00	68,362	100.00

The impact of foreign exchange fluctuations on our financial performance during the Financial Years Under Review are as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Realised gain on foreign exchange	75	8	136	198
Unrealised gain on foreign exchange	180	216	181	307
Realised loss on foreign exchange	(195)	(192)	(24)	(217)
Unrealised loss on foreign exchange	(115)	(18)	(126)	(383)
Net (loss)/gain on foreign exchange	(55)	14	167	(95)
PBT	7,742	13,853	15,579	19,155
Net (loss)/gain on foreign exchange as % of PBT	(0.71)	0.10	1.07	(0.50)

Our Group currently does not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis, and our Group endeavours to keep the net exposure within an acceptable level. Our Group also

11. FINANCIAL INFORMATION (cont'd)

holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Our Group does not use any financial instruments to hedge our exposure to fluctuation in foreign currency exchange rates. As at the LPD, we have not entered into any foreign exchange contracts as we endeavour to naturally hedge our foreign currency payments against our foreign currency collections. Nonetheless, we are subject to foreign exchange fluctuation risk for any mismatch in the purchases from our overseas suppliers and revenue from our sales to overseas customers. A depreciation of the RM against the foreign currencies may lead to higher costs of sales for our Group, whilst an appreciation of the RM against the foreign currencies may lead to lower sales and collections for our Group. Should such adverse event materialise, and we shall fail to pass on the adverse fluctuations to our customers in a timely manner, our financial performance may be adversely affected due to the reduced GP margin as a result of higher costs of sales or lower sales and collections.

(ii) Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its earnings before interest and tax ("EBIT"). Our interest coverage ratio for the Financial Years Under Review is as follows: -

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
PBT	7,742	13,853	15,579	19,155
<u>Add</u>				
Finance costs	438	337	344	373
Interest income	(27)	(46)	(9)	(53)
EBIT	8,153	14,144	15,914	19,475
Interest coverage ratio⁽¹⁾ (times)	18.61	41.97	46.26	52.21

Note: -

(1) Computed based on EBIT over finance costs for the Financial Years Under Review.

Our interest coverage ratio ranges from 18.61 times to 52.21 times for the Financial Years Under Review, indicating that our Group has been able to generate sufficient profits from operations to meet our interest-serving obligations. In addition, our gearing ratio has remained relatively low throughout the Financial Years Under Review, ranging from 0.07 times to 0.24 times. Our Group is not heavily reliant on borrowings as we maintained a net cash position throughout the Financial Years Under Review.

Our financial performance and operating results for the Financial Years Under Review were not materially affected by the fluctuations in interest rates. However, there can be no assurance that any major adverse future fluctuations in interest rates would not have an impact on our Group's operations, financial results and financial position.

(iii) Impact of commodity prices

Our financial performance and operating results for the Financial Years Under Review were not materially affected by the fluctuations in commodity prices. However, there can be no assurance that any major adverse future fluctuations in commodity prices would not have an impact on our Group's operations, financial results and financial position.

11. FINANCIAL INFORMATION (cont'd)

11.12 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that: -

- (i) our Group's revenue will remain sustainable, in line with the anticipated growth trend for the industry in which we operate as set out in the IMR Report;
- (ii) our liquidity will improve further subsequent to the Public Issue as there will be additional funds to be raised for our Group to carry out and implement our business strategies and future plans as set out in Section 7.20 of this Prospectus; and
- (iii) our capital resources will strengthen, taking into consideration the amount to be raised from the Public Issue as well as our internally-generated funds. We may consider additional debt and/or equity funding for our future expansion should the need arise.

11.13 TREND INFORMATION

As at the LPD, save as disclosed in this Prospectus and to the best of our Group's knowledge and belief, our operations have not been and are not expected to be affected by any of the following: -

- (i) known trends, uncertainties, demands, commitments or events that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our operations, financial performance, financial position, liquidity and capital resources, save as disclosed in Sections 7, 8, 9 and 11 of this Prospectus;
- (ii) material commitments for capital expenditure, save as disclosed in Section 11.7.1 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our operations, financial performance, financial position, liquidity and capital resources, save as disclosed in Sections 9 and 11 of this Prospectus;
- (iv) known trends, uncertainties, demands, commitments, or events that have resulted in a material impact on our revenue and/or profitability, save for the business strategies and future plans as set out Section 7.20 of this Prospectus and save as disclosed in Sections 7 and 8 of this Prospectus; and
- (v) known trends, uncertainties, demands, commitments, or events that are reasonably likely to make our Group's historical financial statements not indicative of our future financial performance and financial position, save as disclosed in Section 9 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into consideration our Group's competitive strengths as set out in Section 7.19 of this Prospectus, as well as business strategies and future plans as set out in Section 7.20 of this Prospectus.

11.14 SIGNIFICANT CHANGES

Our Directors are not aware of any significant changes that has occurred which may have a material effect on our financial position and results since the FYE 2023, being our most recent annual audited combined financial statements.

11. FINANCIAL INFORMATION (cont'd)

11.15 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy. The declaration of any interim dividend for a particular financial year is subject to the discretion of our Board, whilst the declaration of any final dividend for a particular financial year is subject to the approval of our shareholders at our annual general meeting upon the recommendation of our Board.

It is our intention to pay dividends to our shareholders to allow them to participate in our profits. When recommending any final dividend for approval by our shareholders or when declaring any interim dividend, our Board will consider, amongst others:

- (i) our anticipated future operating conditions as well as future expansion, capital expenditure and investment plan;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our expected financial performance including return on equity and retained earnings;
- (iv) any restrictive covenants contained in our current and future financing arrangements;
- (v) the availability of adequate reserves and cash flows; and
- (vi) any material impact of tax laws and regulatory requirements.

Our Board intends to adopt a policy of active capital management. We intend to pay dividends out of surplus cash generated from our operations, after setting aside necessary funding for capital expenditure and working capital requirements. As part of this policy and subject always to compliance with the applicable laws and regulatory requirements, our Board targets a distribution of up to 25% of our annual audited consolidated PAT attributable to our shareholders in the form of dividends annually. This dividend policy shall be reviewed by our Board at least once every three (3) years, or at a shorter period if deemed appropriate and necessary by our Board.

Notwithstanding our intention above, as we are a holding company, our income and ability to pay dividends are dependent upon the dividends and other distributions received from our subsidiaries. The payment of dividends and other distributions by our subsidiaries are in turn, dependent on various factors, including but not limited to, their financial performance, capital and cash flows requirements (including capital expenditures and financial covenants), general financial conditions both domestically and internationally, availability of adequate distributable reserves and other factors which may be considered relevant by their respective board of directors.

Actual dividends proposed and declared may vary depending on our financial performance and cash flows, and may be waived if the payment of the dividends would adversely affect our cash flows and operations. Save for certain banking restrictive covenants imposed on BW Engineering and EP Machinery which our Group are subject to, where the two subsidiaries shall not declare and/or pay dividends in excess of 50% of their annual net PAT unless with the prior consent from the relevant bank, there are no dividend restrictions being imposed on our Group currently. However, pursuant to the Act: -

- (i) our Company may only declare or pay dividend or other distribution to our shareholders out of profits of our Company available if our Company is solvent; and
- (ii) no dividend or other distribution shall be declared in excess of the amount authorised by our Board.

Investors should take note that this dividend policy merely describes our Group's present intention and shall not constitute legally binding statements in respect of our future dividends, which are always subject to our Board's discretion.

11. FINANCIAL INFORMATION (cont'd)

For information purposes, dividends declared by our Group during the Financial Years Under Review are as follows: -

	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Dividends declared	3,021 ⁽²⁾	5,637 ⁽³⁾	200 ⁽⁴⁾	2,700 ⁽⁵⁾
PAT attributable to owners of the parent	6,298	11,926	12,282	14,258
Dividend pay-out ratio ⁽¹⁾ (%)	47.97	47.27	1.63	18.94

Notes: -

⁽¹⁾ Computed based on dividend declared divided by the PAT attributable to owners of the parent.

⁽²⁾ Comprising dividends amounted to RM2.52 million (equivalent to USD0.60 million) and RM0.50 million declared by BW Perkasa Labuan and EP Machinery KL respectively, which were paid in FYE 2021.

⁽³⁾ Comprising the following: -

- dividend amounted to RM1.60 million declared by BW Engineering, which was paid in FYE 2021;
- dividend amounted RM1.67 million (equivalent to USD0.40 million) declared by BW Perkasa Labuan, which was paid in FYE 2021;
- dividend amounted to RM2.00 million declared by EP Machinery, which was paid in FYE 2022; and
- dividend amounted to RM0.37 million declared by EP Machinery KL, which was paid in FYE 2022.

⁽⁴⁾ Comprising dividend of RM0.20 million declared by EP Manufacturing, which was paid in FYE 2022.

⁽⁵⁾ Comprising the following: -

- dividends amounted to RM0.25 million and RM1.85 million declared by BW Engineering, which was paid in FYE 2023;
- dividend amounted to RM0.50 million declared by EP Machinery, which was paid in FYE 2023; and
- dividend amounted to RM0.10 million declared by EP Machinery KL, which was paid in FYE 2023.

The above dividends which were funded by internally-generated funds and distributed out of retained profits of the respective subsidiaries will not affect the execution and implementation of our business strategies and future plans. Our Group does not intend to declare any further dividends prior to, and until, the completion of our Listing.

11. FINANCIAL INFORMATION (cont'd)**11.16 ORDER BOOK**

Our sales are based on confirmed purchase order from our customers. We generate our revenue as and when we deliver the products/services based on purchase orders received. As at the LPD, our order book stood at RM44.29 million which are expected to be fulfilled and billed in FYE 2024. The breakdown of order book by business segment are as follows: -

	Expected to be fulfilled and billed in FYE 2024
Order book by business segment	RM'000
Food processing and packaging machinery solutions	37,133
Trading of cellulose casings	6,275
Manufacturing and trading of flexible packaging materials	880
Total	44,288

[The rest of this page has been intentionally left blank]

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 2023**

12. ACCOUNTANTS' REPORT (cont'd)

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



Date : 04 JUN 2024

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, 31 December 2022 and 31 December 2023, 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, 31 December 2022 and 31 December 2023, and the notes to the aforesaid combined financial statements, including material accounting policies as set out on pages 4 to 68.

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, 31 December 2022 and 31 December 2023 and of their combined financial performance and combined cash flows for each of the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 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 "Folk", written over a horizontal line.

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

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

LEONG KOK TONG
No. : 02973/11/2025 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	2023 RM
Assets					
Non-current Assets					
Property, plant and equipment	4	10,828,567	11,648,585	11,469,045	11,168,065
Right-of-use assets	5	6,735,109	5,183,780	5,684,677	4,966,628
Intangible assets	6	6,802	32,718	25,122	561,971
		<u>17,570,478</u>	<u>16,865,083</u>	<u>17,178,844</u>	<u>16,696,664</u>
Current Assets					
Inventories	7	9,829,069	13,426,089	13,969,439	13,209,645
Trade receivables	8	11,876,796	11,720,168	9,121,128	10,270,960
Other receivables, deposits and prepayments	9	3,974,089	6,817,087	11,146,558	4,532,985
Tax recoverable		203,620	85,349	380,141	235,806
Fixed deposits with a licensed bank	10	-	5,013	455,561	466,733
Cash and bank balances	11	14,202,883	20,133,572	31,544,065	33,845,437
		<u>40,086,457</u>	<u>52,187,278</u>	<u>66,616,892</u>	<u>62,561,566</u>
Total Assets		<u>57,656,935</u>	<u>69,052,361</u>	<u>83,795,736</u>	<u>79,258,230</u>
Equity and Liabilities					
Equity Attributable to Owners of the Company					
Share capital	12.1	-	-	2	2
Invested equity	12.2	5,552,360	5,552,360	5,552,360	5,552,360
Foreign currency translation reserve		(120,707)	51,059	427,371	1,121,663
Retained profits		18,107,562	24,397,514	36,479,294	48,037,282
Total Equity		<u>23,539,215</u>	<u>30,000,933</u>	<u>42,459,027</u>	<u>54,711,307</u>
Non-current Liabilities					
Deferred tax liabilities	13	766,611	895,299	2,457,494	2,498,661
Bank borrowings	14	3,065,409	2,054,798	3,209,285	2,152,218
Lease liabilities	15	709,872	305,448	808,751	424,902
		<u>4,541,892</u>	<u>3,255,545</u>	<u>6,475,530</u>	<u>5,075,781</u>
Current Liabilities					
Bank borrowings	14	1,065,072	2,107,487	1,421,266	1,076,121
Lease liabilities	15	845,708	325,224	488,977	319,366
Trade payables	16	3,661,667	4,119,212	3,521,391	6,108,872
Other payables, deposits and accrued liabilities	17	16,934,333	22,699,266	29,081,274	11,339,641
Amount owing to directors	18	3,258,711	3,206,115	6,083	-
Current tax liabilities		900,137	968,079	342,188	627,142
Dividend payable		2,910,200	2,370,500	-	-
		<u>29,575,828</u>	<u>35,795,883</u>	<u>34,861,179</u>	<u>19,471,142</u>
Total Liabilities		<u>34,117,720</u>	<u>39,051,428</u>	<u>41,336,709</u>	<u>24,546,923</u>
Total Equity and Liabilities		<u>57,656,935</u>	<u>69,052,361</u>	<u>83,795,736</u>	<u>79,258,230</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	2023 RM
Revenue	19	61,689,072	75,716,940	89,113,683	122,116,450
Cost of sales		<u>(41,134,896)</u>	<u>(50,162,887)</u>	<u>(58,654,721)</u>	<u>(81,758,860)</u>
Gross profit		20,554,176	25,554,053	30,458,962	40,357,590
Other income		1,103,715	1,211,579	2,576,048	1,216,900
Selling and distribution costs		(4,807,734)	(3,642,265)	(7,651,128)	(10,492,814)
Administrative expenses		(7,908,873)	(8,924,855)	(9,422,491)	(11,502,563)
Other expenses		<u>(761,119)</u>	<u>(8,407)</u>	<u>(38,334)</u>	<u>(50,651)</u>
Operating profit		8,180,165	14,190,105	15,923,057	19,528,462
Finance costs		<u>(438,379)</u>	<u>(337,133)</u>	<u>(343,796)</u>	<u>(373,318)</u>
Profit before taxation	20	7,741,786	13,852,972	15,579,261	19,155,144
Taxation	22	<u>(1,443,749)</u>	<u>(1,926,520)</u>	<u>(3,297,481)</u>	<u>(4,897,156)</u>
Profit for the year		<u>6,298,037</u>	<u>11,926,452</u>	<u>12,281,780</u>	<u>14,257,988</u>
Other comprehensive (loss) / income					
<i>Item that will be reclassified subsequently to profit or loss, net of tax effects :-</i>					
Exchange differences on translation		<u>(82,820)</u>	<u>171,766</u>	<u>376,312</u>	<u>694,292</u>
Total comprehensive income for the year		<u>6,215,217</u>	<u>12,098,218</u>	<u>12,658,092</u>	<u>14,952,280</u>
Profit for the year attributable to :-					
Owners of the Company		<u>6,298,037</u>	<u>11,926,452</u>	<u>12,281,780</u>	<u>14,257,988</u>
Total comprehensive income for the year attributable to :-					
Owners of the Company		<u>6,215,217</u>	<u>12,098,218</u>	<u>12,658,092</u>	<u>14,952,280</u>
Earnings per share attributable to equity holders of the Company					
Basic and diluted	23	<u>0.02</u>	<u>0.03</u>	<u>0.03</u>	<u>0.04</u>

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	
	Share capital RM	Invested equity RM	Foreign currency translation reserve RM	Retained profits RM	Total 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 Changes in Equity (Cont'd)**

	Non-distributable			Distributable	
	Share capital RM	Invested equity RM	Foreign currency translation reserve RM	Retained profits RM	Total RM
2023					
Balance at 1 January 2023	2	5,552,360	427,371	36,479,294	42,459,027
Profit for the year	-	-	-	14,257,988	14,257,988
Other comprehensive income for the year	-	-	694,292	-	694,292
Total comprehensive income for the year	-	-	694,292	14,257,988	14,952,280
Dividends (Note 24)	-	-	-	(2,700,000)	(2,700,000)
Balance at 31 December 2023	2	5,552,360	1,121,663	48,037,282	54,711,307

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	2021	2022	2023
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before taxation	7,741,786	13,852,972	15,579,261	19,155,144
Adjustments for :-				
Depreciation of property, plant and equipment	629,812	930,643	981,879	1,128,213
Depreciation of right-of-use assets	682,253	417,628	613,828	576,909
Amortisation of intangible assets	5,153	8,090	9,516	9,956
Bad debt written off	-	-	-	64,430
Deposit paid forfeited	-	-	-	7,872
Deposits received forfeited	(5,200)	-	(879,627)	(171,254)
Gain on disposal of property, plant and equipment	(54,733)	(44,999)	(47,182)	(30,618)
Gain on derecognition of right-of-use assets	-	(1,868)	-	(685)
Impairment loss on property, plant and equipment	516,110	-	-	-
Property, plant and equipment written off	-	164	22,511	17,044
Additional allowance for impairment loss on receivables - net	92,207	838,456	79,936	300,798
Interest expenses	438,379	337,133	343,796	373,318
Interest income	(27,016)	(46,483)	(8,736)	(53,172)
Unrealised (gain) / loss on foreign exchange	(65,577)	(197,443)	(54,950)	75,831
Write-off of inventories	-	-	108,384	-
Write-down in value of inventories - net	170,653	41,147	172,061	189,657
Operating profit before working capital changes	10,123,827	16,135,440	16,920,677	21,643,443
(Increase) / Decrease in inventories	(4,340,713)	(3,585,952)	(823,795)	570,137
Decrease / (Increase) in trade and other receivables	5,764,051	(3,297,264)	(1,788,225)	5,074,570
Increase / (Decrease) in amount owing to directors	3,111,209	(52,596)	(3,200,032)	(6,083)
(Decrease) / Increase in trade and other payables	(4,960,945)	5,894,917	6,585,793	(15,392,142)
Cash generated from operations	9,697,429	15,094,545	17,694,418	11,889,925
Interest paid	(438,379)	(337,133)	(343,796)	(373,318)
Tax paid	(609,658)	(1,654,676)	(2,662,147)	(4,686,776)
Tax refunded	-	14,400	-	260,070
Net cash from operating activities	8,649,392	13,117,136	14,688,475	7,089,901
Cash flows from investing activities				
Acquisition of property, plant and equipment	(2,159,257)	(454,101)	(665,142)	(425,919)
Addition of right-of-use assets	-	-	(215,167)	-
Acquisition of intangible assets	(3,900)	(34,006)	(1,920)	(546,805)
Proceeds received from disposal of property, plant and equipment	66,999	65,249	53,000	40,218
Interest received	27,016	46,483	8,736	53,172
Net cash used in investing activities	(2,069,142)	(376,375)	(820,493)	(879,334)

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	2023 RM
Cash flows from financing activities				
Net (repayment) / drawdown of bank borrowings (Note 25.1)	(1,693,228)	31,804	468,266	(1,402,212)
Repayment of lease liabilities (Note 25.1)	(687,503)	(1,106,313)	(398,028)	(839,593)
Proceeds from issuance of ordinary shares	-	-	2	-
Dividend paid	(4,020,660)	(6,245,600)	(2,570,500)	(2,700,000)
Net cash used in financing activities	<u>(6,401,391)</u>	<u>(7,320,109)</u>	<u>(2,500,260)</u>	<u>(4,941,805)</u>
Net increase in cash and cash equivalents	178,859	5,420,652	11,367,722	1,268,762
Effect of foreign exchange difference on cash and cash equivalents	(6,258)	515,050	493,319	1,043,782
Cash and cash equivalents at beginning of year	14,030,282	14,202,883	20,138,585	31,999,626
Cash and cash equivalents at end of year	<u>14,202,883</u>	<u>20,138,585</u>	<u>31,999,626</u>	<u>34,312,170</u>
Cash and cash equivalents comprised :-				
Fixed deposits with a licensed bank	-	5,013	455,561	466,733
Cash and bank balances	14,202,883	20,133,572	31,544,065	33,845,437
	<u>14,202,883</u>	<u>20,138,585</u>	<u>31,999,626</u>	<u>34,312,170</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, 31 December 2022 and 31 December 2023. 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.

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.
------------------------	---	--

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, 31 December 2022 and 31 December 2023. 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 Material 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 material 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 Material 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

Effective for annual periods beginning on or after 1 January 2023

MFRS 17, Insurance Contracts

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

Amendments to MFRS 101 and MFRS Practice Statement 2 - 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

Amendments to MFRS 112 - International Tax Reform - Pillar Two Model Rules

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 Material Accounting Policies (Cont'd)****2.2 Adoption of MFRSs, Amendments to MFRSs and IC Interpretation (Cont'd)****2.2.1 New MFRSs, amendments to MFRSs and IC Interpretation adopted during the financial years (Cont'd)**

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.

Amendments to MFRS 101 and MFRS Practice Statement 2 - Disclosure of Accounting Policies

The Group has adopted the Amendments from 1 January 2023. The Amendments changed the requirements in MFRS 101 to disclose 'material accounting policy information' rather than 'significant accounting policies' and must be of entity-specific. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The Amendments have also added guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Amendments have had an impact on the disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

2.3 Amendments to MFRSs That Are In Issue But Not Yet Effective

The Group has not early adopted the following 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 2024

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

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

Amendments to MFRS 107 and MFRS 7 - Supplier Finance Arrangements

Effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 112 - Lack of Exchangeability

Effective for annual periods beginning on or after a date to be determined by the MASB

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

The Group will apply the above amendments to MFRSs that are applicable once they become effective. The adoption of these amendments to MFRSs are not expected to have any significant financial impact on the Group's combined 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 Material Accounting Policies (Cont'd)****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.

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. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. 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.

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 Material Accounting Policies (Cont'd)****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.

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 on 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.

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 Material Accounting Policies (Cont'd)****2.8 Financial Assets (Cont'd)****2.8.1 Classification (Cont'd)**

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.

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.

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. All Group's debt instruments as at the end of each reporting period are categorised as financial assets measured at amortised cost.

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.

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.

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 Material 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**

The Group recognises loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost.

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, 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.

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 is recognised in profit or loss and the carrying amount of the assets is reduced through the use of an allowance account.

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 Material Accounting Policies (Cont'd)****2.10 Impairment (Cont'd)****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.

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.

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 Material Accounting Policies (Cont'd)**2.12 Financial Liabilities (Cont'd)****2.12.1 Classification and measurement (Cont'd)****Amortised cost**

All financial liabilities of the Group as at the end of each reporting period 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 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.

2.15 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.

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 Material Accounting Policies (Cont'd)****2.15 Leases (Cont'd)****The Group as a Lessee (Cont'd)**

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.

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.

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 Material Accounting Policies (Cont'd)**2.15 Leases (Cont'd)****The Group as a Lessee (Cont'd)**

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.

2.16 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.

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 Material Accounting Policies (Cont'd)****2.17 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.

2.18 Employee Benefits**2.18.1 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.

2.18.2 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 Revenue Recognition**2.19.1 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.

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.

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 Material Accounting Policies (Cont'd)

2.19 Revenue Recognition (Cont'd)

2.19.1 Revenue from Contracts with Customers (Cont'd)

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. 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, non-cash 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 Group recognises revenue from installation services at a point in time when it has satisfied the performance obligations.

(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.

2.19.2 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.

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 Material Accounting Policies (Cont'd)****2.20 Foreign Currencies****2.20.1 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.

2.20.2 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.

2.20.3 Foreign operations

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

- Assets and liabilities are translated at the closing rate prevailing at each reporting date;
- Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rates for each reporting period, 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.

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 Material Accounting Policies (Cont'd)****2.20 Foreign Currencies (Cont'd)****2.20.3 Foreign operations (Cont'd)**

Exchange differences arising from monetary items that form part of the Group's net investment in a 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.

2.21 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.

2.22 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.

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.

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**3. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (Cont'd)****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.

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**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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
Capital work-in-progress	-	-	-	-
	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
Capital work-in-progress	-	-	-	-
	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)**EPB GROUP BERHAD**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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
Capital work-in-progress	-	-	-	-	-
	15,410,233	454,101	(1,857,651)	2,690,864	16,697,547
Accumulated depreciation					
	At beginning of year RM	Charge for the year RM	Disposals / Written off RM	Transfers RM	At end of year RM
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
Capital work-in-progress	-	-	-	-	-
	4,065,556	930,643	(1,321,127)	1,373,890	5,048,962
Accumulated impairment losses					
Plant and machinery	516,110	-	(516,110)	-	-

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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
Capital work-in-progress	-	-	-	-	-
	16,697,547	665,142	(174,664)	448,868	17,636,893
Accumulated depreciation					
	At beginning of year RM	Charge for the year RM	Disposals / Written off RM	Transfers RM	At end of year RM
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
Capital work-in-progress	-	-	-	-	-
	5,048,962	981,879	(146,335)	283,342	6,167,848

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**4. Property, Plant and Equipment (Cont'd)****2023**

	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	3,480,399	65,598	(97,351)	-	3,448,646
Office equipment	1,073,627	158,555	(2,540)	-	1,229,642
Furniture and fittings	740,286	9,341	-	-	749,627
Motor vehicles	1,467,760	-	-	936,379	2,404,139
Tools and equipment	118,039	35,000	(33,500)	-	119,539
Computers	159,966	43,275	(8,766)	-	194,475
Renovation	1,423,426	50,288	-	-	1,473,714
Capital work-in-progress	-	63,862	-	-	63,862
	17,636,893	425,919	(142,157)	936,379	18,857,034

	At beginning of year RM	Charge for the year RM	Disposals / Written off RM	Transfers RM	At end of year RM
Accumulated depreciation					
Buildings	1,371,435	183,467	-	-	1,554,902
Plant and machinery	1,713,460	352,966	(87,583)	-	1,978,843
Office equipment	551,246	158,250	(1,622)	-	707,874
Furniture and fittings	457,074	67,491	-	-	524,565
Motor vehicles	1,199,864	178,332	-	508,421	1,886,617
Tools and equipment	91,837	13,539	(17,867)	-	87,509
Computers	99,363	30,598	(8,441)	-	121,520
Renovation	683,569	143,570	-	-	827,139
Capital work-in-progress	-	-	-	-	-
	6,167,848	1,128,213	(115,513)	508,421	7,688,969

Carrying amounts as at

	2020 RM	2021 RM	2022 RM	2023 RM
Buildings	8,168,891	7,985,423	7,801,955	7,618,488
Plant and machinery	910,227	1,865,470	1,766,939	1,469,803
Office equipment	264,539	311,302	522,381	521,768
Furniture and fittings	373,369	337,528	283,212	225,062
Motor vehicles	132,914	285,369	267,896	517,522
Tools and equipment	49,750	39,148	26,202	32,030
Computers	22,892	50,320	60,603	72,955
Renovation	905,985	774,025	739,857	646,575
Capital work-in-progress	-	-	-	63,862
	10,828,567	11,648,585	11,469,045	11,168,065

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	2023 RM
Buildings	5,290,034	5,172,566	7,801,955	7,618,488

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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)

Incorporated in Malaysia

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>
Accumulated depreciation				
	At beginning of year RM	Charge for the year RM	Transfers RM	At end of year RM
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>

2023

	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	438,518	296,438	(312,462)	-	422,494
Plant and machinery	-	-	-	-	-
Motor vehicles	2,121,377	-	-	(936,379)	1,184,998
	<u>7,610,178</u>	<u>296,438</u>	<u>(312,462)</u>	<u>(936,379)</u>	<u>6,657,775</u>
Accumulated depreciation					
	At beginning of year RM	Charge for the year RM	Derecogni- tion RM	Transfers RM	At end of year RM
Long term leasehold land	818,545	90,639	-	-	909,184
Buildings	246,898	232,930	(302,842)	-	176,986
Plant and machinery	-	-	-	-	-
Motor vehicles	860,058	253,340	-	(508,421)	604,977
	<u>1,925,501</u>	<u>576,909</u>	<u>(302,842)</u>	<u>(508,421)</u>	<u>1,691,147</u>

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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

	Carrying amounts as at			
	2020 RM	2021 RM	2022 RM	2023 RM
Long term leasehold land	4,413,023	4,322,380	4,231,738	4,141,099
Buildings	224,082	148,027	191,620	245,508
Plant and machinery	1,474,222	139,104	-	-
Motor vehicles	623,782	574,269	1,261,319	580,021
	<u>6,735,109</u>	<u>5,183,780</u>	<u>5,684,677</u>	<u>4,966,628</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	2023 RM
Long term leasehold land	<u>2,471,848</u>	<u>2,424,343</u>	<u>4,231,738</u>	<u>4,141,099</u>

6. Intangible Assets**Computer software**

	2020 RM	2021 RM	2022 RM	2023 RM
Cost				
At beginning of year	150,451	154,351	188,357	190,277
Additions	3,900	34,006	1,920	546,805
At end of year	<u>154,351</u>	<u>188,357</u>	<u>190,277</u>	<u>737,082</u>
Accumulated amortisation				
At beginning of year	142,396	147,549	155,639	165,155
Charged for the year	5,153	8,090	9,516	9,956
At end of year	<u>147,549</u>	<u>155,639</u>	<u>165,155</u>	<u>175,111</u>
Net carrying amount	<u>6,802</u>	<u>32,718</u>	<u>25,122</u>	<u>561,971</u>

The carrying amount of intangible assets as at 31 December 2023 includes the cost of software license acquired which has yet to be fully implemented and put into use as at the end of financial year. Amortisation of the asset will commence when it is available for use.

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**7. Inventories**

	2020	2021	2022	2023
	RM	RM	RM	RM
Raw materials	4,120,415	6,981,797	6,038,277	6,944,015
Work-in-progress	2,864,742	4,412,020	4,024,970	2,467,632
Finished goods	2,445,819	1,047,566	798,210	1,122,878
Trading goods	398,093	984,706	3,107,982	2,675,120
	<u>9,829,069</u>	<u>13,426,089</u>	<u>13,969,439</u>	<u>13,209,645</u>
	2020	2021	2022	2023
	RM	RM	RM	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>	<u>69,255,343</u>

Inventories which are stated at their net realisable values as at 31 December 2023 amounted to RM370,457 (2022 : RM408,218, 2021 : RM306,922, 2020 : RM247,148).

8. Trade Receivables

	2020	2021	2022	2023
	RM	RM	RM	RM
Trade receivables	13,430,890	14,122,646	11,625,639	13,088,375
Less: Allowance for impairment losses	<u>(1,554,094)</u>	<u>(2,402,478)</u>	<u>(2,504,511)</u>	<u>(2,817,415)</u>
	<u>11,876,796</u>	<u>11,720,168</u>	<u>9,121,128</u>	<u>10,270,960</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	2021	2022	2023
	RM	RM	RM	RM
Ringgit Malaysia	7,925,123	7,434,586	6,263,705	5,870,101
United States Dollar	3,951,673	4,285,582	2,857,423	4,060,731
Singapore Dollar	-	-	-	340,128
	<u>11,876,796</u>	<u>11,720,168</u>	<u>9,121,128</u>	<u>10,270,960</u>

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**9. Other Receivables, Deposits and Prepayments**

	2020	2021	2022	2023
	RM	RM	RM	RM
Other receivables	576,534	171,082	130,296	132,419
Deposits	3,368,974	6,566,063	10,829,777	4,152,506
Less : Allowance for impairment losses	(81,280)	(81,280)	(87,900)	(91,900)
	3,287,694	6,484,783	10,741,877	4,060,606
Prepayments	109,861	161,222	274,385	339,960
	<u>3,974,089</u>	<u>6,817,087</u>	<u>11,146,558</u>	<u>4,532,985</u>

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

	2020	2021	2022	2023
	RM	RM	RM	RM
Ringgit Malaysia	1,786,811	2,074,781	2,380,058	1,390,141
United States Dollar	2,168,430	4,484,822	5,769,717	1,290,748
Chinese Renminbi	-	82,691	2,367,423	1,411,427
Euro	18,848	174,793	486,246	139,769
Philippine Peso	-	-	-	267,811
Others	-	-	143,114	33,089
	<u>3,974,089</u>	<u>6,817,087</u>	<u>11,146,558</u>	<u>4,532,985</u>

10. Fixed Deposits with a Licensed Bank

	2020	2021	2022	2023
	RM	RM	RM	RM
Fixed deposits with a licensed bank	-	5,013	455,561	466,733
	<u>-</u>	<u>5,013</u>	<u>455,561</u>	<u>466,733</u>
	2020	2021	2022	2023
	% per annum	% per annum	% per annum	% per annum
Effective interest rates as at end of reporting period	-	1.5	1.8	2.4
	<u>-</u>	<u>1.5</u>	<u>1.8</u>	<u>2.4</u>

As at 31 December 2023, fixed deposit held as security for accepted bills facility granted to the Group as disclosed in Note 14 amounted to RM461,505 (2022 : RM450,458, 2021 : NIL, 2020 : NIL).

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**11. Cash and Bank Balances**

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

	2020	2021	2022	2023
	RM	RM	RM	RM
Ringgit Malaysia	7,850,510	7,777,158	7,169,312	11,847,370
United States Dollar	6,137,119	11,822,397	24,044,722	21,330,963
Euro	30,847	72,825	235,828	628,001
Singapore Dollar	70,204	309,679	22,666	7,828
Philippine Peso	78,067	64,270	17,163	29,199
Indonesian Rupiah	34,639	86,083	53,340	-
Myanmar Kyat	1,497	1,160	1,034	1,080
United Arab Emirates Dirham	-	-	-	575
Vietnamese Dong	-	-	-	16
Thai Baht	-	-	-	405
	14,202,883	20,133,572	31,544,065	33,845,437

(b) Cash at banks held as security as at 31 December 2023 for the accepted bills facility granted to the Group as disclosed in Note 14 amounted to RM57,000 (2022 : RM21,000, 2021 : NIL, 2020 : NIL).

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	2023
Number of shares				
At beginning of year	-	-	-	2
At date of incorporation on 28 February 2022	-	-	2	-
At end of year	-	-	2	2
Value (RM)				
At beginning of year	-	-	-	2
At date of incorporation on 28 February 2022	-	-	2	-
At end of year	-	-	2	2

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**12. Share Capital and Invested Equity (Cont'd)****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	2023
Number of shares				
At beginning / end of year	5,521,000	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	5,552,360

13. Deferred Tax Liabilities

	2020	2021	2022	2023
	RM	RM	RM	RM
At beginning of year	714,127	766,611	895,299	2,457,494
Recognised in profit or loss (Note 22)	52,484	128,688	1,562,195	41,167
At end of year	766,611	895,299	2,457,494	2,498,661

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	Recognised	As at
	01.01.2020	in profit	31.12.2020
	RM	or loss	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
	917,528	77,951	995,479
Deferred tax assets			
Other deductible temporary differences	(175,535)	(39,176)	(214,711)
Lease liabilities	(27,866)	13,709	(14,157)
	(203,401)	(25,467)	(228,868)
	714,127	52,484	766,611

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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)

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>

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>

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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)

2023

	As at 01.01.2023 RM	Recognised in profit or loss RM	As at 31.12.2023 RM
Deferred tax liabilities			
Excess of capital allowances over depreciation	1,116,366	(107,527)	1,008,839
Undistributed profits of foreign subsidiary	1,867,492	265,856	2,133,348
Other taxable temporary differences	43,531	37,513	81,044
	<u>3,027,389</u>	<u>195,842</u>	<u>3,223,231</u>
Deferred tax assets			
Other deductible temporary differences	(564,232)	(160,338)	(724,570)
Lease liabilities	(5,663)	5,663	-
	<u>(569,895)</u>	<u>(154,675)</u>	<u>(724,570)</u>
	<u>2,457,494</u>	<u>41,167</u>	<u>2,498,661</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	2023 RM
Other deductible temporary differences	<u>745,714</u>	<u>949,372</u>	<u>998,764</u>	<u>1,298,151</u>

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**14. Bank Borrowings (Cont'd)****2023**

	Non-current RM	Current RM	Total RM
<u>Secured</u>			
Term loan 1	270,843	477,439	748,282
Term loan 2	513,182	154,726	667,908
Tawarruq financing	1,048,806	376,987	1,425,793
	1,832,831	1,009,152	2,841,983
<u>Unsecured</u>			
Term loan 4	319,387	66,969	386,356
	2,152,218	1,076,121	3,228,339

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.

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**14. Bank Borrowings (Cont'd)****14.2** The bank borrowings are secured or guaranteed by the following :- (Cont'd)

Accepted bills are 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	2023
	% per annum	% 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>	<u>4.69 - 5.00</u>

15. Lease Liabilities

	2020	2021	2022	2023
	RM	RM	RM	RM
Lease liabilities (non-current)	709,872	305,448	808,751	424,902
Lease liabilities (current)	<u>845,708</u>	<u>325,224</u>	<u>488,977</u>	<u>319,366</u>
	<u>1,555,580</u>	<u>630,672</u>	<u>1,297,728</u>	<u>744,268</u>

The changes in lease obligations are as follows :-

At beginning of year	2,049,193	1,555,580	630,672	1,297,728
Lease payment				
- Principal amount	(687,503)	(1,106,313)	(398,028)	(839,593)
- Interest amount	(92,585)	(59,300)	(63,147)	(61,365)
Derecognition	-	(58,989)	-	(10,305)
Addition	193,890	240,394	1,065,084	296,438
Finance cost	<u>92,585</u>	<u>59,300</u>	<u>63,147</u>	<u>61,365</u>
At end of year	<u>1,555,580</u>	<u>630,672</u>	<u>1,297,728</u>	<u>744,268</u>

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)

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	2023
Credit periods of trade payables	<u>0 to 120 days</u>	<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	2023 RM
Ringgit Malaysia	1,516,152	1,598,640	1,630,450	1,360,015
United States Dollar	1,208,532	1,040,191	1,219,860	2,477,975
Chinese Renminbi	46,132	-	-	1,160,830
New Taiwan Dollar	860,040	1,250,223	661,142	559,330
Indonesian Rupiah	9,412	157,920	2,586	-
Philippine Peso	21,399	70,892	7,353	486,405
Euro	-	1,346	-	64,317
	<u>3,661,667</u>	<u>4,119,212</u>	<u>3,521,391</u>	<u>6,108,872</u>

17. Other payables, Deposits and Accrued Liabilities

	2020 RM	2021 RM	2022 RM	2023 RM
Other payables	2,251,329	545,056	495,840	590,967
Accrued liabilities	3,507,878	3,728,201	2,966,657	5,158,382
Customer deposits (Note 17(a))	<u>11,175,126</u>	<u>18,426,009</u>	<u>25,618,777</u>	<u>5,590,292</u>
	<u>16,934,333</u>	<u>22,699,266</u>	<u>29,081,274</u>	<u>11,339,641</u>

- (a) Customer deposits comprised deposits received from 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	2023 RM
Ringgit Malaysia	9,747,941	12,151,493	8,233,195	5,992,669
United States Dollar	7,186,392	10,431,799	20,508,375	5,333,214
Singapore Dollar	-	97,735	103,486	-
Philippine Peso	-	-	32,082	-
Euro	-	18,239	204,136	13,758
	<u>16,934,333</u>	<u>22,699,266</u>	<u>29,081,274</u>	<u>11,339,641</u>

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**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	2021	2022	2023
	RM	RM	RM	RM
Provision of food processing and packaging machinery solutions	50,984,934	60,731,368	72,568,962	100,537,490
Trading of cellulose casings	6,854,020	9,736,557	11,901,663	14,558,291
Manufacturing and trading of flexible packaging materials	3,850,118	5,249,015	4,643,058	7,020,669
	<u>61,689,072</u>	<u>75,716,940</u>	<u>89,113,683</u>	<u>122,116,450</u>

Revenue is recognised at a point in time.

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

20. Profit before Taxation

	2020	2021	2022	2023
	RM	RM	RM	RM
Profit before taxation is stated after charging / (crediting) :-				
Auditors' remuneration				
- Audit services				
- Current year	54,674	80,062	114,735	110,936
- Under / (Over) provision in prior year	1,004	3,051	(14,709)	(8,971)
- Non-audit services	-	-	-	79,953
Additional allowances for impairment loss on receivables	237,379	936,119	605,184	595,384
Amortisation of intangible assets	5,153	8,090	9,516	9,956
Bad debt written off	-	-	-	64,430
Deposits paid forfeited	-	-	-	7,872
Depreciation of :-				
- Plant, property and equipment	629,812	930,643	981,879	1,128,213
- Right-of-use assets	682,253	417,628	613,828	576,909
Directors' salaries and allowances	1,321,981	1,480,193	1,805,162	2,823,727

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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

	2020	2021	2022	2023
	RM	RM	RM	RM
Profit before taxation is stated after charging / (crediting) :- (Cont'd)				
Expenses relating to short-term and low value leases :-				
- Rental of premises	140,328	115,215	121,806	46,467
- Rental of equipment	1,954	481	2,246	7,315
- Rental of motor vehicle	30,483	-	2,142	2,219
- Rental of plant and equipment	4,250	6,119	11,380	16,160
Interest expenses	438,379	337,133	343,796	373,318
Impairment loss on property, plant and equipment	516,110	-	-	-
Loss on foreign exchange :-				
- Realised	195,280	192,251	24,468	217,237
- Unrealised	114,733	18,455	126,428	383,124
Property, plant and equipment written off	-	164	22,511	17,044
Write-down in value of inventories	180,541	133,903	178,548	203,719
Write-off of inventories	-	-	108,384	-
Deposits received forfeited	(5,200)	-	(879,627)	(171,254)
Gain on disposal of property, plant and equipment	(54,733)	(44,999)	(47,182)	(30,618)
Gain on derecognition of right-of-use asset	-	(1,868)	-	(685)
Gain on foreign exchange :-				
- Realised	(74,944)	(8,037)	(135,930)	(198,338)
- Unrealised	(180,310)	(215,898)	(181,378)	(307,293)
Interest income	(27,016)	(46,483)	(8,736)	(53,172)
Rental income	(118,640)	(121,296)	(66,511)	(5,100)
Reversal of allowance for impairment loss on receivables	(145,172)	(97,663)	(525,248)	(294,586)
Reversal of write-down of inventories	(9,888)	(92,756)	(6,487)	(14,062)

21. Staff Costs and Employees Information

	2020	2021	2022	2023
	RM	RM	RM	RM
Staff costs comprise :-				
Salaries, allowances and bonuses	7,550,054	8,196,816	8,731,055	8,778,456
Contribution to defined contribution plan :-				
- Employees Provident Fund (EPF)	642,158	845,259	868,710	905,387
Others	510,528	484,950	708,619	1,647,589
	<u>8,702,740</u>	<u>9,527,025</u>	<u>10,308,384</u>	<u>11,331,432</u>

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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

	2020	2021	2022	2023
	RM	RM	RM	RM
Current year Malaysian income tax	1,326,313	2,395,287	2,206,323	4,855,434
Deferred tax expense resulting from origination and reversal of temporary differences	94,694	113,560	1,749,915	64,653
	<u>1,421,007</u>	<u>2,508,847</u>	<u>3,956,238</u>	<u>4,920,087</u>
Under / (Over) provided in prior year :-				
- Income tax	64,952	(597,455)	(471,037)	555
- Deferred tax	<u>(42,210)</u>	<u>15,128</u>	<u>(187,720)</u>	<u>(23,486)</u>
	<u><u>1,443,749</u></u>	<u><u>1,926,520</u></u>	<u><u>3,297,481</u></u>	<u><u>4,897,156</u></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 not exceeding RM2,500,000 and having gross business income of not exceeding RM50,000,000, the income tax rates are as follows :-

	2020	2021	2022	2023
	%	%	%	%
Chargeable income				
On first RM150,000 of chargeable income (2020 to 2022 : first RM600,000 of chargeable income)	17	17	17	15
On subsequent RM450,000 of chargeable income (2020 to 2022 : N/A)	N/A	N/A	N/A	17
On subsequent chargeable income	24	24	24	24

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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	2021	2022	2023
	RM	RM	RM	RM
Profit before taxation	7,741,786	13,852,972	15,579,261	19,155,144
Taxation at the statutory tax rate of 24%	1,858,030	3,324,714	3,739,023	4,597,235
Tax savings on profit taxable at reduced rate	(152,095)	(168,000)	(148,647)	(148,402)
	1,705,935	3,156,714	3,590,376	4,448,833
Tax effects in respect of :-				
Expenses not deductible for tax purposes	314,563	355,192	393,331	651,467
Double deduction of expenses	(2,278)	(7,274)	(8,774)	(110,229)
Utilisation of tax incentive	(425,093)	(64,310)	-	-
Utilisation of deferred tax assets previously not recognised	(127,356)	(18,827)	-	(62,806)
Income not subject to tax	(44,764)	(912,648)	(18,695)	(7,178)
Taxation under / (over) provided in prior year :-				
- Income tax	64,952	(597,455)	(471,037)	555
- Deferred tax	(42,210)	15,128	(187,720)	(23,486)
Total tax expense	1,443,749	1,926,520	3,297,481	4,897,156

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	2023
Profit for the year attributable to ordinary equity holders of the parent entity (RM)	6,298,037	11,926,452	12,281,780	14,257,988
Weighted average number of ordinary shares outstanding during the financial year (units)	372,000,002 ⁽¹⁾	372,000,002 ⁽¹⁾	372,000,002 ⁽¹⁾	372,000,002 ⁽¹⁾
Earnings per share (RM)	0.02	0.03	0.03	0.04

(1) The weighted average number of ordinary shares is based on the enlarged share capital of the Company upon 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 2023, 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**

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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, 31 December 2022 and 31 December 2023.

24. Dividends

	2020	2021	2022	2023
	RM	RM	RM	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	-	-
- Single tier interim dividend of RM0.2309 per share in respect of the financial year ended 31 December 2023	-	-	-	500,000
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	-	-
- Single tier interim dividend of RM0.1715 per share in respect of the financial year ended 31 December 2023	-	-	-	100,000
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	-	-
- Single tier interim dividend of RM0.3125 per share in respect of the financial year ended 31 December 2023	-	-	-	250,000
- Single tier second interim dividend of RM2.3125 per share in respect of the financial year ended 31 December 2023	-	-	-	1,850,000
Balance carried forward	500,000	3,970,500	-	2,700,000

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**24. Dividends (Cont'd)**

	2020	2021	2022	2023
	RM	RM	RM	RM
Balance brought forward	500,000	3,970,500	-	2,700,000
Dividends declared by :- (Cont'd)				
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>	<u>2,700,000</u>

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	Lease liabilities	Total
	RM	RM	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>

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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

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. (Cont'd)

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	31,804	(1,106,313)	(1,074,509)
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	468,266	(398,028)	70,238
Balance at 31 December 2022	<u>4,630,551</u>	<u>1,297,728</u>	<u>5,928,279</u>

2023

	Bank borrowings RM	Lease liabilities RM	Total RM
Balance at 1 January 2023	4,630,551	1,297,728	5,928,279
Acquisition of right-of-use assets	-	296,438	296,438
Derecognition	-	(10,305)	(10,305)
Net cash flow	(1,402,212)	(839,593)	(2,241,805)
Balance at 31 December 2023	<u>3,228,339</u>	<u>744,268</u>	<u>3,972,607</u>

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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	2021	2022	2023
	RM	RM	RM	RM
Payments of lease liabilities	687,503	1,106,313	398,028	839,593
Interest paid in relation to lease liabilities	92,585	59,300	63,147	61,365
Payments relating to short-term and low value leases	177,015	121,815	137,574	72,161
Total cash outflows for leases	<u>957,103</u>	<u>1,287,428</u>	<u>598,749</u>	<u>973,119</u>

25.3 Addition of right-of-use assets

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

	2020	2021	2022	2023
	RM	RM	RM	RM
Cash payments	-	-	215,167	-
Lease financing	193,890	240,394	1,065,084	296,438
	<u>193,890</u>	<u>240,394</u>	<u>1,280,251</u>	<u>296,438</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 Transactions with corporations in which certain directors of the Group have substantial financial interests

	2020	2021	2022	2023
	RM	RM	RM	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	-	36,336
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)	(743,641)
Sales commission charged by related parties	<u>(523,383)</u>	<u>(358,727)</u>	<u>-</u>	<u>-</u>

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**26. Related Party Relationships And Transactions (Cont'd)****26.1 Transactions with corporations in which certain directors of the Group have substantial financial interests (Cont'd)**

	2020 RM	2021 RM	2022 RM	2023 RM
Disposal of property, plant and equipment to a related party	1,000	-	-	-
Acquisition of property, plant and equipment from related parties	<u>(1,297,563)</u>	<u>(170,315)</u>	<u>(319,000)</u>	<u>-</u>
Expenses paid on behalf of the related parties by the Group	<u>243,347</u>	<u>206,668</u>	<u>790</u>	<u>3,206</u>
Transactions with Directors :-				
Rental expenses	<u>(132,400)</u>	<u>(108,600)</u>	<u>(110,000)</u>	<u>(98,000)</u>

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	2023 RM
Amount owing by / (to) :-				
Included in trade receivables	1,778,972	1,404,935	-	-
Included in other receivables	813,737	102,528	-	8,000
Included in trade payables	(210,916)	(19,674)	(36,391)	-
Included in other payables	<u>(1,439,541)</u>	<u>(131,730)</u>	<u>-</u>	<u>-</u>

Trade indebtedness with related parties are subject to normal trade terms entered into with external parties. Other indebtedness are unsecured, interest free and has no fixed terms of repayment. Settlement of all the above indebtedness is expected to be made in cash.

No bad debts or 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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

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	2023 RM
Revenue from :-				
- Malaysian customers	26,320,958	36,005,222	43,417,166	37,060,526
- Overseas customers	35,368,114	39,711,718	45,696,517	85,055,924
	<u>61,689,072</u>	<u>75,716,940</u>	<u>89,113,683</u>	<u>122,116,450</u>

	2020 RM	2021 RM	2022 RM	2023 RM
Non-current assets located in Malaysia	<u>17,570,478</u>	<u>16,865,083</u>	<u>17,178,844</u>	<u>16,696,664</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	2023 RM
Customer A	11,280,835	*	*	*
Customer B	*	*	9,663,054	*
Customer C	-	-	-	<u>31,315,096</u>

* Less than 10%

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****28.1 Categories of Financial Instruments**

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

2020	Carrying Amounts RM	Amortised Cost RM
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>
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)

	Carrying Amounts RM	Amortised Cost RM
2022		
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>
	Carrying Amounts RM	Amortised Cost RM
2023		
Financial assets		
Trade receivables	10,270,960	10,270,960
Other receivables and deposits [^]	4,193,025	4,193,025
Fixed deposits with a licensed bank	466,733	466,733
Cash and bank balances	33,845,437	33,845,437
	<u>48,776,155</u>	<u>48,776,155</u>
Financial liabilities		
Trade payables	6,108,872	6,108,872
Other payables, deposits and accrued liabilities	11,339,641	11,339,641
Bank borrowings	3,228,339	3,228,339
Lease liabilities	744,268	744,268
	<u>21,421,120</u>	<u>21,421,120</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)****28.2 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.

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 (2022 : 1, 2021 : 1, 2020 : Nil) major customer representing approximately 17% (2022 : 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) or 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.

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)

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.

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>
2023			
Not past due	3,639,453	106,755	3,532,698
1 - 30 days past due	3,486,736	116,656	3,370,080
31 - 60 days past due	289,244	25,355	263,889
More than 60 days past due	5,672,942	2,568,649	3,104,293
	<u>13,088,375</u>	<u>2,817,415</u>	<u>10,270,960</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	2021	2022	2023
	RM	RM	RM	RM
At beginning of financial year	1,474,404	1,554,094	2,402,478	2,504,511
Additional allowance for impairment loss	237,379	936,119	605,184	591,384
Reversal of allowance for impairment loss	(145,172)	(97,663)	(531,868)	(294,586)
Bad debts written off	-	(4,501)	-	-
Exchange differences	(12,517)	14,429	28,717	16,106
At end of financial year	<u>1,554,094</u>	<u>2,402,478</u>	<u>2,504,511</u>	<u>2,817,415</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, 12 month expected credit losses are recognised. For those in which the credit risk has increase significantly, lifetime expected credit losses are recognised.

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

	2020	2021	2022	2023
	RM	RM	RM	RM
At beginning of financial year	81,280	81,280	81,280	87,900
Additional allowance for impairment loss	-	-	6,620	4,000
At end of financial year	<u>81,280</u>	<u>81,280</u>	<u>87,900</u>	<u>91,900</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				Effective interest rate %
	Within 1 year RM	Between 1 year to 5 years RM	More than 5 years RM	Total 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				Effective interest rate %
	Within 1 year RM	Between 1 year to 5 years RM	More than 5 years RM	Total 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**

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				Effective interest rate %
	Within 1 year RM	Between 1 year to 5 years RM	More than 5 years RM	Total RM	
2023					
Trade payables	6,108,872	-	-	6,108,872	-
Other payables, deposits accrued liabilities	11,339,641	-	-	11,339,641	-
Bank borrowings	1,206,108	2,279,951	15,334	3,501,393	4.69 to 5.00
Lease liabilities	354,863	449,288	-	804,151	4.14 to 6.85
	<u>19,009,484</u>	<u>2,729,239</u>	<u>15,334</u>	<u>21,754,057</u>	

(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"), New Taiwan Dollar ("NTD") and Philippine Peso ("PHP"). 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.

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)****(c) Currency risk (Cont'd)*****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	2021	2022	2023
	RM	RM	RM	RM
(Functional currency : RM)				
<u>USD</u>				
Included in :-				
- Trade receivables	252,791	259,347	371,607	1,065,944
- Other receivables and deposits	522,838	2,868,935	2,576,738	487,260
- Cash and bank balances	1,685,399	2,630,738	4,270,577	9,199,399
- Trade payables	(108,088)	(513,751)	(395,836)	(836,807)
- Other payables and deposits	-	(1,850,593)	(5,075,657)	(2,882,954)
	<u>2,352,940</u>	<u>3,394,676</u>	<u>1,747,429</u>	<u>7,032,842</u>
<u>EUR</u>				
Included in :-				
- Other receivables and deposits	18,848	174,793	128,997	139,769
- Cash and bank balances	25,902	68,110	231,144	622,924
- Trade payables	-	(1,346)	-	(64,317)
- Other payables and deposits	-	(18,239)	(204,136)	(13,758)
	<u>44,750</u>	<u>223,318</u>	<u>156,005</u>	<u>684,618</u>
<u>RMB</u>				
Included in :-				
- Other receivables and deposits	-	82,691	582,651	1,411,427
- Trade payables	(46,132)	-	-	(1,129,090)
	<u>(46,132)</u>	<u>82,691</u>	<u>582,651</u>	<u>282,337</u>
<u>NTD</u>				
Included in :-				
- Trade payables	<u>(860,040)</u>	<u>(1,250,223)</u>	<u>(661,142)</u>	<u>(559,330)</u>
<u>PHP</u>				
Included in :-				
- Other receivables and deposits	-	-	-	264,997
- Cash and bank balances	12,345	3,648	17,163	29,199
- Trade payables	-	-	(7,353)	(482,664)
	<u>12,345</u>	<u>3,648</u>	<u>9,810</u>	<u>(188,468)</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)****(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	2021	2022	2023
	RM	RM	RM	RM
(Functional currency : USD)				
EUR				
Included in :-				
- Other receivables and deposits	-	-	357,249	-
- Cash and bank balances	4,945	4,715	4,684	5,077
	<u>4,945</u>	<u>4,715</u>	<u>361,933</u>	<u>5,077</u>
RMB				
Included in :-				
- Other receivables and deposits	-	-	1,784,772	-
- Trade payables	-	-	-	(31,740)
	<u>-</u>	<u>-</u>	<u>1,784,772</u>	<u>(31,740)</u>
PHP				
Included in :-				
- Other receivables and deposits	-	-	-	2,814
- Cash and bank balances	65,722	60,622	-	-
- Trade payables	(21,399)	(70,892)	-	(3,741)
- Other payables and deposits	-	-	(32,082)	-
	<u>44,323</u>	<u>(10,270)</u>	<u>(32,082)</u>	<u>(927)</u>

Currency risk sensitivity analysis

A ten (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	2021	2022	2023
	RM	RM	RM	RM
(Functional currency : RM)				
USD	235,294	339,468	174,743	703,284
EUR	4,475	22,332	15,601	68,462
RMB	(4,613)	8,269	58,265	28,234
NTD	(86,004)	(125,022)	(66,114)	(55,933)
PHP	1,235	365	981	(18,847)
	<u>150,387</u>	<u>245,412</u>	<u>183,476</u>	<u>725,200</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)****(c) Currency risk (Cont'd)****Currency risk sensitivity analysis (Cont'd)**

	2020 RM	2021 RM	2022 RM	2023 RM
(Functional currency : USD)				
EUR	495	472	36,193	508
RMB	-	-	178,477	(3,174)
PHP	4,432	(1,027)	(3,208)	(93)
	<u>4,927</u>	<u>(555)</u>	<u>211,462</u>	<u>(2,759)</u>
Increase in profit before tax	<u>155,314</u>	<u>244,857</u>	<u>394,938</u>	<u>722,441</u>

A ten (10) percent 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.

(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	2023 RM
<u>Fixed rate instruments</u>				
Term loan	-	-	451,616	386,356
Revolving credit	-	1,000,000	-	-
Accepted bills	-	-	367,834	-
Lease liabilities	1,555,580	630,672	1,297,728	744,268
	<u>1,555,580</u>	<u>1,630,672</u>	<u>2,117,178</u>	<u>1,130,624</u>
<u>Floating rate instruments</u>				
Term loan	4,130,481	3,162,285	2,023,464	1,416,190
Tawarruq financing	-	-	1,787,637	1,425,793
	<u>4,130,481</u>	<u>3,162,285</u>	<u>3,811,101</u>	<u>2,841,983</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)****(d) Interest rate risk (Cont'd)*****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	2021	2022	2023
	RM	RM	RM	RM
+10 bps	(4,130)	(3,162)	(3,811)	(2,842)
-10 bps	4,130	3,162	3,811	2,842

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.

29. Capital Commitments

	2020	2021	2022	2023
	RM	RM	RM	RM
Approved and contracted for :-				
Acquisition of property, plant and equipment	-	696,293	-	-
Acquisition of Enterprise Resource Planning (ERP) software license	-	-	418,902	193,644
	-	696,293	418,902	193,644

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

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)

30. Commitment of the Company

In connection with a 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 eligible 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.

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)

30. Commitment of the Company (Cont'd)

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

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

31. 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.

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

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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)**31. Capital Management (Cont'd)**

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	2021	2022	2023
	RM	RM	RM	RM
Trade payables	3,661,667	4,119,212	3,521,391	6,108,872
Other payables, deposits and accrued liabilities	16,934,333	22,699,266	29,081,274	11,339,641
Amount owing to directors	3,258,711	3,206,115	6,083	-
Bank borrowings	4,130,481	4,162,285	4,630,551	3,228,339
Lease liabilities	1,555,580	630,672	1,297,728	744,268
	<u>29,540,772</u>	<u>34,817,550</u>	<u>38,537,027</u>	<u>21,421,120</u>
Less: Fixed deposits with a licensed bank and cash and bank balances	<u>(14,202,883)</u>	<u>(20,138,585)</u>	<u>(31,999,626)</u>	<u>(34,312,170)</u>
Net debt / (net cash)	<u>15,337,889</u>	<u>14,678,965</u>	<u>6,537,401</u>	<u>(12,891,050)</u>
Total equity	<u>23,539,215</u>	<u>30,000,933</u>	<u>42,459,027</u>	<u>54,711,307</u>
Net debt against equity ratio	<u>0.65</u>	<u>0.49</u>	<u>0.15</u>	<u>NA</u>

NA - Not applicable as the Group has excess cash and cash equivalents over its debts.

32. Subsequent Events**32.1 Acquisition of Companies**

The Acquisitions of BW Engineering, BW Perkasa Labuan, EP Machinery, EP Machinery KL and EP Manufacturing were completed on 18 April 2024 following the satisfaction of conditions precedent as disclosed in Note 30. Thereafter, the acquired companies became the wholly-owned subsidiaries of the Company.

32.2 Increase in Share Capital of the Company

Upon the completion of the Acquisitions as disclosed in Note 32.1, the share capital of the Company has increased from RM2 comprising 2 ordinary shares to RM30,043,002 comprising 300,430,002 ordinary shares due to the issuance of 300,430,000 new ordinary shares at an issue price of RM0.10 per share as consideration for the Acquisitions.

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 **04 JUN 2024**

12. ACCOUNTANTS' REPORT (cont'd)

EPB GROUP BERHAD

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Accountants' Report (Cont'd)

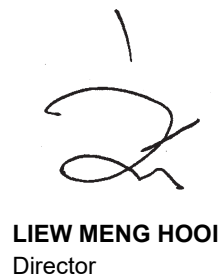
Statement By Directors

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 68 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, 31 December 2023 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 : **04 JUN 2024**

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

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



Date : **04 JUN 2024**

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 2023

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 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 2023 (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 2023, as if such events or transactions had taken place on 31 December 2023. 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 subsidiaries for the financial year ended 31 December 2023, 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 2023 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 "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. : 02973/11/2025 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 2023 (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 Exercise and the Listing Scheme as described in Notes 2 and 3 respectively, were effected on 31 December 2023. 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 Exercise

The Pre-Listing Exercise entails the following :-

(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.

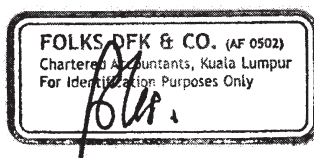
The acquisition of EP Machinery was completed on 18 April 2024.

(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.

The acquisition of EP Machinery KL was completed on 18 April 2024.



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 Exercise (Cont'd)

The Pre-Listing Exercise entails the following :- (Cont'd)

(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.

The acquisition of EP Manufacturing was completed on 18 April 2024.

(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.

The acquisition of BW Engineering was completed on 18 April 2024.

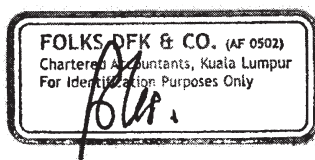
(e) Acquisition of the entire equity interest in BW Perkasa Labuan

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.

The acquisition of BW Perkasa Labuan was completed on 18 April 2024.

(Collectively hereinafter referred to as the "Acquisitions")



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

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 RM0.56 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 RM40,079,200 would be used for the Group's capital expenditure, working capital, repayment of bank borrowings and listing expenses as detailed in Note 5.4.

(b) Offer for Sale

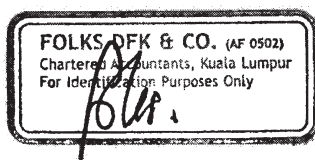
Offer for sale of 40,000,000 existing Shares representing approximately 10.75% of the enlarged issued shares of the Company at an issue price of RM0.56 per Share. The Shares will be offered in the following manner :-

- (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.



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)

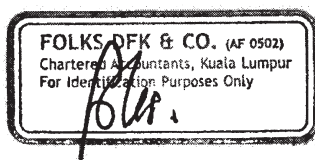
Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position

4. Pro Forma Combined Statements of Financial Position as at 31 December 2023

The Pro Forma Combined Statements of Financial Position of the Group as at 31 December 2023 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 2023 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 31.12.2023 RM	Pro Forma I (Note 5.2)	Pro Forma II (Note 5.3)	Pro Forma III (Note 5.4)
	Pre-Listing Exercise 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	44,034	11,168,065	11,168,065
Right-of-use assets	-	4,966,628	4,966,628
Intangible assets	191,376	561,971	561,971
	235,410	16,696,664	16,696,664
Current Assets			
Inventories	-	13,209,645	13,209,645
Trade receivables	-	10,270,960	10,270,960
Other receivables, deposits and prepayments	112,669	4,532,985	4,434,892
Tax recoverable	-	235,806	235,806
Fixed deposits with a licensed bank	-	466,733	466,733
Cash and bank balances	1,366,986	33,845,437	67,897,997
	1,479,655	62,561,566	96,516,033
Total Assets	1,715,065	79,258,230	113,212,697
Equity and Liabilities			
Equity Attributable to Owners of the Company			
Share capital	2	30,043,002	68,730,335
Merger deficit	-	(24,490,640)	(24,490,640)
Translation reserve	-	1,121,663	1,121,663
(Accumulated losses)/Retained profits	(1,390,239)	48,037,282	46,304,416
Total Equity	(1,390,237)	54,711,307	91,665,774



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

EPB Group Berhad

Attachment A

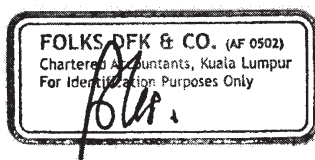
Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

Pro Forma Combined Statements of Financial Position

4. Pro Forma Combined Statements of Financial Position as at 31 December 2023 (Cont'd)

Audited Statement of Financial Position of the Company as at 31.12.2023 RM	Pro Forma I (Note 5.2)	Pro Forma II (Note 5.3)	Pro Forma III (Note 5.4)
	Pre-Listing Exercise RM	After Pro Forma I, Public Issue and Offer for Sale RM	After Pro Forma II and the Utilisation of Proceeds RM
Non-Current Liabilities			
Deferred tax liabilities	-	2,498,661	2,498,661
Bank borrowings	-	2,152,218	228,339
Lease liabilities	-	424,902	424,902
	-	5,075,781	3,151,902
Current Liabilities			
Bank borrowings	-	1,076,121	-
Lease liabilities	-	319,366	319,366
Trade payables	-	6,108,872	6,108,872
Other payables, deposits and accrued liabilities	3,104,691	11,339,641	11,339,641
Tax payable	611	627,142	627,142
	3,105,302	19,471,142	18,395,021
Total Liabilities	3,105,302	24,546,923	21,546,923
Total Equity and Liabilities	1,715,065	79,258,230	113,212,697
Number of ordinary shares in issue	2	300,430,002	372,000,002
(Net liabilities) ("NL")/Net assets ("NA")	(1,390,237)	54,711,307	91,665,774
(NL)/NA per ordinary share in issue (RM)	(695,118.50)	0.18	0.25



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 2023

5.1 Basis of Preparation

The Pro Forma Combined Statements of Financial Position as at 31 December 2023 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 "subsidiaries") for the financial year ended 31 December 2023, 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 subsidiaries.

The audit reports on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2023 used in the preparation of the Pro Forma Combined Statements of Financial Position as at 31 December 2023 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.

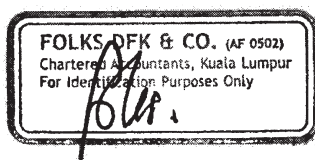
5.2 Pro Forma I

Pro Forma I incorporates the effects of the Acquisitions as detailed in Notes 2(a) to (e).

Effects of the Acquisitions

The Acquisitions are accounted for using the principles of merger accounting as the Company and the 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 subsidiaries, are accounted for as a merger deficit as shown below :-

	RM
Purchase consideration for the Acquisitions of the subsidiaries (Notes 2(a) to (e))	30,043,000
Less : Issued share capital of the subsidiaries as at 31 December 2023	(5,552,360)
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

Registration No. : 202201007128 (1452825-U)

Incorporated in Malaysia

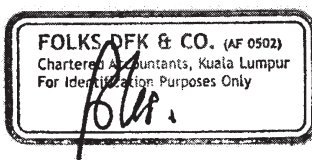
Pro Forma Combined Statements of Financial Position

5. Notes to the Pro Forma Combined Statements of Financial Position as at 31 December 2023 (Cont'd)

5.2 Pro Forma I (Cont'd)

The effects of the Acquisitions on the Pro Forma Combined Statements of Financial Position as at 31 December 2023 are as follows :-

	Audited Statement of Financial Position of the Company as at 31.12.2023 RM	Effects of Acquisitions RM	Proforma I RM
Property, plant and equipment	44,034	11,124,031	11,168,065
Right-of use assets	-	4,966,628	4,966,628
Intangible assets	191,376	370,595	561,971
Inventories	-	13,209,645	13,209,645
Trade receivables	-	10,270,960	10,270,960
Other receivables, deposits and prepayments	112,669	4,420,316	4,532,985
Tax recoverable	-	235,806	235,806
Fixed deposits with a licensed bank	-	466,733	466,733
Cash and bank balances	1,366,986	32,478,451	33,845,437
Share capital	2	30,043,000	30,043,002
Merger deficit	-	(24,490,640)	(24,490,640)
Translation reserve	-	1,121,663	1,121,663
(Accumulated losses)/Retained profits	(1,390,239)	49,427,521	48,037,282
Deferred tax liabilities	-	2,498,661	2,498,661
Bank borrowings :-			
- Non-current	-	2,152,218	2,152,218
- Current	-	1,076,121	1,076,121
Lease liabilities :-			
- Non-current	-	424,902	424,902
- Current	-	319,366	319,366
Trade payables	-	6,108,872	6,108,872
Other payables, deposits and accrued liabilities	3,104,691	8,234,950	11,339,641
Tax payable	611	626,531	627,142



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 2023 (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 Statements of Financial Position as at 31 December 2023 are as follows :-

	Cash and bank balances RM	Share capital RM
Balance as per Pro Forma I (Note 5.2)	33,845,437	30,043,002
Public Issue of 71,570,000 new Shares at an issue price of RM0.56 per Issue Share	40,079,200	40,079,200
Pro Forma II	<u>73,924,637</u>	<u>70,122,202</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.

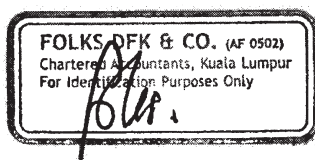
The proceeds of RM40,079,200 are intended to be used as follows :-

	RM
Capital expenditure (Note 5.4(a))	24,600,000
Working capital	8,479,200
Repayment of bank borrowings (Note 5.4(b))	3,000,000
Listing expenses (Note 5.4(c))	4,000,000
	<u>40,079,200</u>

(a) Capital expenditure

The estimated capital expenditure comprise the following :-

	RM
Acquisition of land	13,000,000
Construction of new factory	10,500,000
Acquisition of new machinery	1,100,000
	<u>24,600,000</u>



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 2023 (Cont'd)

5.4 Pro Forma III (Cont'd)

(a) Capital expenditure (Cont'd)

As at 29 May 2024, being the latest practicable date prior to the date of the Prospectus ("LPD"), RM24,600,000 has been 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.

(b) Repayment of bank borrowings

As at the LPD, the total outstanding amount of the Group's bank borrowings is approximately RM2,780,000. While the Group has allocated proceeds of up to RM3,000,000 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.

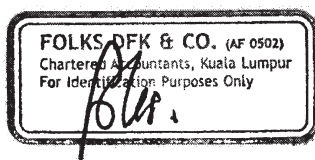
(c) Listing expenses

The estimated listing expenses comprise the following :-

	RM
Professional fees	2,400,000
Fees payable to authorities	100,000
Underwriting, placement and brokerage fees	1,200,000
Printing, advertising fees and contingencies	300,000
Total	<u>4,000,000</u>

As at 31 December 2023, the Group had incurred listing expense amounting to RM973,360 of which RM875,267 had already been charged to the retained profits and RM98,093 included under prepayment.

Upon the completion of the IPO, a further estimated listing expenses amounting to RM1,732,866 will be charged to the profit or loss and the remaining estimated listing expenses amounting to RM1,391,867 (including the prepaid amount of RM98,093) will be deducted from the share capital of the Company.



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

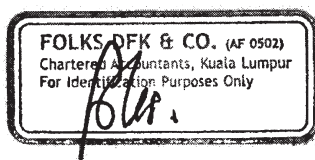
5. Notes to the Pro Forma Combined Statements of Financial Position as at 31 December 2023 (Cont'd)

5.4 Pro Forma III (Cont'd)

(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 Statements of Financial Position as at 31 December 2023 are as follows :-

	Bank borrowings RM	Cash and bank balances RM	Other receivables, deposits and prepayments RM	Share capital RM	Retained profits RM
Balance as per Pro Forma II (Note 5.3)	3,228,339	73,924,637	4,532,985	70,122,202	48,037,282
Repayment of bank borrowings (Note 5.4(b)) :-					
- non-current	(1,923,879)	(1,923,879)	-	-	-
- current	(1,076,121)	(1,076,121)	-	-	-
Estimated listing expenses (Note 5.4(c)) :-					
- deducted from share capital	-	(1,293,774)	(98,093)	(1,391,867)	-
- charged to profit or loss	-	(1,732,866)	-	-	(1,732,866)
Pro Forma III	228,339	67,897,997	4,434,892	68,730,335	46,304,416



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

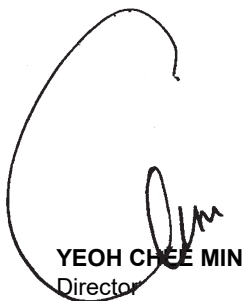
Pro Forma Combined Statements of Financial Position

6. Approval by the Board of Directors

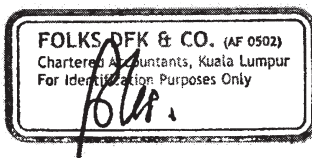
Approved and adopted by the Board of Directors of EPB Group Berhad in accordance with a resolution dated

04 JUN 2024

On behalf of the Board of Directors,


YEOH CHEE MIN
Director


LIEW MENG HOOI
Director



14. STATUTORY AND OTHER INFORMATION

14.1 SHARE CAPITAL

- (i) No Shares will be allotted or issued on the basis of this Prospectus later than six (6) months after the date of issue of this Prospectus.
- (ii) As at the date of this Prospectus, we have only one (1) class of share in our Company, being the Shares, all of which rank *pari passu* with one another. There are no special rights attached to our Shares.
- (iii) Save as disclosed in this Prospectus, no shares and/or debentures, warrants, options, convertible securities or uncalled capital of our Company or our subsidiary companies have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) preceding years from the date of this Prospectus.
- (iv) Save for the Pink Form Allocations, there is no other scheme involving our Directors and employees in the capital of our Group.
- (v) As at the date of this Prospectus, neither our Company nor our Subsidiaries has any outstanding convertible debt securities.
- (vi) There is no limitation on the right to own our Shares, including limitations on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares imposed by law or by the constituent documents of our Company.

14.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires: -

Words	Definition
"Appointing Director"	A director who appoints an alternate director under Clause 168.
"Benefits"	This term, when used in relation to benefits payable or to be given to directors, means any benefit referred to in Section 230(1) of CA.
"Convertible Securities"	This term is used in Rule 1.01 of AMLR. It means securities which may be converted or be exercised (by their terms of issue), into shares.
"Deposited Share or Depository Shares"	A share which is a Deposited Security.
"Depository"	This term means Bursa Malaysia Depository Sdn. Bhd., the depository of the Company's shares prescribed under Section 14 of SICDA. This term can also mean another depository acting as such a depository, approved to be a central depository under SICDA. Successors-in-title and permitted assigns are also included in this term.
"DR"	Rules of the Depository. It covers the Procedural Manuals (as meant in those rules).

14. STATUTORY AND OTHER INFORMATION (cont'd)

“Existing Shares”	Shares in issue at the relevant time.
“General Meeting”	A meeting of shareholders held in accordance with the Constitution. This includes any General Meeting held as the Company’s Annual General Meeting.
“Laws”	CA, SICDA, and all regulations, DR, practice notes, practice directives and guidelines made under them.
“Listed Security or Listed Securities”	A security or securities of the Company admitted to the Official List.
“Non-Depository Shares”	This term is used to mean shares which are not Deposited Shares.
“Pay”	This term, when used in relation to the payment of commission, means a payment of commission in Section 80 of CA. For other times, when used elsewhere, this term can cover any kind of reward or payment for services.
“Person or People”	These terms cover corporate bodies and unincorporated bodies, established anywhere. They do not, however, cover unincorporated bodies, when used in relation to transfers or registration of shareholders which involve Deposited Shares and these bodies are not allowed or recognised under SICDA or DR.
“Registered Office”	The Company’s registered office.
“Registrar”	The Company’s registrar.
“Representative”	A person or persons authorised to act as representative of a corporation which is a shareholder, under Section 333 of CA.
“Rights”	This term, when used in relation to the rights of a share means, the rights attached to the share, when issued, or afterwards.
“ROM”	Register of members of the Company kept under CA.
“Securities”	The meaning of this term is as meant by Section 2 of CMSA.
“Share Scheme”	A scheme which involves a new issue of the Company’s shares or grant of the Company’s existing or new shares to eligible directors and employees of the Company or its subsidiaries.
“Shareholders”	Holders of the Company’s shares. Where those shares are deposited with the Depository under SICDA and DR, it must be a person whose name appears on the ROD as

14. STATUTORY AND OTHER INFORMATION (cont'd)

the holder of such shares and treated as a member of the Company under Section 35 of SICDA. This is subject to SICDFOR and the Constitution. This term does not also include, the Depository in its capacity as a bare trustee or nominee company. Where those shares are not deposited and do not need to be deposited under SICDA, it must be a person whose name appears in the ROM.

“SICDA” Securities Industry (Central Depositories) Act 1991 (Act 453).

“SICDFOR” Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996.

“Written or In Writing” In writing or in any way representing or copying words legibly so that they are permanent. It includes, anything in electronic form. It may also be partly in one form and partly in another. Where used in relation to notices of meeting, it must be in hard copy or electronic form in the way allowed by Sections 319 and 320 of CA, subject to AMLR. Where used in another context, it must be in a form allowed or not prohibited by CA or AMLR.

(a) Remuneration, voting and borrowing powers of Directors

The provision in our Constitution dealing with remuneration, voting and borrowing powers of Directors are as follows: -

Clause 175 – Directors’ fees and benefits

“175. The fees and benefits payable to the directors shall be subject to annual shareholders’ approval at the Annual General Meeting of the Company and shall (unless such resolution otherwise provides) be divisible among the directors as they may agree provided always that:

- (a) fees payable to non-executive directors shall be a fixed sum and not by a commission on or percentage of turnover or profits;
- (b) any fee paid to an alternate director shall be agreed between himself and the appointing director and shall be paid out of the remuneration of the latter; and
- (c) fees and benefits payable to directors shall not be increased except pursuant to an ordinary resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Salaries and other emoluments payable to executive directors shall from time to time be determined by the Board and need not be determined by the shareholders at a General Meeting but such salaries and emoluments shall not include a commission on or percentage of turnover.”

Clause 176 – Directors’ expenses

“176. The Board can also repay to a director all expenses incurred in relation to the following:

14. STATUTORY AND OTHER INFORMATION (cont'd)

- 176.1. attending and returning from shareholders' meetings, Board meetings or Board committee meetings; or
- 176.2. expenses incurred in any other way in connection with the Company's business."

Clause 177 and 178 – Extra fees

"177. The Board can award extra fees to a director who:

- 177.1. holds an executive position;
- 177.2. acts as chairman or deputy chairman; or
- 177.3. serves on a Board committee or board at the request of the Board."

"178. If by arrangement with the directors, any director shall perform or render any special duties or services outside his ordinary duties as a director in particular without limiting to the generality of the foregoing if any director being willing shall be called upon:

- 178.1. to perform extra services;
- 178.2. to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company; or
- 178.3. in giving special attention to the business of the Company as a member of a committee of the Board,

the Company may remunerate such director a special remuneration in addition to his directors' fees and such special remuneration may be by way of a fixed sum or otherwise as may be arranged."

Clause 179, 180 and 181 – Pensions and other benefits

"179. Subject to AMLR, the Board can decide whether to provide:

- 179.1. pensions;
- 179.2. annual payments; or
- 179.3. other allowances or benefits,

to any people including people who are or who were directors of the Company. The Board can decide to extend these arrangements to relations or dependants of, or persons connected to, these people. The Board can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes."

"180. The Company can only provide pensions and other similar benefits to:

- 180.1. people who are or were directors; and
- 180.2. relations or dependants of, or persons connected to, those directors or former directors.

The receipt of a benefit of any kind given in accordance with this Clause does not prevent a person from being or becoming a director of the Company.

14. STATUTORY AND OTHER INFORMATION (cont'd)

Shareholders must approve the matters in Clauses 175 to 179 as far as the CA and AMLR require in relation to directors' fees and benefits."

"181. Shareholders must approve the matters in Clauses 175 to 179 as far as the CA and AMLR require in relation to directors' fees and benefits."

Clause 190 – Voting at Board meetings

"190. Matters for decision which arise at a Board meeting will be decided by a majority vote. If the votes are equal, the chairman of the meeting shall have a second casting vote and only such a quorum is present at the meeting. However, the chairman will not have a second casting vote where only 2 directors form the quorum or at which only 2 directors are competent to vote on the question at issue."

Clause 197, 198, 199, 200, 201 – When directors can vote on things

"197. A director cannot vote on a resolution in regard to a contract in which such director (or a person connected with the director) has, directly or indirectly, an interest. If such director does vote, such vote will not be counted."

"198. A director is counted in the quorum for a Board meeting in relation to a resolution although the director is not entitled to vote."

"199. A director is not interested in a contract where Sections 221(2) or (3) of CA say that they are not. This Clause does not affect any equitable principle or rule of law relating to directors not being treated as interested. This Clause is subject to AMLR."

"200. This Clause applies if the Board is considering proposals to appoint two (2) or more directors to hold positions in the Company or any company in which the Company has an interest. It also applies if the Board is considering fixing or varying the terms of such appointment. These proposals can be tabled separately for each of the proposed directors. If this is done, each proposed director can vote (unless the proposed director is prevented from voting under Clause 197) and be counted in the quorum for each resolution."

"201. If a question is raised at a meeting on whether a director (other than the chairman of the meeting) has any interest or whether the director can vote or be counted in the quorum, and the director does not agree to abstain from voting on the question or not be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman's ruling on the director is conclusive, unless the nature or extent of the director's interests has not been fairly disclosed to the Board. If the question is raised on the chairman of the meeting, the question will be decided by a resolution of the Board. The chairman cannot vote on the question but can be counted in the quorum. The Board's resolution on the chairman is conclusive, unless the nature or extent of the chairman's interests has not been fairly disclosed to the Board."

Clause 223 – Borrowing powers

"223. To the extent that CA, AMLR and the Constitution allow, the Board can exercise all the powers of the Company to:

223.1. borrow money;

223.2. mortgage or charge all or any part of the Company's undertakings, businesses, properties and assets (present and future);

223.3. issue debentures and other securities; and

14. STATUTORY AND OTHER INFORMATION (cont'd)

223.4. give security (including (without limitation), guarantees, indemnities and mortgages and charges) either outright or as collateral security, for a debt, liability or obligation of the Company or another person.”

(b) Changes to Share Capital

The provision in our Constitution dealing with changes to our share capital are as follows: -

Clause 21 – Shares and special rights

“21. The Company can issue new shares and attach any right and restriction to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company’s profits or assets. Other rights and restrictions can also apply, for example, those relating to the right to vote.”

Clause 28, 29, 30 and 31 – Board’s authority to allot shares and “equity securities” and to sell treasury shares

“28. The Board is authorised to allot shares, grant rights to subscribe for shares and to convert any securities into shares unless the Constitution says something different. This covers allotting shares under an agreement, option or offer.”

“29. Subject to AMLR, the Board is authorised, without a resolution of the Company, to:

29.1. allot shares or grant any rights to subscribe for shares, under an offer made to shareholders in proportion to the shareholders’ shareholdings;

29.2. allot shares or grant any rights to subscribe for shares, on a bonus issue to shareholders in proportion to the shareholders’ shareholdings;

29.3. allot shares to a promoter of the Company which the promoter has agreed to take;

29.4. allot shares or grant any rights where shares are to be issued as consideration or part consideration for the Company to acquire shares or assets. Shareholders must be notified of the intention to issue such shares at least 14 days before their issue.”

“30. A resolution of the Company must:

30.1. authorise the Board to do any of the things in Clause 28 not authorised by Clause 29 or where CA or AMLR require;

30.2. not authorise the Board to allot or issue shares or convertible securities beyond any applicable limit required by AMLR;

30.3. approve the specific allotment to a director under a Share Scheme.”

“31. Subject to any direction to the contrary that may be given by the Company in General Meeting:

14. STATUTORY AND OTHER INFORMATION (cont'd)

- 31.1. all new shares or other convertible securities proposed to be issued shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings;
- 31.2. the offer must be in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which such persons are entitled;
- 31.3. the offer must be made by a notice which specifies the number of shares or securities offered and the time within which the offer must be accepted or be treated as declined if it is not accepted;
- 31.4. if the offer is not accepted within such time or if such person declines to accept the offer, the Board may dispose of those shares or securities in such manner as it thinks most beneficial to the Company;
- 31.5. the Board may also dispose of any new share or security which the Board is of the opinion that it cannot be conveniently offered under this Clause 31 by reason of that the ratio which the new shares or securities bear to shares or securities held by persons entitled to such offer.”

Clause 37 – Power to reduce capital

- “37. The shareholders can pass a special resolution to reduce in any way the Company’s share capital in accordance with Subdivision 4 of Division 1 of Part III of CA, whether with the confirmation of the Court or a solvency statement.”

Clause 38, 39 and 40 – Power to change capital

- “38. The shareholders can pass a resolution to alter the Company’s share capital in accordance with Section 84 of CA.”
- “39. If any shares are consolidated or divided, the Board may deal with any fractions of shares arising thereto. If the Board decides to sell any fractions of shares, they must sell for the best price they can reasonably obtain and distribute the net sale proceeds among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Board in such a manner as it deems fit at its absolute discretion and in the best interest of the Company. The Board can sell to a person (including the Company, if CA and AMLR allow) and can authorise a person to transfer those shares to the buyer or in accordance with the buyer’s instructions. The buyer does not need to take any action to check how such money paid is used. The buyer’s ownership will not be affected if the sale was irregular or invalid in any way.”
- “40. The shareholders can also pass special resolutions to convert any paid-up shares into stock and reconvert any stock into paid-up shares in accordance with Section 86 of CA.”

(c) Transfer of Securities

The provision in our Constitution dealing with transfer of securities of our Company are as follows: -

Clause 50, 51, 52, 53, 54, 55, 56, 57, 57, 58, 59 – Securities transfers

- “50. Transfers of any listed security or class of listed security shall be by way of book entry by the Depository in accordance with DR. The Company shall not register and effect any transfer of the listed securities although Sections 105,

14. STATUTORY AND OTHER INFORMATION (cont'd)

106 and 110 of CA may state otherwise. This does not, however, apply to a transfer of securities to the Depository or from the Depository to Depositors under Section 148(2) of CA and any exemption that may be made from compliance with Section 148(1) of CA.”

“51. Where:

- 51.1. the securities of the Company are listed on another stock exchange; and
- 51.2. the Company is exempted from complying with Section 14 of SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under DR in respect of such securities,

the Company shall, upon request of a securities holder, allow the securities held by that holder to be transmitted from the register of holders maintained by the Registrar in the other stock exchange’s jurisdiction, to the register of holders maintained by the Registrar in Malaysia and vice versa provided that there must be no change in the ownership of such securities.”

“52. Transfers of Non-Depository Shares must be in any form which CA requires. If CA does not require a specific form, the transfer must be in the usual standard form, or another form approved by the Board. A transfer must be signed, or made effective in some other way, by or on behalf of the persons making and receiving the transfer.”

“53. The Depository may refuse to transfer any Deposited Share which does not comply with SICDA and DR. A shareholder can transfer some or all of their Non-Depository Shares unless the Constitution says otherwise.”

“54. The transfer for Non-Depository Shares must be delivered to the Registered Office or some other place which the Board decides. The transfer must have with it:

- 54.1. the share certificate for shares to be transferred;
- 54.2. any other evidence which the Board asks for to prove that the person wanting to make or receive the transfer is entitled to do this; and
- 54.3. if the transfer is executed by another person on behalf of the person making or receiving the transfer, evidence of the authority of that person to do so.”

“55. A transfer delivered under Clause 54:

- 55.1. cannot be in favour of more than four (4) joint holders; and
- 55.2. must be properly stamped to show payment of any applicable stamp duty.”

“56. The Board can refuse to register such a transfer delivered:

- 56.1. where the transfer breaches any law or regulation or licensing or requirement (of any jurisdiction) which applies to the Company or any of its subsidiaries or any entity in which any of them have an interest;
- 56.2. where the transfer is unlawful under Malaysian law; or

14. STATUTORY AND OTHER INFORMATION (cont'd)

56.3. the transfer relates to partly paid shares where a call has been made and is unpaid.”

“57. If the Board decides not to register a transfer of a share delivered under Clause 54, it must comply with Section 106 of CA.”

“58. If the Company registers a transfer delivered under Clause 54, it can keep the transfer. A transfer cannot be used to transfer more than 1 class of shares. Each class needs a separate transfer. No fee is payable to the Company for transferring Non-Depository Shares or registering changes relating to the ownership of any such shares.”

“59. The person making a transfer of Non-Depository Shares will continue to be treated as the shareholder until the name of the person to whom a share is being transferred to is entered into the ROM for that share.”

(d) Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

As at the date of this Prospectus, we have one (1) class of shares, being the Shares, all of which rank *pari passu* with one another. There are no special rights attached to our Shares.

Clause 17 and 18 – Classes of shares

“17. Where the Company has different classes of shares, the Constitution must say prominently:

17.1. that the Company’s share capital is divided into different classes of shares;

17.2. the voting rights attached to shares in each class;

17.3. any other rights attached to those shares;

17.4. any other things which Section 90 of CA requires.

Section 89(2) of CA applies.”

“18. The Constitution must set out the rights of shareholders attached to preference shares or shares convertible into preference shares. The rights which must be set out include shareholders’ rights on:

18.1. a repayment of capital;

18.2. participation in surplus assets and profits;

18.3. cumulative or non-cumulative dividends;

18.4. voting;

18.5. priority of payment of capital and dividend when compared to other shares or classes of preference shares.

Preference shares must give their holders the right to vote:

18.6. when any dividends remain unpaid for more than 6 months;

18.7. on a proposal to reduce the Company’s share capital;

14. STATUTORY AND OTHER INFORMATION (cont'd)

- 18.8. on a proposal to dispose of all of the Company's property, business and undertaking;
- 18.9. on a proposal that affects rights attached to the share;
- 18.10. on a proposal to wind up the Company; and
- 18.11. during the winding up of the Company.

Holders of preference shares must also be entitled to the same rights as a holder of an ordinary share in relation to receiving notices, reports and audited financial statements, and attending meetings. The Company may issue preference shares on terms that further preference shares may be issued which rank equally with or in priority to existing preference shares."

Clause 19 – Liability of members

- "19. The liability of each member is limited to the amount (if any) unpaid on the share held by that member."

Clause 20, 21, 22 and 23 – Shares and special rights

- "20. The parts of the Constitution about allotment, transfer or person who is automatically entitled to a share by law and all other matters which relate to shares apply to new shares in the same way as if they were existing shares."
- "21. The Company can issue new shares and attach any right and restriction to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company's profits or assets. Other rights and restrictions can also apply, for example, those relating to the right to vote."
- "22. The shareholders can decide on the rights and restrictions to be attached to new shares by passing an ordinary resolution. The Board can also take these decisions if the shareholders have not passed a resolution which covers the point. However, where different classes of shares result, Clause 17 also applies."
- "23. The Company may allot preference shares or convert any existing shares into preference shares. However, Clause 18 then applies."

Clause 24, 25 and 26 – Changing special rights of shares

- "24. If the Company's share capital is split into different classes of share, the special rights attached to any of these classes can be varied or withdrawn if the shareholders approve this by passing a special resolution. This must then be passed at a separate meeting of the holders of that class of shares, which is called a class meeting. Alternatively, the holders of at least 75% of the existing shares of the class (by voting rights) can give their written consent."
- "25. Unless required by the Laws, the parts of the Constitution which relate to General Meeting apply to a class meeting, but with these adjustments:
- 25.1. a holder of shares who is present in person or by proxy can demand a poll;

14. STATUTORY AND OTHER INFORMATION (cont'd)

25.2. on a poll, the holders of shares will have one (1) vote for every share of the class which they hold; and

25.3. the vote will be by poll if AMLR requires this.

This is subject to any special rights or restrictions which are attached to a class of shares by the Constitution, or any rights attached to shares in some other way under the Constitution.

A special resolution of the holders of the preference capital affected is required where preference capital is to be repaid (other than redeemable preference capital or any other alteration to preference shareholders' rights). However, where the majority for the special resolution is not obtained at a meeting, written consent given by holders of at least 75% of that preference capital within two (2) months of that meeting shall be as valid and effective as a special resolution passed at a meeting."

"26. Clauses 24 and 25 also apply if:

26.1. special rights of shares forming part of a class are varied or withdrawn. Each part of the class which is being treated differently is viewed as a separate class in applying this Clause; and

26.2. the new preference shares being issued are ranked equally with the existing preference shares. However, these Clauses do not apply if the terms of issue of existing preference shares or the Constitution allows those preference shares to be issued."

Clause 27 – More about special rights of shares

"27. Unless the terms of the existing shares say otherwise, the special rights of existing shares are not regarded as varied or withdrawn if:

27.1. new shares are created or issued which rank equally with or after any existing shares in payment of dividends or sharing in profits or assets of the Company;

27.2. the Company purchases its own shares (this includes purchases of any of these existing shares);

27.3. the Company redeems redeemable preference shares (this includes redeeming any of these existing shares); or

27.4. preference shares are issued which rank equally with or in priority to existing preference shares."

Clause 69, 70, 71, 72, 73, 74 and 75 – Calls

"69. The Board may decide to make calls on a shareholder in relation to money unpaid on their shares. Any call must comply with the terms of issue of those shares. A shareholder must pay the amount of each call in the way and at the time and place the Board decides. Calls may be made payable by instalments. Section 82(3) of CA shall not apply. AMLR apply, as required."

"70. A call is treated as made when the Board resolution authorising the call is passed. The call may be revoked by the Board at any time before the date on which payment of the call is due."

"71. If any amount (or part of it) payable on a call is not paid by the due date:

14. STATUTORY AND OTHER INFORMATION (cont'd)

- 71.1. the shareholder, required to pay that amount, shall pay interest on the unpaid amount from the due date to the date of payment. The Board shall decide, from time to time, on the rate of interest, which must not exceed the cap imposed by Section 82(7) of CA. The Board may waive all or any of the interest paid or payable;
- 71.2. the shareholder shall not be entitled, in relation to a share held by that shareholder, to vote in person (including, by a representative) or by proxy at a General Meeting or any meeting of a class of shareholders or to exercise any other rights given to a shareholder of such a share, if any call or other amount payable to the Company remains unpaid. The Board may waive all or any of these restrictions.”
- “72. An instalment shall be payable without the Board making a call and a notice of call being given where the terms of an issue of shares require payment on a fixed date. The provisions of the non-payment of calls, restrictions on voting and other shareholder rights in relation to non-payment of calls and other amounts and liens or charges apply to the instalments and the shares which relate to them.”
- “73. The Board may, if it thinks fit, receive from any shareholder all or any part of the monies uncalled and unpaid upon any share held by him, and upon all or any part of the monies so advanced may (until the same would but for such advance become presently payable) pay a return at such rate and terms as may be agreed by the Board and that shareholder. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right to participate in profits.”
- “74. A call is not invalid just because a notice of call is not received or that notice is accidentally not given.”
- “75. The joint holders of a share are jointly and severally liable to pay all calls and interest which arises from late or non-payment.”

Clause 76, 77, 78, 79 and 80 – Forfeiture

- “76. If a shareholder fails to pay any call or instalment of a call (this covers amounts payable by the terms of issue of a share as at a fixed date) by the day for payment, the Board may give a notice to the shareholder on forfeiture of the shares which relate to that call or instalment. That notice shall:
- 76.1. require that shareholder to pay the call or instalment and any interest payable and expenses of the Company which arise from the non-payment;
- 76.2. give a date by which payment is to be made; and
- 76.3. if payment is not made by that date, the shares which relate to that call or instalment are liable to be forfeited.
- The notice may be given at any time while any call, instalment or other payments referred to in this Clause 76 remain unpaid.”
- “77. If the shareholder does not comply with the notice given under Clause 76, any shares which relate to the notice may be forfeited by resolution of the Board passed at any time after the time given in the notice of payment. The forfeiture includes all dividends, interest and other money payable by the Company in relation to the forfeited shares and not actually paid before the forfeiture. They shall no longer be a shareholder in relation to those shares but remain liable to pay all money payable by them at the date of forfeiture which relates to the

14. STATUTORY AND OTHER INFORMATION (cont'd)

shares together with interest and expenses under Section 83(6) of CA. The Board may enforce the payment or waive all or any of such money paid or payable. A statutory declaration given under Section 83(7) of CA is conclusive evidence of the facts stated in the declaration against all persons claiming to be entitled to the share.”

“78. When a share is forfeited, notice of the resolution of the Board shall be given to the shareholder in whose name it stood immediately before the forfeiture. An entry of the forfeiture and date of forfeiture is to be made in the ROM if the share is a Non-Depository Share. If a Deposited Share, the requirements of the Laws must be complied with. The forfeiture is not invalidated by any failure to comply with anything in this Clause 78.”

“79. The Board may sell or dispose of the forfeited shares on such terms and in such a way as it deems fit. The proceeds of any such sale or disposal are to be applied:

79.1. firstly, to pay the expenses in relation to the forfeiture and the sale or disposal thereto;

79.2. next, to pay any unpaid calls, instalments and interest which relate to the forfeited shares;

79.3. and the remainder (if any) shall be paid to the person whose shares have been forfeited or to his executors, administrators or assignees or as he directs.

The Board may cancel the forfeiture of any share at any time before the sale or disposal of the forfeited shares.”

“80. A person who acquires a forfeited share under Clause 77 shall be entered in the ROM as a shareholder, if a Non-Depository Share or be recorded as a shareholder in accordance with the Laws, if a Deposited Share. That person’s title to that share shall not be affected by any irregularity or invalidity in the proceedings which relate to the share’s forfeiture, sale or disposal.”

[The rest of this page has been intentionally left blank]

14. STATUTORY AND OTHER INFORMATION (cont'd)

14.3 GENERAL INFORMATION

- (i) Save for the Directors' remuneration and benefits as disclosed in Section 5.2.5 of this Prospectus, there are no other amount or benefit paid or given within the past two (2) years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoters, Directors or substantial shareholders.
- (ii) Save for the SSAs dated 9 December 2022 pursuant to the Pre-Listing Exercise as disclosed in Section 6.4 of this Prospectus, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the procedures for application of our Shares are set out in Section 15 of this Prospectus.
- (iv) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares imposed by Malaysian law or by our Constitution.

14.4 LETTERS OF CONSENT

- (i) The written consent of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Corporate Financial Adviser, Company Secretaries, Solicitors, Internal Control Reviewer, Share Registrar and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of our Reporting Accountants and Auditors to the inclusion in this Prospectus of their names, Accountants' Report and letter relating to the pro forma combined statements of financial position and audit reports in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.
- (iii) The written consent of our Independent Market Researcher to the inclusion in this Prospectus of their name and the IMR Report in the form and context in which they are contained in this Prospectus, has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

14.5 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at 35, 1st Floor, Jalan Kelisa Emas 1, Taman Kelisa Emas, 13700 Seberang Jaya, Pulau Pinang, Malaysia during normal business hours for a period of six (6) months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the material contracts referred to in Section 6.6 of this Prospectus;
- (iii) the IMR Report as included in Section 8 of this Prospectus;
- (iv) the Accountants' Report as included in Section 12 of this Prospectus;
- (v) the Reporting Accountants' letter relating to the pro forma combined financial information as included in Section 13 of this Prospectus;

14. STATUTORY AND OTHER INFORMATION (cont'd)

- (vi) the letters of consent as referred to in Section 14.4 of this Prospectus;
- (vii) the audited financial statements of EPB Group for the Financial Years Under Review.

14.6 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in the Prospectus false or misleading.

Malacca Securities acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the IPO.

[The rest of this page has been intentionally left blank]

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 27 June 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 31 July 2024

Applications for the Public Issue Shares will open and close at the dates and times stated above. In the event there is any change to the dates and times stated above, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Any late Application will not be accepted.

15.2 METHODS OF APPLICATION

15.2.1 Public Issue

Application must be made in relation to and subject to the terms of this Prospectus and our Constitution. The submission of an Application Form does not necessarily mean that the application will be successful. You agree to be bound by our Constitution.

Types of Application

Applications by eligible Directors, key senior management personnel, employees and business associates (including any other persons who have contributed to our success)

Applications by the Malaysian Public: -

(a) Individuals

(b) Non-Individuals

Application Method

Pink Application Form only

White Application Form or Electronic Share Application or Internet Share Application

White Application Form only

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)**15.2.2 Private Placement**

Types of Application	Application Method
Applications by: -	
(a) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b) Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera investors approved by MITI may still apply for our Public Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY**15.3.1 General**

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts** will not be accepted for the Applications.

Only **ONE (1)** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 PUBLIC ISSUE SHARES OR MULTIPLES OF 100 PUBLIC ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO TEN (10) YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

AN APPLICANT WHO WISHES TO APPLY FOR IPO SHARES USING A JOINT BANK ACCOUNT SHOULD COMMUNICATE WITH THE FINANCIAL INSTITUTION IN CHARGE OF IPO APPLICATION TO PROVIDE THE MATCHING NAME IN THE JOINT BANK ACCOUNT AGAINST HIS/HER CDS ACCOUNT TO ISSUING HOUSE. THIS IS TO ENSURE THAT ISSUING HOUSE RECEIVES IPO APPLICATION WHERE THE NAME IN THE JOINT BANK ACCOUNT MATCHES AGAINST THE NAME IN THE CDS ACCOUNT AND TO MINIMIZE THE INCIDENT OF REJECTED IPO APPLICATION DUE TO "CDS ACCOUNT BELONGS TO OTHER PERSON". COMPANY, PRINCIPAL ADVISER AND ISSUING HOUSE ARE NOT RESPONSIBLE FOR ANY ISSUE ARISING THEREAFTER.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

15.3.2 Application by the Malaysian Public

You can only apply for our Public Issue Shares if you fulfill all of the following: -

- (i) you must be one (1) of the following: -
 - (a) a Malaysian citizen who is at least eighteen (18) years old as at the date of the application for our Public Issue Shares with a Malaysian address; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) you must not be a director or employee of the Issuing House, or an immediate family member of a director or employee of the Issuing House; and
- (iii) you must submit Applications by using only one (1) of the following methods: -
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15.3.3 Application by eligible Directors, key senior management personnel, employees and business associates (including any other persons who have contributed to the success of our Group)

The eligible Directors, key senior management personnel, employees and business associates (including any other persons who have contributed to our success) will be provided with Pink Application Forms and letters by us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated Issue Shares. Applicants must follow the notes and instructions in the said documents and where relevant, in this Prospectus.

The eligible Directors, key senior management personnel, employees and business associates (including any other persons who have contributed to our success) may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, Issuing House, Malacca Securities, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

15.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Applications Form or which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.56 for each Public Issue Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 641**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (*cont'd*)

Please refer to the detailed procedures and terms and conditions as set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

Each completed Application Form, accompanied by the appropriate remittance and clear photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address: -

Malaysian Issuing House Sdn. Bhd.
(Registration No. 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.

so as to arrive not later than 5.00 p.m. on 31 July 2024 or by such other time and date specified in any change to the date or time for closing. We will not accept any late Application.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

Please refer to the detailed procedures and terms and conditions as set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our Public Issue Shares by way of Electronic Share Application made available to the Malaysian Public.

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the respective Participating Financial Institution.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (*cont'd*)

Please refer to the detailed procedures and terms and conditions of Electronic Share Application set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our Public Issue Shares made available to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Malaysia Sdn. Bhd. (*formerly known as CGS-CIMB Securities Sdn. Bhd.*), Malacca Securities Sdn. Bhd., Malayan Banking Berhad, Moomoo Securities Malaysia Sdn. Bhd. and Public Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Internet Share Application.

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Internet Share Application and the exact procedures as set out on the internet financial services website of the Internet Participating Financial Institution before making an Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institution.

Please refer to the detailed procedures and terms and conditions of Internet Share Application set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to: -

- (i) reject Applications which: -
 - do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - are illegible, incomplete or inaccurate; or
 - are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without assigning any reason therefor; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest or any share of revenue or benefit arising therefrom), in accordance with Section 15.9 below.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

If you are successful in your application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within fourteen (14) days of the date of the notice issued to you to ascertain that your application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of distributing our Public Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market in the trading of our Shares.

The basis of allocation of Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at www.mih.com.my within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's enlarged issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon completion of this IPO and at the time of Listing. We expect to achieve this at the point of Listing. In the event that the above requirement is not met, we may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest or any share of revenue or benefit arising therefrom).

In the event of an under-subscription of Public Issue Shares by the Malaysian Public, subject to the underwriting arrangement and reallocation as set out in Section 4.3.3 of this Prospectus, any of the abovementioned Public Issue Shares not applied for will then be fully subscribed by our Underwriter based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

Application monies in respect of the unsuccessful/partially successful applicants will be refunded without interest or any share of revenue or benefit arising therefrom in the following manner: -

15.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary post to your address maintained at Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot if you have not provided such bank account information to Bursa Depository at your own risk.
- (ii) If your application was rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (iii) A number of Applications will be reserved to replace any successfully balloted Applications which are subsequently rejected. The Application monies relating to these Applications which were subsequently rejected or unsuccessful or only partly successful will be refunded (without interest or any share of revenue or benefit arising therefrom) by the Issuing House as per item (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank in all Application monies from unsuccessful Applicants. These monies will be refunded within ten (10) Market Days from the date of the final ballot by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary/registered post to your address maintained at Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest or any share of revenue or benefit arising therefrom into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting day.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications which are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (10) Market Days from the balloting date. For applications that are held in reserve and are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (iv) For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Issuing House shall inform the relevant Participating Financial Institutions of the unsuccessful or partly successful Applications within two (2) Market Days after the final balloting date. The Internet Participating Financial Institutions will then credit the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) into your account within two (2) Market Days after the receipt of written confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application: -

- (i) Our Public Issue Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at the address last maintained with the Bursa Depository, at your own risk, before the Listing. This is your only acknowledgement of acceptance of the application.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed the shares as Prescribed Securities. As such, the Public Issue Shares issued/offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows: -

Mode of application	Parties to direct the enquiries
Application Forms	Issuing House Enquiry Services at telephone no. 603-7890 4700
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of Public Issue Shares derived from successful balloting will be made available to the public at the Issuing House's website at www.mih.com.my, **one (1) Market Day** after the balloting date.

You may also check the status of your Application, **five (5) Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

[The rest of this page has been intentionally left blank]